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Political and Social Change Monograph No 14

DOIMOI

**VIETNAM'S RENOVATION
POLICY AND PERFORMANCE**

**Edited by
Dean Forbes
Terence H. Hull
David G. Marr
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Department of Political and Social Change
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Canberra

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Preface

The social and economic currents of Vietnam are in a state of flux. In the second half of the 1980s the pace of change accelerated faster than most could imagine. *Doi moi*—meaning renovation or renewal—was the slogan coined by Vietnamese leaders and disseminated after the decisive Sixth Communist Party Congress in 1986.

Doi moi was built upon the foundations set in the early 1980s when contract production in agriculture and an increased tolerance towards the private sector were phased in. It provided an expression for an evolving, wide-ranging series of changes concerning finance, state enterprises, foreign investment, trade, housing, education, health and family planning, and the mass media.

As a result, the feel of urban and rural Vietnam has changed significantly. Nowhere can this be better appreciated than in the streets of cities such as Hanoi. Where once commerce was restricted to a few government owned shops and department stores, now small 'informal sector' enterprises flourish, crowding the pavements and roadsides. The rural areas also are taking on a new appearance. Extra cash income generated by the new household production responsibility system of agriculture and the legitimization of private sales has stimulated a rural housing boom in those regions with access to urban consumer markets. It is now easier for family members to move around, seek opportunities, make new contacts.

By the standards of reform prevailing in socialist societies in 1986, *doi moi* was quite innovative. Hanoi's leaders showed themselves substantially less reluctant to dismantle the command economy and to accept the risks of the market place than any other group of communists in power except perhaps those in Beijing. Politically, they seemed less inclined to worry about domestic dissent than the Chinese leadership, at least until the dramatic upheavals in eastern Europe and the Tiananmen massacre. Profoundly shaken by those events, and again by disintegration of the Soviet Union, the Central Committee of the Vietnam Communist Party (VCP) has reasserted restrictions on political expression while continuing to adhere to a reformist economic strategy. Vietnam's leaders appreciate that transformations in the economy must eventually

bring transformation in the political system, but they wish to control the pace and direction of that change. They have found kindred souls in Beijing, which largely accounts for the dramatic improvement in relations between Vietnam and China. Whether either group can maintain such control over the destinies of their respective countries remains to be seen.

For scholars and academics long dependant on foreign broadcasts, infrequent access to contrived statistics and a trickle of first-hand accounts, *doi moi* has opened exciting opportunities. In recent years travel to Vietnam has become much easier, and there are fewer restrictions on undertaking research activities either of a scholarly or a practical kind, in urban and rural areas. Also, Vietnamese are better able to travel overseas, and speak frankly about the changes occurring within their society.

It was in this environment that the Research School of Pacific Studies at the Australian National University held a conference in September 1990 to examine the changing social, economic and political circumstances prevailing in Vietnam. It was originally conceived as a small affair, bringing together invited Vietnamese contributors and the small community of researchers in Australia interested in Vietnam. In the event over 160 people attended, signalling a much greater interest in the domestic affairs of Vietnam than any of us had anticipated. This volume draws together the revised papers from that conference.

The Conference was supported financially by the Australian International Development Assistance Bureau (AIDAB) and the Australian Development Studies Network, while the Australian Embassy in Hanoi facilitated getting Vietnamese participants to Canberra for the meeting, no easy task considering the difficulties of communications that existed between the two countries at the time. The visitors program of the Department of Foreign Affairs and Trade arranged for several key Vietnamese policy-makers to come to Australia at the time of the conference, thus allowing them to participate in the meeting.

At the ANU, the Research School of Pacific Studies, the Departments of Human Geography, Political and Social Change, and Pacific and Southeast Asian History, and the National Centre

for Development Studies all made contributions of financial and other resources to ensure the success of the meeting.

In addition to institutional support, the editors wish to express their appreciation to a number of individuals, without whose help neither conference nor book would have eventuated. Sandra Davenport assisted in both organization of the conference and preparation of the papers for this volume with professional finesse and good humour. Norah Forster and Konstantin Probst copy-edited several of the papers. Bev Fraser skillfully typed and formatted the chapters and Christine Tabart helped with the initial preparation of papers on computer. Alex Bellis greatly assisted the organizers in preparing materials for participants and in the preliminary editing of the papers.

The situation in Vietnam remains dynamic: no set of conference proceedings can possibly track all the changes. Nevertheless, we believe this volume makes a worthwhile contribution to the study of contemporary Vietnam. As the papers indicate, Southeast Asia's second most populous country is rapidly shaking off the difficulties of a sad and violent past, embarking on a road to rapid development and prosperity. The journey has just begun yet *doi moi* offers an exciting first step on the road to reform.

Dean Forbes, Terry Hull, David Marr, Brian Brogan
Canberra, December 1991.

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Glossary

AFP	Agence France Press
APEC	Asia Pacific Economic Cooperation group
ASEAN	Association of South East Asian Nations
AWSJ	Asian Wall Street Journal
CBR	Crude Birth Rate. Births per 1000 population
CCME	Central Committee for Mothers and Children
CCSC	Central Census Steering Committee
CDR	Crude Death Rate. Deaths per 1000 population
CKD	completely knocked down
CMEA	Council for Mutual Economic Assistance
CPE	Centrally Planned Economy
CPI	Consumer Price Index
CPV	Communist Party of Vietnam
<i>doi moi</i>	Vietnamese term meaning renovation or renewal
DRV	Democratic Republic of Vietnam
FBIS	Foreign Broadcasts Information Service
FEER	Far East Economic Review
FP	Family Planning
GBE	General Basic Education
GNP	Gross National Product,
GSO	General Statistical Office
GVO	Gross Value of Output
IMF	International Monetary Fund

IUD	Intrauterine device
JPRS	Joint Publishers Research Service
MCH	Maternal Child Health
MMR	Maternal Mortality Rate
NCPFP	National Committee for Population and Family Planning
NEP	New Economic Plan
NGO	Non-Government Organization
NI	Natural increase of population
NICs	newly industrialized countries
NIEs	new industrializing economies
NIS	National Institute of Statistics
NGTK	<i>Nien Giam Thong Ke</i> (Statistical Yearbook)
NLF	National Liberation Front
ODP	Orderly Departure Program
ORT	oral rehydration therapy
r	Growth Rate of Population (per cent)
RVN	Republic of Vietnam
SRV	Socialist Republic of Vietnam
SLTK	<i>So Lieu Thong Ke</i>
SWB	Summary of World Broadcasts
TFR	Total Fertility Rate
UNFPA	United Nations Population Fund
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
VCP	Vietnam Communist Party

<i>Viet Kieu</i>	Vietnamese term for 'Overseas Vietnamese'
VNA	Vietnam News Agency
VPSU	Vinh Phu Service Union
VWP	Vietnam Workers' Party

AUSTRALIA, VIETNAM AND THE REGION

Gareth Evans

To a casual third country observer, it may not be immediately obvious why Vietnam should be as significant to Australia as it is. We have no common heritage. While in the same region, we are not neighbours. We have only recently sought to engage in commerce in a serious way. Yet for more than three decades Vietnam has been the catalyst for a large part of our foreign policy energies. For many of my generation the war in Vietnam was a searing introduction to the complexities of foreign policy. Then as now, our approach towards Indo-China has been central to our dealings with other countries in our region and has affected the perspectives of others about the sort of country we are. And it has contributed significantly to the process by which Australia has been able to develop its own sense of self within the region.

Vietnam did not feature prominently in Australian thinking before the Vietnam War. Like many others, we watched the French lose Indo-China with alarm. Vietminh control of North Vietnam following on from the 'loss' of China worried us lest a red tide surge through Asia. We joined with others in the South East Asia Treaty Organisation and prepared ourselves to resist. Then we fought in Vietnam, as part of a crusade against an enemy the actual nature of whose objectives we failed sufficiently to understand. As I said in the 1989 Beanland Lecture:

A better understanding of Vietnam and its history would have led us to the view that, while undoubtedly a man deeply committed to the cause of international communism, Ho Chi Minh was not a Chinese puppet playing out some scripted drama for the extension of Chinese communism through all of South East Asia and beyond. Had we known

more of Vietnam we might have seen more grey and less red.
It was a costly ignorance.

By the end of the War, Australia had entangled itself in Asian affairs in a way which had tested the fabric of our own society but which had also accelerated the beginning of some sense of belonging to the region. And because Vietnam had caused our identification of a common cause with the United States to be questioned, we increasingly came to examine Asia more from our own regional standpoint and on the basis of our own appreciation of our own interests.

We have not of course been physically involved in what historians may well term the Third Indo-China War—the complex of events which, after the fall of Saigon in 1975, flowed from Vietnam-Cambodia hostilities and the Sino-Vietnamese rift, and which tends to be encapsulated in the expression ‘the Cambodian issue’. But that war has been an essential focus of our own regional diplomacy and that of others for over a decade. The three major powers—China, the Soviet Union and the United States—have had a significant stake in the issue. It has been a major cause for difference in Sino-Soviet and US-Soviet relations. It has separated Indo-China from ASEAN. The policy of others on the Cambodian issue—including of course Australia—has been the subject of minute scrutiny by the parties principal and has to some extent been the touchstone of how we and others have been perceived in the region.

And if we have sometimes been seen as almost too involved in Indo-China issues, it has been because we have compelling interests in Vietnam and the rest of Indo-China.

- Indo-China is in a region which has been a source of instability in an area of strategic importance to Australia: in this sense alone, our pursuit of a settlement in Cambodia has been far from some exotic whim.
- We also have an interest in a trading and investment partnership with Vietnam as its economy develops: ultimately Vietnam could become not only a valuable bilateral partner but a valuable regional player in the Asia Pacific Economic Cooperation (APEC) grouping.
- We have a humanitarian interest in Vietnam and the Vietnamese: most Australians would genuinely like to see a

more prosperous and settled Vietnam and the Vietnamese people having greater freedom with which to enjoy that prosperity.

- And we also have an interest in people ceasing to try to leave Vietnam illegally. While we accept that conditions there are difficult and often miserable, the flow of boat people has often resulted in more misery as countries of first asylum and countries of resettlement have had to balance humanitarian imperatives against the need to discourage a greater outflow, largely for economic reasons, from Vietnam.

But our interests in Vietnam and Indo-China go further still. Our policy towards Vietnam has had an indirect, but important, effect on our relations with other regional countries, such as those of ASEAN. How we act towards Vietnam has affected the way we have been perceived in the region. Thus our relationship with Vietnam has assumed a significance greater than the sum of the elements of our relationship with Vietnam seen in isolation:

- In the 1960s and early 1970s our role in Vietnam meant that we were seen in the region primarily as an ally of the United States preoccupied by military security.
- Later, we were seen as a country prepared to differ in some measure from expressed conventional wisdom on Vietnam (for example, on the desirability of isolating Vietnam and declining to recognize the Coalition Government in Cambodia because it included the Khmer Rouge). In this process we received a certain amount of disapproval from regional friends.
- Most recently, we have increasingly been accepted as a country with genuine security interests in Indo-China which has been able to play a constructive role in the search for a comprehensive settlement of the Cambodian issue.

Our diverse approaches towards Vietnam and Indo-China have been shaped by our perceptions at any particular time of our interests in the area—security, economic and so on. We fought in Vietnam because, like the Americans, the Government of the day saw our involvement as necessary to contain envisaged communist expansion; another element was of course our enthusiasm to bank credit points with the US for drawdown at some future time of need. Later we

regarded the isolation of Vietnam as only likely to make it more dependent on the Soviet Union, a situation in fact contrary to our security interests. Our approach therefore came to diverge somewhat from most of our neighbours and allies, although we accepted that their interests needed fully to be reflected in our policy.

Now, as a political settlement to the Third Indo-China War becomes a real possibility, the potential mutual benefits of Vietnam achieving normalisation in its relations with others in the region should begin to be realized—not only in terms of an enhanced sense of security, but in terms of accelerated regional economic development and intra-regional commerce. And with increasing prosperity, the flow of boat people from Vietnam—a longstanding source of tension in the region—should diminish.

The process of integrating Vietnam into the region is one which is very much in Australia's interest and one which we will vigorously pursue. It is a process for which we are particularly well equipped with a Vietnamese diaspora in Australia of over 130,000 people, who, as old memories gradually disappear, can help build Australian ties with an emergent Vietnam.

It is of course easier to talk in convenient phrases of 'integration into the region' and 'end to isolation' and so on than to chart with accuracy the sort of role within the region which Vietnam might assume. It has to be said that that will not be an easy task: there are a number of aspects of Vietnam's current situation which weaken its capacity effectively to integrate into the region.

First, even although South Vietnam was the recipient of enormous quantities of American investment until 1975, Vietnam has been at war since 1940—albeit with lulls in the late 1940s and 1950s. Indo-China as a whole is probably a generation behind most ASEAN countries in developmental terms. The per capita GNP in Vietnam is of the order of \$US175 compared, for example, with Thailand's per capita GNP of \$US1,190. Thus, relative to most of its neighbours, Vietnam has a very long way to go.

Moreover, in the North since 1954 and in the whole country since 1975, Vietnam has suffered from the inefficiencies inherent in a centralized system based on high subsidisation and inefficient allocation of limited resources. The Northern post-war leadership were largely warrior politicians who had risen to the top of their system through their capacity to prosecute a war rather than because of any experience in governing a peacetime economy—let

alone in how to integrate the widely different economic systems which obtained in the North and the South. And that problem of integration was exacerbated by the fact that many of the skilled economic managers in the South left or were detained in 1975. Moreover, there was a frustrating incompatibility of plant and equipment: one half of the country had been trained and supplied by the Soviet Union and China. The other half had been dependent on the United States.

The Vietnamese economy has had scant opportunities offered to it by the West or by its neighbours since 1975. The application of the United States Trading with the Enemy Act to Vietnam effectively amounted to a United States commercial blockade of Vietnam. But the United States was also instrumental in blocking loans to Vietnam by the international financial institutions such as the World Bank and the Asian Development Bank. Principally because of Vietnam's intervention in Cambodia, most Western countries and Japan do not have development assistance programs with Vietnam. Quite apart from these difficulties, Vietnam has suffered from all the problems inherent in a command economy seeking to trade effectively with Western free enterprise economies, and has been heavily reliant on Council for Mutual Economic Assistance (CMEA) trading partners.

Moreover, while in the last two or three years the West has been taking a closer look at trading opportunities with Vietnam, Vietnam has been receiving less from CMEA countries than hitherto. The Soviet Union has cut back its aid and recent events in Eastern Europe have resulted in a reduction in the number of Vietnamese workers in Eastern Europe, so aggravating economic problems in Vietnam by increasing unemployment and reducing remittances.

These economic restraints on Vietnamese growth have, since 1954 in the North and 1975 in the South, been matched by a Marxist/Leninist political system, the restrictive aspects of which have impeded any real sense of political commonality between Vietnam and most of its neighbours—tending to instil a sense of otherness about Vietnam and compounding regional fears about its intentions. The rigidity of the Vietnamese system has been placed in starker relief as Vietnam's Soviet and East European allies have pursued their own revolutions towards liberalism.

All this said, there are a number of factors both internal and external which could accelerate Vietnamese economic growth and enable it to play a significant regional role.

Vietnam is a strategically located, resource rich country of 67 million people with a certain demonstrated capacity to organize and see things through. The Vietnamese are a diligent and capable people who want to live better. There is a high standard of literacy and people are eager to learn: visitors to Hanoi will recall the sight of students reading textbooks for long periods under inadequate street lighting. The country has significant natural resources: coal, seafood, coffee, oil. For the first time in decades, Vietnam has had a surplus of rice production and was able to export approximately 1 million tonnes in 1989. There is also no doubt that Vietnam has the potential to rapidly develop as a major tourist destination—with its rich traditional culture, striking landscape, and a modern history which has touched the lives or captured the imagination of people in many countries around the world.

Moreover, the Vietnamese leadership has over the last decade embarked on a gradual process of economic reform. The Sixth Plenum of the Fourth Party Congress in 1979 recognized that fundamental reforms to the socialist economic system were inevitable. The Plenum legitimized some private production and began a process of dismantling the agricultural collectives.

Since the Sixth Party Congress in December 1986, the Vietnamese Government has gone a lot further through its adoption of the economic reform program known as *doi moi*, or 'renovation'—the subject of this seminar. *Doi moi* was designed to rectify the inefficiencies of the State industrial sector, to streamline the development of the non-state agricultural sector and to free the economy to respond to market forces. It was particularly intended to encourage foreign investment. It sought to reduce the role of the State bureaucracy in the system and to remove many of the constraints on the operation of private enterprise in Vietnam.

Substantial results from the *doi moi* initiatives, have included:

- the introduction, in December 1987, of a Foreign Investment Law;
- a measure of autonomy for some State-run economic establishments and an increase in non-government economic enterprises;
- increased agricultural production;

- the introduction of a rationalized import-export policy intended to encourage exports and discourage imports of consumer goods; and
- bank interest rates were raised in a successful attempt to encourage private savings and reduce bank cash flow problems.

While *doi moi* represents a recognition of the economic realities facing Vietnam, there remains much to be done to establish firmly the renovation process, and to secure a pattern of stable economic growth which will meet the aspirations of the Vietnamese and allow Vietnam to take its place in the regional economy.

There has under *doi moi* been a measure also of political reform. But while political statements and resolutions since the Sixth Party Congress have consistently reaffirmed the importance of political reform, greater emphasis has, at least until very recently, been placed on the necessity of preserving ideological principles and the primacy of the party system. The Vietnamese leadership refers to the need for political stability to provide a framework for economic reform. The disinclination to accord political reform the same weight as economic reform was in part a reflection of the Vietnamese nervousness over the events in Eastern Europe.

So far the Vietnamese Government has resisted or effectively diverted the kind of pressure for political reform which existed in China. However, the process of *doi moi* can only succeed if economic reform is accompanied by some liberalisation of political activity. Inevitably, increased contact and interaction with non-socialist nations through developing trade and investment relationships cannot help but change the political perceptions and expectations of many Vietnamese. And even within Vietnam, there must be doubt about whether devolution of economic decision-making can be made to work effectively in the absence of a similar process taking place politically and socially. It would be a matter for extreme regret if, at a time when Vietnam was seeking to improve its regional links, it were to engage in the sort of political repression which occurred in China. This is not immediately in prospect, but were it to take place, many of the gains made by Vietnamese diplomacy in recent years would disappear.

The signals on political change in Vietnam are at present mixed. Over the past year or so, more conservative elements have appeared to be in the ascendant in the face of pressures for change. Yet there

are straws in the wind which could suggest that the leadership may be beginning to adopt a less ideological approach to government. For example, the speech of then Prime Minister Do Muoi on Vietnam's National Day in 1990 was notable for its absence of rhetoric. Vietnam might work towards a more pluralistic and less rigid system of government. I doubt that such a shift would be radical or rapid or that the current leadership would be prepared to discard the ideology which has sustained it for years. But there may be some measure of rethinking going on. If it is, we applaud it.

Along with what is happening and what has the potential to happen inside Vietnam, the changes in Vietnam's external environment suggest a significant shift in the disposition of others to accept it.

This is not the forum in which to retrace in any detail the arguments on whether or not Vietnam's intervention in Cambodia merited the response it received from China, ASEAN and the West. Governed by men who had taken the South in less than two months and Cambodia in two weeks, Vietnam infuriated its erstwhile mentor, China, and its former enemy, the United States. It caused grave concern amongst ASEAN, particularly Thailand. The problem for Vietnam was that, whatever the effect of its invasion might have been in saving the Cambodian people from the genocidal regime of Pol Pot, it was in manifest breach of the most fundamental of all international relations principles, that of non-intervention: it was just impossible for any Australian or like-minded government to pursue a normal, let alone expanding, relationship with Vietnam in these circumstances. This opposition to Vietnam was only likely to dissipate with the perception that Vietnam no longer posed a security threat to its neighbours, and that the government in Phnom Penh reflected the will of the Cambodian people rather than that of Hanoi.

Since 1989, Vietnam has taken considerable steps to break the long-standing impasse on Cambodia, in particular with its withdrawal of all formal military units from the country. Although the momentum slowed again considerably in the first half of 1990, with the Vietnamese Government being frustratingly unwilling to go the extra distance needed to bed down a comprehensive settlement, in the weeks before this Conference there has once again been an evident willingness to encourage Phnom Penh to come aboard the settlement plan, based on Australia's proposals, now agreed by the Permanent Five members of the UN. If through the remaining end-

game of the settlement process Vietnam continues to play a positive and constructive role, it will immeasurably strengthen its relationships with the region and the wider world.

Commensurate with the progress that Vietnam has made on Cambodia recently, there are indications that significant progress is being made in Vietnam's relations with China. The two issues are not of course unconnected: a significant reason for the existence and continuation of the Cambodian problem has been Sino-Vietnamese tension and vice versa. Although the two countries still remain apart, the rapid acceleration of discussions between them over recent months gives many grounds for optimism. If the recent progress on Cambodia holds, relations with China should improve rapidly.

It is also noteworthy that Vietnam responded positively to the United States decision, announced in July 1990, to open a dialogue with Vietnam on Cambodia. Two meetings have now been held, together with some other direct contact in the context of the recent Jakarta meeting, and the results have been encouraging. Once again the nature and speed of the progress towards normalisation of the United States/Vietnam relationship will undoubtedly depend on how quickly a comprehensive Cambodian settlement is achieved.

As I have said, this Australian Government has long believed that Vietnam's isolation is undesirable and that it was in the interests of regional stability—and therefore Australia's security—that a solution to the problems which prevented normalisation between Vietnam and the rest of the region be found. It also seems ironic and unnecessary that at a time when Vietnam's ally, the Soviet Union, is rapidly and comprehensively repairing its relations with the West, Vietnam should somehow still be seen as part of the Evil Empire. Given the preoccupation of the Vietnamese leadership since the Second World War with security, it is understandable that shifts in policy do not come easily when they have the potential to impinge on that leadership's concept of security requirements. Ultimately however it is in Vietnam's interest to appreciate that security depends not only on military strength and on military alliances, but on a multidimensional approach involving a whole network of links with the region—political, commercial, cultural and developmental. If such links can be constructed, the greater will be mutual confidence and the better will be the long term prospects for Vietnam's genuine security.

Our bilateral dealings with Vietnam have, I hope, in some measure reduced Vietnam's isolation. We have not entered into a

bilateral development assistance program with Vietnam pending resolution of the Cambodian conflict. However, we have helped meet the basic humanitarian needs of the Vietnamese in the areas of health, agriculture and education by channelling assistance through Australian NGOs and multilateral organisations: to the extent of \$21.2 million in 1988-89 and \$16.8 million last financial year.

We have also taken a number of steps to develop the trade and investment aspect of our relationship with Vietnam. In June 1990, Senator Button visited Vietnam as leader of a high level Trade Mission and signed during that visit an Agreement on Trade and Economic Cooperation with Vietnam. We have also undertaken to negotiate an Investment Protection Agreement and Double Taxation Agreement. Australian companies—in particular OTC—already have a conspicuous presence on the ground, and everyone acknowledges that the potential for rapid expansion of that presence is immense.

It is now not only possible, but likely, that Vietnam is on the verge of a new era in its dealings with the region and with Australia. The political and security factors which have impinged on Vietnam's capacity to deal normally with its regional neighbours are changing. Vietnamese leaders are moving gradually away from the demonstrated inadequacies of a centralized planned economy and have made some progress in according greater political freedoms to their people.

It is becoming a truism to state that the world as we know it has changed irreversibly in the last couple of years. The ideological bipolarity which shaped the strategic thinking of most countries for a generation and a half, and which shaped the destiny of Vietnam far more than most countries, has gone. We all need to adjust to these changes. And because Vietnam's destiny was so moulded by the rules of the old world, it may find the process of adjustment all the harder. It is in its interests to try.

On a previous occasion I noted, in the context of the Cambodia issue, that Indo-China has been the graveyard of many delusions, and must not be allowed to become the cemetery of peace. I can now be more positive. If Vietnam and Indo-China can now attain and nurture peace, the natural dynamism of South East Asia will be immeasurably stimulated and Vietnam will achieve its long struggled-for goal of true security and independence.

With the continued flow of people, ideas and commerce between Vietnam and the rest of the region, its true potential should at last

be realized. In that process, our own bilateral relationship with Vietnam should at last begin to bear fruit. For over a generation, the nature of our relationship with Vietnam has been an issue of contention, both at home and in our dealings with others in the region. It is our hope and expectation that during the 1990s the relationship will no longer be an issue of contention. And it is our further hope that because we have been prepared to persevere and have been willing to recognize the need to work towards Vietnam's acceptance in our region, that our relationship will evolve at last into a true and durable and highly mutually beneficial partnership between us.

WHERE IS VIETNAM COMING FROM?

David G. Marr

It is not my intention to provide a history lesson. I still remember when Foreign Minister Nguyen Co Thach, visiting the ANU in March 1984, was asked by an unwitting Australian academic to explain the Sino-Vietnamese conflict. There followed a forty-minute lecture on Chinese perfidy, beginning in the second century BC, and marching us through Han, Sung, Yuan, Ming, Ch'ing, Kuomintang and Chinese Communist alleged attempts to extinguish Vietnam.

History can be used many ways. All the same, those wishing to understand current Vietnamese policies and performance would do well to study the past, not just the last ten or twenty years, but daring to go back further. Take the problem of bureaucracy. Nineteenth century Vietnamese rulers borrowed Chinese official procedures and norms enthusiastically. French colonial administrators, equipped with their own unique brand of paper-shuffling, found the Vietnamese élite to be quick learners. In the 1950s, leaders of the Democratic Republic of Vietnam (DRV) regarded Moscow as the font of all wisdom concerning government organization. As a result, in Hanoi even today one can see layer upon layer of bureaucratic influence, from Chinese Neo-Confucian to French Third Republic to Soviet Stalinist.

We may all hope devoutly that *doi moi* means dramatic administrative simplification, yet a foreign businessman wishing to succeed in Vietnam will ignore those bureaucratic legacies at considerable peril. The number of non-producing desk jockeys who consume agricultural surpluses is perhaps twenty times higher now than it was under the French colonial rulers. Each time a plan to cut back government personnel is announced in Hanoi, farmers comment sarcastically about likely increases, and they have not always been wrong.

On the other hand, Vietnam also possesses a long and vibrant entrepreneurial tradition, largely unknown to those who focus on the past few decades. During the thousand years of Chinese rule to the 10th century A.D., a thriving city-port in the Red River delta serviced a hinterland extending beyond present-day Canton and Hong Kong. In subsequent centuries several ports along the northern and central Vietnamese coast attracted ships from as far away as Japan and India. A group of scholars at Adelaide University, headed by Dr Peter Burns, is investigating the extensive production of ceramics for export from Vietnam in the fourteenth to seventeenth centuries.

In the seventeenth century, the port of Hoi An (or Faifo), just below current Da Nang, became famous throughout east and southeast Asia. Some of the commercial reports of Portuguese, Dutch and Chinese merchants would be comprehensible immediately to Australian and other businessmen today. For example, in the 1770s a Cantonese trader named Chen compiled a detailed list of commodity prices. While certain items may not make it big in Sydney or Osaka today (e.g. betel, snails, rhinoceros horn,awksbill turtle), others remain in demand if the price is right (pepper, hardwood, dried shrimp, silk). Mr Chen also noted all sorts of foreign imports in the Hoi An marketplace, leading him to summarize: 'The goods here are so abundant that even a hundred big ships cannot carry them out. [...] Everyone got what he or she wanted.'

Vietnamese cities never grew to the size of cities in China or Japan, but they were quite respectable by Southeast Asian standards. A variety of crafts developed to service both the needs of the agricultural hinterland and the luxury requirements of the ruling élite. Visitors to Hanoi today can still see the legacy of this artisan specialization in the street names of the older section of town. Mining of gold, silver, zinc and tin thrived in the hills of northern Vietnam. Coins were employed extensively, although bartering remained significant at the village level.

During the French colonial period (1861-1945), many Vietnamese artisan groups were eliminated by imports from Marseille or Lyon, and the French prevented any new industry from emerging which might pose competition for companies at home. The immigration of Chinese to Indochina was encouraged, partly because it was easier for the French to control them as a minority than to allow Vietnamese to gain substantial footholds in

wholesaling, retailing and money-lending. When Vietnamese migrated to Cambodia or Laos, they proved quite adept at these commercial skills.

French Indochina enjoyed an economic heyday of only about seven years duration, from 1922 to 1929. Before that, investment levels were insufficient. After that, the Great Depression and then World War II wreaked havoc. Nonetheless, some achievements were scored during the colonial period, for example in expanded rice cultivation, coal mining and rubber production. Local textile factories, cement plants and repair facilities emerged. Indochina possessed a reasonable infrastructure: railroads, roads, canals, harbor facilities, post, telegram and telephone, urban water, power and sewer systems. Given a peaceful transition to independence, Vietnam would have been able to work from that base to a position of economic substance in Asia, perhaps only behind Japan and China.

Of course it was not to be. Vietnam instead was bathed in blood, families torn apart, millions of people displaced, infrastructure destroyed, forests defoliated. French and then American armies tried to turn back the clock. Revolution and war fed upon each other. Between 1945 and 1975 the most important question was: Who is a patriot and who a traitor? The fate of whole villages and districts hinged on the answer. It was a time for political exhortation, mass mobilization, security paranoia, revenge. There were incredible feats of heroism, self-sacrifice and perseverance, but also plenty of pettiness, war-profiteering and political empire-building. The South Vietnamese economy became heavily dependent on food and consumer goods injections courtesy of the US taxpayer (yet often benefiting Japanese and Singapore companies), while in the North imports from the Soviet Union and China played a similar role.

From the late 1920s, Marxism-Leninism captured the imagination of many Vietnamese intellectuals. It offered renewed moral certainty, a sense of being in the international vanguard, a methodology for attacking French colonialism, and a conviction that Vietnam could bypass capitalism and advance directly to socialism. When this was mixed in the early 1940s with ancient ethnic symbolism and modern nation-state imagery, the combination was explosive. Not only intellectuals but also peasants, workers and shopkeepers were swept up by the revolutionary fervor of August 1945 and the subsequent anti-French

resistance, climaxing in the 1954 victory at Dien Bien Phu. Ho Chi Minh personified this struggle. As both a dedicated proletarian internationalist and a Vietnamese patriot, he also led the later Vietnam Workers' Party effort to simultaneously build socialism in the North and liberate the South.

Unfortunately Ho Chi Minh knew very little about economics, and few if any of the other members of the Party Political Bureau were better equipped. There was a facile assumption that politics was in charge, an anti-materialist attitude which Karl Marx would have rejected out of hand. It seemed quite sufficient to rely on models from Moscow and Beijing, which led Hanoi's leaders to adopt what Adam Fforde and Suzanne Paine have labelled the 'neo-Stalinist development strategy', characterized by draconian efforts to secure central control over economic surpluses, and then to concentrate those resources on rapid, forced expansion of industry. Fforde and Paine have also shown that the disastrous implications of this strategy were apparent before the end of the First Five Year Plan initiated in 1961, leading to what they call an 'aggravated shortage economy' (Fforde and Paine, 1987). However, any serious discussion among Vietnamese economists of these problems seems to have been quashed by the onset of American bombing of the North and growing DRV military commitments in the South. The DRV was able to see its way through to the end of the war in 1975 by a combination of patriotic exhortation, aid from the CMEA countries and China, and utilization of security forces to prevent non-plan, 'outside economic' activities from growing beyond a certain point.

With the advent of peace in 1975, ageing members of the Political Bureau revived their dreams of rapid forced industrialization. Grandiose plans proliferated. Having beaten the French and then the Americans, leaders believed Vietnam could accomplish anything. As one Party Central Committee member told a western correspondent, 'Now nothing more can happen. The problems we have to face now are trifles compared to those of the past. (Terzani, 1976:294). The decision was taken to unify the political and economic systems of North and South quickly, under the title of The Socialist Republic of Vietnam, despite the reservations of many southern members of the Party. Farmers in the south were strongly 'encouraged' to join agricultural cooperatives modelled on the North, even though many northern cooperatives had already become nominalized or been converted to informal protective screens against higher-level interference.

By 1979, the Vietnamese economy was in dire straits, partly because the United States had refused to provide postwar 'reparations', and partly due to the conflict with China. And yet those causes masked a more fundamental problem: the inefficiencies and waste that had built up in Vietnamese society as a result of persistent application of the 'neo-Stalinist development model'. If it had not been for CMEA assistance at this moment of great need, Vietnam might well have collapsed into starvation, food riots and violent state repression. In October 1979, the Vietnam Communist Party announced a number of important policy changes affecting agricultural production, marketing, and the development of local handicrafts and small-scale industries. Farmers were encouraged to sell surpluses wherever they could get the best price, whereas previously they had been constrained by a vast network of police checkpoints. In Ho Chi Minh City this reform alone caused the open market price of rice to drop by fifty per cent.

Of longer-term significance, individual members of co-operatives were now authorized to bring into production for their own benefit areas not being used collectively. Families were urged to raise as many pigs, ducks and chickens as possible, whereas earlier the co-operative leadership had taxed them for exercising such initiative. Anyone who saw the need for a particular type of consumer item was encouraged to try to produce and sell it either to the state or on the open market.

By March 1980 these policy changes were having an effect, especially in the south. Indeed, people spoke of the economy 'exploding' (*bung ra*). In Ho Chi Minh City, two thousand new enterprises sprung up in three months, producing metal goods, electrical fixtures, kitchenware, soap and cigarettes. Some urban manufacturers linked up with specific rural co-operatives and state farms to receive raw materials in exchange for finished products. Citizens who had long complained about the paucity of consumer goods saw the light at the end of the tunnel.

And yet, another nine years were to pass before the general ideas expressed in 1979 became dominant in economic practice. To my knowledge, no one has provided a detailed explanation for this tragic loss of time. One can assume that it reflected deep divisions within the Communist Party. Perhaps Vietnamese historians will soon be able to subject past leaders to critical scrutiny in the same

way as Brezhnev, Stalin and even Lenin are being discussed in the Soviet Union today.

On my first visit to North Vietnam in 1974, I was struck by how most of the men I met were eager to talk about matters of politics and warfare, but seemed either half-hearted or vague when it came to economics. Only women began conversations with topics like food, clothing, housing, taxes or wages; and only they could give me a precise list of prices in the local market. On subsequent visits in 1978 and 1980 it was the same. By then, however, there were far fewer women in positions of authority. I later learned that the percentage of women on village people's committees dropped from 31 per cent in 1975 to only 5.6 per cent in 1982, while the number of female chairpersons and assistant chairpersons of villages and wards fell from 5,488 in 1969 to a mere 260 in 1982 (Nguyen Thi Dinh, 1985: 54).

Throughout the early 1980s, Vietnamese published statements about the economy remained heavy on political rhetoric and administrative fiat. Even articles by academics were mostly theoretical generalizations or justifications of the Party line, with very few statistics or case studies. It seemed more important to discuss the validity of Soviet NEP precedents of the 1920s than domestic problems relating to technological innovation, work incentives, capital accumulation, quality control, or efficiencies of scale. Few writers seemed to realize that the roots of economic success were qualitatively different from the roots of victory in war, or that 'building socialism' was an open ended process, not a finite struggle that could be declared complete on a particular date.

In the mid-1980s, Vietnam went through long-awaited changes of leadership, due either to death or retirement. These men had dominated the ideological agenda since the 1930s, run the North since 1954, and the entire country since 1975. This transition made it easier for a slightly younger generation of leaders to announce reforms once again, beginning at the Sixth Party Congress of December 1986. The fact that Gorbachev was also pushing the Soviet Communist Party down a reformist path reduced the chances of opposition from orthodox members of the Vietnam Communist Party. However, the institutional resistance to change remained strong, often expressed in the quiet sabotage at ministerial or provincial levels of officially announced policies. Party Secretary Nguyen Van Linh went to considerable lengths to

expose and neutralize such behaviour, to include direct conversations with local cadres around the country, and the encouragement of a more open mass media. The amount of information from overseas which was allowed to circulate freely among the public increased dramatically. Even hide-bound Stalinists began to realize that the world was passing Vietnam by.

However, it was the inflationary crisis of 1987-88 which finally pushed Vietnam's leaders in a direction which is probably irreversible. Hardline believers in the dictatorship of the proletariat and tight central control of the economy had to admit that the Party was part of the problem, and that the Vietnamese State was very weak, incapable of accomplishing more than a fraction of what was expected of it. Of course, most of the public had learned these things much earlier. Peasants had hidden output from the tax collector and bartered it for fertilizer or bicycle parts. Workers had siphoned off state-owned goods and exchanged them for food. Cadres and office staff had sold favours or located second and even third jobs to be able to feed their families. By 1988, no one dared to keep Vietnamese currency in hand or put money into a bank account. Much of the country's wealth, paltry by our standards, yet not insubstantial in a third-world context, was tied up in gold, US dollars, hoarded rice, and extra bicycle parts. Meanwhile, the state was reduced to cranking out ever more paper money just to avoid collapse.

We hear much about the policy successes of 1989. That is fair enough, because they were real, and may even prove to be a watershed in the modern history of Vietnam. However, as an historian, permit me a few final words of caution. First of all, the Vietnam Communist Party has not yet redefined its concept of socialism or altered its *modus operandi* to an extent that would promote long-term public confidence. If anything it has retreated somewhat in 1990, in the face of shocking changes in Eastern Europe, and perhaps because the economic wolf is no longer at the gate as in 1988-89. The media has been subjected to firm restraints once again. Unlike in 1989, it is taboo to discuss either a 'multi-party system or 'pluralism'.

Secondly, economic upheavals of the past fifteen years have had serious social consequences. This is most noticeable in the debilitated educational and health systems, a tragedy when one thinks back to the accomplishments in the DRV in the 1950s and 1960s. Also, the return to family farming has meant that children

are often kept at home to work rather than attend school regularly. Welfare protection for the aged, infirm, orphaned or unemployed is less likely now than it was two decades ago. At the other end of the spectrum, a *nouveau riche* has emerged in the past few years, first in Ho Chi Minh City and more recently Hanoi. Most of these people have good connections with the Party. A survey of 38,443 firms in Hanoi revealed that 16,299 of them could be described as controlled by 'cadre families' (Pham van Khanh, 1988:54). In conditions where the legal system remains very weak, and direct progressive taxation almost non-existent, it is possible for a family to multiply its wealth to one hundred times the national average in a couple of years. Because Vietnam lacks the 'Horatio Alger' myth, or any other ethic which justifies such great disparities of wealth, the possibility of political or social backlash remains real indeed.

Finally, Vietnam has demographic and environmental problems, which no one seems to be able to do much about. Until the nineteenth century Vietnamese solved this by moving down the coast. During the French colonial period there was further settlement of the lower Mekong delta, but this failed to relieve growing population pressures in the Red River delta and north-central provinces. In the period 1955-75, both the Hanoi and Saigon governments urged Vietnamese to migrate to upland regions, previously the domain of ethnic minorities. After the end of the war, an incredibly ambitious plan was announced to resettle four million or more Vietnamese from north to south, and from lowlands to uplands; only a fraction of that plan has been realized. Meanwhile, as we know, 1.5 million Vietnamese and ethnic Chinese left the country entirely. Back home, the ratio of arable land per person is among the lowest in the world, only 0.1 hectare per head, and getting worse each year. Wasted land and bare hills make up no less than 40 per cent of the total area.

Nonetheless, I refuse to end on a pessimistic note. Historically, the Vietnamese people have shown themselves capable of overcoming all sorts of adversity, not only wars and foreign occupation, which have received considerable public attention, but also facing up to very difficult topographical and climatic conditions, sharing risks, innovating, studying and investing in the future. If fifty years ago most Vietnamese preferred to remain behind the bamboo hedges of their village, tilling ever smaller plots of land, now many have travelled far, perhaps resettled,

certainly learned about ways to survive besides standing knee-deep in a rice paddy. In quest of a better life, these men and women would of course like a better, more efficient government; but if it is not forthcoming they will march to their own drum.

RENOVATION AND VIETNAMESE SOCIETY: THE CHANGING ROLES OF GOVERNMENT AND ADMINISTRATION

Carlyle A. Thayer*

Introduction

Vietnamese leaders often invoke the slogan, 'the party leads, the state administers and the people exercise collective mastery.' In reality, Vietnam's political system, embracing *inter alia* the state bureaucracy, government administration, mass organizations and special interest groups, is dominated by a single mono-organizational structure, the Vietnam Communist Party (VCP). Party dominance over society is maintained by the party's horizontal and vertical penetration of nearly all organizations and structures in society.

Party control, however, varies from province to province and from region to region. According to membership figures published in 1986, the VCP totalled 1.8 million or approximately 3 per cent of the total population.¹ Party membership is unevenly distributed, with provinces in northern Vietnam (formerly the Democratic Republic of Vietnam) accounting for 76 per cent of all members. Party membership figures, expressed as a percent of total province population, also vary from a high of 5.3 per cent in Nghe Tinh province to a low of 0.4 per cent in An Giang province. With the exception of Vung Tau-Con Dao special zone, all southern provinces rank below the national average of 3 per cent. Also with the exception of Vung Tau-Con Dao (3.5 per cent) and Quang Nam-Da Nang (2.38 per cent), party membership is below 2 per cent in all

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¹ Party membership figures for Lam Dong and Lang Son province are lacking.

other southern provinces, and falls below 1 per cent in eight of eighteen provinces.

The Vietnamese political system is extremely hierarchial in nature. In 1986, at the last national party congress, 1,129 delegates were selected to represent the 1.8 million party members. They in turn selected a Central Committee composed of 124 full (or voting) members and 49 alternate (or non-voting) members. The Central Committee then selected a Political Bureau composed of thirteen full and one alternate members.

The power to set national policy rests in the hands of a very few number of individuals. For example, Central Committee membership represents .0096 per cent of total party membership. Members of the Central Committee in turn dominate the highest reaches of the state bureaucracy by occupying dual or over-lapping positions as ministers and deputy ministers (or their equivalent in rank as heads of central state commissions). Central Committee members also predominate in the National Assembly, Vietnam's legislature.² This concentration of state and administrative power in the hands of party members has been recognized as one of Vietnam's main structural-political problems.

Vietnam's state and administrative structure also has a further problem, that of 'big men in little provinces' (*vi nhan tinh le*). Vietnam's 40 province-level administrative units often operate as 'independent kingdoms' in their relations with Hanoi.

The need to reform the Vietnamese political system is not a new idea. In mid-1981 Dr Nguyen Khac Vien argued in an 'open letter' to the National Assembly that Vietnam faced five major problems: a 'hasty, leap-forward mentality' in economic planning, rank inefficiency in the machinery of government, a chaotic overlap between government and party functions, a 'narrow nationalist outlook' in foreign affairs, and the non-punishment of high-ranking individuals responsible for Vietnam's mistakes. This chapter will explore issues surrounding Dr Vien's point 3—the chaotic overlap between government and party functions (Quinn-Judge, 1982).

Dr Vien's views may be summarized as follows:

² In the Eighth National Assembly, elected in 1987, at least 75 per cent of the deputies were party members, including 74 who were either full or alternate members of the VCP Central Committee.

The party should be playing a true leadership role... supervising current policies, checking their effectiveness and evolving new programs.

Instead, it has taken on the day-to-day running of the country. 'We say that the party leads and the government administers... but in fact the party committees have monopolized everything.' This monopoly starts at the grassroots and runs all the way to the top where... 'the party organization commission has encroached on the powers of the government...'

Mass organizations like the unions and the youth movement 'are not playing any role in the current situation.'

At the Fifth Party Congress in March 1982, Political Bureau member Le Duc Tho declared:

Party organizations cannot and must not do the work of state organs. Party committee echelons must fully develop the state role in organising the implementation of the party's resolutions. At the same time, they must intensively use state organs in coordinating with the various departments of the party [Central Committee] to give advice to the party. We must overcome the tendency to underestimate the state role, a tendency which is still prevalent at many echelons and in many sectors.

It is necessary to overcome resolutely and definitely the long-existing confusion of functions between party and state organs. At the central level, it is necessary to define more clearly economic and social tasks that need to be submitted to the party Central Committee Political Bureau for approval. The responsibility of the party Central Committee Secretariat for the preparation of the decisions of the Central Committee and the Political Bureau must also be clearly defined. Meanwhile, the Secretariat's responsibility for controlling the activities of central-level state organs must be further strengthened. On this basis, the responsibility and power of the Council of Ministers and ministries must be developed.

In ministries, the setting up of party affairs committees was practical immediately after the unification of the country

and when party committees of government organs were not yet consolidated. However, the existence of these party affairs committees has produced a negative effect in that they have not heightened the prestige and responsibilities of state organs. Moreover, their existence has resulted in the unclear definition of the responsible cadres responsibilities.

The Sixth Party Congress: the process of renovation

While the main emphasis of the Sixth congress was on economic reform and reform of the management mechanism, the congress also proposed various reforms concerning government and administrative bodies. Here the aim was to improve the effectiveness of state management, to involve the people more closely with decision-making (e.g. 'people's right to collective mastery'), to revitalize the media, and to institutionalize the role of law. Political reform in Vietnam, 'broadening of democracy', however, does not mean pluralism (*thuyet da nguyen*) or multi-party democracy.

At the Sixth National Party congress, Truong Chinh stated in his introduction to the Political Report (VNA, 15 December 1986):

Organizationally speaking, the state apparatus and those of the party and mass organizations were left to grow too big, overlapping and dispersed.

The Central Committee, the Political Bureau, the Secretariat and the Council of Ministers were primarily responsible for the above-mentioned errors and shortcomings in the party leadership. It should be emphasized that the delay in correctly effecting a transition in the nucleus leading body was a direct cause for the inadequacy of party leadership in recent years in meeting the requirements of the new situation. The Central Committee wishes to [criticize itself] earnestly before the congress over its shortcomings.

Later, in Part 4 (of 5), the Political Report declared:

There exist in our society some abnormal phenomena, that is a lack of coherence between the party, the state and the people; bureaucracy in the leading and management bodies, and in those organizations specially entrusted with mass work. The main cause is that the mechanism which co-

ordinates the activities of the party, the people and the state has not yet been concretized into institution[s]....

Our state apparatus is still bulky and ineffective. The management mechanism based on centralized bureaucratism and state subsidies is directly responsible for making the apparatus heavy and laden with numerous tiers and levels. The functions and duties of the organization, as well as those of the cadre have not yet been clearly defined. In some central and local branches there exists a tendency of subdivision into various bodies and self-contained specialized units; this results in many redundant or overlapping organizations. In many cases, assigned cadres and employees are not equal to their tasks, and the system of job responsibility is not solidly established. Regarding work style, there are many manifestations of formalism and red tape; too many meetings, too many delays, and lack of a scientific basis in decision-making; moreover, organization for executing decisions is also deficient....

To strengthen the effectiveness of the management by the state means, first and foremost, to uphold the role of the National Assembly and the State Council and of the people's council at all levels. At present, publicly-elected bodies at different levels are still selected, elected, and functioning in a formalist way. In many cases, party committees at various echelons run the whole show, doing the work of state organs; the selection of people into elected bodies in many places is done in a forcible manner. Many people's committees do not really respect the people's councils.

The publicly-elected bodies, from the National Assembly down to the people's councils at all levels should constantly improve and sum up their activities in good time. They should enrich the contents of their meetings, and discuss and decide practical matters. Socialist legality and supervision of the activities of the state management bodies are to be strengthened so as to help the elected bodies correctly perform their function, duties, and authority.

The Council of Ministers and the people's committees at all levels must improve their guiding and supervisory capacities so as to organize the effective implementation of party and state viewpoints and policies. A pressing problem is to rearrange ministries, state commissions, and general departments, and to streamline the state administration machinery of the ministries. A ministry's administrative management machinery should not deeply involve itself in enterprises' production and business operations. It is necessary to reduce the number of such intermediate organs as agencies, departments, bureaus, and sections; to vigorously shift to the direct expert-type workstyle; and to limit the number of deputies at all levels and organs. Along with the guidelines for rearranging the state machinery at the central level, the apparatus of local people's committee should also be streamlined and given full powers, duties, and managerial capabilities over the areas under their jurisdiction.

The management of the country should be performed by law instead of simply by moral concepts. The law is the institutionalization of party lines and policies and a manifestation of the people's will; and it must be applied uniformly throughout the country. To observe the law is to implement party lines and policies. Management by law requires attention to be paid to lawmaking. It is necessary to step by step supplement and perfect the legal system so as to ensure that the state machinery be organized and operated in accordance with the law.

The remaining sections will sketch changes in government and administration in the five-year period since the Sixth Party Congress brought about by the process of political reform.

***Doi Moi* and the National Assembly**

There are at least two sources of the political reform process in Vietnam. The first stems from an internal realization that economic failure was due in part to defects in the political system. The second source is external—the impact of Gorbachev's reform programme on Vietnam (Porter, 1990).

The primary focus of Vietnam's political reform efforts have been directed at turning the largely rubber-stamp National Assembly into a more representative and effective legislative body. This has involved the modification of election procedures so as to allow a greater diversity of non-party candidates to stand for election. Efforts also have been made to transform the National Assembly's largely stage-managed sessions into livelier affairs. Deputies are permitted to debate issues, air their views, and to question and criticize ministers. Secret balloting was introduced for the first time. According to the Assembly's chairman, Nguyen Huu Tho, the obligatory unanimous votes are no longer required on substantive issues.

Sub-committees of the National Assembly have been rejuvenated and have become active in vetting proposed draft legislation. This is particularly the case with the Sub-Committee on Law headed by Mme. Ngo Ba Thanh. In line with increasing the role of law, since 1986 the SRV National Assembly has been very busy passing legislation on a wide variety of matters (e.g. press, trade union).

Reformist members of the National Assembly have pushed hard to broaden the scope of democratic practices. On two occasions votes were held to determine the chairman of the Council of Ministers, once in 1987 and again in 1988. The latter contest was notable for the number of party members who voted against the VCP's candidate, Do Muoi, and for the reformist acting chairman, Vo Van Kiet.

The party's leading role in the National Assembly has also come under challenge. In 1987 it was announced that the party would no longer impose its views on deputies but would exercise persuasion. Late the following year, the National Assembly adopted the principle that the VCP would set only general policy outlines and would not interfere with the Assembly's legislative work. By 1989, portions of National Assembly proceedings, including debates and questioning of ministers, were broadcast over television and radio. According to Porter (1982):

Although the Assembly has become a forum for lively debate on issues, and occasionally divides sharply on a draft law, a close vote is more likely to indicate conflicts between the interests of the party leadership and those of the party-state bureaucracy than to reflect genuine autonomy from the government...

Real autonomy, which would be manifested in the Assembly's assertion of control over the legislative agenda, would require an electoral system in which candidates for the assembly are selected without the intervention of the VCP. In fact, however, the party has always 'recommended' the candidates for the 100 electoral districts around the country...

Although former Assembly Chairman Nguyen Huu Tho in 1989 called for an end to the practice of the party 'recommending' candidates, there is no evidence that the VCP has decided to give up its control over candidate selection and risk the election of a predominantly non-party National Assembly.

Moves to alter the state constitution to allow for the direct popular election of the head of state have been shelved. Nevertheless, according to one report, 'a special commission is now quietly working on a new Constitution for Vietnam. It will take a few years to be ready. The party does not like to rush things. But, a source explained, the new Constitution will radically change the face of the country' (Bekaert, 1990).

In the meantime, attempts to reform government administration at local level proceed slowly. In June 1989, the National Assembly narrowly approved a plan to give the local elected political organ, the people's council, a standing committee for the first time. This would make it a potential competitor with the VCP-controlled people's committee, the traditional executive power at local level. Late in 1989 new procedures were introduced in local council elections to give the voters greater choice of candidates.

Mass organizations

Political renovation of mass organizations has focused on transforming moribund associations into more effective and democratic bodies, albeit with party control remaining intact. A recent summary (op. cit) of proposals for change noted:

- Federation of Trade Unions—it was proposed by one party official that it be reorganized along occupational union lines with a central council replacing its highly centralized 'command system.' Representatives to the new council were to be elected by their occupational unions

rather than at a central congress. There have also been calls in the Union's newspaper, *Lao Dong*, for an end to the subordination of the Union to the state.

- Ho Chi Minh Communist Youth Union—Nguyen Van Linh has called upon the Youth Union to 'organize independent bases capable of carrying out activities on their own initiatives.'
- Collective Peasants Association was transformed into a National Peasants' Union in an effort to overcome the 'formalism' of the previous body. Membership is now open to all peasants and not just members of co-operatives.
- Club of Resistance Fighters (first organized in Ho Chi Minh City in 1983 and with branches in the surrounding provinces. Requests for official recognition were ignored by the government in 1985). In 1988 the Club sent a letter to the VCP Central Committee and National Assembly urging a genuinely democratic election for the post of chairman of Council of Ministers. The Club saw itself as pressure group within VCP. The Club has attacked the party for failing to practice openness and for its failures in socio-economic realm. Members of the Club have been co-opted into a regime sponsored Vietnam Veterans Association which was formed in March 1990 with a leadership acceptable to the VCP.

The media

Renovation of the media has involved attempts to end its purely propaganda role and allow it to be more critical, and to publish a diversity of views; in short, from 'voice of the party' to 'voice of the people.' Journalists now encouraged to investigate cases of wrongdoing by party and state cadres, even high-ranking ones,³ to reveal heavy-handedness by state bodies, and to expose the realities of socio-economic conditions in Vietnam.

In 1988, the requirement for 'prior consultation' with party organs (e.g. the Central Committee's Secretariat, and Press Division

³ Note in particular the case of Ha Trong Hoa from Thanh Hoa province who was ultimately dismissed from the VCP Central Committee for corruption.

of Propaganda and Training Department) was dropped. Newspapers have since begun publishing in-depth investigative stories and critical analyses. Party officials have been hounded by requests for information on their activities. As well major political issues have been debated in print.

In December 1989 the National Assembly witnessed a lively debate over a draft press bill. 'Were private newspapers necessary to ensure press freedom?' and 'who had power to dismiss a newspaper editor?' were among the issues raised. Calls have been made by Vietnamese journalists to end all party controls on the press. Indeed, a debate was held on subject organized by VCP Central Committee Secretariat and Vietnam Journalists' Association.

The process of press freedom has not gone on unbridled. One issue which pitted the power of the state against non-party interests was the debate over a provision in the press law prohibiting privately-owned newspapers. The provision was retained by a National Assembly vote of 354 to 33.

A license to publish is still required (books or periodicals). But in 1988 a Ministry of Interior investigation found that of more than 400 newspapers being circulated, only half were licensed and nearly 40 per cent of 162 books printed in 1987 were 'illegal.'

By late 1989, demands for even greater press freedom so disturbed the party leaders that they pulled back from the limited openness of the Sixth Congress. At the Journalists' Association congress in October, Do Muoi lectured those present that 'bad elements' could use the press to 'create trouble and disturb internal security.' When Muoi stated that it was the duty of the press to 'struggle against reactionary forces and thoughts', some writers protested this view by walking out.

Culture and the arts

Renovation has also meant changes in the culture and arts area. Reformers have charged the party with 'undemocratic, despotic and overbearing' behaviour. In December 1987, the Political Bureau's resolution No. 5 on cultural policy placed new emphasis on freedom for writers and artists and pledged that with the exception of works that were anti-socialist⁴ literary works 'have the right to be freely

⁴ And, as well, 'anti-people' or 'anti-peace'.

circulated and placed under the assessment and judgment of public opinion and criticism.'

Greater freedom for artists and writers to express their views has been granted since, even on current socio-economic and political issues. Restrictions on literary publishing have been removed and previously banned works or works not permitted to be performed have also had previous restrictions removed.

Civil society?

In a speech marking National Day (September 2, 1990), Do Muoi, chairman of the Council of Ministers put the relationship between economic and political reform in this way (VNA, 1 September 1990).

It stands to reason that the continuation of the process of *doi moi* [renovation/renewal] constitutes an imperative need and a vital issue for our country. Ours is a principled implementation of renewal. That is a creative application of Marxism-Leninism to the specific conditions of our country. Renewal in order to build up socialism more effectively, not to renounce socialism...

Doi moi [renewal] is aimed at stability and development, and inversely, stability and development will further step up renewal...

The relationship between economic renovation and political renovation must be properly handled. The need for renovation in our country arises first of all from our economic activities. Only through economic renovation, hence the gradual improvement of the people's living conditions, can popular confidence in the cause of renovation be created. Successes in economic renovation will create favourable conditions to renovate the political system. However, political renovation cannot be left until the completion of economic renovation. We have to renovate step by step the political system so that along with economic renovation, the political and moral unity of our people and society will be strengthened. Renovation will be impossible without the practice of democracy and ensuring the role of the people as master of the country in national construction... However, democracy must go hand in hand with law and discipline; it

must not be separated from centralism. We oppose bureaucratic centralism but not democratic centralism.

There are many signs that fundamental changes are underway in Vietnamese society. David Marr has noted that increasingly people in Vietnam are organising their lives without reference to the party. According to one account, 'early in 1989, some expressions of political unrest took the party leadership by surprise. There were small-scale demonstrations by peasants in Ho Chi Minh City demanding the redistribution of land, and by university students in the north, some of whom were calling for political pluralism' (Great Britain, Foreign and Commonwealth Office, 1990). To this one might add the demonstrations in Ho Chi Minh City and more recently those in Hanoi which accompanied the collapse of credit unions.

Students of Eastern Europe, including intellectual reformers, have employed the term 'civil society' as a short-hand term to describe the emergence of activity, including political activity, not under party control in their societies. Gareth Porter, in his review of recent changes, has termed the process unfolding in Vietnam as 'creeping pluralism.'

Barry Wain (1990a) has argued recently that such a development may be occurring in Vietnam already:

[The party's] hard-line stance belies what is actually happening in Vietnam. Three years of *doi moi*, or 'renovation,' have transformed the political as well as the economic landscape. Many Vietnamese now feel free to say and do almost anything—so long as they don't question the supremacy of the Communist Party.

Newspapers expose current corruption while writers uncover the abuses of the past. Politicians openly debate controversial policies. Interest groups, some potentially powerful, are forming or being reactivated.

The government is walking a tightrope as it attempts to respond to popular demands, influenced by events in Eastern Europe, while keeping its grip on power. That grip is slipping, some Vietnamese say, not because the party is being directly challenged but because the whole system is being loosened by a multitude of developments.

These are listed as: mass organizations (peasants, youth, women) which are beginning to question party policy; other

registered bodies such as those helping the disabled, restoring temples, assisting the poor (nascent pressure groups that did not exist before), and the Vietnam Veterans' Association. To Wain's list one might add the following groups which have clearly defined self-interests, which have begun to articulate political views, but who are not yet politically organized:

- non-party deputies,
- writers and journalists,
- private land-owners in the countryside,
- demobilized military
- retired party and state bureaucrats
- urban entrepreneurs
- returned guestworkers
- returned students who studied abroad
- returned *Viet kieu*, (Overseas Vietnamese)
- returned boat people, and
- religious groups (Catholics, Evangelical Church, Buddhists, Islamic)

In short, change in Vietnam may take the form of increasing pluralism in civil life but without (e.g. democracy of Eastern Europe or the brutal repression of China.

ECONOMIC RENOVATION IN SOUTHERN VIETNAM: CHALLENGES—RESPONSES—PROSPECTS

Hoang Ngoc Nguyen

Rather than an academic study packed with quotations, footnotes and figures, this is an informal report which might be of some interest to those trying to see things the way we Vietnamese do regarding economic renovation in our country.

Vietnam's renovation is unique in many respects; that in southern Vietnam is even more so. South Vietnam used to be a thriving agricultural economy, with considerable development in manufacturing and service sectors. Before 1975, it was already a market economy having close connections with the rest of the world. At present, Ho Chi Minh City, the heart of development in southern Vietnam, is naturally the bridge-head for any business people wishing to revisit this region. And everyone knows too well that southern Vietnam, and Ho Chi Minh City in particular, is the real testing ground for the renovation.

Renovation everywhere is a complicated process. It is already complicated in Vietnam, taking into consideration her limited experience in regulating a 'modern state'. It is even more complicated in southern Vietnam, since there seems to be an impulse to go faster than the pace we have been prepared for. Thus, one can see hopeful indications of the renovation progress, yet warning signs are also visible. One year ago, for instance, the people were happily putting nearly all their savings at the disposal of credit cooperatives, because of high interest payments. Now, as these credit cooperatives are collapsing like a house of cards, the whole credit system is in disarray. This is only one of the problems which menace our very promising renovation efforts.

It is clear that southern Vietnam has reacted very swiftly and vigorously to the gradually unfolding renovation policies of the government. 'Violently' may be a more accurate term than

'vigorously', as forces in the economy had been very turbulent before the government took action. I remember a top Vietnamese leader telling a foreign newsman frankly that in the South the economy would leap forward before it had been completely untethered. I can say that there has been a unanimity among the leadership in the Central government on renovation matters, and that is most fortunate for this country. But with equal certainty, I can also say that behind the liberal and radical decisions of our government there has always been the influential opinion of some leaders who had previously held important positions in the southern provinces, most notably in Ho Chi Minh City. It has been alleged, for instance, that Resolution N.6 of the Fourth Party Congress was the outcome of Resolution N.9 of Ho Chi Minh City, which had been contemplated and tried out there. In my opinion, southern Vietnam has been the driving force behind reformation efforts. Its vast resources have always been an inexhaustible source of inspiration and imagination for the leadership of Vietnam.

The reasons are obvious. For several decades, before peace was restored throughout the country, southern Vietnam had learned to live with a French-style and then an American-style capitalism. If the now distant period of French colonialism can be dismissed as a thing of the past, the capitalist system introduced as a result of US involvement had major consequences. Massive US aid, amounting annually to nearly US\$800 million at its peak, led to widespread adoption of the American style of living and doing business. Almost US\$1 billion of imports yearly under various programs helped to develop a very buoyant service sector (foreign trade, money and banking, insurance, transport). When the US government decided that it should win 'the hearts and minds' of the Vietnamese, generally people from all walks of life benefited in one way or another from different US aid schemes, which extended to the lowest levels in society, urban as well as rural. The US-initiated 'Green Revolution' brought about radical changes in certain rural areas, enabling peasants to learn to use fertilizers and agricultural machines and to grow more highly productive varieties. In urban areas, after President Nixon started his Vietnamization plan, substantial investment was allocated to the build-up of manufacturing.

For most of the period between 1961 and 1975, the US government used its economic power to construct an embryonic capitalist economy, with a little of everything from a free enterprise system. For last

five years of US involvement, from 1971 and 1975, substantial efforts were made to render the southern economy more viable. Here the birth of an entrepreneurial class, trained and tried over those years, should be noted, as well as the emergence of a Western-trained corps of technocrats replacing the French-trained bureaucrats. This is the sort of 'human investment' which every developing country should strive for.

In the years immediately following the total victory of the war of liberation, our economy experienced prolonged difficulties, previously known in southern Vietnam only rarely. Food and other prime necessities were scarce, even in Ho Chi Minh City. To alleviate the hardship of the people in newly-liberated areas, the government later went out of its way to permit the establishment of some 'mixed', or 'semi-government' companies in Ho Chi Minh City. These enterprises were entitled to mobilize the resources of overseas Vietnamese through their relatives in Vietnam, and to trade almost directly with their former foreign customers. At the same time, many foreign companies owned by overseas Vietnamese were set up, taking advantage of generous conditions. Vietnamese expatriates, mostly from southern Vietnam, wanted to send goods and money to support their families at home; the government, for its part, needed foreign exchange as well as any sort of material support from abroad to revive the economy.

Trade in southern Vietnam, and Ho Chi Minh City in particular, began to flourish again, and with this came partial recovery of the once dynamic manufacturing sector. Other southern and central Vietnamese provinces followed Ho Chi Minh City's example to such an extent that it was feared this infant market economy would soon get out of control. But the evidence of economic resurrection following the government's first experiment with trade liberation was convincing enough to suggest that the trend was irreversible. This explains why a Vietnamese economist, Dr Nguyen Xuan Oanh, was able to boast with justification that Vietnam appeared to have preceded East European countries in economic reformation. In my opinion, most liberal resolutions by the Party and the government of Vietnam have their origin and testing ground in southern Vietnam, the realities of the South inspiring the imagination which led to radical resolution and bold action.

Southern Vietnam's economy is to varying degrees the envy of many other developing countries. With a population of 22 million and an annual income per capita estimated at US\$300, this region by

the standards of other developing countries, has an impressive primary sector, a reasonably advanced and enterprising manufacturing sector, and relatively satisfactory conditions for development of the tertiary sector.

The rice bowl in the Mekong delta has been the single most important factor behind the recent 'rice export miracle'. The Eastern sub-region (Song Be, Tay Ninh and Dong Nai provinces), with a plantation economy of industrial crops such as rubber, tea, coffee, pepper, cashew nuts and peanuts, is particularly appealing to foreign investors. Forest and mineral resources are mainly untapped, but undoubtedly varied and abundant. Marine resources offshore in the East and Southwest Seas have a strong appeal to neighbouring and distant countries alike, with a long fishing tradition.

The manufacturing sector at present is in no way comparable to any other ASEAN country, although it used to be significant two decades ago. However, even under present conditions it can still comfortably meet the domestic demand of consumer goods for the southern region, if not for the whole country. Most major factories in the Bien Hoa industrial complex were built in early 1970s, and by Asian standards at that time they were considered to be of advanced design. In Ho Chi Minh City, as well as in some other big cities like Can Tho, Bien Hoa, Vung Tau, and Long An, small-scale industries were important, with their own style of limited but efficient investment, similar to that of other developing countries in the region.

Trade in southern Vietnam is possibly the most important area of growth. During the war years, this part of the country bought more goods than it sold. Recently, foreign exporters have detected a potentially rich market, with an unsatiable hunger for imported consumer goods. In order to turn this desire for foreign goods into effective demand, foreign traders now understand that they must buy goods, and if they wish to buy goods of value, they must invest. This has enhanced the prospect of export growth, because the export potential is already there, in both primary exports from the region's rich endowment in natural resources, and manufactured goods, made by cheap and fairly skilled labour.

It would be an important omission to fail to mention infrastructure facilities in southern Vietnam. Generally, the infrastructure of Vietnam has been considered inadequate. Southern Vietnam, however, inherited the infrastructure built up by the Americans during the war years. Those investors who tend to take

for granted the imperfect nature of Vietnam's existing infrastructure should feel happier about being able to operate in southern Vietnam.

To make the most of the abovementioned development assets, there must be more recovery investment. But even if only limited investment is available, these assets, if properly and efficiently used, can very likely ensure a painless growth rate of 6-7 per cent annually. A few years ago these rates oscillated painfully around 2-3 per cent. This growth performance was a waste which the nation could not afford, a challenge needing to be addressed. In fact, it can be truthfully said that this under-utilization of resources often led to a brain drain and the flight of capital.

My point here is that the southern economy was one of the major forces generating reformation, because of its urgent need for development, and also because of its favourable conditions for growth. In developing a market economy system as one of the prime goals of economic renovation, the pattern experienced in southern Vietnam seemed to prevail in the minds of the country's top policy-makers. In the new scheme of things, southern Vietnam continued to play the role of path-finder.

I have a strong conviction that renovation policies, once applied all over Vietnam, will be much more important in southern Vietnam. Renovation has changed southern Vietnam more radically, visibly and distinctly than it has done in other parts of the country. In that sense, changess can go much faster and further in southern Vietnam. But, at the same time, renovating's grave side effects can already be detected in southern Vietnam.

Renovation certainly cannot be blamed for certain problems which can be easily observed in the daily life of southern society, but as they already exist, and their causes are directly or indirectly connected with renovation, we need to identify them in the wider perspective of long-term renovative strategy, in order to deal with them.

I do not intend to delve deeply into every reformation policy or measure of the government in the past few years. But, it may be worth noting the policies which have transformed the social-economic structure of southern Vietnam most dramatically.

The liberation of external economic relations, the main emphasis of which has been to encourage foreign investment, improve working relations with international finance and

development institutions, expand and diversify trade in terms of markets and products, and attract more tourists into the country.

The co-existence of five economic factions of equal standing in society, namely the state-owned enterprises, the cooperatives, private capitalism, individual enterprises, and households, with additional law-guaranteed rights granted to private people and fewer unqualified incentives to state enterprises.

Semi-radical reforms in the field of banking and credit, by decentralising the power of the State Bank of Vietnam, making banking a genuine profit-seeking business, and allowing the establishment of incorporated banks, including one in foreign trade dealings. Noteworthy also are efforts to increase savings deposits at various credit institutions, as quickly as possible, including the infamous credit cooperatives and to encourage the mushrooming growth of these credit cooperatives.

The recognition of the trade and services sector ('tertiary sector') as one of equal importance to other sectors. As a result of this policy, some new businesses have been born, employment opportunities created, new skills developed and the market has become more consumer-oriented.

The government's sensitivity and flexibility in its macro-economic regulation of the market economy, is shown by more liberal policies regarding rates of foreign exchange, interest rates, and prices of goods and services. The traditional centrally planned economy is becoming less and less centralized and interventionist.

The tolerance of freedom and democracy to a considerable degree in support of a freer climate for socio-economic development.

As these policies have been gradually implemented, southern Vietnam seems to have responded so readily and eagerly in many respects. The winds of change have blown quite fiercely over southern Vietnam, but it is quite difficult to assess whether the changes we now see are the result of renovation efforts, or the reaction of society to changes. Regardless of what they are, one can identify a number of positive signs which are characteristic of renovation in southern Vietnam and cannot be overestimated.

1. About 70 per cent of 'inland' foreign-invested projects have gone to southern provinces, as a result of the promulgation of the Foreign Investment Law, mostly based in Ho Chi Minh City. Most of these projects are small and of an exploratory nature, but larger ones are becoming more obvious following the pullout of Vietnamese

troops from Cambodia. Recently the Taiwanese, South Koreans and Japanese seem to have become more firmly committed.

2. Overseas Vietnamese are playing a catalytic role quite efficiently. These expatriates are bringing in foreign investors, fostering trade, providing technological skills, and entering into partnerships with domestic entrepreneurs. This is an underlying factor which should be taken into consideration in any plan to bring more foreign resources into Vietnam.

3. Foreign trade in southern Vietnam experienced a crucial turning point when Vietnam re-entered the world's rice market last year, with nearly 1.5 million tonnes of rice exported. The new foreign exchange policy, which departed from the exceedingly overvalued *dong* currency, has proven more acceptable to the exporters. For the first time, however, traders in Vietnam, like their counterparts in other developing countries, have begun to suspect that they need some sort of government subsidization to enable them to survive this transitional period. It is also clear that tremendous efforts are being made to step up manufactured exports, following more rapid development of agricultural processing facilities.

4. For the first time, the government has succeeded in re-establishing popular trust in the government's ability to defend and maintain the value of the national currency. For the first time, too, there has been a widespread feeling that one can now do business, make profits, and own and spend as one wishes.

5. State-owned enterprises, understanding that they no longer exist with the unconditional blessing of the government, have made great efforts to be more viable and to escape dissolution. There has been a distinct change of behaviour, and a more profound concern about management is obvious. In fact, state enterprises have become more business-like and more competitive, with the realization that marketing is necessary.

6. Privately-owned enterprises covering all trades have reappeared on the business scene as the government sector withdraws from certain businesses, ranging from retail shops, grocery stores, tailors, hairdressers, restaurants, and mini-hotels, to building contractors, factories, seafood processing plants, and other manufacturing firms. They are operating with sources of capital of their own, with assistance from overseas relatives, and from the unofficial capital market.

7. One obvious aspect of the changed economy is a very competitive market, leading to a major increase in television and newspaper advertising, exhibitions, trade fairs, fashion shows and beauty contests, which have enlivened Vietnamese society.

8. Many new businesses have come into being, and defunct ones reborn. The information, real estate, tourist and business consultant businesses have boomed. The more diversified business structure has helped to provide more employment opportunities to urban people, which has helped to relieve pressure on the labor market in densely-populated cities.

9. As the economy has developed, a grave scarcity of skilled and competent manpower has become apparent. Technocrats to run government departments, business executives, bankers, accountants, legal consultants, interpreters, clerks, all are in short supply. There has been keen competition for available talent, as well as the mushrooming of 'expertise training centers'. This will soon result in restructuring of the labor market, making the need for radical reforms in the education system of paramount importance.

10. For some time the power of the Central Government on economic matters has been weakened considerably by what is known as 'selfish localism'. This has obstructed efforts to integrate the national economy. However, there has been some consciousness of 'regional identity' in southern Vietnam, in that businessmen have attempted to do away with local administrative barriers in order to expand their markets, and open up or explore in a recently held development strategy conference, opportunities for cooperation with people in other areas. It is significant that even ranking administrators in the Mekong delta provinces voiced their recognition of the 'leading role' of Ho Chi Minh City in the southern region.

11. There have been significant changes in the way of life of people in rural areas. The so-called 'Western' mode of life has penetrated as far as remote places like Xuyen Moc in Dong Nai province, or Phu Quoc Island in Kien Giang province. Young people, fashionably dressed, go to evening dance parties. Older people stay at home watching Hong Kong, Taiwanese or American films on video screens. Radio cassettes and Hondas are commonplace, and even in the provinces it is possible to find late-model Nissans and Toyotas.

12. Renovation in southern Vietnam is providing better, and more worthwhile employment opportunities for the intelligentsia—lawyers, former social studies graduates, teachers of English. They

are not only employed in the private sector, but also in the public sector, which used to have a strong bias against graduates of Western institutions. There are more promotional chances for the younger generation, too, at varying levels. The newly-appointed Chairman of the People's Committee of Kien Giang province, for instance, is only 38 years old. Younger people are studying hard to learn new skills, such as the use of computers and the practice of international trade transactions, in order to enhance their opportunities in foreign companies, local banks, trading corporations and tourist hotels.

13. The media has played a crucial role supporting the 'glasnost' process. It has taken the lead in fighting against social vices—corruption, abuse of power by government officials, smuggling activities (often involving government offices, state enterprises and ranking members in central and local administrations), and prostitution. It has provided a rostrum for advocates of more freedom and democracy, especially for elected bodies of the government. Most important of all is the forum for debate offered by the media. By this means the mistakes of socialism can be reviewed, the development of a renovated system discussed and the relevant experience of advanced, as well as newly-industrialized countries (NICs), outlined.

14. As a result, the democratization campaign has made remarkable progress over the past few years. Legislators have more influence in the decision-making process. The court is more independent, and has more power to attack corrupt government officials. The people generally have begun to feel that they will no longer have to suffer humiliation.

15. The rate of departures for overseas, by whatever means, has, until recently, been slowing down. The people generally had begun to think that, after all, life was becoming more agreeable. However, with the US government's revival of the ODP and HO programs for those who wish to reunite with their American-based relatives, and for former (ranking) officials in the Saigon government (mostly officers in the Armed Forces), the 'American Dream' has had a new lease of life.

These remarks should help to create a clearer picture of the changes taking place in southern Vietnam. It does not mean that similar changes are not occurring elsewhere, but the simple fact is that renovation has had a particularly significant impact on this part of the country.

In the whole southern region, Ho Chi Minh City has been the most responsive to, and the most affected by, these new developments, so much so that it has been called its *Centre de propulsion*. Unfortunately, it has also been depicted occasionally as the culprit behind all kinds of social and economic disorder. The overzealous response can lead to reaction, and even over-reaction if things are allowed to get out of hand. This is the source of all the troubles that are being identified now.

Foreign visitors to southern Vietnam will discover that there are more shops, more restaurants, more hotels, more traffic, particularly private cars, more new houses and more people on the streets, not only in Ho Chi Minh City but also in any other cities and towns. With this transformation, however, some problems have arisen which must be tackled promptly.

1. Smuggling activities have intensified over the past few years, in spite of the government's pledge to eradicate them at all cost. It has been estimated that roughly US\$500 million worth of smuggled goods enter Vietnam every year, discouraging local production and draining much of the nation's valuable financial resources such as gold and hard currencies.

2. A companion of smuggling is corruption, in which high-ranking government officials and government organizations are implicated. The most sinister corruption, in fact, takes place in state enterprises, where huge resources are put into irresponsible, incompetent hands. As business grows, so does corruption. The important question is the scale of corruption. Unfortunately, there seems to be a disproportionately high level of it in Vietnam.

3. Poor management in state enterprises is still widespread. Plagued by the sort of inefficiency commonly found in state enterprises everywhere in the world, these enterprises have accumulated huge debts and large stocks of unsellable goods, and have failed to play their intended leading role. Consequently they have missed many opportunities to cooperate with foreign companies, thus slowing down the growth of foreign investment.

4. The private sector was expected to develop quickly, playing an active and positive role in furthering the process of renovation. But it is now realized that this is not all that has been happening. Some entrepreneurs are not as serious, wealthy or skilled in business as they have claimed to be. A considerable number are imposters, engaging in fraudulent activities. The infamous cases of the Thanh Huong perfumery and the Xacogiva construction firm are by no means

exceptional. The near collapse of the whole system of credit cooperatives, numbering around 300 or more, has eroded much of the newly-built trust of the people. The need to restore order in banking activities is acute, but it would cost the government much valuable time and the expenditure of scarce resources to redress the situation, which has become more complicated as inflation once again threatens the economy.

5. One very vital question must be tackled as a priority: how to build a society with a strong will for development, reflected in the way that people live and do business. Already there have been several warnings against a perverse society living beyond its means, undermining all traditional values, and showing little consideration or compassion for the under-privileged. Shady and immoral business practices are widespread and tend to be taken for granted throughout the country. Pornography seems to be increasingly popular. Sex books (published by state-owned publishing houses) and pornographic videos are on sale everywhere. Prostitution is widely practised. Social development activities, such as education, public health, and culture, which are usually considered to be non-profit making, are being made into profitable businesses, thus drastically reducing the individual share in social welfare.

Clearly, it is time to redefine the system and its values in light of current developments. Business will not develop for the long-term betterment of society if businessmen, state-owned or private enterprise, do not have a clear sense of ethics. The definition of a code of ethics will be difficult to accomplish, as will efforts to educate society to accept it. Such a code of ethics would also help to redress social behaviour linked to the Vietnamese ways of living and people-to-people relations.

Developed and underdeveloped countries alike are living in an era of economic crisis. Developing countries normally have to take extra trouble to deal with a threatening crisis, as they lack the necessary skills, experience, resources and technical know-how to cope with it. Such times already have been acquired by modern states. The more immature the country, the higher the risks. This is a rule of thumb in economic development. To reduce risk, a developing country must devote its attention to building an efficient legal and institutional framework. This is a self-perpetuating process. By making this framework more and more efficient, there is a better chance of successfully combating corruption and controlling the bureaucracy. To make this framework effective, adequate and

even generous investment must be made in human resource development. Education growth is costly, and also self-perpetuating, but there is no way to escape this expense. It is also the kind of investment which requires an extensive and careful feasibility study undertaken over several years. It is not something that can be done on an *ad hoc* basis. We badly need efficient people to run government offices and state enterprises, to manage businesses successfully. A shortage of such people has caused things to deteriorate whenever any specially challenging crisis has arisen.

We all know the problems and the challenges facing developing countries. In a sense, we even know the responses to them. What is needed is a strong will, and audacity, as well as the means to handle these challenges. Vietnam as a whole, and southern Vietnam in particular, has the resources needed for development. The nation must be made to realize that her survival is at stake, that there is no time to waste. People must acquire the will to fight for her survival. Audacity will develop as the game of the market economy is learnt more thoroughly. Lacking are the ways and means, but these can be procured now in our new world of inter-dependent relations. By promoting cooperation between states, developing countries like Vietnam have a fair chance to develop faster, more efficiently, and more safely.

MEDIA AND SOCIETY: SOCIOCULTURAL CHANGE IN VIETNAM SINCE 1986

Esta S. Ungar

In 1987 the Political Bureau of the Central Committee of the Vietnam Communist Party issued a resolution to 'renovate and enhance leadership and management and develop creative power in literature, arts and culture' (SWB [BBC], 1987). The following chapter looks at socio-cultural change in Vietnam in the urban areas since 1987 and will focus, in particular, on the restructuring that occurred in the media after 1986 and how these changes worked to create a larger sphere of public debate on social and cultural matters in Vietnam. First, I will examine factors motivating this change; next, how this development affected previous channels of communication and finally, what has occurred as a result of three years of easing of media control.

In line with *doi moi* in the economic sphere the Party felt it necessary to open its policy on information and the media to appeal directly to the public through other than routine Party channels. This was intended to build support for the renovation process. To do so it was necessary to alter traditional communication channels based on propaganda. Before *doi moi*, propaganda was the chief means of public communication between the Party and the masses on all issues of importance, and the channel of communication was principally directed from the top down.

First of all, the shift from propaganda to information raises the central issue of changes in underlying assumptions on the nature of the 'public sphere' in Vietnam. In order to address this question one must first ask where propaganda fits in a specifically socialist vision of the world. Basically propaganda belongs to a closed society. The area of debate occurs over how to implement the propaganda rather than through any discussion of the merits of a

line. In a socialist system propaganda serves as a tool of political regulation without being law.

In this system the purpose of the state is to create an environment where social forces will be in equilibrium. In this world view unfettered economic forces unleash chaos on an unsuspecting society. The purpose of the policy of closed communication is to protect the collectivity from the depredations of the individual, and the media is structured to serve these ends.

By comparison, in a 'western' system the underlying assumption is that economic activity is healthy and therefore, if the state regulates economic activity to a mild degree, social order will follow. In this system where the individual functions as an *economic* actor, he or she is protected by the state from political forces which would circumscribe his or her activities. Legislation is directed to inhibit monopoly—for example, of media ownership, through anti-trust legislation.

In these two systems communications networks serve different functions. In a narrow socialist system the Party is the ideal instrument to convey the political message and it does so from the top down. Therefore, the Party depends on the political line to regulate people's actions and does not provide a broad system of supporting legislation to underpin it. This system gives a high degree of autonomy to local areas. The advantages of such a system is that it can function when the country is under threat in the midst of war or when a country is developing and lacks adequate infrastructure and streamlined channels of administrative communications from the central government to localities. In these circumstances the political line provides a relative uniformity of function. This was the case during the First and Second World War and the Indochina Wars.¹ In order to be effective this system also demands a high degree of mobilization and dedication from the populace.

¹ See, for example, the origins of the National Liberation Front in C. Thayer, *War By Other Means. National Liberation and Revolution Vietnam 1954-60*. (Sydney: Allen and Unwin, 1989). G. Lockhart, *Nation in Arms: The Origins of the People's Army of Vietnam*. (Sydney: Allen and Unwin, 1989) describes how the Vietnamese used a decentralized administrative system to conduct wars of liberation against technologically superior adversaries.

If one is dealing in political messages, which by their very nature are less precise than technical messages, and if one has a great deal of time (to debate how to carry out the line at each level in the hierarchy), this system works. But, suppose one moves into a market system or a semi-market system, then what happens? In the economic sphere, for example, the socialist state reduces regulation. To do so, it is necessary to suspend in part the terrible fear of social forces that a de-regulating or de-centralized market system can unleash on the socialist order. Moreover, new demands are made on the system of communication as a result. If, before, it was possible to sit in meetings all day long, now it becomes necessary to 'streamline' the communication process to deliver information more efficiently. In this case four requirements exist: information is needed; it must be disseminated; the time factor is critical—it must be done quickly; a different quality of information is needed.

To meet these requirements a more open information and media policy is necessary. In the case of Vietnam a change in the content of information preceded a change in media structure. This change in content was first discernible in publications from academic circles.²

One sees this development very clearly, for example, in the Vietnamese debate over events in China and China's relationship with Vietnam in the post 1978 period (Ungar, 1987). Initially, debate on China took place behind closed doors and materials related to Vietnam's China policy were prepared for internal Party circulation only. Public statements on China were issued in the form of propaganda almost exclusively. The two main newspapers *People's Daily* (*Nhan Dan*) and *Army People's Daily* (*Quan Doi Nhan Dan*) gave out the propaganda line in the form of official government pronouncements. Thus, before 1987-88 high level officials had access to narrowly restricted information substantially different from that available to the person on the street. Instead the ordinary person relied on obvious propaganda and any additional

² In 1982 and 1983, for example, publications from academic institutes stated categorically that their research was conducted along 'the political line illuminated by Party principles' (cf. Dao Van Tap, 1983:10) by late 1985, however, works on social science topics from the same institutions were informing their readers that respect for the party line no longer meant reliance on party dogma to the exclusion of research results obtained through a variety of scientific research methods (Hoang Viet, 1985:86-87).

information informally received through radio reports from overseas, rumours or from relatives and friends. One certainly did not use the newspapers to acquire non-party line information.

By 1987 the party found that the old communications structure, geared to delivering ideological messages, needed modification in order to take advantage of knowledge and experience that was not ideological but technical. To tap these sources within the society, more open and varied channels of communication were encouraged as other groups outside the traditional party propaganda structure were involved in supporting *doi moi*. As a result, the traditional structure of communication, with a propaganda unit (*ban tuyen huan*) at every level, and with the mass organizations utilized as tools for disseminating the particular propaganda line of the time, has declined in significance as the role of ideology is downgraded in communication between the Party and the people.

The process is resulting in a more sophisticated use of the media. First, there is the change in content and control. Allied with this is the pressure on various units and enterprises (including mass organizations and the print media) to generate income independently and to become more self-supporting (BBC 1987). Thus, the Political Bureau report on literature, arts and culture of December 1987 brought market forces into the operation of the media in socio-cultural matters. The most obvious signs of the impact of this policy were the burst of new publications, newspapers, books and magazines that flooded the market by late 1988. This trend has continued to increase ever since, albeit at a slower rate by 1990 as market demand has become satisfied. The government aims to have a media that will support the renovation policy and lead to new thinking. A further purpose of the policymaker is to see the media used in a more sophisticated way to critique and attack practices anathema to the government; for example, instances of corruption, smuggling, black (pornographic) videos, etc. This provides a means outside the normal Party channels to enforce discipline in a time of rapid economic and social change and gives the media a limited watchdog function. Finally, the opening up of communication channels gives the media a chance to test the waters and explore the impact of the government's policies in different spheres.

Turning to each of these points in turn, the visitor to Vietnam from late 1988 onward cannot help but notice the information explosion that occurred in the wake of the change in media policy. Government bookshops once given over to political volumes and a

limited number of scholarly tomes are now filled with books and periodicals to meet popular demand. Books and pamphlets offer: technical information (how to repair a video or television, IC (integrated circuit) pamphlets complete with diagrams for assembly and repair are available); all kinds of small-scale agricultural projects are documented in pamphlet form; and an enormous range of fiction, both Vietnamese and foreign, with an ever-growing number of translations from European and Chinese languages mainly, are on sale. On television and in print numerous feature articles have filled up space which three years ago would have been reserved for political commentary. Advertisements appear in newspapers, on radio and television, as state enterprises join the push to promote sales and begin to compete with each other. Foreign news items from all over the world have broken the embargo on news from non-socialist countries, a practice that was in force through 1986. Satellite television transmissions via the Soviet Union bring in foreign news coverage of a type not available in 1986, and popular feature 'specials' like the *The Thornbirds*, courtesy of the Australian Government, and *Octopus*, have become runaway successes over the last few years. The enormous variety of books available have generated concerns in some sectors that some of the items are not 'quality' literature and will undermine morals. Until recently, the seemingly insatiable public appetite to read anything new led to a disregard of, or concern for, critical standards. Going to a bookshop was like visiting a food fair for the first time: the customer may not know which is junk food and which is healthy food; for a while may not care so long as it is possible to sample and experiment.

Experimentation and exposure to new and classic works from home and abroad as well as a resurgence of older popular works and music of the 1930s has led to an urban cultural renaissance. New newspapers, new films, new plays, new *cai luong* [folk opera]. etc. all attest to the changes spawned by the new information policy. As in China after 1978 new types of newspapers and journals have mushroomed. These target selective audiences. The journals of the mass organizations, once little different from the official party publications, have followed this trend. Thus, one reads the *Youth* journal put out by the Ho Chi Minh City Youth Union and the *Metropolitan Youth* (*Tuoi Tre Thanh Pho*) journal put out by the Party Youth Union in Hanoi. There are police papers (*Cong An*) in many cities and towns, papers retelling what goes on about town

(*Hanoi Moi-New Hanoi*), and various papers dealing with features and the arts (in Hanoi, *Dien Tin* and *Tien Phong*, for example).

The content of these papers provides scientific information where once the party line would have been published with little supplementary explanation to say why it had been adopted. For example, in 1989, newspapers in Hanoi published numerous items appealing to youth: articles on later marriage—encouraging readers to think about family planning (in order to foster the government policy in a more sophisticated way than before); material on the population explosion; on the importance of sex education in the schools, citing survey results from school programs in Sweden, Australia and Canada; a survey of Hanoi and Ho Chi Minh City university students for their opinions on pre-marital relations; film and book reviews. An instance of the latter was a debate on the merits of the Soviet film *Little Vera* and the US novel *The Godfather* (on the newstands in Vietnamese translation). The debate centred on whether these two works were examples of social realism or merely lurid tales of immorality. To meet reader demand and encourage sales, newspapers by late 1988 and early 1989 were putting out Sunday supplements with mastheads in coloured ink providing special features. A social science survey in mid 1988 showed that one in ten (40-50 per cent) Hanoi households had access to television. Videos and video recorders have increased markedly in the last year or two as coffee shops gear up to attract more customers by selling tickets to video movies. All these developments indicate a communications revolution under way in the urban areas of Vietnam.

By opening the sphere of activity regarding what people can write, and moving their area of interest beyond narrow political confines, the government has created the need to broaden the channels for influencing and controlling that expression. Thus, newspaper stories may indirectly provide a critique of one government department by another, or report on bad practices in a way that both educates the public about what to do and what not to do, and also provides a means outside regular Party channels to influence various groups and keep them in line. The articles and stories described above, as well as the selective watchdog function which they may serve, reveal a more sophisticated psychology in the relations between the government and the population. The information content of these newspapers and reviews indicates the media's assumption of greater intelligence on the part of the

average reader and the attempt to appeal to the population and enlist reader support in a more complex way than has existed before in public organs of communication.

As stated above, the media also test the waters where communications policy is concerned. In 1989, *Youth* published articles on teenage prostitution and youth gangs, for example. Now should the reader think that such controversial articles appear automatically without editorial forethought, he or she would be mistaken. In fact, each such article represents a response by writers and publishers to test the new open 'line' on art, literature and culture, since statements issued by the Political Bureau on arts and literature are ambiguous and open to interpretation (Voice of Vietnam 1990). What this means to writers, editors and publishers is that every time a new 'open' line comes down, there is no regulating mechanism to tell them when to stop; no libel legislation to indicate the limits to their comments or any similar guideline.

Therefore, one brave soul tests the waters. In effect, he or she makes public a particular issue and this sets in motion what I shall call the 'imitation syndrome'. This means that the next editor, and the editor after that, decide that they too will take the plunge and publish similar stories. If nothing happens, then all is well. The tendency, however, is to increase the pressure, the testing, until the government reacts and then the editor or writer finds out in no uncertain terms that he or she has gone too far. The media people involved then pull back in response. Thus, everyone is involved in experimenting; no one knows how far it is possible to go or where it will end.

Meanwhile, market forces are inducing social change and introducing greater social complexity into the society. In western-style systems the protection of individual rights (in publishing for example) is an extension of individual property rights—which do not exist clearly in law in socialist systems. In consequence, oscillation occurs: first comes the 'imitation syndrome' with newspapers or authors testing the waters; then comes experimentation to plumb the depths. Not only are the media in these cases testing the limits, but in a way, they are also creating the limits.

Because there is no structural mechanism to allow for gradual, limited transition to a new stage, what is happening and what will continue to happen is oscillation between the boundaries inherent in the current system. The result is that one will continue to see a cycle

of crackdown and easing off in cultural affairs.³ In the process, however, the sphere of public debate on cultural matters is being broadened in ways inconceivable before 1986.

³ In a manner reminiscent of (although less extreme than) China's art and the fluctuations in China's policy on art and culture since 1978.

THE PUBLIC SECTOR OF VIETNAM*

Do Duc Dinh

In Vietnam at present, almost all views are unanimous about the economic inefficiency of the public sector and the need for public enterprise improvement.

The public sector has dominated over the national economy, accounting for about 87 per cent of the gross fixed capital in all the country and 95 per cent of the technical and skilled labour, but its product value contribution to the economy is not proportional to that percentage and its contribution to the national budget for many years now has nearly been non-existent, and even the state has had to compensate for its heavy losses; such negative phenomena as embezzlement and waste...are rampant (Vo Dai, 1989).

The situation is the same both at national and local levels. Investigation of a number of public enterprises in Kien Giang province, revealed that among 86 units under the control of three levels of government (the provincial people's committee, various industrial ministries and districts) 48 units gained profits, 32 suffered losses and six broke even. In general, the situation of public sector business undertaking in many places during the past was very difficult, and achievements were small. With a gross capital no less than 174 billion dong invested in these units, the profits totalled approximately 27 billion. Total losses surpassed 3 billion dong. These enterprises delivered to the state budget about 21 billion dong, but the debts incurred by the units which were to be refunded equalled 56 billion and 366 million dong. The amount of debts which

* This chapter first appeared in *World Economic Problems* (Vietnamese), No. 3(5), June 1990.

should have been recovered therefore stood at nearly 58 billion dong (*People's Daily*, 5 August 1990).

The question is whether to continue maintaining and developing a major state-run sector and to continue protecting and supporting it through the measures of subsidization, compensation for losses, assistance through taxes and interest rates, and so on, or to limit the scope of performance of the public sector, eliminate the special rights and privileges so far reserved to it, in order to compel it to improve its own economic efficiency?

In order to find out a proper basis for an effective solution to Vietnam's state economic sector, it is necessary first of all to gain an insight into the causes leading to the abovementioned situation. In the debates concerning this problem, not a few authors have spoken of factors such as the bureaucratic economic mechanism, the inadequate material and technical basis, the regime of ownership which does not encourage businessmen, the weak capabilities of managers, the low level of skills of workers and employees, and the irrational economic policies of the state.

At the symposium on 'conditions and environment to ensure the autonomy of public enterprises' sponsored by the *Communist Journal* which was held in Hanoi in June 1989, the participants raised many different causes including the following :

- It is the 'preferential' state-subsidy mechanism which helps public enterprises to run their business in complete disregard of economic efficiency.
- Though being given certain self-governing rights in carrying out their business, public enterprises are kept in the framework of the bureaucratic, centralized and subsidy mechanism, thus they continue to be fettered in business undertakings and may not respond to the needs they perceive in the new business environment.
- There are problems in the system of state ownership over the means of production. Who are the real masters of the public enterprises? This question has not yet been made clear.

Some observers also criticize the vagueness of the 'collective mastery' concept and consider this vagueness as the factor which leads public enterprises to be ownerless (*Communist Journal* 7, 1989:73).

In the article entitled "The autonomy of public enterprises in the shift toward "commodity production"", the authors Danh Son, Minh Tuan and Van Tien point out six 'main causes' as follows:

- Barriers to improving economic technologies including obsolete machines and equipment combined with overstaffing making products less competitive on the social market;
- Inadequate reorganization and rearrangement of production inhibits the initiative and creativeness of workers at the grassroots level;
- Confusion and perplexity of public enterprises in a completely new economic environment; the market mechanism is strange to them;
- The human factor in production and business activities has not yet been properly enhanced;
- Macro-economic management by the state has not yet actively and effectively promoted the reorientation of production and business activities on the social market;
- Information systems and knowledge of business undertakings in the context of commodity production remains weak and backward (Danh Son *et al.*, 1990:52-59).

We will not discuss much about the wide variety of issues deliberated on by many people; we will concentrate upon one problem which seems to be of utmost importance but up to now, few people have tackled, that is the question of how to conceive or perceive the role of the public sector in the Vietnamese economy. This is the main factor that governs the whole process of the establishment and performance of public enterprises. It could be said that for a long time, we have committed the error of worshipping the public sector.

There was a time we considered the public ownership system to be an objective by itself; and that the more the public ownership system is enhanced the more socialism is attained (Nguyen Cuc, 1989).

With this conception in mind we have imposed upon the national economy a public sector in a dominant role and established an economic structure which implies the protection of some sectors

and the attenuation of others. Or to be more accurate, we strive our best to set up the so-called 'socialist' economic sector and to abolish the 'non-socialist' ones. This structure does not stimulate the inheritance of the economic forces left over by history, nor does it facilitate the economic process of building new economic forces. Instead it leads to the creation of a public sector which is not dynamic, not competitive and not efficient, and the elimination of those sectors that show strong capabilities of development.

The identification of the public sector with socialism led to the proliferation of public enterprises without concentrating on the most needed or key areas. As a result public enterprises are present in all areas, places and levels ranging from civil aviation, maritime, communication, oil and gas exploitation, electric generation, fisheries, to restaurants, cafes and refreshment rooms. All are inadequate and weak; they do not have enough funds and technologies, and they are weak in management and know-how. In such conditions, it is quite natural to see most public enterprises perform inefficiently and fail in their business undertakings.

Government rhetoric stresses the importance of public enterprises, but in practice we show consideration for them only in their surface appearance, we highly appreciate their existence rather than the contents of their performance. We wrongly assumed that the larger the number of public enterprises we had, the stronger the public sector would become. The way by which we look in accordance with the method of addition, has blunted our keenness and intelligence in searching for the potential force hidden inside the public sector, that is, its role as a tool of macro-economic adjustment.

Realities in many countries have demonstrated that the public sector bears a historical character in its development. It cannot bring into play its good effect in whatever circumstances in whatever branch of industry or commerce it is expected to. It can only bring to full development its positive role when it is placed in a right position and a suitable circumstance, that is to say in the *key links* of the strategic development of each country at a definite historical stage. We can clearly realize this through the experiences of different countries, both developed and developing ones. In developing countries, at the initial stage of industrialization, in which the strategy of import-substitution was pursued, the public sector was used chiefly for the development of new industries and the infrastructure. After that, in the years when the export-oriented

strategy was implemented, the public sector was shifted to support the development of export industries, in particular the development of Export Processing Zones and Export-oriented Industrial Zones.

Recently in newly industrialized countries and territories such as South Korea, Singapore, and Taiwan, one may see that the public sector has withdrawn from the former industries and turned to support the development of heavy industries (ship-building, metallurgy, chemicals, car-making industries). Larger investments were made for the development of scientific and technological research and development centers (scientific-technological parks) which are to be the spearheads of the new economic strategy—the strategy of growth based on advanced sciences and technologies.

Apart from the developing countries, the West European countries also used the public sector to prop up the privately-owned enterprises when they were being ravaged during the Second World War, helping them to return to normal performance before giving them back to private owners in order to engage in other activities.

In Sweden at present, with a highly-developed economy, the public sector is no longer preoccupied with the building of the infrastructure and the development of new technologies. As all these responsibilities are being assumed by private enterprises, the government therefore uses the public sector as an instrument to carry on public welfare policies, in particular the maintenance of a very low rate of unemployment (2.5 per cent) (*Inside Sweden* 4, 1989: 15).

The abovementioned measures are very important because they facilitate the natural adjustment of the market, thus helping developing countries to put into operation the process of renovation or restructuring of their own economic structure. This restructuring does not mean that the public sector has neglected its duties in the cause of economic development. The transfer of a number of public enterprises to private owners in this case only means a drawing of capital for the purpose of investment in more efficient areas. This is not a simple measure of privatization which is tantamount to an 'act of retreating from the battlefield'. It is an act of gathering of funds to strengthen the public sector itself when it is called upon to assume a new and bigger duty which requires a larger investment of capital and technology.

The cult of the public sector may even lead to the ignorance of the possibility of mutual assistance between the public and other sectors. In the past, it was quite true that the public sector had never given assistance to the private one, and worse still, had striven to

strangle the latter. Inversely, it had never asked for help from the privately-owned enterprises whereas in other countries the public sector was mobilized to support the private enterprises in distress, to help them until they could stand on their own feet again. On the other hand, private enterprises would be strongly encouraged to invest in public enterprises, to formulate joint ventures and to sign contracts with public enterprises. This difference has been reflected in the structure of enterprises investment. In Vietnam, nearly all public enterprises have been 100 per cent owned by the government whereas in other countries, the majority of enterprises have received only a part of state capital investment. An example is South Korean enterprises, where over 10 per cent state share of capital investment categorize the firm as a public enterprise.

Proceeding from a wrong conception of the public sector, Vietnam has created a huge system of management seemingly to help this sector to play an effective role in the national economy. In reality, though, we have deprived public enterprises of their autonomy and tied them up in a strong network of regulations, keeping them as lions in cages whose strength is used for nothing, but eating much food. This management system is over-staffed and inefficient in operation. Public enterprises are large in number but weak in quality and incoherent in action.

In addition to that there are many objective causes such as the consequences of war, low level of economic development, and inadequate material and technical bases. Moreover, there is the abuse of power and authority by a number of politicians who imposed pressures upon public enterprises managers who know very little about economic management.

Today the cult of the public sector is not yet fully eradicated. However, there has appeared some new viewpoints, typical of which is the redefinition of the role of ownership as an instrument and not as content or an objective of economic performance. This viewpoint has become prevalent in other developing countries but in our country, it remains an idea pertaining only to a few people.

Though this viewpoint is in the minority, it testifies to the existence of a new approach among the people. One of those who advocate such a viewpoint is the author Nguyen Cuc. He wrote 'the ownership system bears no objective by itself, it is only a means by which the owner attains his aims in the organization of management and distribution' (Nguyen Cuc, 1989). Bui The Vinh has also remarked 'The conception of the ownership system as a means

and not as an aim proves to be more convincing now, it helps dissociate us from the old simple, coarse and superficial assumption: public ownership of the means of production = socialism (Bui The Vinh, 1990:38).

The recognition of public ownership as an instrument means that we should use it only when necessary and advantageous. This is the key factor for the determination of the role of the public sector. In the present conditions of our country, when the private and other non-governmental sectors are still weak, it is right to define the leading role of the public sector as pointed out in official documents of the Party and the state. However, it is not because of such an idea that we should develop the public ownership system into a widespread model throughout the whole country. 'A leading role' does not mean widespread development, it means the control of the most important links of the national economy, especially the strategic areas. As the author Huynh Tu wrote: 'In order to enhance the leading role of the public sector, the decisive factor is to ensure the effectiveness and economic efficiency of public enterprises. It is the very effectiveness and economic efficiency that determines the leading roles of the public sector.' (Huynh Tu, 1990:74).

The resolution adopted at the Sixth Plenary Session of the Party Central Committee (sixth legislature) when reaffirming the 'key role' and the 'leading role' of the public sector, has also pointed out that the public sector does not necessarily occupy a major proportion in all industries and trades. In those branches that the cooperative, family and private enterprises can do well and be beneficial to the national economy, we should create favourable conditions for them to develop.

The above recognition has provided favourable conditions for non-governmental sectors to make headway. Due to the restrictions imposed at earlier times, the private and collective economies were allowed to operate chiefly in the areas of small industries and handicrafts. In spite of all that, the contribution made by these sectors to the national economy has not been small. At present, the volume of goods produced by small industries and handicrafts is equal to 45 per cent of the whole country's industrial output, with the collective economy occupying 32 per cent and the private one 18 per cent. The volume of transport provided by the cooperatives has accounted for 32 per cent of the total transport volume in the country. The number of workers employed in the collective economic sector has reached 1.7 million and by the private sector 968,000 people. In

the first half of 1989, the gross out-put value ratio of small industries and handicrafts reached 100.4 per cent against 97.5 per cent of state-owned industries. In 1988, small industries and handicrafts obtained an increase by 9.3 per cent of their gross out-put value compared to 1987. In contrast the state-owned sector increased only by 6.5 per cent; particularly worthy of note was that the private and industrial sector secured a rise of as much as 28.2 per cent (Ngu Phong, 1982).

The strong and dynamic development of the private and individual economy—strong and dynamic even in periods of economic depression—should serve, on the one hand, as an example for the collective and state economies to seriously review their own undertakings and economic efficiency. It should demonstrate, on the other hand, that the private economy plays an active role and constitutes a real motive force in the process of development of the national economy, especially from the time when the market mechanism was officially accepted.

Vietnam's economy is a multi-sectoral one. Each economic sector has its own merit. According to the experiences of other developing countries, the public sector might do well both economically and socially if it is selectively and principally concentrated in areas of national strategic importance, that is, in a number of basic industries and infrastructure which serve as foundations for the development of other branches. The private and collective sectors can play a supplementary role in remaining areas. In other words, the process of practical and objective development of our economy now requires a structure in which the state, collective and private sectors complement one another, without destroying each other as in the past. This is a structure which is resilient, flexible, adaptive and easily adjusted to the changes of the times. It also enables a high mobilization of productive forces. If the former structure were to be rigidly pursued and the so-called non-socialist sectors were to be neglected and even negated, we would continue wasting major productive forces and therefore not applying them to the process of economic growth. Moreover, for the time being, we are shifting over to the market mechanism, and as remarked by Mr Kjell Olof Feldt, Sweden's Minister of Finance, '...it is difficult to advocate a market economy without permitting private ownership to play a major role in it' (Kjell-Olof Feldt, 1989:5).

In such a structure, encouragement should be given to those sectors which would produce higher socio-economic efficiency

irrespective of the place and time, and we should not be too rigid in protecting one sector to the detriment of others as occurred in the former structure of mutual liquidation among different sectors. The protection of the working people's rights and interests and the restriction of the monopoly by private owners should not be necessarily linked to the protection of, and support for, those public enterprises operating at a loss, but may be effected instead through a socialist welfare state policy. By means of taxation it is possible to adjust the incomes of inhabitants and to deduct a part of the money of the high-income groups, to invest in social programs such as creation of jobs, and the ensurance of basic living standards for the low-income groups while not eliminating the differences in wages and incomes due to those with talents and professional qualifications.

Economic complementarity is not only to be effected in the framework of the whole economy and among enterprises belonging to different economic sectors, but also within each enterprise. Nowadays, with the high development of shareholding companies, especially the ones which require a large amount of capital and need special technological know-how, in many cases the owners who control the companies hold only 10 to 20 per cent of the total shares, and in some places they hold only 5 per cent of the total shares. It is not by chance that in a publication of the United Nations, public enterprises were defined 'as those wholly or partly owned by the state and in whose decision-making process the state exercises a degree of control' (Report on the World Social Situation, 1985). Vietnam may have certain individual characteristics, but in general we cannot do well if we stand aside from the common trend that most developing countries follow. In that sense, the public sector of our country should not be too much different from others. The state should not formally hold total or a major part of the shares of enterprises as we did in former times. We should shift over to the system of biggest shareholders, thereby showing more consideration for the content of activity of enterprises, managing them based on the principle of economic efficiency, in the interest of all shareholders, no matter whether they are private, individual, collective or state entities.

Parallel with the system of the biggest shareholder we may also develop a system of people's participation with an aim to stimulate the mobilisation of capital from individual workers and people both inside and outside enterprises who have some surplus

amount of money and want to invest in the enterprises. This is indeed an act aimed at transferring the sums of money still lying idle in the hands of the population for the purpose of expansion of production and at improving the financial support for the people belonging to the low-income groups.

The development of the system of biggest shareholders and the system of people's participation together with other forms such as joint ventures and linkage, contracts, sub-contracts, and rents constitute the various forms which enrich the three fundamental forms of ownership existing in Vietnam. It would not only permit a healthy competition and assistance to each other for further raising their own economic efficiency, resulting in ensuring social justice by helping those who belong to the low income groups, but also create the necessary premises for a relative separation of powers between owners and managers and for helping the latter to have larger rights of autonomy in their business, based on the decisions of the board of directors and administrative councils. On the other hand, with the owners (eg. shareholders) right to revoke the mandate of managers, the managers are bound to hold a bigger responsibility for the results of the enterprises under their direction.

Concerning the concrete solutions to our public enterprises, many ideas and suggestions have been raised, most typical of which are '10 urgent solutions' that the Organizing Committee of the *Communist Journal* sponsored Symposium on public enterprises put forward after examining more than 40 scientific papers and reports made by various offices, research institutes and scientists. These solutions comprise the following proposals:

- Classification of public enterprises.
- Investigation and identification of all the sources of capital held by the public enterprises, proceeding with the signing of contracts between the state on the one hand and enterprises on the other.
- Establishing funds for financial assistance to public enterprises.
- Putting into effect the law on statistics and bookkeeping.
- Implementing a new tax policy.
- Restructuring the financial and banking system and expanding the money market.

- Renovating the economic role of the state.
- Launching a fast training of managers according to the new economic pattern.
- Organizing a system of market information.
- Speeding up the elaboration and publication of economic laws and ceaselessly perfecting them in the process of their implementation (*Communist Journal* 7, 1989:72-3).

In his article entitled 'The public sector: status quo and orientations for renovation', Vo Dai (1989) wrote that there are three main kinds of solutions in our country at present, namely:

- Renovating the economic mechanism in the direction of using the market mechanism jointly with the adjustment following the state's plans.
- Renovating equipment, technologies, and varieties of goods, raising the quality of products, turning toward the market.
- Improving the organization and management of labour at enterprise level in order to reduce labour redundancy, and cut down production.

Then he put forward the idea that 'there should be a more extensive research and experiments of the form of shareholding company and...transfer a major part of our public enterprises into shareholding companies' (Vo Dai, 1989). Some other authors such as Phan Phung Sanh (1990) and Vu Le Duc Huong (1990) have also put forward the idea of turning public enterprises into shareholding companies (Phan Phung Sanh, 1990; Vu Le Duc Huong, 1990; *Labour* (weekly) No 18/19(23) May 20 1990).

Minh Tuan and Van Tien (1990) also suggested the five following measures:

- Stabilizing and making healthy the business environment.
- Classifying, reorganizing and rearranging production in public enterprises on the basis of a rational economic structure strategy.
- Selecting and removing hindrances and impediments which are preventing public enterprises in their way toward autonomy.

- Implementing policies to help public enterprises in their efforts to acquire new equipment and advanced technologies.
- Organizing a good system of economic information and data processing, providing knowledge and experience in business, training directors for public enterprises

The author Thanh Son also made some recommendations concerning the solutions to public enterprises, worthy of attention among which is the idea about the necessity to 'put into effect the multi-forms of ownership in the national economy in general and in each company or enterprise in particular' (Thanh Son, 1990).

It should be noted that the abovementioned solutions have just been proposed or are being applied to a limited extent. Few successes have been achieved so far while tremendous difficulties still lie ahead. Anyhow, it is not for this reason that much more effort should be made in that direction in order to gain experience on how to find out the most effective solutions to the problem.

Here I would like to discuss some more points. First is on the business environment. In the past, progress has been achieved in the control of inflation, production and export of foods, increase in the real rates of interest for saving money, the implementation of new exchange rates closer to that of the free market, the shift of the multi-price system to one-price system, and the increase of the volume of commodities on the market from different sources. In other words, the adoption of measures aimed at shifting from the bureaucratic economic mechanism based on state subsidization to the market mechanism, has exerted a positive effect on the economic situation in general and at the same time compelled public enterprises to direct their activities toward a profit-and-loss accounting and to secure economic efficiency in their undertakings. Nevertheless, these measures are not yet as strong and firm as expected. They are not yet strong because they constitute only some small adjustments within the old framework. It is therefore necessary to create a new environment: *a fully competitive environment* which should be considered as a *decisive factor* determining all business activities. Accepting such an environment is tantamount to accepting the rights and responsibilities of enterprises to adapt themselves to the business environment, accepting bankruptcy and dissolution of those enterprises which operate at a loss, and to accepting the existence and operation of the different markets like capital, labour, commodity and others.

The present measures are said to be not firm because they are not yet legally guaranteed by law. This requires the state to quickly promulgate laws on the management and operation of enterprises. Only by so doing can enterprises have firm foundations upon which they may carry out their business activities, avoid sudden troubles and disturbances occurring as the result of the erroneous decisions made by those politicians who abuse their power and authority and are not held responsible before the law for their acts.

With regard to the forms of enterprises, it is too early to confirm one or another when its viability has not yet been proved in practice. Experiences of other developing countries indicate that only from a multi-faceted and diversified development can people find out the most appropriate patterns. The shareholding company is a good idea but in the past period, such forms as rent, contracts, enterprise agreements, and business linkages have also brought considerable results. In China, in the first period of reform, the forms of rents and contracts proved to be more effective and profitable than that of shareholding company. The question is to determine the proper time and degree of maturity of the necessary conditions for setting up this or that form whose development proves to be sustainable. If we do not we would be faced again with the lessons of voluntariness and impatience which we have already met in the past.

Another problem which affects the activities of public enterprises in particular and industry in general is the external economic mechanism. An open mechanism is entirely necessary for our national economy but it is not for that reason that all the doors should be opened wide. Other countries' experiences show that economic openness is usually aimed at promoting exports and attracting foreign investments. In order to realize this, most countries usually establish a system of customs duties giving preferential treatment to export goods and a system of interest and exchange rates advantageous to foreign businessmen. On the other hand, they are always on their guard and ready to take action to protect their industries from unfair competition by imported goods. That is why protectionism has become in most, if not to say all countries of the world, the means to protect home industries and to safeguard the way for development.

In Vietnam people have witnessed foreign goods overflowing their home markets, bringing harmful effect to the country's industries and to the production of local enterprises. For that reason,

in our opinion, paralleled with the promulgation of the laws on encouragement of exports and foreign investments, we should also issue laws for the protection of those home industries that we intend to develop. Especially important are the laws on import taxes in order to protect the production of enterprises, including the public ones, to avoid the situation where imported goods evading payment of import duties or pay them at a low rate, while the home-made goods are imposed upon with too many kinds of taxes which push up their prices to the level of being inaccessible to local customers resulting in redundancy of workers and stagnation of industries.

This does not mean that we intend to favour a strict system of protecting home industries against foreign competition in the long run and advocate a closed and isolationist policy, the one which has been proved to be erroneous and disadvantageous in many developing countries as well as in our own country. A strict protectionism would not be good for raising the viability and vitality of enterprises. On the contrary, it causes them to be less dynamic, encourages them to rely passively on the help and assistance of the State, to be reluctant to make technological and managerial improvements to raise the quality of products, to cut down production costs and to enhance their competitiveness on the market. What we want to emphasize here is that when our industries are still weak and immature, we must protect them, at least until they can stand firmly on their own feet and successfully compete on the international market. Our home market is now still small because of the low purchasing power of the people. If we do not protect such a small market for our industries, it means that we will present it as a gift to foreign companies and strangle our own enterprises, including public enterprises.

POLITICAL AND SOCIAL ASPECTS OF VIETNAM'S RENOVATION PROCESS

Vo Nhan Tri

In this paper I would like to deal first with the political limits set by the Vietnam Communist Party (VCP) to the ongoing 'renovation process', and then with the social aspects of this renovation, particularly its so-called 'human development strategy'.

Political aspects

Summarizing the six fundamental 'limits' of the renovation process set by the VCP at its Sixth Plenum (Sixth VCP Congress) in March 1989, the party's daily newspaper (*Nhan Dan*, 1 April 1989) wrote:

These six principles [i.e. limits] are: the assertion of socialism, of Marxism-Leninism, of proletarian dictatorship, of [the] leadership of the VCP, of socialist democracy; and of [the] association of patriotism with proletarian and socialist internationalism. All renovations must comply with and must not go beyond these fundamental limits.

The assertion of the socialist goal

Nhan Dan stated too that 'renovation does not mean changing the goal of socialism, but instead it means ensuring the effective realization of that goal through the adoption of suitable forms, steps and measures' (*Nhan Dan*, 31 March 1989).

On the occasion of the forty-fifth anniversary of Vietnam's independence day, Prime Minister and political bureau member Do Muoi emphasized that 'renovation [is carried out] in order to build up socialism more effectively, not to renounce socialism', and that 'it

is therefore necessary, in the course of renovation, to fight against deviations from the socialist path' (VNA, 1 September 1990).

One has to bear all this in mind in order to fully understand the VCP's general policies, with particular reference to the encouragement of the private sector, the use of market forces in combination with indicative planning, the open-door policy to attract Western aid and investment etc. This is not to say, however, that Vietnam, as some journalists have pointed out, 'is moving [down] the capitalist road', in the classic sense of the term (e.g. Hiebert, 1988). This view was upheld by the Secretary-General of the VCP, Nguyen Van Linh, when he asserted, in sharp contrast to the rapid disintegration of 'existing socialism' and to the profound politico-ideological changes sweeping the communist and post-communist states in Eastern Europe and Asia, that 'we [the party's leadership] express our pride of being a member of the great family of the fraternal socialist countries' (*Nhan Dan*, 2 September 1989). He added that 'in a relatively short period of time socialism has demonstrated its great vitality [!] as a social regime. Facts have shown that over the recent past, socialism, in spite of shortcomings and even serious errors committed by this or that party, has demonstrated the superiority [!] of a new social regime.'

The assertion of Marxism-Leninism

According to the communiqué of the sixth plenum, 'Marxism-Leninism always serves as the ideological foundation of our party. Renovation in thinking is designed to overcome erroneous concepts...about our era and socialism...rather than to break away from the principles of Marxism-Leninism'. Nguyen Van Linh stressed that 'to defend the purity of Marxism-Leninism, enhancing and creatively applying its revolutionary and scientific nature, is a very important part of our ideological work'. This is an extraordinary statement to make at a time when this ideology was being abolished in Eastern Europe and even questioned in the USSR.

Dictatorship of the proletariat

The sixth plenum's communiqué stated that 'renovating the operational mode of the political system is meant to enhance the strength and efficiency of the dictatorship of the proletariat and make [it] operate in a more effective manner' (*Nhan Dan*, 31 March 1989). But this does not explain what is meant by the 'dictatorship of the proletariat'.

The chairman of the National Assembly, Le Quang Dao, admitted that the imposition of dictatorship was encouraged by the members of the politburo, and not by the party machine. He explained that this dictatorship was the creation of a totalitarian regime, which, by virtue of its *raison d'être* and its stringent policies, considers itself superior to the people in every respect, in fact 'opposing' the people and thus generating social injustice (Resistance Veterans' Club in Ho Chi Minh City, 1990).

The outspoken writer and ex-party member Duong Thu Huong believes that '[Vietnamese] society can be renovated and developed only when it eliminates two backward and barbaric [political] principles: [proletarian] dictatorship and [democratic] centralism' (*Que Me* (Paris) 109 April-May, 1990:38).

The assertion of the VCP's leadership

Reporting on the Sixth VCP Congress, *Nhan Dan* stated that 'party leadership is the factor deciding the success [?] of our people's undertaking to build and defend the socialist homeland. We must criticize the tendency to negate or belittle party leadership..' (*Nhan Dan*, 31 March 1989). Although Nguyen Van Linh stressed that 'the Party is the leader, initiator and pacesetter in renovation (*ibid*, 2 September 1989), it is interesting to note that neither Marx nor Lenin considered a single ruling party system as a desirable goal (Nove, 1983:145). Nikolai Bukharin commented in his time on the potential latent tyranny' of a single-party system and warned against the 'arbitrariness' of party officials acting as if they had some kind of 'absolute immunity'. He also noticed the inherent dangers of political monopoly, 'fearing a new despotism of institutionalized *proizvol* [official arbitrariness]' and expressed concern about 'the possibility of the Party's degeneration' (Cohen, 1975:206-207).

The VCP, whose members constituted 3.29 per cent of the population in 1988 (*Thong Ke* 2, 1990:26), intends to lead the people. However, according to the party's theoretical and political journal *Tap Chi Cong San*, 30 per cent of party cadres are neither educated and competent in economic management nor able to hold positions of leadership, whereas about 60 per cent of party members do not set good examples, approximately 10 per cent being considered 'degenerate', 'deviant', 'corrupt', abusing their authority and

oppressing the people (*Tap Chi Cong San* 2, 1990:17-18)¹. The journal also disclosed that 'an important segment of party members do not have confidence in the party's leadership' (*ibid.*: 18).

At its Eighth Plenum in March 1990, the VCP admitted that the relationship between the party and the people 'has turned sour and [has] deteriorated quite seriously' (*Nhan Dan*, 5 March 1990). Tran Bach Dang, a senior party member and political adviser to Nguyen Van Linh, acknowledged that 'the danger of the party alienating itself from the masses, and the masses distancing themselves from the party poses a serious threat to the party's leading role' (*ibid.*).

But despite these facts, the party maintains its claim that it should lead the people. In this context it is interesting to recall President Ho Chi Minh, who stated that it is 'only insofar as the masses acknowledge the correctness of its policy and the aptitude for its leadership that the party could keep its leading role' (*Truyen Thong Khang Chien* (Ho Chi Minh City), December 1988:2). According to this, the VCP should *merit* its leading role and not take it for granted nor impose it upon the people, as is the case now (*Ke Hoach Hoa* 2, 1990:2).

Since 1989, however, the party has launched a campaign against political pluralism, with a aim of maintaining its monopoly of power at all costs.² At the sixth party plenum, Nguyen Van Linh advocated the 'broadening [of] democracy and reaching consensus through debate', adding that the party 'does not tolerate pluralism'

¹ On the same issue, see also Le Ngoc who asserted that 40 per cent of the key cadres are incompetent, ignorant and arbitrary, *Thong Ke*, no. 10, 1988. Regarding the widespread corruption of cadres, see Thai Duy's article in *Dai Doan Ket*, Hanoi, no. 23, 5-11 June 1990. Recently, the same journal reported that 'corruption is particularly notorious, and what is worse, is becoming a burning issue in the banking sector...and in the National Reserves Sector. Corruption is no longer regarded as a practice that involves only those degenerate or deviant people with positions and powers. It has become a social vice...' *Voice of Vietnam*, Hanoi, Home Service, 14 GMT, 23 October 1990.

² Ex-Premier Pham Van Dong said: 'Power is the essential problem of revolution. The purpose of engaging in revolution is to conquer power, conserve it, [and] consolidate it': *Mot So Van De Nha Nuoc*, NXB Su That, Hanoi, 1980, p.23.

(*Nhan Dan*, 31 March 1989). A few months later, he reiterated this point in another important speech:

Certain voices have been heard in our country which maintain that as the economy is multi-sectoral, there should be more than one political party and pluralism in ideology. Such people fail to realize that our multi-sector[al] economy is designed [only] to serve socialist construction. It should be made clear that the different forms of the private sector as they exist in this state of proletarian dictatorship are no longer what they used to be in the former regime; they are being utilized and transformed by the state in the direction of socialism...We will not allow any force to set up any opposition party to work against socialism (*ibid.*, 2 September 1989; Hanoi Radio, 31 May 1989; Ha Xuan Truong, 1989:1-5).

In the same speech, Linh also emphasized his belief that pluralist ideas had played into the hands of imperialist schemes which aimed to undermine socialist regimes:

We declare that we resolutely reject pluralism, a multi-party system of opposition parties. We should see clearly that on the practical as well as the political planes, there is a scheme of imperialism and reaction aimed at steering our socialism from its path and weakening the party's leadership (*ibid.*).

According to a recent radio commentary, pluralism has become part of imperialist ideology and can be defined as reactionary: 'In Vietnam, several reactionary forces took advantage of difficulties to incite young people, students and artists to demand pluralism. The Vietnamese government vehemently protested against political pluralism (Voice of Vietnam, 2 July 1990).

However, so far the VCP has not been able to silence calls for the creation of a multi-party system. It is far more likely that these calls will become more adamant in the future.

The assertion of socialist democracy

Nguyen Van Linh stated that 'ours is [a] socialist country, [i.e. a] democracy to the working people, but [a] dictatorship to all enemies of the people' (*Nhan Dan*, 2 September 1989). But it must be questioned to what extent, if at all, the working people enjoy

democratic rights, or the right to 'master' their own lives? *Nhan Dan* quote Linh as saying:

At present, there remain in [Vietnamese] society many undemocratic phenomena which violate the people's right to mastery...A number of party members and cadres have used acts of [a] repressive character against the people and [have] infringed upon their legitimate interests. They [have] also imposed their arbitrary...ideas upon the masses (*ibid.*).

The party journal *Tap Chi Cong San* recently published a discussion on 'socialist democracy' in Vietnam. One of the leaders of the party-controlled Federation of Trade Unions, Xuan Cang, admitted that 'at [the] present time, the democracy [sic] is distorted...Democracy is only the *form*, but monopoly of power is the *real content* (*Tap Chi Cong San* 2, 1990:44).

In the same journal, the Deputy Director of the Institute of Sciences in Vietnam, Phan Dinh Dieu, agreed with Xuan Cang on this question (*ibid.*:41-42). And a few months later, the journal noted that 'violations of democracy are still serious in party organisations as well as in state bodies and mass organizations; [there were also violations] of citizens' rights in all aspects of social life' (*ibid.*:16-20).

Patriotism and proletarian and socialist internationalism combined

Since 1989, the implementation of this principle has been difficult, given that the USSR and Eastern European countries have drastically reduced their economic aid to Vietnam. Deputy Premier Vo Van Kiet recently disclosed that foreign aid, particularly from the socialist countries, dropped by 63 per cent in the first months of 1990, compared with the same period in 1989 (*FEER*, 30 August 1990:65).

The preceding pages clearly demonstrate that the six above-mentioned 'limits' of the renovation process stipulated by the VCP in fact represent daunting ideological constraints on this process. So far, the measures, or rather 'half measures', introduced by the party to overcome the current 'protracted acute socio-economic crisis'³

³ See Ha Xuan Truong, *Tap Chi Cong San*, no. 1, 1990, p.42. See also Nguyen Co Thach's interview with *Vietnam Courier*, no. 3, January

have proven to be essentially ineffective because of the prescribed constraints on their applicability.

These 'half measures', which are often contradictory in themselves, are not capable of effecting desperately needed *fundamental* political, social and economic change in Vietnam. The recent experience of Eastern Europe indicates that 'half a reform might prove worse than none' (Nee and Stark, 1989:105). According to the well-known Hungarian economist Janos Kornai, evidence shows that 'the sum of ten half measures is not equal to five complete successes but five total failures' (*Problèmes Politiques et Sociaux* 636, 6 July 1990:46).

The renovation process in Vietnam calls for *total* measures, not half measures⁴ which inevitably lead to political, social and economic chaos and counteract the development of new alternatives to the failed Stalinist-Maoist system. This renovation should ultimately lead, *inter alia*, to the formation of a free market economy, not maintain the socialist-orientated 'planned market' economy, and create a pluralist instead of a 'socialist' democracy.

Social aspects

Faced with the dramatic deterioration of the standard of living of Vietnamese workers in the mid-1980s, the VCP advocated at its

1990, p. 2. As for Political Bureau member and Minister of Public Security Mai Chi Tho, he acknowledged that 'there is not only a socio-economic crisis but also a crisis of morality in Vietnam', *Dai Doan Ket*, no. 28, 11-17 July 1989.

- ⁴ For details concerning the economic renovation, see Vo Nhan Tri, 'La Renovation Economique et ses Dilemmes,' paper delivered at the 'Symposium Vietnam '90: La crise des structures, les crises d'un regime', organised by Fondation Nationale des Sciences Politiques (CERI) in Paris 25-26 January 1990; *Vietnam's Economic Policy Since 1975*, Institute of Southeast Asian Studies, Singapore, 1990, chapter 4; 'Economic Reform in Vietnam: Groping in the Dark?', by Thai Quang Trung, ed., *Vietnam Today: Assessing the New Trends*, Crane Russak/Taylor and Francis, New York (forthcoming); 'La Difficile Renovation', *Sudestasie*, Paris, no. 62, 1990. Regarding the political renovation, see in particular Gareth Porter's 'The Politics of Renovation', *Problems of Communism*, May-June 1990, p. 80 ff.

Sixth National Congress in December 1986 a social policy, dubiously entitled 'human development strategy' (*Chien Luoc Con Nguoi*), which aimed at improving their living conditions. A party delegate, Truong Chinh, reporting on this issue at the congress, stressed: 'We should combat all manifestations of...neglecting the human factor in socialist construction' (Sixth National Congress, 1987:101,103-14). He emphasized that 'to bring into full play the human factor' it was necessary, *inter alia*, to ensure employment for all working people, especially for young people and those living in urban areas; ensure adequate real income for the working people; satisfy the people's educational and cultural development; improve the country's health system, etc. (*ibid.*).

Prior to the Sixth Congress, the VCP had actually expressed that it was not concerned with the living conditions of the working people (Tien Hai, 1989:3,47), a statement which grossly contradicted its claim of representing the avant-garde of the working class. However, in view of the continuing decline in the workers' living standards and the resulting deterioration in their work ethic, in spite of repeated political exhortations by the VCP, the party could no longer ignore the issue and subsequently introduced its so-called 'human strategy development' policy.

But the period between 1985 and 1988 saw a further decline in the living conditions of workers and the civil servants. According to the party journal, at the end of 1988 their real wages represented only 40 per cent of their wages in 1985 (*ibid.*: 48), already low at the time because of the ill-conceived 'price-wage-money' reform introduced in September 1985.

The journal admitted a few months later that the standard of living of workers and peasants—the supposed 'masters' of Vietnamese society— was worse than during the pre-revolutionary regime (Than Son, 1989:46). In mid-1990, the journal published an article describing the deterioration of living conditions of workers, intellectuals, peasants, soldiers, and other social groups (Bui Ngoc Thanh, 1990). A Vietnamese economist wrote that decreasing 'salaries are now giving rise to legitimate discontent among the majority of the working people, especially intellectuals. During the last decade, millions of people at times had not enough to eat, part of the salaried people lived in [sic] a precarious life' (Le Quang Tam, 1989:31-32). Official statistics indicate that since 1976 national production has increased, whereas the real standard of

living of the people who produced this wealth has declined dramatically.

In his most recent speech, on the occasion of the forty-fifth anniversary of Vietnam's National Day, Premier Do Muoi admitted: 'We are now facing the fact that our level of economic development and the people's living conditions remain too low. Such is the critical reality and the great challenge confronting our nation' (*Tap Chi Cong San* 9, 1990:8).

The poor living conditions of the working people contrast sharply with those of the ruling elite which enjoys vast privileges and, in particular, great financial benefits. Since the inception of the renovation process, some of these privileges have been partly disclosed by the media, including the party's journal.⁵ A senior party member explained that 'the privileged people [i.e. the ruling elite] naturally enjoy very high real incomes although nominally they only receive a salary sufficient to provide them alone with three meals a day' (*Tap Chi Cong San* 8, 1990:73). To account for their high incomes, he added, one must include the provision of spacious villas, generous subsidies and sales of consumer products at subsidized prices, receiving special gifts at festivals, financial and other privileges for their children's education, etc. (*ibid.*) The party journal states that 'these privileges not only spoil [high-ranking] Party cadres and civil servants but also bring about a diminution of people's confidence in the party and state...(*ibid.*: 74).

Paraphrasing George Orwell's *Animal Farm* in this context, it could be said that in socialist Vietnam all party members and cadres are equal, but that some are more equal than others. In his time, Nikolai Bukharin was already concerned about the evolution of the revolutionary regime into a new kind of exploitative bureaucratic state, characterized by the 'degeneration of the ruling proletariat into a real exploiter class' (Cohen, 1975: 144).

During the Eighth Session of the National Assembly in December 1989, Hanoi Radio reported that 'almost all deputies

⁵ Xuan Cang, one of the trade-unionist leaders, and Pham Van Kiet, Chairman of the Vietnam Fatherland Front, have denounced these privileges in *Tap Chi Cong San*, no. 2, 1990, pp. 44, 46. For details, see in particular H. Son Tra's article in *Tuoi Tre Chu Nhat*, 11 February 1990; see also Thai Duy's article, *ibid.*, 1 March 1990; *Saigon Giai Phong*, 18 January 1990 and 1 March 1990. See also Porter, *Problems of Communism*, p. 72.

voiced their concern about the qualitative decline of educational, health, cultural and social services' (Hanoi Radio, 1989) owing, in particular, to the lack of state funding. Despite Premier Do Muoi's claim that 'education occupies a foremost position in [Vietnam's] human strategy [development policy]' (*Vietnam*, No. 374, 1990:10), only 3.5 per cent of the state budget was allocated to this sector between 1981 and 1989, i.e. 'the lowest education budget in the world' (*Tap Chi Cong San* 8, 1989:48; *Nghien Cuu Giao Duc*, 1990:2), whereas the South Korean government, for example, reserves 22 per cent of the national budget for education, (*FEER*, 28 June, 1990:45). And with regard to illiteracy, since 1978, 'the rate of relapse has tended to increase along with an alarming growth of the number of those who cannot afford education in many areas of the country' (Vu Ngoc Binh, 1990:15).

The provision of health care services in Vietnam has also seen a steady decline since 1975.⁶ The Minister for Health, Pham Song, admitted that the health of Vietnamese adults and children has been deteriorating at an alarming rate. He attributes this development to the highly inadequate health budget, again, as with education, 'the lowest in the world', because it 'covered only 35 per cent of the [country's] basic health needs' (*Tap Chi Cong San* 9, 1989:61-63).

With regard to child malnutrition, he conceded that 'at present, child and youth malnutrition is very serious', furthermore warning the party that this situation 'would lead to the danger of degeneration of the [Vietnamese] race' (*Tuan Tin Tuc*, 7 January 1989). In a recent article, Dr Duong Quynh Hoa, a leading expert in this field, challenged the Vietnamese authorities to come to terms with this problem (*Tuoi Tre Chu Nhat*, 3 June, 1990). And at an annual meeting of the joint council of the Ministers' Standing Committee and the Vietnamese Womens' Union Secretariat, Premier Do Muoi expressed his concern for the increasing rate of child malnutrition (*Voice of Vietnam*, 3 June 1990). According to a study published by the United Nations International Children's Fund (UNICEF), the mortality rate in 1988 for Vietnamese children under

⁶ See Chu Kha Thanh, *Thong Ke*, Nos. 9 and 10, 1989; Dr Arlette and Dr H. Carpentier; and P.L. Audat in *Vietnam, l'Histoire, La Terre, Les Hommes*, editions l'Harmattan, Paris, 1989, pp.241-42; 244; 259-61; Sophie Quinn-Judge, *Indochina Issues*, no.65, April 1986.

the age of five reached 88 (per thousand), compared to 49 in Thailand, 33 in South Korea, 32 in Malaysia, 12 in Singapore, and 10 in Hong Kong for the same period (*FEER*, 3 May 1990:12).

As for unemployment, it was reported that at the end of 1989 there were 'about four million unemployed persons of whom 70 [to] 80 per cent were young people—and more than two million...people looking for jobs' (Nguyen Luc, 1989). The party journal estimated that 'tens of millions of people are relatively unemployed' (Dau Quy Ha, 1990:39). Research conducted by the French news agency Agence France Presse (AFP) shows that according to official sources, close to eight million people, constituting almost one third of the active working population of Vietnam, were without a stable job (AFP, 29 April 1990).

To conclude, Khong Doan Hoi, a party economist, summed up the reality of Vietnam's renovation process correctly, when he explained: 'We [the party leadership] talk a lot about human development, but in fact we realise it very little [i.e. we hardly act upon it], whereas in capitalist countries leaders talk very little about human development but realise a lot of it [i.e. they act upon it] (*Tap Chi Cong San* 8, 1989:68).

ECONOMIC RENOVATION IN VIETNAM: ACHIEVEMENTS AND PROSPECTS

Le Dang Doanh

The Sixth Congress of the Vietnam Communist Party (VCP) by starting the difficult process of profound renovation in the socio-economic life of the country has proven to be an important turning point in the modern history of Vietnam.

In essence, the aim has been to formulate economic solutions suitable for Vietnam which avoid the mechanistic application of foreign models.

It is the crystallization of fifteen years of research, experimentation, success and failure since 1975. It is also the result of studying the lessons and experiences of various other countries in the world. In comparison with other countries, the reforms in Vietnam started earlier and have some unique features.

On the other hand, it should be noted that the Sixth Party Congress did not formulate a comprehensive plan with an exact timetable and detailed activities. The Congress only worked out the general directions and the basic concepts. The detailed development of the directions and concepts will be decided by the actual conditions existing at the time of implementation. Nguyen Van Linh, General Secretary of the VCP at the time has emphasized: the renovation process in Vietnam is not based on a given model but is rather a creative process based on research and experimentation.

Four years after its implementation the renovation process has had some significant achievements. However, new problems have also arisen from the renovation process. In addition, Vietnam must now overcome new and serious challenges arising from difficulties in economic relations with foreign countries.

Following is an outline of the main contents of the Sixth Party Congress from which an analysis of the implementation process and

conclusions were taken. Assessments and points of view on the economy can be summed up in the following six main points:

Assessments of the socio-economic situation

One of the main achievements of the Congress was that it pointed out economic shortcomings and setbacks including the inflation problem and also noted mistakes and errors in the overall implementation of the strategy. The Central Committee conducted a self criticism session. The Congress elected a new team of leaders who put forward a series of new viewpoints aimed at overcoming this situation.

Economic structure and investment policies

We have moved from a policy of industrialization with its priority on heavy industry in order to build up policy with the following priorities:

- grain and foodstuffs
- consumer goods
- export goods

The structure of the economic sectors

We ceased to establish socialist production relations and through transformation and collectivization of the whole economy we made the production system change faster than it would have done under its own volition. We achieved this by making use of all the existing economic potential and by practising a multi-sectoral approach to the economy in which a private sector including the domestic bourgeoisie is encouraged to develop beside a state owned sector and the cooperatives.

However, the Sixth Party Congress still demanded that capitalist trade be abolished and differentiated between the 'socialist economic elements and the non-socialist ones'. The Sixth Party Plenum of the Central Committee (in March 1989) acknowledged that various economic sectors would exist long term and guaranteed people the right to do business in conformity with the law regardless of the socialist or non-socialist component of the business. The Plenum also permitted capitalist trade to operate under state control.

Mechanism of economic management

The Sixth Party Congress sharply criticized the long term maintenance of bureaucratic centralized administrative management and opted instead for the establishment of a planned commodity economy based on market forces and commodity-money relations. It was hoped these methods would ease inflation. Centralized management with specified administrative procedures which were suitable during the war have now proved to be inappropriate for economic development during peace time and for expanding economic relations with the world.

The Sixth Plenum of the Central Committee confirmed the use of market mechanisms, ceased to differentiate between an 'organized market' and a 'free market', reformed the price system, abolished subsidized prices, based purchase and sale prices on market prices, set the floating exchange rate between the Vietnamese dong and foreign currencies according to the market price, built up the system of commercial banks and separated the commercial banks from the State Bank.

External economic relations

In order to move away from a policy of building an autarchic economy which is aimed mainly at meeting domestic needs, the Sixth Party Congress put emphasis on 'taking part in the international labour division and promoting economic relations with foreign countries on the basis of equality and mutual benefit'. Another initiative of the Sixth Party Plenum was a proposal to study a tentative plan for a new method of attracting foreign investment by establishing an export processing zone and special economic zones.

On organizing the State's administration

The Sixth Party Congress determined to broaden democracy, enhance the efficiency of the National Assembly and elected bodies at all levels, and also to separate the state's administration from the management conducted by business economic units.

By sticking to the truth the Sixth Party Congress found that the real causes of the critical socio-economic situation were mainly subjective errors and therefore determined completely new measures to replace the old ones.

The points mentioned above do not operate separately but are interrelated. Of them all, the switching to a market oriented economy under the supervision of state planning and control is the most decisive. Without it there would not be a favourable environment for the private sector and foreign investment development. The struggle against inflation would not have the success we long for.

The process of realization of the Resolutions can be divided into small steps, as follows:

December 1986 - June 1988: We adjusted the investment structure, and took measures which encouraged agriculture, forestry, fisheries, consumer and export goods to develop. We announced policies which encouraged the private and household economy, improved the contract system in agriculture and extended the rights and responsibilities of economic units.

The inflation rate remained high: 487 per cent in 1986; 316 per cent in 1987; and 306 per cent in 1988. The macro-economic regulations of the state did not change a lot.

June 1988 June 1990: The new Chairman of the Council of Ministers Mr Do Muoi took a series of measures in order to switch to a market-oriented economy, and streamlined the state management apparatus. The inflation rate decreased remarkably, the relationship between supply and demand was improved, and the economy saw other positive changes.

However, some unhealthy phenomena also appeared in the economy. Industrial production became stalemated and the bankruptcy of a series of credit cooperatives had a negative social and economic impact.

June 1990 : As a result of external and internal economic factors, a stage began of rearranging external economic relations, balancing finances, and strengthening state macro-management.

The new concepts developed at the Sixth Congress were to be implemented roughly as follows:

Economic structure: We adjusted the investment structure, allocating 60 per cent of the state investment budget to agriculture and consumer and export goods. Capital is now being concentrated on

major projects which can be commissioned soon (like electricity and cement). It should be noted that private investment in agriculture, fisheries and forestry has increased. The level of private investment excluding rural housing investment, which is totally private, now accounts for 30 per cent of total investment in the country.

We are expecting to produce 22 million tons of rice in 1990. Soon exports of rice will reach 1 million tons a year.

Consumer goods have increased by an annual rate of 7.3 per cent since 1989, with the quality much improved and competition resulting in a more diversified range of some products.

In 1990 Vietnam earned US\$2 billion dollars from exports, 70 per cent more than the average export earnings of the previous five years. Oil and marine products, along with rice, contributed to this strong export growth.

Despite these positive developments, total investment in the national economy remains low. Other investment priorities have not yet received much attention.

On developing the different economic sectors

This is one of the economic policies which is broadly accepted by the people and has exerted a profound socio-economic influence. It is also a radical change of policy compared with those which applied during the period 1976 to 1986.

Although the 24th Plenum of the Central Committee (Third Congress), held in 1975 after the liberation, decided to institute a multi-sectoral economy in the South, the Fourth Party Congress (December 1976) planned to make a rapid socialist transformation by quickly abolishing the bourgeoisie and by organizing farmers and handicraft workers into collective cooperatives. Private enterprises were not allowed to have more than ten or fifteen workers. This transformation was to be complete in 1980. As it turned out, this system did not stimulate production.

In many cases, the collective farm did not operate with a cooperative spirit but rather as a formal organization. The material and spiritual incentives were so low that workers were not eager to work. Material equality was not implemented because the cooperatives' managers quickly enriched themselves through the redistribution of the income of the cooperative members.

The new policies for economic sectors announced by the Sixth Party Congress encourage private economic components, i.e.

individual business, household enterprises and capitalists to develop under state control without capital or labour force restrictions. There are no longer restrictions on trade. The state no longer has a monopoly on rice trading. These private components are equal to state and collective sectors before the law. These sectors are all competing and helping each other and will coexist for some time. The state has promised not to nationalize legally operating privately owned economic establishments.

Under the agricultural contract system the farming household has become an economic unit with the right to sell its produce at market prices. The cooperatives are now only responsible for the provision of services like irrigation and the supply of materiel and technology. The cooperatives do not redistribute the farmers' incomes.

Farmers' incomes increased on average two or three times, depending on locality. The new contract system has played an important role in raising the level of production of rice and industrial trees. Some reports say that, compared with other factors such as economic efficiency, investment capital and technological applications, the contract system accounted for 15-30 per cent of the rice surplus last year. Since farmers have been allowed to lease their land (15-30 year leases, although forest land can be leased for as long as 50 years), and can now pass on products from their plot of land to their heirs, they have become more attached to their land and cultivate it more eagerly.

On the other hand, this policy has had some unwanted side effects. Arable land has become valuable and the cause of many land disputes. In the South, these disputes were initiated by the households of farmers whose former land had been given to different cooperatives. In the North, on the other hand, disputes were between different cooperatives or villages, not between farmers. So far, 80 per cent of the disputes have been resolved. Farmers' incomes are now quite unequal. Fifteen percent of the farming households became rich in a short time because they had capital and experience. In every rural district from 5 to 15 per cent of the people are poor farmers. As cooperatives no longer have social funds, the existing rural kindergartens and medical units are not as good as they were.

In cities, the right to do business freely has led to a boom in small scale trading businesses like shops, restaurants and services. In Ho Chi Minh City, the number of households involved in doing

business amounts to some tens of thousands. The same goes for Hanoi. Comparatively little money has been invested in production because there are no effective incentives to encourage investment in industry, while investing in commerce and services needs less capital but easily produces more profits.

In the four largest cities there are about 400 private enterprises and companies licensed to operate by the state. Of these, 235 economic establishments with a prescribed capital of 70 billion dong are in Ho Chi Minh City, and 50 are in Hanoi. Only 40 per cent of these are actually operating, the rest are having difficulty competing and so have turned to commercial activities. The big, powerful investors with capital have not decided to invest yet because the economic situation has not been stable and they are waiting for a specific law on business.

The fact that the state has been encouraging economic units to develop freely within the law has led to a pressing need for capital and loans all over the country.

The state banking system is underdeveloped and has limited capital, which forces people to seek self-supply of loans and credits. After the State Bank issued a temporary statute in 1988 allowing non-state owned credit centres to operate, 500 credit centres and cooperatives, with 80 billion dong in shareholders' funds, were established late by the first quarter of 1990. These credit centres and cooperatives mobilized 780 billion dong of the people's money and lent 756 billion. However, because they lacked experience in dealing with inflation, educated staff, or proper guidance and control, many of these cooperatives collapsed. This has had a negative impact on the economy.

Instead of the so-called principle of 'unsinkability' used in the past, the state now lets its enterprises operate on the basis of competition without subsidizing them. This means that state enterprises excluding the monopolistic ones have to face severe trials. About 30 per cent of state enterprises—those which are technologically well equipped and can meet the demands of the market—continue to operate. About 40 per cent need to be reorganized and modernized in order to continue production. Thirty per cent either go bankrupt or are changed into share-holding companies. Most of these latter enterprises belong to districts or provinces who either dissolved them or brought them together in the second or third quarters of 1990 pending the issuing of a bankruptcy law.

Agricultural cooperatives have been changed to service the needs of farmers. Unlike in the past, when cooperatives and farming households could not co-exist, now they can and do, each with new functions.

Small industry and handicraft cooperatives also face difficulty with competition. Of them all only 30 per cent can operate profitably. Some are in financial difficulty and some have become private.

In the cities, people have been divided rapidly into rich and poor. In particular, some have become rich illegally through smuggling and tax manipulation, which has created grievances and dissatisfaction among other people. Many are poor and need social assistance. Several non government charity organizations have resumed working, but still cannot solve the situation. The need for a social insurance system is becoming more pressing.

On building a planned market oriented economy

In 1989, the Government instituted several measures to bring about a market economy by reducing the number of state directed plans for the input and output of goods.

The most important step has been price reform, meaning that the system of administrative bodies setting prices has been abolished and replaced by market pricing for all consumer goods, including rice (a basic price which effects all other prices), and for most materials and machinery as well. The proper function of prices as an information feedback system has now been realised. Prices now reflect changes in the market and the balance of supply and demand. For the first time, producers must observe market prices instead of using fixed prices. Reality has shown that the old price system, full of subjective decisions, was a distortion of the law of value and created false demands. Consumers used to try and buy up goods sold by the state at low subsidized prices and earn hidden income by selling at the higher market price. As a result, state inventory levels were low and market information distorted.

After market prices were applied such speculation dried up. Three months after implementation of market pricing the CPI began to fall.

Combined with market pricing, liberalization of machinery and material purchasing and rationalization of non-commercial imports of goods, has united the 'socialist market'. There is no difference in principle between a 'free market' and an 'organized market'.

As private traders, farmers and economic establishments joined state owned trade in the market, the level of competition increased greatly, improving the balance between supply and demand, diversifying the range of goods and, as a result, meeting consumers' demands better.

Economic information and advertising have proven to be socially important and have become normal phenomena in the mass media.

State planning and input-output quotas were abolished. Except for some products which are contracted by the state, all other goods are produced to market demand. Economic contracts have become important instruments in the relations between economic units. Switching to a market oriented economy has not created an upheaval in consumer goods production, but has had a greater impact on the production of machines, tools and water pumps, where prices used to be subsidized. This requires macro-economic planning.

The currency exchange rate issued by the state now reflects the supply and demand situation in the market. Gold, silver and foreign currency businesses are now liberalized. The state also allows private shops to buy and sell gold under control of the State Bank. The State Bank has been separated from commercial banking and the Bank for Trade and Industry, the Bank of Agriculture and the Foreign Trade Bank have each been established. Many companies and enterprises have attracted funds from the people or have issued bonds. The state stock of currency has been separated from the banking system, which has helped to distinguish the state's finance from credit.

In March 1989, the State Bank published an interest rate of 9-12 per cent per month, which was higher than the CPI value of 9.7 per cent. As the CPI decreased the interest rate was also reduced to only 4 per cent per month. This slowing of inflation permitted a more settled approach to the holding of money balances and the use of the banking system to mobilize savings.

In the fiscal area, a series of ordinances on agriculture tax, turnover tax, export-import tax and special consumption tax have been issued. The tax collection system has been reorganized. Ordinances on accounts and statistics have been issued. A system of decentralization of the state's finances has been introduced. We're preparing to introduce taxes on natural resources, capital, income and housing.

The financial system is still not satisfactory. A system of accounting and statistical recording hasn't been implemented. The

tax system is still poorly administered. Thirty per cent of the taxes for turnover, interest and special consumption were not collected. Less than 20 per cent of GNP was given to the state budget. The resulting budget deficit, 20 per cent of budgeted expenditure, is the main cause of inflation.

On broadening external economic relations

By promulgating, adding to and revising the law on foreign investment, Vietnam has started on the path towards international economic life. Up to the end of April 1990, 140 licences had been granted by the state. There is a total prescribed capital of nearly US\$1 billion, which is mainly invested in oil exploration and exploitation. Vietnam also seeks bilateral cooperation with regional countries like Australia, Japan, Thailand and Indonesia on the basis of equality and mutual benefit. Vietnam is also proposing constructive cooperation with the IMF, with a view to finding a solution to its debt problems as well as to normalizing relations with that international body.

Regrettably, the continued policy of embargo against Vietnam by the Bush Administration is an obstacle to the normalization of relations between Vietnam and the IMF and other western banks, and stops other forms of western financial aid. After the recent dramatic developments in Eastern Europe, Vietnam has lost its traditional business partners. Some contracts have been cancelled and imports from these countries are limited. There have also been changes in the economic relations between Vietnam and the USSR. For clearing, the transferable rouble has been replaced by hard currencies and international prices have been used. These do not benefit Vietnam. Though an economic agreement for 1991 between Vietnam and the USSR has not yet been signed, it is estimated that the supply of loans and credits by the USSR will be reduced.

While attaching importance to the continued development of cooperation with the USSR, Vietnam is now promoting cooperation with countries in the region and is seeking other foreign markets for its products.

Exports have been increasing rapidly. However, the organization and support mechanisms for import-export activities still have many shortcomings. The export-import mechanism has been decentralized. Provinces and districts have import-export companies of their own. This means that many companies are

exporting or importing the same items. The granting of quotas still hinders efficiency in this area.

To make it worse the banking system can not support export-import activities effectively. The clearing process for exports and imports has not been thoroughly resolved.

The study of foreign markets and the application of internationally diversified forms of export and import are still limited.

On the renovation of the state administration

Together with economic renovation there has been some partial change in the state apparatus. State control is now separated from economic management. The state regulates economic units by law and no longer by daily orders. Directors of enterprises are responsible for profits and losses, and for paying workers' salaries as well. The system of economic law needs to be restructured but this is a lengthy process.

The state apparatus has been streamlined, but because functions of state organs haven't been stipulated clearly, cooperation between them is not so good. Sometimes, too many offices take part in solving one question and it takes time to make a final decision. When the market mechanism is applied and more rights and responsibilities are given to local authorities, the implementation of the state laws and regulation varies from one locality to the next. Smuggling and corruption have made the state much less effective.

The retraining of cadres has not been carried out thoroughly. A great number of text books and western books on management have been translated and published. However, appropriate documents for retraining cadres are not enough. The pressing need at present is to train a contingent of businessmen who have an up-dated and wide knowledge of markets, both domestic and international.

Some remarks and prospects

There is no doubt that, despite the economic embargo and with no other support from outside, renovation in Vietnam has achieved initial and significant success. The curbing of inflation and the encouragement of the individual's dynamism and creativeness are achievements that were hardly recorded under the old economic mechanism.

The process of switching the economy to a market orientation has brought about some irreversible results. A linchpin has been the price reform combined with the application of market prices. Price reform in Vietnam actually began in 1981. After many large and small adjustments the gap between state prices and market prices gradually narrowed. The application of market prices conducted in 1989 together with the liberation of business, acknowledged autonomy for industrial units and the application of a contractual mechanism in agriculture, all helped to produce a diversified volume of goods for the market. The price reforms in 1982 and 1985 which were conducted under the old system did not bring about the expected results.

There were sudden price surges in late 1989 and 1990, due to separate and temporary imbalances of certain kinds of goods. In future, the state should take effective action on the supply and demand of such goods on behalf of society. The lack of a price floor and a price ceiling for agricultural products means that farmers are not guaranteed a minimum price, which destabilizes agriculture as well as industrial offshoots and husbandry.

Giving priority to the curbing of inflation has proven to be correct. Even though the current inflation rate still clings to a figure of two digits, this is clearly an improvement compared with previous years, when the inflation rate was around 400-500 per cent per year. Experience shows that the decision to have a high interest rate for saving helped to release stored money and alleviated the inflation fever. But this needs to be supported by a balancing of the budget, reducing financial losses and stabilizing the value of the currency. Otherwise, the budget deficits will lead to money supply growth which will bring back a high level of inflation.

A short time after the application of market pricing and the abolition of administrative restrictions on the circulation of goods, increased supplies of consumer goods, machinery and equipment became available despite the limitations of the existing communication and transport systems. By that way a true market has been created. Small and medium scale enterprises have quickly assimilated the new methods of operating. However, for a market-oriented economy to become fully operational consistent effort will be needed for some time into the future.

Today in Vietnam the state does not set prices or give rights of succession or transfer for land or houses, but the buying and selling of real assets is actually occurring. It is true that while the non-fixing

or only partial fixing of the value of real assets has not prevented the buying and selling of houses, it has created some difficulties for people wishing to do so. In the immediate future the state should regularly issue assets' prices and purchasing details.

Labour costs must be considered and changed to remove a lot of the unreasonable phenomena that are occurring in incomes and salaries. A market operating on labour force considerations must take shape. A monetary market must be formed and a stock exchange set up to ensure quick movement of currency and capital.

A network of economic and market telecommunications is needed to provide public information on prices, interest rates for local and foreign currency and other economic issues. A market oriented mechanism can only take full effect once the partial markets have been linked. Hence the State Bank and commercial banks should play a linking role as centres of money and credit. In the old economic model the Committee of State Planning controlled the country's economic structure and investment policy, but in the new system banking must take at least partial responsibility for this role. By mobilizing previously stored money and giving loans at different interest rates, banks will be able to contribute by giving priority to one economic branch or another, or to one economic region or another.

Developing the banking system to standard levels would make a decisive contribution to the effectiveness of a market oriented economy. It is a fact that the market mechanism in Vietnam can not be fully operational because of the lack of an effective banking system. The participation of foreign banks in this process would undoubtedly be necessary and useful.

In Vietnam today, conditions for foreign investment are more favourable than for local investment. Therefore, similar conditions should be arranged for domestic investment. Private investment must be encouraged and combined with financial control to prevent any illegal business occurring. The key consideration for the state owned sector is how to increase its effectiveness and improve its ability to compete in the market. In the future the state economic structure should be rearranged. During this process enterprises which were the result of inappropriate investments should be disbanded. Most of these are in the industrial and trade sectors. There are no big capitalists in Vietnam, so privatization of state owned enterprises will mainly take the form of shareholding companies.

The lack of economic effectiveness of many enterprises has proven the low efficiency of administrative control run by bodies from higher up the ladder of responsibility. Reality shows that financial control in a market economy should be an important, indeed major factor. In the future the position of director of an enterprise will be considered as a profession. Executive boards composed of state representatives, share holders and representatives from mass organizations will act as supervisors of an enterprise's financial activities.

Although the market mechanism has not yet fully taken shape in Vietnam, this is no comfort. There are negative sides to the model which require the state to make some adjustments.

As experience in Vietnam shows, the market mechanism under macro-economic regulation has moved away from a command economy without weakening the role of the state. However, the state must abandon old methods and formulate appropriate new measures. For a developing economy which is short on experience and marketing knowledge, and faced at the same time with stormy developments in the world economy, the state plays objectively an important role. Born in specific historic circumstances, the state of Vietnam still maintains its prestige and is capable of self-criticism and renovation. It is necessary to build a strong, pure, dynamic and effective state which can renew itself.

The state should know how to use its laws and economic and techno-scientific potential and its prestige to influence the economy. With its laws the state functions as a guide to the economic units, in order not only to prevent them from violating the laws but also to encourage them to work to achieve their own interests and therefore the interests of society. Income should be redistributed, social unfairness reduced and those who get rich illegally must be stopped. Laws must be universally observed throughout the country. The state should also try to create favourable economic conditions for its economy to develop.

The coming important step which the state must take is to adjust the economic structure and external economic relations to conform with new economic conditions. The state budget must be balanced by mobilizing more from the GNP. Prices must reflect the real value of the dong in the international market. Inflation should continue to be restrained in order to create favourable conditions for economic development and to attract foreign investment. In order to improve the effectiveness of the state, decentralization should be further

examined to ensure state control and business management are clearly separated. Reform of the state administration and modernization of the state approach to methods and equipment utilization would also help to speed up economic renovation.

Vietnam's economic renovation target is to build a prosperous economy and a fair and democratic society. This will be a long process, fraught with difficulties, hardships, trials and possible errors. However, renovation in Vietnam supported by the people has brought initial achievements and will surely forge ahead.

In order to design and implement the necessary steps for renovation it is useful to learn from lessons over time and to consult with other countries on their experiences .

THE SUCCESSFUL COMMERCIALIZATION OF A NEO-STALINIST ECONOMIC SYSTEM—VIETNAM 1979-89: WITH A POSTSCRIPT

Adam Fforde

Vietnam had, by 1989, completed the difficult process of dismantling a centrally planned economic system and its replacement by a mixed economy based on voluntary commercial exchange relations—in other words, various forms of market. Throughout this paper these changes are referred to as being essentially a ‘commercialization’ of the national economy.¹

This had been more spontaneous than planned—policy at times had actively opposed reform. Yet by the end of the decade basic lessons had been learnt and fundamental change implemented in three inter-related policy areas:

- Growth strategy, with essential changes to sectoral priorities;²
- Macro strategy, including both the national economy’s methods of resource allocation (‘making prices really

1 In this paper the meaning of ‘commercialization’ is restricted to that of the replacement of the direct and compulsory methods of produced input and output allocation through a central plan by the voluntary and decentralized interactions of individual agents. It therefore excludes the development of markets for land, labour and capital.

2 By the latter is meant both the relative priority attached to the traditional economic sectors—agriculture, industry and so on (known in Vietnamese as *‘nganh’* or branches—as well as that based upon the property forms of the neo-Stalinist system—the private, collective and State sectors—known in Vietnamese as *‘thành phần’* or component.

matter') and the setting of traditional macro variables 'getting the basic prices right');

- Micro strategy—the creation of far greater price/cost sensitivity and the acceptance of 'free' capital outside direct state control.

However, these successes did not mean that the future development of the national economy was secure: market-based development requires for its success such pre-requisites as an effective legal system that can secure contract enforcement and debt recovery, as well as a state structure that can protect that system from excessive political interference whilst maintaining basic national economic balance (i.e. stable prices, overall market stability etc). These requirements were by no means guaranteed by the conclusion of the commercialization process, which rather brought sharply into focus the political implications of the shift to a market rather than administrative/political basis for economic decisions. Nevertheless, these problems would have been unable to arise if the previous development of policies had not occurred. Thus, in the dire phrase, 'it is a process'.

In addressing these issues, policymakers and others drew upon practical experiences gained with a 'transitional' model dating from around 1981. These created an economy that could be moved easily to a fully-commercialized system when the authorities eventually wished (around 1986) to do so. The process of reform in Vietnam is therefore a mixture of spontaneous and conscious processes.

Ad hoc observation of the Vietnamese experience suggests some thoughts on possibly general aspects of the transition from a neo-Stalinist system. These include such crucial points as:

- the pace of change;
- opportunities and constraints at micro level;

and perhaps most important of all, are:

- the real meaning of 'commercialization' in the process of transition and the dynamic economic processes underlying it.³

3 Whether what exists in Vietnam today is market economy or not is a less important question than whether the voluntary—rather than planned—exchange relations that prevail are adequately characterized by the term 'markets'. I am not certain about this, hence often use the term 'commercial' to describe what I have been observing.

The basic conclusion reached is that the pace of change under spontaneous commercialization is slower rather than faster, and that the changes require more human effort and adaptation than is generally realized. That is to say the economic processes involved are medium rather than short-term in duration. For example, it took Vietnam, starting from a basis of rather a high level of experience with markets and a very small modern industrial sector, rather more than a decade.

The role of the 'transitional' model

The accumulation of experience is probably the most crucial element of the Vietnamese reform process. Pragmatic processes of learning by doing are consistent with concrete realities and the national character.

The experiences gained resulted from a 'transitional' model introduced in 1981 as a tactical concession intended to defend the old neo-Stalinist system.⁴ In it, commercial relations co-existed legally with the central planning system. However, throughout most of the 1980s rapid inflation maintained a high wage/price differential in favour of commercial rather than planned economic activities. This was a key mechanism encouraging economic agents to chip away at the elements of the central-planning system within the transitional model and so push for its eradication and replacement by a fully commercialized system. It is thus possible to see a logic to the transitional model that, by creating severe tensions within it, led to its final end. Hard experience showed that commercial activities were in almost every respect better than their planned equivalents and that social pressures were pushing in that direction. Whilst the most radical reformers probably expected the eventual fate of the transitional model, this was doubtless not the intention of the political leadership during the early 1980s.

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4 There are many terms for the old model: 'neo-Stalinist' (used in Fforde and Paine, 1987); the 'DRV' model (used in de Vylder and Fforde, 1988) and 'traditional'—the favoured Vietnamese term. These are used interchangeably in this paper. Much of what follows is based on de Vylder and Fforde.

However, at the Sixth Party Congress in 1986 the political direction changed and policy moved firmly towards getting rid of the transitional model and replacing it by a commercialized system. A tentative target was set for 1990. The end, however, occurred in early 1989 when a package of anti-inflationary measures was (to the surprise of many) implemented. These finally succeeded in ending widespread subsidization and market disequilibria by ensuring that basic macro variables were set realistically, at levels that met general approval from IMF and World Bank staff. After a long period of exchange rate over-valuation and very negative real interest rates, the latter were now positive, and the official exchange rate was tied to within around 5 per cent of the free market rate. The system of 'subsidization through goods, interest rates and the exchange rate' had therefore ended

After nearly a decade of experience with the partial reforms of the transitional model, the severe monetary squeeze of 1988-89 thus helped push most markets into what could best be described as 'normal' conditions: that is, suppliers had, as a matter of course, to take account of consumer preferences etc. From the point of view of many participants, the buyer's side came to dominate—attention had to be paid to the possibility of goods being unsaleable. This is a good indicator of the absence of direct resource allocation. The residual element of central planning thus ended. Moreover, probably as a result of the large role now played by commercial activities in the national economy, through 1989 these short-run deflationary policies appeared in many areas to be having a net positive effect upon output. Markets were operating sufficiently well that resources freed as inefficient producers could rapidly be shifted into other areas. In any case, prices were generally stable. Buyer preferences were far more important in most markets. Expectations were that they would continue to be so. As the authorities accepted the implications of these macro policies, state enterprises closed and their assets were thrown onto the market. However, almost none were formally dissolved.

Furthermore, development policy was now autarkic. This was revealed concretely in a decentralization of foreign trade activities and a generous Foreign Investment Law. Liberalization of foreign economic contacts again drew upon experiences gained from the transitional model.

The above outlines a complicated process, the ebb and flow of which from year to year gave analysts many headaches.

Understanding changes at micro level always felt easier than assessing the general picture. However, whatever the final balance in the interaction between policy and the spontaneous development of the economy and society, by 1989 the net outcome was clear.

The state had abandoned traditional priorities, dropping the old preference given to the state and collective sectors. Market methods replaced orthodox methods of guiding the economy. Commercialization had developed to the point at which the state directly allocated almost no economic resource. These changes amounted to a radical shift in the view taken by the authorities of the role of the state in the national economy. Something much more pragmatic had replaced the ambitious planning ideals of neo-Stalinism. The Party General-Secretary's image of the state as conductor of the national orchestra nicely expressed the new thinking.

The meaning of the transition

The situation in 1989 amounted to a profound change from that of the second half of the 1970s. At that time, in the euphoria arising from the reunification of the country in 1975, any political challenge to the neo-Stalinist model was impossible. The approved development model at that time was uncompromisingly that of the Democratic Republic of (north) Vietnam (DRV). The DRV was the means through which the Vietnam Communist Party sought to implement forced industrialization after (then) Soviet/Chinese orthodoxy from the early 1950s when they came to power in the north. A decade of creative experimentation had allowed the political leadership to jettison three decades of dogma.

Viewed in hindsight it is possible to re-examine and analyse coherently the ten years that it took to complete the 'transition'. Yet, if one goes further back, there are signs that the direction of change was already clear. The year 1989 marked the end of the period of transition within which planned methods had coexisted legally with direct exchange relations and which dated formally from early 1981. However, a shift away from the familiar norms of the neo-Stalinist model can be seen during the first Five Year Plan (1961-65). It is also known that a period of informal experimentation ('fence-breaking') started in the late 1970s and was a major reason for the legislation which formalized the transitional model. These are discussed below.

It is striking that through the 1980s Vietnam received very little Western aid. Without the cushion of adjustment loans based upon policy advice from the IMF and World Bank, Vietnam largely 'did it alone'. During this period of isolation hard lessons could be learnt about the costs of missed opportunities and the detailed practicalities of the model shift. These were not influenced directly by Western economic thinking. In addition, the reactionary nature of policy for the first half of the decade meant that reform was at that time largely 'bottom-up' in character. This had strong implications for the nature of the learning process at the micro level and the conclusions drawn by policy makers.

Vietnam is not an Eastern European country, and is still very under developed by almost any economic indicator. Yet it was the site of nearly three decade's attempt at application of the neo-Stalinist economic model which is the basic starting point for all reform in the Communist world.

After observing the problems encountered in developing effective markets in Vietnam, it seems to me that the transitional model served an important historical role. This showed that transition was possible, and what it would mean. Thus the importance of Vietnamese experience lies in the lessons to be drawn from the operation of the transitional model.

The value of confusion

The transitional model, by its nature, and its very existence, creates appropriate conditions under which indispensable experience can be gained. Prices start to matter and people have to respond.

Yet the process is characterized by severe economic instability which worries people—especially economists. There is rapid inflation, grossly inefficient subsidization of many of the residual elements of the central planning system, and severe pressure upon the formal incomes of state cadres (including those responsible for policy-making and those in the social services). These economic conditions serve to push economic agents into finding economically more advantageous areas of activity. Some like to do so, others do not. Some of these areas seem socially valuable, others do not. Circumstances seem to call out for rationalization, control and order. Yet these upheavals serve positively to reveal the potential of the new and the costs of the old. They are almost a necessary evil. So what should one do if they are resisted, for instance by the suggestion that credits be granted to 'ease the costs of transition'?

Processes of learning and the need for time

Commercialization of a neo-Stalinist system and the corresponding development of markets involve substantial, confusing and complicated social changes. They therefore require time and are almost by their nature not very amenable to prior planning and organization. This has to do with the way in which these processes create massive amounts of information that is previously lacking and needed if they are to be pre-planned. 'Micro understanding' develops faster than 'macro understanding'. So who is to guide the process?

Development of a new vocabulary appropriate to the process of transition marks gathering understanding of the new ways. This again takes time. Through this terminology people discuss the evolving situation which is both confusing and confused. The process of transition reveals the distortions to the national economy created by the heavy element of compulsion and secrecy in the neo-Stalinist system. The confusion is therefore necessary. It is a sign of the large volume of new economic information created by the process of commercialization and reform. New knowledge and information systems are an important product of the transition period. If economic agents have little experience with markets, how are they to leap into working with a fully-commercialized system?

The sequential evolution of markets

The development of markets is essential, but is uneven both spatially and temporally. Financial and capital markets, especially, lag behind product markets.

This reflects—amongst other things—the realities of the differing situations facing economic agents. Amongst these one of the most important is the nature of the exchange opportunities facing them. These determine the rate at which they can develop ways of exploiting circumstances in order to accumulate capital. Capital under the direct control of economic units develops slowly and so capital markets appear late. If, as a process of 'guided transition', active reformers set up capital markets too early, who is to buy and sell on them, and what experience do they have in doing so?

The rise of private property from state property

In the neo-Stalinist system most fixed assets are under some form of state property. Without considerable holdings of 'free capital' elsewhere in the economy it is the commercialization of state assets

that is the key process. They must become the basis for private capital.

The people that inevitably play a dominant role in the accumulation of capital during the transition period are therefore, if not state cadres, then still closely involved with the state. It is they who exploit opportunities to create capital under their own control, and then use this to initiate expanded processes of accumulation as capital markets begin to develop. It is therefore a great mistake to place too much emphasis upon the development of the private components of the economy. Rather the transformation—commercialization—of state enterprises, Unions and Ministries is the dominant mechanism. The attitudes, abilities and intentions of state cadres are therefore of immense importance.

The reform

It is not perhaps widely realised just how potentially valuable Vietnamese experiences have been. The fact that by 1989 Vietnam had succeeded in effectively abolishing administrative resource allocation of almost all goods meant that—at *that time*—economic reform had gone further than in any other Communist country. This is somewhat startling. It may have much to do with the historical origins of the process of transition in Vietnam, and above all the period of the early 1980s during which policy remained conservative in intent whilst much valuable experience was gained. Perhaps Vietnam alone in the Communist world enjoyed the favourable combination of a weak state with a political leadership who, perhaps because of their origins in the struggle for independence, seem in the end to have had the confidence to change their minds in the face of hard experience.

Vietnam in historical perspective

Western research into contemporary Vietnam is very limited. Work by professional economists is particularly scarce. In this chapter the author draws upon his own academic research (1977-87) and experiences acquired during 1987-89 whilst working as a consultant for various parts of the Swedish bilateral aid programme. These involved extensive contacts with many levels of the economy. He also spent twelve months working as a Socio-Economic Advisor on the Bai Bang project. This involved close contact with the problems of a state processing factory (the Vinh Phu Pulp and Paper Union)

and a forestry-oriented rural development support organization (the Vinh Phu Service Union) working closely with the rural population.

Unlike many other developing nations, but close to the oriental pattern, Vietnam is a historical nation. The population has a long familiarity with centralized states, written legal systems, bureaucracy, paper currency, literary culture etc. In many ways the country is not so much undeveloped as poor. This would be obvious to anybody who has spent an afternoon talking to a north Vietnamese farmer who has eight years of education but lives at a per capita income of perhaps \$100. Perceptions and aspirations are strikingly modern. These have often gained from foreign contacts, such as in the Army or as a '*gastarbeiter*' in Eastern Europe. Although the analogy should not be pushed too far, this does mean that the country in some ways responds rather faster to pressures for conscious change than might be expected for an ordinary developing country without a long-established polity.

Against this, however, has to be put the deep-rooted nature of the level of under-development of the national economy. The long over-populated north is the traditional 'well' from which surplus numbers have left for the frontier of the south, where land is abundant and the climate easier. The north and northern centre are regions where food supplies are traditionally tight, and where rural society appears historically to have well-developed methods for sharing risk and ensuring subsistence entitlement. This compares with the south, where the Mekong delta is an area with abundant land much of which only opened up to farmers at the end of the 19th century. The French Indochinese Union recognized the contrast between these two regions by making Hanoi the administrative capital whilst Saigon (now Ho Chi Minh City) was the site of conspicuous colonial consumption and affluent living.

The legacy of past attempts to implement the neo-Stalinist model

In the north, which was the site of the first application of the neo-Stalinist model in the 1950s, there was little existing or potential rural economic surplus. This was to have a profound influence upon the economic consequences of forced industrialization.

By far the most important consequence of the failed attempt to implement the neo-Stalinist model was the creation of widespread familiarity with markets. This co-existed with a formally unreformed Stalinist economic system. The resulting 'aggravated

shortage' was in many ways an embryonic transitional system, where economic agents could acquire experience of commercial relations 'under the counter' (*chui*).⁵ Fundamental to this was the wide gap between official state prices and those for the same goods on the free or black markets. This was typically a factor of ten, so that 20 kgs of paddy was worth more on the free market than the monthly salary of a state employee. Real state wages fell by perhaps 25 per cent during the First Five Year Plan (1961-65).

Besides this, however, the DRV was equipped with the usual institutions of a neo-Stalinist state. These were—a fully collectivized agriculture, formal state monopolies of domestic and foreign trade, central planning of an almost entirely nationalized industrial sector, direct allocation of labour, rationing of a large proportion of the real state wage, etc. The whole system was dominated by the ethos of priority to the state sector in general, and to state industry in particular. The edifice rested upon attitudes held by central planners that reflected their belief in the ethical supremacy of their social roles as controllers of the allocation of most economic resources in the economy in the name of Socialist Construction.

Attitudes

This experience generated attitudes that became deeply entrenched. There was a massive programme of education. This taught state cadres how to gain control of resources and how to allocate resources in order to meet the quantitative goals of the development plan. These resources were on the whole seen by them, it is now all too clear, as economically without cost. The plan ensured that capital was supplied to state producers and to levels of the state apparatus in order to meet required outlays. Cadres therefore had little sense of the opportunity cost of capital. This attitude was probably reinforced by the fact of a high level of aid financing of the investment programme. These resources inevitably went through the state sectors, and helped to foster the above attitudes. There was

⁵ The phrase 'aggravated shortage' was first used descriptively in Fforde and Paine (1987) to refer to a situation where the 'normal' shortages experienced in a 'pure' CPE were aggravated by the simultaneous existence of markets so as to create something rather different. Note that Kornai, from whom the notion of shortage derives, usually ignores explicitly the role of free markets when discussing the traditional model.

considerable scope for personal gain in what was occurring. Development of the so-called 'outside economy' was only part of the co-existence of the compulsory administrative sphere of the plan with voluntary, often market-based, relations.

It is worth stressing that the role of the war was largely to accentuate these problems, whilst to some extent also masking them. Nationalistic mobilization in the struggle to liberate the country closely identified nationalism with neo-Stalinist socialism. This prevented any expansion of the debate about the neo-Stalinist development model that was already gaining pace as the difficulties and wastage mounted throughout the north Vietnamese economy in the early 1960s. Furthermore, wartime aid allowed the north to maintain living standards and the growth of the state sector, which were both facing great pressures from the weakness of the domestic economy in the early 1960s. State cadres therefore became dependent upon a continuance of that aid for their position, as indeed did the state sector as a whole, whose growth the chill economic winds of the late 1970s was to show in hindsight to have been precocious and unsustainable. The north Vietnamese economy was at root simply too poor to support a rapid, inefficient industrialization programme based upon the autarkic policies of the neo-Stalinist model. This reality was hidden by the effects of wartime assistance and made worse by the continued growth of the state sector in the 1965-75 decade.

The DRV failed to generate autonomous growth processes. Its tolerance of 'outside' activities showed it to have been a 'weak state', unable to attain the targets it set itself. This experience suggests that there was at least considerable potential for rapid reform, so long as circumstances were appropriate. The Party leadership was to prove itself in war. Although this led to considerable overconfidence, they at heart knew the shortcomings of the neo-Stalinist model. Experience in the 1980s could show them ways to change.

The lessons to be drawn from the real operation of the traditional system in Vietnam

It can fairly be said that the DRV never revealed to its economic leaders the real power of the traditional neo-Stalinist model. Instead, 'aggravated shortage' was the norm, where economic agents were well aware of the existence of profitable alternatives to compliance with plan norms. At a micro level, this led to systematic

divergences from the institutional norms of the model. One example was collective agriculture, where, for example, excess private plot areas are well documented. Vietnamese revealed themselves to be sensitive to the 'main chance'; or, from another point of view, as undisciplined 'dodgers'. Although usually well-hidden, that was an important part of 'normal' behaviour in the DRV.

The process of reform—an overview

Limits on the process of reform

Examination of the history of the evolution of the transitional system provides clear indications of the existence of its basic elements within the DRV before the 1970s. A combination of two forces kept its expansion within rather tight limits. The first were the political attitudes of the top leadership. Until 1979 there was an almost unchallengeable commitment to the norms of the traditional model. The second was the large supplies of aid which came through the state trading sectors to base units.

The central planning system did not need to balance itself from within the domestic economy. As a direct result of their control over aid supplies, planners were in a strong position in their relations with base units since they controlled a very high proportion of current inputs.

In 1978-79 both of these changed. The demoralization brought on by the seismic re-orientation in Vietnam's international relations that culminated in the Sino-Vietnamese border war of early 1979 altered the political position. At a time of economic crisis brought on by a combination of many problems with the Western and Chinese aid cuts, this led to the Sixth Plenum of the Party Central Committee. This Plenum changed the political atmosphere by sanctioning—informally—any method of production that could make output increase. However, the immediate effect of the aid cuts and other economic difficulties was to encourage factories and other economic units to go 'outside' in order to acquire additional resources. The central planning system's embargo on direct exchange relations had previously forbidden them to do such things, although they often had done so. At the same time, many rural cooperatives appear to have started to dissolve themselves spontaneously. Local cadres allowed the direct allocation of land to families and gave up the old system of direct labour management through the collective brigades of the cooperatives.

The political origins of the transitional model

The response of the authorities to these changes was to bring in a series of tactical concessions. These legitimized a great extension of the pre-existing illegal modifications to the traditional model. The ethos behind these policies was conservative. An important indicator was the attitude to the private sector and free markets, which remained antipathetic. But these concessions created an environment within which a great extension of commercial activities would occur. Decree 25-CP covered the state sector and legalized outside activities through the 'Three Plan' system. However, it asserted that 'self-balancing' had to be subservient to the state plan—in other words you had to deliver to the state first. Order 100 referring to collective agriculture allowed land to be given out to families, but only so long as the cooperative remained intact and continued to be the dominant unit in the rural areas.

This set the basic rules of the transitional model:

1. The central planning apparatus remained intact, and found itself having to compete with commercial relations at the micro level. This competition it naturally lost, but the experience revealed in detail and through hard practice just what markets meant. In this confrontation, the authorities were continually hamstrung by the wide differential between state and outside prices. This meant that they could rarely rely upon material incentives to encourage plan compliance.
2. The real sectoral priorities of the authorities did not change commensurate with the needs of the national economy. Despite certain statements to the contrary, the state did *not* shift those national resources it controlled significantly into new priority areas such as agriculture, consumer goods and exports. Rapid inflation ensued as the authorities tried to offset the effects of the general shift to commercial activities upon those elements of the traditional economy that were no longer economically viable. Social services suffered greatly. Macro stabilization did not occur, however, and the exchange rate remained grossly over-valued. Interest rates stayed very negative in real terms. The economy was increasingly dominated by 'rent-seeking', as the spread of commercial activities revealed the host of profitable opportunities

open to those who could get their hands on resources at 'inside' prices and then dispose of them outside.

Language

A detailed discussion of the transitional model would entail a considerable programme of research which is way beyond the scope of this chapter. An interesting avenue of investigation, however, is the linguistic reflection of these changes.

The underlying logic of the traditional model was deeply entrenched in the vocabulary used. This not only utilized translations of the Soviet and Chinese technical manuals, but also often vivid vernacular words. It is worth stressing that to the outsider, without concrete experience of this system, much of the terminology is deeply misleading. This is because of the presence of many terms familiar from commercial systems—price, profit, costs, accounting, enterprise etc. This suggests—falsely—that a state enterprise should be acting to maximize profits, be cost sensitive, take decisions independently, etc. It takes time for outsiders to appreciate the normal rules of the game governing the operation of the traditional system: that 'prices do not matter', that 'managers do not manage', etc.

Vernacular phrases

A key element of central planning is the calculation of material balances. state units were balanced (*can doi*) by their superiors, that is, supplied with the resources needed to produce the stipulated quantity targets. Also, state employees were referred to uniformly as cadres (*can bo*)—and workers other than officials called worker cadres (*can bo cong nhan*). Again, rather pithy phrases arose in cooperative management policy to describe tensions between local interests and those of cadres seeking to implement official policy. Thus, cooperators who sought solace in the attractions of the free market rather than the arms of the collective were 'running to the market' (*di chay hang sen*). Brigades that had rather tight control of output and therefore were part of a cooperative that did not control product distribution properly were 'eating by brigade' (*an chia doi*).

The fulfilment of duties

Beyond such vernacular terminology (itself evidently not confined to those outside the party/state apparatus), the most striking aspect of orthodox economic terminology was its stress upon the fulfilment of duties handed down from above. Within this terminology the subordinate level existed to carry out such tasks. The contrary understanding deep within the terminologies of societies with mixed economies understands things differently: it refers to the interests of the units of society and how they work themselves out within a socio-economic environment. Here the superior level is better seen as part of that environment rather than a channel for expressions of the national will. Thus, for example, conventional Western micro economic analysis stresses the effects of the informational environment (e.g. prices and costs) upon a producer or consumer, whilst Soviet planning theory focusses upon the bureaucratic and other structures that will transmit orders for the producer to follow in order to implement the plan.

Non-fulfilment of duties

Both of these ways of seeing things co-existed within the transitional model. Language, drawing initially upon the traditional model, had therefore to develop so as to help people describe two important aspects of the new economic system. First, it had to describe things that economic agents now did for themselves alone. Second, words were needed to explain the general meaning of such behaviour within the national economy. As state units set about establishing direct links with suppliers and consumers, Vietnamese drew upon its own grammatical resources to create a series of verbs. Factories 'self-balanced' (*tu cân doi*) rather than relying upon the state. 'Leaning' (*y lai*) on the states described passivity and failure to make enough efforts in this direction. A factory—or any other agent—that had managed to accumulate capital referred to this as its 'own' capital (*von to co*). Wage supplements paid for out of 'unplanned' activities were called 'wages that the factory had itself worried about' (*tiền lương do don vi tu lo*). The specialized vocabulary developed to the point at which a Vietnamese speaker could rapidly establish what was going on in any given unit, whilst a foreigner working through an interpreter became almost immediately baffled. Few interpreters either understood what was occurring or had an established English translation for such things.

Consciousness of wider social change

Of equal interest were the new terms used to refer to general phenomena. Here the word *kinh doanh* (both as noun and adjective) started to refer to voluntary activities designed to meet local interest. This appears best translated by 'business' and as such reveals the legitimacy in the transitional model of activities that had no direct meaning in terms of a traditional 'plan', reflecting primarily just immediate local interests.

A conservative interpretation of this development was the slogan of 'socialist business accounting' (*hach toan kinh doanh xa hoi chu nghia*) to describe what state enterprises in the new system should do. It is interesting that it was almost impossible for non-theoreticians to explain what this phrase meant, whilst the others mentioned above had the strong flavour of the vernacular.

From after the Sixth Party Congress an important object of the reforms was the establishment of a clear distinction between the economic activities of the state and the state's role as a manager of the economy. The former meant the business activities of state economic units; the latter the residual functions of the state in regulating the economy, ensuring legality, etc. This was of great and fundamental importance in establishing the independence of economic units from the state administrative system, and 'stopping the state from interfering in the operation of enterprises'.

Joint ventures and the evolution of 'free' capital

Another series of terms dealt with the direct relations between units that went beyond simple exchange to develop joint ventures involving the sharing of capital. Since capital was of greatly varied forms and its use often dependent upon 'correct interpretation of regulations', this terminology was often rather opaque. The two terms used were '*lien ket*' and '*lien doanh*'. Meanings varied; the latter is now used to describe share companies. The distinction between the two forms was often more than between simple mutual help and a formal capital-sharing venture. This is well explained by a concrete example.

In forestry, the traditional system involved planting by approved economic units—usually cooperatives or state forestry enterprises—according to a legally-binding plan target. Their expenses came from the state budget and any product sharing was seen as a bonus for good work. From around 1985-86, Swedish aid

started to go, with central government contributions, into tree planting on cooperative land in Vinh Phu province in order to increase future raw material supplies to the Vinh Phu Pulp and Paper Mill that had been built with Swedish assistance (also known as the Bai Bang Project). This planting was coordinated by the Vinh Phu Service Union (VPSU), a state economic unit directly under the Ministry of Forestry.

Through 1987 and 1988 budgetary contributions were often not in practice forthcoming. Cooperatives nevertheless still completed their planting plans based upon orders from their superiors, the districts. This was seen as a *de facto* 'joint venture' that was not reflected in any contract. Then in early 1988, a Party decree ended the district's right to issue planting orders to cooperatives. At the same time farming families gained greater encouragement to receive hill land on long-term leases, as part of the policy shift that was increasingly viewing farming families rather than cooperatives as the 'base unit'. The outcome of all this was the rapid development of a formal system of joint venture contracts between VPSU and any economic units that cared to do so. These shared output in accordance with the capital shares put in by both sides. The terminology of the 'joint venture' therefore first recognized something that was occurring in practice and then described a new economic form. There had therefore been a complete shift away from traditional thinking in terms of the state supplying the resources needed to implement state orders. Now, however, with commercial thinking, independent economic units contributed their own capital to a joint venture whose fruits were shared in accordance with the proportion of capital supplied.

Changes in behaviour at the micro level

The state sector

By 1986 the transitional model was well-established. There were not yet major changes in attitudes to the private sector. The most important developments were occurring in the state sector, which was becoming increasingly commercial in its attitudes. But there was no significant evolution of autonomous capital financing.

This suggests a general point, confirmed by many observations, which is that there is a great difference between the development of markets for current resources and the growth of capital markets.

The former grew out of the needs of enterprises to operate their existing capital stock, to pay adequate wages and—the bottom line—to survive. The value of subsidies fell off because of rapid inflation and the evolution of the macro balance of the economy. Enterprises were using the slack created by the traditional central planning system to 'own-balance' and maintain or expand activity levels. This created 'own capital' and a familiarity with the joys of markets. By the late 1980s, and depending upon the sector, managers usually understood the logic of 'buy cheap and sell dear'. They knew how to take an active role in finding ways of expanding such activities, and the profitability of distinct lines. The extent to which commercialization developed depended upon many factors. It was only in the closing years of the decade that long-term investment calculations started to arise as capital began to flow into profitable businesses. With a need for recognition of profit-sharing, forms arose to cope with such agreements. Embryonic 'shares' were being floated well before the decree on share companies of 1989.

The development of policy constrained the pace of change. But experience was also important, and this also limited the pace of change. So, equally, did the development of stable markets. The picture is one of a process within which normal learning behaviour played a crucial role. The process dealt with human beings working in internally differentiated organizations. This is brought out by the issue of the reform of the internal management structure of state enterprises.

Under the traditional system, the staff of a state enterprise exists as part of the superior level's control mechanism. Such sections as planning, finance, organization (i.e. personnel) etc. have direct contacts with the corresponding offices in the unit's superior level and monitor plan implementation. For an independent unit, acting in its own interests with a high level of autonomy, and with direct relations with suppliers and customers, this is intolerable. To outside advisers the system often appears as a 'matrix' management system. This view is misleading as it suggests that the unit has more independence than it in fact possesses.

Whether pushed by falling activity levels or drawn by valuable opportunities, this internal organization was felt as a constraint upon the unit. One of the key indicators of its commercialization was therefore re-organization of the management staff organization. This usually took the form of the replacement of the 'Enterprise Office' (*Van Phong Xi Nghiep*) by a

Manager's Office directly answerable to the Manager. To do so required a clear break in authority relations and had major implications for the distribution of power. Such a reorganization was equivalent in Western terms to the establishment of an independent company from a plant within a company, usually using the same staff. Such things cannot happen overnight.

Rural development

The agricultural cooperatives

The pace of decollectivization was constrained by practical considerations as well as the conservatism of policy. This meant that through much of the decade cooperative families were still rather heavily constrained by the managers of their cooperatives.

Structural policy did not really alter: farmers did not find that there was a sharp improvement in their terms of trade. The rural development support network did not change—there was no attempt to create a system of rural credit until the banking reforms of 1987-88. Rural markets did improve, but this was not substantial until after the Sixth Congress. The partial reforms of the output contract system therefore operated in somewhat of a vacuum. A major constraint upon rapid development of the rural areas was their poverty. Output response in cash crops to liberalization was not sufficient, under such conditions, to generate capital resources that could start off substantial accumulation processes. Against this must be put the high degree of monopoly facing farmers in output markets, which again improved after Decree 10 of April 1988 stopped districts issuing targets to cooperatives. Another determinant was the fear of recollectivization, which created a 'wait and see' attitude. Combined with the rapid inflation, this encouraged investment in assets such as gold, cattle and money-lending rather than in productive uses. The changed policy towards the private sector in the closing years of the decade helped to reduce such worries.

The growth of family economies

Until the second half of the decade, therefore, many factors inhibited families from accumulating on the basis of expanded commodity production. This required good markets, capital and secure asset titles, all of which greatly improved by the end of the decade. But some families had such conditions early on, and in

looking at the relative successes and failures of families the most common comment was whether they had a business-like attitude, literally, whether they carried out 'economic accounting'. This meant that they knew the profitability of alternative strategies within the family economy and production system. It was generally accepted that the years of heavy collectivization, when families had little scope for choice, had created a group of farmers who simply lacked the experience needed to be good farmers. Those who had been able to rise fastest (leaving aside those with 'pull') were often those who had a little more capital than others. Such families also, through such activities as sideline production, had previous experience with business ventures. Again, and comparable to the changes going on in the farmers' working environment, there were complicated processes occurring that include learning (or relearning), which takes time.

These processes are often quite consciously risk-avoiding, and involve radical shifts in behaviour. Even enlightened district officials, who rapidly understand the need to create stable markets for farmers and effective rural credit systems, cannot set these up overnight. It was striking to the author to visit local branches of the State Bank, now renamed the Agricultural Development Bank. Officials were finding it hard to cope with the profound changes required for them to start commercial lending. Such banks had been initially set up to channel budgetary funds to state units according to the state plan. Under such conditions they had no risk, no great interest in the profitability of the venture they were funding, and were utterly uncommercial in their thinking. Furthermore, whilst lending to poor farmers is rarely easy, Vietnamese farmers had long experience of receiving loans from the state that had no real commercial basis. Repayments could easily be dodged. The time required to build up such a business is measurable in years.

Rural policy and levels above the village

An additional major problem in the rural areas was and remains the deeply entrenched dirigiste attitude of state cadres. Without a substantial growth of the private sector most capital inevitably remains in the hands of the state. In practice, as it becomes commercialized this entails a commercialization of cadres. Thus, as and if the central government commits resources to rural development the mechanism for doing so is itself becoming more sensitive to the potential for profit. This means that resources need

to be delivered under commercial rather than budgetary forms, and this requires a capital market. Otherwise, local cadres, used to using budgetary allocations for investment in productive capacity and not necessarily possessing entrepreneurial skills, tend to divert resources into their own projects. There is therefore a great need for a clear division between the commercial operations of the state, carried out by economic units, and the state's 'regulatory' activities. This is not easy to establish. It is exacerbated by any lack of openness in the media, shortcomings in the legal system, lack of democracy etc.

Conclusions

At the root of the processes of learning by doing are the experiences of various economic agents, who, from within the framework of the neo-Stalinist system, start to develop commercial methods to their own advantage. This has to be a quite general and universal aspect of the transition from a neo-Stalinist system to one based upon voluntary commercial relationships. Whether, as in Vietnam, this occurs through a 'Three Plan' system or 'household contracting', the crucial element is the establishment of a wider area of economic activity that the unit itself controls. This is called its own activities, unplanned activities or whatever. These rely upon voluntary and direct relations with suppliers and customers that the agent sees as being in its own direct interest. Failure to do so may not have dire results if the unit can obtain rents from within the transitional economy. However, by the end of the transition and the elimination of random subsidization, lack of experience in these areas will make the unit highly vulnerable to competitive market conditions. Those units that have built up firm positions based upon reliable suppliers and market-sensitivity will win out.

During the transition, agents involved in commercial activities may continue to be mixed up in planned activities. The latter may simply be agreements to maintain existing supply relationships and reduce competition. This cannot last, and other agents come into the market.

The core element of the new commercial strategies of such agents is creation of free resources under their own direct control. Strategies often rely upon scarcity rents obtained from within the planned sphere and syphoned off to the unit's own interests. If they are successful, the resources under the agent's own control ('free capital') become more and more recognisable as capital. Joint ventures arise as

opportunities are seen to do so. From these evolve a need for institutions capable of dealing with such familiar issues as: joint ownership, joint liability, profit sharing, risk, etc. The agents of the original neo-Stalinist model that have survived and prospered during the transition then become the sources of capital in the fully-commercialized system.

From these observations it should be reasonably clear that the pace of change in such a process cannot be measured in months. One is dealing with an established system with its own norms of operation, whose idiosyncracies—for all their irrationality—appear normal to most people. This has to change and new patterns and ways of doing things become routine instead.

People's ideas and thinking cannot change overnight. It all takes time. Casual reflection upon the speed of restructuring in developed and developing mixed economies might support this.

An additional reason for the slow pace of change is the nature of the opportunities and constraints at micro level. Combined with this, and perhaps most important of all, is the real meaning of commercialization in the process of transition and the dynamic economic processes underlying it. It is precisely because the neo-Stalinist model sets up such appalling distortions that the growth of markets is so disruptive. Markets are by their nature voluntary; central planning is not. This means that the suppliers of Year One may be bankrupt by Year Three; and the customers of Year Five uninterested in Year Six. Businesses cannot, until well into the process of transition, rely upon forecasts of demand or supply. Therefore, even if they have investible capital, and know how to use it, a rational policy is to wait and see. If that is the clear-headed policy of north Vietnamese middle peasants, then that opinion should be respected. Even by 1989 such people were still hesitant about putting all their hard-earned capital into productive ventures.

Postscript

Whilst Vietnam's shift to a market-oriented economic system opened the way for more rapid growth, it also introduced a new set of problems and issues. These are perhaps best seen from the perspective of the development requirements of such a system: a stable macro-economy without major distortions; an effectively operating legal system that can enforce contracts and protect

creditors; and a national state apparatus that can coordinate the provision of public services and infrastructural investments in line with national priorities. These requirements are not easy to meet, and the way in which Vietnam moved from central-planning has in some ways made things more difficult. Here can be mentioned:

- the commercialization from within of the state sector, which has effectively given equity to the nomenclatura, who are predominantly Party members.
- the existence, especially in the north and centre, of many unprofitable state units who have become accustomed to making money through access to subsidized inputs, credit, etc., but who under a commercialized system can only be kept afloat through supplies of cheap credit.
- the general weakness of central authority in a system that has become increasingly decentralized, worsened by very low levels of state wages.
- the lack of familiarity amongst top policy-makers with the requirements of a market-oriented economy: experts on reform, they lack comparable expertise in operating the new system.

It is striking that by the middle of 1990 problems familiar from other mixed developing economies are coming to the fore. These can be summarized as follows:

- rising inflation resulting from the large ongoing fiscal deficit; for a while this has been mitigated by high demand for liquidity in the economy, as agents restore transactions balances, but this was offset in March 1990 by a premature reduction in the savings interest rate to a level approximately equal to the monthly rate of inflation.
- weaknesses in the state financial system. It is becoming clear that the effective decentralization of fiscal authority during the 1980s is making it hard to impose fiscal discipline upon local authorities and central Ministries, who have become accustomed to great practical autonomy. It is also becoming increasingly clear that implementation of capital market reforms will probably lead to destruction of a large part of the (primarily northern) industrial capacity constructed with aid from the

erstwhile Soviet bloc, whose capital equipment is usually of insufficient quality to cope with open competition. Continued subsidy can however only occur through access to cheap credit, and this channel is now threatened by the logic of the next stage of the reform process.

These issues combined with the sharp cuts in aid from the Soviet bloc to make the outlook for the closing months of the year rather gloomy. Not least of all, the need for a political consensus in order to push through the capital market reforms appears lacking; put simply, the commercialized but fundamentally inviable state sector still maintains considerable political influence, and the implications of its destruction pose a nice problem for reformists.

THE IMPACT OF ECONOMIC REFORMS ON THE SOUTH

Melanie Beresford

Introduction

The failure of the north Vietnamese economic system to deliver long-term effective growth and a well-balanced industrial structure has been reasonably well documented. Of course, the situation in the north was complicated by war damage and this needs to be recognized by economic historians. Nevertheless, there is broad agreement that by the late 1970s the northern economic organization of planning and distribution had to give way to something better if socio-economic goals were to be met.

As it turns out, that 'something better' was a reformed system in which the southern regional economy plays a leading role. The south has proved highly responsive to the new mixture of incentives and re-ordering of investment priorities.

Unfortunately, this recent success has led to the creation of a few new myths. This chapter will critically review some of the more pernicious of the myths surrounding forecasts of Vietnamese development. In particular it will show that there was no pre-1975 'golden age' of capitalism, just waiting to be freed from the shackles of socialist reconstruction in order to reassert its superiority. It follows that what was done in the south by the SRV government to harness the potential strengths of the south has been the real basis of the better performance of this regional economy. This has involved the development of a mixed economy in which the capitalist (as distinct from the private) sector still plays a relatively minor role, but which increasingly uses economic levers rather than administrative edicts to plan the direction of development.

The impact of economic reforms on the South

This chapter develops the argument of several earlier works (Beresford 1987, 1988, 1989) which argued that economic reform, introduced in stages since 1979 (with remissions), was essential to overcome the autarky which characterized most areas of the north Vietnamese economy after 1955. Systemically-reinforced 'self-sufficiency' of the agricultural collectives, low development of backward and forward linkages between sectors and branches, and inadequate development of foreign trade, because they stunted the growth of the market, inevitably restricted the growth of the economy as a whole.

Central planning, as applied in Vietnam (the 'bureaucratic centralism and subsidy system') represented an attempt to create an integrated national economy by administrative methods, but failed essentially because the political objective of achieving high growth rates through the establishment of a full range of producer goods industries could not be reconciled with the real capacity of the Vietnamese economy.

Shortages were generated, while the centralized system of price fixing could not, or would not, respond flexibly to new conditions of supply and demand, creating conflicting price signals for enterprises and individuals.

This problem has occurred throughout the socialist world as highly development-oriented Communist Parties have struggled by using a mechanism of political resource allocation instead of the market to 'catch up' with the advanced industrial world of the West. Conflicts of interest between Party and peasants, planners, industrial managers and workers have arisen, leading to widespread adoption of behaviour patterns contrary to those desired by the leadership.

The economy of the DRV was therefore in a relatively weak condition in 1975 at the end of the Vietnam War, not merely because of wartime damage, but also due to these negative systemic features. It proved incapable of carrying out the role assigned to it in VCP thinking on economic unification of the country; that is, it could not, despite its heavy industrial base, become the 'engine of growth', supplying industrial raw materials and producer goods to the primarily agricultural and consumer goods producers of the south.

On the contrary, the attempt to integrate the southern region into the DRV's economic system (or to 'northernize' it) during the

late 1970s was a dismal failure. Peasants of the Mekong River delta rice-bowl resisted collectivization carried out according to the DRV model, slaughtering livestock, cutting production and, most importantly from the viewpoint of economic growth, reducing their marketed surpluses. The principal reason for this strong negative response can be traced to the inappropriate system of official prices, specifically the huge gap between these and the free market prices which was greatly exacerbated by the sudden withdrawal of the American aid prop to the south. Peasants' inability to obtain necessary inputs and consumer goods opened up a price scissors as the high prices of industrial goods were matched by low official procurement prices for agricultural produce. As a result the problems of gaining a livelihood at official prices acted as a strong disincentive to deliver grain to the state. Adherence to the collectives would simply bring about a fall in real income for peasant families.

Since the nationwide shift to economic reforms in 1979, the southern economy has staged a recovery. From the perspective of 1990, it is clear that it is now the southern economy which is more or less the 'engine of growth' for the nation as a whole. The agricultural cornucopia which had been expected to underpin Vietnam's industrialization in earlier thinking about re-unification now appears to be a real possibility. In 1989, 21.4 m. tonnes of staple grain were produced (AWST, 15 January 1990; 28 March 1990); and Vietnam emerged as the world's third largest rice exporter, exporting 1.4 m.t. (FEER, 10 May 1990); Ho Chi Minh City now produces nearly a third of the nation's industrial output and receives 80 per cent of its foreign investment. Its share of national industrial output by 1987 was 28 per cent and the city produced about twice the industrial output of Hanoi and Haiphong together (NGTK 1987:156-7). Industrial labour productivity is clearly higher in the south too: 60 per cent of total industrial output is produced by 42 per cent of the industrial workforce (*ibid.*, pp. 156-7, 187-8). The south's share of foreign investment during the first eighteen months of operation of the new foreign investment law was 80 per cent (SWB, 19 July 1989:48.)

While all this was going on, the northern agricultural sector was beset by serious difficulties and its industry continued to suffer from 'simultaneous abundance and shortage' as well as slow output growth of its intermediate goods output industries (like coal, cement,

fertilizer). Per capita food production in the key Red River delta was 354 kg in 1982, but averaged only 249 kg in 1985-87, a figure too low to provide any surplus over peasant consumption requirements. By comparison the figures for the Mekong delta were 467 kg in 1982 and 497 kg for the three years 1985-87 (Beresford 1987:266; SLTK 1985:87; NGTK 1987:49). Growth rates of industrial output by region are not available, but some idea of the extent to which the north's heavy industrial structure has held it back can be seen from growth rates of Groups A and B during the 1980s. The average annual growth rate of real GVO 1980-87 was: Group A, 0.7 per cent; Group B, 13.4 per cent (at 1982 prices). The share of Group B expanded from 71 per cent to 85 per cent of industrial output over the same period (NGTK 1987:153).

In explaining the relative resurgence of the south, a certain mythology is growing about the southern economy. The myth says that before 1975 the RVN had the more prosperous of the two economies. Some of its elements are that the south had achieved a degree of industrialization under American influence (Vo Nhan Tri 1990), had a per capita income somewhat higher than the average for Vietnam even today, and, in some versions at least, that it was ruthlessly exploited by the new leadership to sustain the north's ailing economy after 1975.

In a widely held version, the largely ethnic Chinese bourgeoisie played the role of a 'modernising' elite in supplying capital and managing the southern economy. Unlike the north, where it is acknowledged that the poor economic performance was due to the socialist command economy as much as to the war. The conclusion implicitly or explicitly drawn is that unification has been a process in which the south was 'dragged down' to the level of the north, while it is only with the progressive 'liberalization' of economic policy in the 1980s that the inherent superiority of the southern economy reasserted itself. The current position of the southern economy is thus seen as due to a dynamic capitalism (not yet completely) restored, rather than as something new, a product of socialist policies. It raises an important question for economists: can socialist institutions contribute anything useful?

To my knowledge, the scenario outlined above is not based on any serious examination of the southern economy between 1955 and 1975. My own study of the south over this period has produced a quite different conclusion, one which suggests that a closer study of the *actual* impact of the socialist system (especially the economic

reforms) on the south is warranted. What I found was that the southern economy developed a number of *potentially* advantageous features during the 1960s and 1970s. However these could not be realised for reasons directly related to the RVN's political system and its survival requirements. It has only been since a change in the institutional framework and the development of a reformed socialist economy that a more balanced economic growth has been possible.

The Southern economy before 1975

With presently available data, it is not possible to establish a basis for comparison between the northern and southern economies which would enable us to say that one was more prosperous than the other. However, we can examine the southern economy in some detail in order to establish what potential it possessed for rapid development in the post-war period. This is the task I addressed in my book (Beresford, 1989), so I will restrict myself here to outlining the main conclusions, particularly as they relate to the current myths about southern development. These myths are strongly conditioned by the 'view from Saigon': such industry as existed in the south was heavily concentrated in the Saigon-Bien Hoa area; the urban salariat, with its constant pay increases and its access to US aid-subsidized imports maintained a standard of consumption which did not reflect the productive capacity of the economy; the Saigon-based commercial bourgeoisie applied its capital to importing rather than in building the productive capacity of the economy. All this led to an artificial impression of a wealthy south.

The question of the pre-1975 level of industrialization is obviously central to this myth, but remains one of the least researched areas of the southern economy (Moody, 1975). At a highly aggregative level two statistical series on real product are available. One, based on National Bank statistics and using 1960 prices, shows that manufacturing output peaked in 1965 (at 10.3 per cent of GDP) and, apart from a partial recovery in 1970-71, declined more or less precipitously thereafter (Le Khoa et al., 1979:116-8). The other, based on National Institute of Statistics (NIS) data and using 1962 as the base year, shows a rather steady growth of real output—apart from 1968 and the recession of 1972-74 following US troop withdrawal—and gives an average for the whole period from

1956-75 of 4 per cent per annum. (Dacy, 1986:78). This represents per capita growth of about 1 per cent p.a. . Both series probably underestimate actual production due to the addition of new products in later years, but both series also record that the *share* of manufacturing in GDP (or NDP) declined between 1960 and 1975.

Employment in manufacturing grew from 114,000 in 1960 (1.9 per cent of the workforce) to 120,000 in 1966 (2.3 per cent) according to USAID, and rose again to 206,000 in 1974 (3 per cent). The share of industrial employment in 1974 compares unfavourably with those of Vietnam's Southeast Asian neighbours in 1960 (World Bank 1980). By contrast, in 1987 the share of industrial employment in the workforce of the former RVN is estimated at 9 per cent (NGTK 1987:5-7,21,188).

Five industries represented somewhere between 70 and 93 per cent of manufacturing output in 1970 (depending on whether one uses the figures of the RVN's National Bank or its NIS, both of which are likely to be underestimates). Beverages accounted for 30-60 per cent of the total and two breweries, both French-owned and established prior to 1954, accounted for 99 per cent of the output of this sector. Tobacco was next in importance with 13 per cent (both sources), with two more pre-1954 French firms accounting for 100 per cent of the legal output. In food processing (9-10 per cent) seven firms produced 97 per cent of output; in textiles (9 per cent) 24 firms produced 97 per cent; and in pharmaceuticals twenty firms produced 92 per cent (NGTK 1987:89-94). These 55 firms constituted the bulk of southern Vietnam's modern industrial sector in 1970, though some additional factories such as the Ha Tien cement works, Vicasa iron and steel and the manufacturing capacity of the government construction firm, Vecco, should also be included. Almost all the larger firms in these five main branches were already in operation in 1963 (*Business International* 1974:26).

Although some new factories continued to be established during this period, the large quantities of US-subsidized imports available provided a great disincentive to would-be manufacturers, as did the consistently over-valued exchange rate. Many of the new industries that grew up were, in consequence, very heavily import-dependent, assembling CKD (completely knocked down) items (farm machinery) or using imported raw materials (plastics, sugar refining, textiles, pharmaceuticals). Many of the newer factories had to be re-tooled after the war to accept inferior domestically- or CMEA-produced raw materials and spare parts. The US trade and

aid embargo ensured that much existing capacity was rendered useless, at least in the short term.

Geographically, southern Vietnam's industry was highly concentrated: by the early 1970s only nine sizeable factories existed outside the Saigon-Bien Hoa belt, and over 60 per cent of all industry was located in Saigon. Of electricity used for motor power in 1972, 94 per cent was consumed in the Saigon area.

Land reforms, initiated by the Viet Minh as far back as 1946 and carried through on a large scale as more of the south came under NLF control during the early 1960s, were the key to boosting agricultural growth. President Thieu decided to end the regime's earlier stiff resistance to land reform, according legal recognition to existing occupancy patterns during 1970-73, so the transfer of ownership in the Mekong delta was completed. This resulted in sharp increases in farm output during the final years of the regime, increases that were made possible by plentiful US-supplied consumer goods and imported inputs. That this was the only sector in which the southern regime successfully raised physical output over the longer term is a testament to both the importance of the Communist role in generating the reforms and the utter dependence of the south on US aid.

The 'extent of the market' (production for exchange, rather than own-consumption) was thus already much more developed in the south, compared with the high levels of autarky which still existed in the north in 1975. However, rapid expansion of the market in the south had been achieved through applications of American commodity aid and the exchange remained primarily international, while local manufacturing was unable to grow. The vast majority of the consumer goods, machinery and modern inputs which Mekong delta peasants became accustomed to using were imported. Most of the food and other items of daily consumption of the population of Saigon were similarly imported. Nor was this level of imports backed up by the development of exports. In fact exports were below \$US100 million throughout the period from 1956-74, while the trade deficit grew from \$146 million in 1960 to \$853 million in 1974. At one stage (1970) exports covered as little as 1.6 per cent of imports and, even after some improvement in 1973-4 this figure only rose to 8 per cent (Le Khoa et al., 1979:33). The massive deficits were entirely financed by US grant aid and/or direct US government expenditures in-country (including piastre purchases by US troops) (Asian Development Bank 1971:596-7).

The bias against industrialization inherent in US aid policy and in the Saigon government's persistent overvaluation of the exchange rate was not an accident of history, but a direct result of the regime's establishment by the Americans in opposition to the dominant political forces in the country. Since the leadership of the RVN had no real political base at the outset, it set out to create one by building a system of political patronage based on economic favours. US aid was used lavishly to create, through the bureaucracy and the officer corps, a prosperous middle class who would be resistant to communism. Diem also attempted (through his 1956 land ordinance) to promote the interests of a Vietnamese landowning class which replaced the predominantly French one of the colonial era and, by creation of public enterprises, to foster a Vietnamese capitalist class. The shortcomings of this project prompted later governments to adopt more liberal policies towards the already sizeable ethnic Chinese commercial class, with its links to anti-communist Taiwan. Although many of Saigon's wealthy and middle class inhabitants turned out to be NLF sympathisers, they nevertheless benefitted from the US aid which underpinned these developments.

All this political determination of the structure of capital accumulation meant that while there was a substantial capitalist class living in the Saigon-Cholon area by 1975, relatively few had experience of industry. Most local capital was still applied to the import-export business and, given the state of the balance of trade, this mostly meant the import business. The commercial sector increased its share of GDP from 10 per cent in 1960 to 19 per cent, the only other sector showing similarly rapid growth being 'administration and defence' which expanded from 16-23 per cent (Le Khoa et al., 1979:116). 'Entrepreneurship' was not in short supply, but industrial and engineering skills among the ranks of the entrepreneurial class were. There was no shortage, however, of skilled workers and engineers which could become available after the end of the war owing to the training received in the RVN's high-tech armed forces.

These two ingredients—capital and skills—could have been put together after 1975, given the right sort of policies. Instead, the system that was introduced encouraged entrepreneurs to continue with predominantly trading activities, especially of the speculative variety, and positively discouraged their engagement in productive enterprise. Because of the acute shortages and low official prices after the war, southern capitalists were able to use

their commercial experience and established trading networks to circumvent government efforts to control the supply of rice and other essential commodities. Even after the May 1978 clampdown on the activities of 'speculators' and 'hoarders', the unorganized market continued to be the main avenue of goods distribution in the south. The administrative clampdown may have removed certain individuals from the scene (as we know, many of them soon left the country), but it did not remove the underlying pressures towards free market activity, nor could the removal of the leading merchants remove the well-established marketing links in their entirety.

The south Vietnamese economy did *not* perform well during 1955-75: its growth rate was distinctly sluggish (at 3.4 per cent p.a. in real terms from 1960-74, or a per capita rate of less than 1 per cent) and industrial development disappointing (Beresford, 1989:60-1). However, the evidence from the period demonstrates the existence of a *potentially* strong economy which had been fettered in its development by the prevailing set of social relations, made worse by the degeneration into civil war and American military intervention. The principal feature of the southern economy through which this potential could be realised was the greater progress along the road to market integration, with its concomitant ability to stimulate a deepening social division of labour. Given that the Americans left behind a well-developed transport infrastructure and that agriculture could be rapidly rehabilitated after the war to provide food, exports and industrial raw materials, possibilities for generating higher productivity were present. The large actual and potential surpluses plus resources of local capitalists would be needed to develop a light industrial sector oriented to production of consumer goods, farm equipment and inputs.

The impact of economic reforms on the South

The new leadership in Ho Chi Minh City did pursue the strategy outlined in the previous paragraph, in spite of efforts by the Party in Hanoi to replicate the autarkic system of the north. Nguyen Van Linh was appointed in 1976 to head the Party's Committee for Transformation of the South. He was sacked in 1978 during the period of conservative dominance, and lost his Political Bureau seat in 1982, reportedly for lack of enthusiasm in pushing through the Party's socialist transformation program in the south, although the reason given was ill-health. However, he remained as secretary of

the Ho Chi Minh City Party branch before being restored to the Political Bureau in 1985. He took over the general-secretaryship at the Sixth Party Congress in 1986—signalling the beginning of the most dramatic period of reforms, dubbed *doi moi*. Other political figures having long association with the south were promoted at the same time into positions of importance (Pham Hung, Mai Chi Tho, Vo Van Kiet as well as other less well-known figures). Rather than interpreting the progress of reform as the result of the efforts of leaders like Linh, however, I see his recent career as a reflection of the irrepressibility of the south. The refusal of the southern population to adapt to the 'bureaucratic centralism and subsidy system', most visible in the collapse of state grain procurement in 1977-9, and their positive response to the economic reforms which have been applied there in the 1980s are, in my view, the engine pushing the reform process along in the entire country.

It is difficult, because of the Party's insistence on unity and discipline, to pinpoint areas in which individual leaders can be said to dissent from given Party policies. However, the practice of 'socialist transformation' in the south shows that, except for short periods of dominance by supporters of the traditional model, the southern leadership has at least glimpsed the importance of giving priority in investment to development of a division of labour between agriculture and industry and of utilising market mechanisms to promote this. Some of their ideas dovetailed with those of the national leadership who had always viewed economic unification as a process of linking southern agricultural and light industrial potential with the heavy industry and mineral resources of the north.

But the theory of growth implicit in the southerners' strategy, though within a Marxist framework, is different from that implied in the northern model. It was necessary to wait until 1984 for a clear statement of the southern industrialization strategy, contained in a publication from Ho Chi Minh City which, instead of talking about building a heavy industrial sector on the basis of mobilizing agricultural surpluses (as in the traditional socialist model), focuses on the development of exchange between farmers and light industries, both to modernize agriculture and increase the supply of consumer goods and exports. The role of industry is set out as follows:

- to realise the scientific and technical revolution in agriculture through electrification, mechanization and chemicalization...and to contribute to speeding up the process

of socialist transformation and social division of labour in agriculture;

- to contribute to the development of production of agricultural commodities by supplying means of production (hand tools, capital equipment, fertilizer, insecticide) to agriculture;
- to process agricultural products in order to guarantee their effective use and to increase the value of agricultural commodities to serve consumption and exports;
- to produce consumer goods to raise the material and spiritual welfare of the peasants and positively develop the exchange of goods between industry of the city and agriculture of the outlying districts;
- to create the conditions for agriculture to move gradually towards the production and management model of industry (Ho Duc Hung 1984:30-31).

Although this statement of an alternative growth strategy comes from a time well after the reform process was set in train, we can nevertheless see a continuity in the development of the south from 1975 which was encouraged by local Party leaders. This was largely obstructed by the central leadership with its DRV-based experience and outlook until the national economic crisis precipitated by the failure of collectivization in the south during 1977-8 compelled the latter to reconsider.

In the immediate aftermath of the war, the new regime in the south made strenuous efforts to reorganize industrial production, to reduce the import component of raw materials and to meet the input and consumption needs of the peasantry and increase exports. The small engineering sector was switched from assembling imported CKD equipment to manufacturing of spare parts, recycling scrap iron from discarded US war material to produce and repair farm tools, vehicles, pumps and generators. Small fertilizer plants began processing lime from Ha Tien and apatite from Lao Cai. The sugar industry was switched from mainly imported to mainly domestic raw materials as was the Cogido paper mill. There was also a substantial shift from using goods made from imported materials like plastic, to more traditional handicraft goods like rattan, palm leaf, reed and wooden articles. A vast army of unemployed, drug addicts, ex-prostitutes, and middle class housewives, began to be

organized into handicraft cooperatives, producing goods from local and imported materials for export.

While the shortages caused by the acute foreign exchange scarcity after April 1975 were not eliminated in this way, the south did have a headstart in restoring the previously high levels of urban-rural commodity exchange and reducing import-dependency. This process was eased by the fact that the south did not have large amounts of resources tied up in the construction and maintenance of heavy industry, so it was able to achieve quick returns for a relatively small investment, but at the same time it was hindered by the introduction as early as 1976 of inappropriate pricing and incentive systems.

Industrialization in the Mekong delta region was also emphasized after 1975 and by 1983 there was far greater diversification of the provincial economies. But Ho Chi Minh City remained the most important industrial centre of the southern region. Although total industrial employment there had only reached 235,600 by 1980 (14 per cent above the 1974 figure), the structure of the city's industrial sector had changed substantially from the early 1970s (Nguyen Van Linh, 1985: 247).

In 1980, the previously dominant sectors of beverages, tobacco and food had only 15 per cent of industrial employment, while textiles had 32 per cent, machinery 19 per cent, chemicals 13 per cent and construction materials, ceramics and glass had 10 per cent. These industries were predominantly 'light' and based on utilization of local raw materials, production of consumer goods or simple agricultural machinery, transport equipment and goods for export. Apart from the Ha Tien cement works (in Kien Giang province), the Vicasa iron works in Ho Chi Minh City remained the only heavy industry installation in the south.

'Socialization' of the southern economy also proceeded slowly in the south. Le Duan's speech in May 1975 foresaw a lengthy period of 'advanced democracy' in which the market sector would continue in operation, while in April 1976 the Party journal *Hoc Tap* still argued for a well-prepared, gradual and methodical socialist reform, saying that 'as an immediate goal, it is necessary to guide, encourage and help the private economic sector, so that it will devote its capabilities to developing production and business activities to the benefit of national welfare and people's livelihood' (FEER 9 July 1976). The contradiction between these market-oriented policies and the desire to control the market by

administrative measures which was already manifest in some of the measures taken (for example, the clampdown on selected merchants in September 1975), led supporters of the traditional DRV model to push for more rapid transformation of the south. In mid-1976, to coincide with formal unification of the country, this turnaround was announced. In July 1977 the SRV's Minister for Agriculture, Vo Thuc Dong, was dismissed. Until then, southern agriculture had remained privately-owned, although the low official prices for grain were already discouraging peasant sales to the state. Dong was replaced by Vo Chi Cong who, almost immediately, announced the first steps in collectivization of southern agriculture, ostensibly as a means of rapidly increasing procurement. In February 1978 Nguyen Van Linh was removed from his Chairmanship of the VCP Committee for Transformation of the South and the following month saw the ill-fated attempt to complete socialization of commerce in the south. By the second half of 1979, faced with the continuing failure of the model to stick, the Party again put the transformation program into reverse.

A picture emerges from these events of a struggle taking place between the proponents of the administratively planned economy on the one hand, and the market economy on the other. While the government's ability to control the market by administrative measures was restricted by a general increase in economic autarky and scarcity of goods, the reality of the pricing system was that the market economy was continually reproduced by the very measures taken to suppress it. The outcome of the struggle was already clear by 1980: the views of reform-minded economists on the necessity of promoting a mixed economy in which capitalist and family enterprises would play a prominent role have, since then, been increasingly accepted at all levels.

The material foundations of this changeover were clearly present in 1980: 29 per cent of industrial workers in Ho Chi Minh City were still employed in the 'individual and private' sector, 20 per cent in 'production groups', 12 per cent in collectives. The remainder (39 per cent) were employed in state or joint state-private enterprises belonging to districts, the city or the centre. In other words, even in 1980 around half the industrial workers of Ho Chi Minh City were employed in private or semi-private firms (97 per cent of all firms). Only in energy and metallurgy sector were there no private firms involved.

There is little indication that this structure has changed very much since 1980, except for a further development away from the traditional socialist model. In 1984 the cooperative sector's share of the workforce was 16 per cent and it produced 23 per cent of the city's output; the 'individual' sector employed some 46 per cent (Nguyen Van Linh, 1985:108, 168). Total industrial employment had grown to 400,000, a 70 per cent increase in just four years. (Nguyen Van Linh, 1985: 108,168,247). In the late 1980s the private sector has obviously increased in importance with the expansion of foreign investment and relaxation of restrictions on local private enterprise. In the first twelve months of operation of the new private investment laws (1988-89), Ho Chi Minh City had reportedly acquired 72 such enterprises employing over 10,000 persons—giving a surprisingly large average size of 140 workers or more. This compared with Hanoi's 26 enterprises with between 20 and 100 workers each. The scope of the southern enterprises was wider too: they were engaged in processing of food, forest and maritime products, textiles, garments and transport, while those in Hanoi were in the more traditional areas of engineering, garments, handicrafts and building materials (JPRS 18 May 1989:56).

The establishment of an Export-Import Bank with individual shareholdings in mid-1989 was also more heavily supported in Ho Chi Minh City than in the north: 75 per cent of the initial subscription apparently came from the city. As previously mentioned, 80 per cent of foreign investment has been concentrated in the south.

Implementation of the plan to promote collectivization of agriculture fared little better than the attempted socialist transformation of industry. By May 1980, no more than 50 per cent of households and 36 per cent of cultivated land had been collectivized, the vast majority in the lower-level production collectives. Half of these existed only on paper. The number subsequently dropped to below 40 per cent of households by the end of 1983, while there were no further advances in the rate of movement to the 'higher level' of collectivization.

Following the renewal of the collectivization drive in 1984-5, it was announced that 90 per cent of households and 85 per cent of cultivated land had been incorporated by the target date. However, there was often little difference in practice between the way these collective bodies functioned and the way individual production was organized. The individual economy (within the collectives) was

permitted on a much wider scale than in the north, partly because of the greater availability of land, but also as a measure to retain peasant acquiescence in the collectivization of grain producing land. In any case, at the height of this second wave of collectivization it was reported that 30 per cent of production collectives remained weak and inefficient and that some cooperatives were 'afflicted with confusion in production and business management' (SWB 13 May 1985:84). In Cuu Long, at the end of 1985, only half the cooperatives and *less than four per cent* of the collectives were regarded as being 'progressive'.

The push for uniform collectivization of southern agriculture has been dropped since the 1986 Congress and the cooperatives themselves have become very different institutions from those of the traditional socialist model. Since the issuing of the Political Bureau's Resolution 10 in May 1988, the emphasis has been on control over production and investment decisions by individual households, while the cooperative seems set to become more of a marketing and service organization, forced to compete with the private sector, as well as performing their traditional function as provider of a welfare safety net.

Change is not all in the direction of a greater role for the private sector, however. Ho Chi Minh City has also been the location of most innovation in the state sector. The case of the city's Food Corporation is well known. For four years it was protected by the local Party hierarchy while it engaged in illegal practices of ignoring official prices and crossing administrative trade boundaries in order to increase its volume of trade and gain monopolistic control over the grain market, eventually bringing private outlets into its orbit. Since 1983 the company has branched out into food processing, sometimes in joint-ventures with other firms, and has established a small oil refinery (despite objections from the Energy Ministry) to secure supplies of fuel for its manufacturing activities. The projects have been financed by the company's own foreign exchange earnings as well as borrowing from overseas Vietnamese (who have also provided technical advice) (*Financial Times*, 11 May 1987).

The city was also the site of early changes to the financial system: a new state-owned bank established in 1988 became the first to offer competitive (i.e., real) interest rates to depositors.

None of these developments has been unproblematic. In agriculture, the passage of Resolution 10 has been accompanied by a number of criticisms. One feature of the new regulations is the

favouring of more prosperous farmers (i.e., those who produce the greatest marketed surplus) with additional allocations of land. Others, such as tradespeople and cadres, are urged to move out of farming altogether. In cooperatives where these policies have been carried out 'there have been worries about the implementation of welfare policies.... [and] due to the suppression of many funds, cultural and social activities are greatly affected' (*Vietnam Courier* 2, 1989: 18). Increasing income differentials are clearly a tendency which may lead to dissatisfaction with the new system by peasants who have become used to having a welfare net within the cooperative structure.

In 1988, shortly after the implementation of this Resolution, serious disputes broke out in several areas of the Mekong delta over land distribution within the collectives. In one case farmers marched on Ho Chi Minh City and in a number of districts they resorted to destruction of irrigation systems which they had built with their own hands. The cause of the problem was abuses of the new regulations by cadres taking advantage of their authority to allocate themselves the lion's share of the land, which was 'not only unfair but involved local cadres covering up for each other. It proved necessary to bring in a high-level inspection team from the Secretariat of the Party Central Committee to help resolve the problem (Le Manh Tuan, 1989: 27-28).

The rapid expansion of output under the impact of reforms has, therefore, been accompanied by quite serious social dislocation. The experiments with unregulated markets have also led to new problems which have caught the authorities unprepared. *Quan Doi Nhan Dan* in late 1988 described the lessons being learned about the market economy by peasants and cooperatives who planted coffee at a time when it was highly valued on the international market, often destroying food crops and forests to raise coffee. However, the world market price fell, causing a glut in Vietnam. Coffee growing regions in Dong Nai and Dac Lac were bankrupted, coffee crops were destroyed and food planted instead. Elsewhere, pepper crops apparently repeated the coffee cycle. Even worse cases were provided by the recent collapse of a credit cooperative and a perfume 'manufacturer' in Ho Chi Minh City. Both had taken advantage of the virtual absence of regulatory law. The collapses were followed by a general loss of confidence in the secondary credit market. One report on the private sector in Ho Chi Minh City referred to lack of capital as the chief problem facing those units

which had received a licence as well as the attempt to do business in unauthorized fields of activity. These are largely problems of the high rates of inflation which have prevailed in Vietnam and the high interest rates which have been used to control it. However, inflation has slowed markedly since 1988 due to innovative and dramatically successful government actions, and this should be an encouragement to longer-term investment by the private sector.

Another problem is that it has as yet proved politically impossible to allow genuine bankruptcy among state enterprises that cannot withstand the pressure of subsidy withdrawal and/or increasing competition from imported goods. In many cases, workers have been suspended or 'gone on holiday', but the enterprises, along with their management cadres are still in existence. This indicates that the political power of the bureaucracy over resource allocation is not yet broken. If economic levers are to work as a method of planning, and cost accounting is to become a reality, the autarkic political networks of self-interest which grew up within ministries and/or provinces under the traditional system will have to be replaced by a system of horizontal exchange.

Whatever new system of social relations finally emerges, and it seems to be still very much a matter for speculation, the process of transition has thrown up a number of new problems which deserve attention. One of these is the way in which the authorities, usually at local level, continue to undermine the goals of the reform in such a way as to maintain relative autarky of districts, regions, enterprises or groups of enterprises. An indication of this problem is the number of times that orders have been issued to abolish tax collection points—barriers to the free circulation of goods—which have been set up by local authorities. These were already recognized as a problem in the south during the war, when efforts to blockade the RVN-controlled areas led to economic stagnation in the Liberated Zones due to their small market. Since the first introduction of reforms in 1979, several new orders have been issued and direct trading between enterprises has been allowed, but the order against tax collection points was re-issued as recently as 1987.

Such continued interference also gives rise to the possibility that new bases for capital accumulation will be created. After all, the real basis for capital accumulation is not from the profits of petty commodity production by peasants and family firms, but from the concentration of large surpluses in the hands of those with control over major investment decisions. This need not be private

capital accumulation, although the number of corruption cases tends to show that it may be. A more likely danger is the continuation of political authority over resource allocation in the context of a highly decentralized economy, creating the material base for a sort of 'Balkanization'—the establishment of a number of semi-autarkic economic mini-'states' within the borders of a single nation. If the benefits of economic growth in the currently dynamic areas like Ho Chi Minh City are to flow through to the more backward parts of the country, the breakdown of local autarkies in which this type of capital accumulation is taking place is an essential priority. Otherwise the danger is that the southerners will end up doing business only with each other and with foreigners.

SOME PROBLEMS IN RENOVATING VIETNAM'S FOREIGN ECONOMIC POLICY IN THE NEW SITUATION

Vo Dai Luoc

The world is seeing extremely fast and complex developments in every region, particularly in East European countries and the Soviet Union. These developments call for appropriate reforms by various nations in several fields, above all in the political and economic realms. Vietnam is no exception. Within the framework of this paper, I will analyse some aspects of renovation in Vietnam in the economic field, particularly its foreign economic relations are analysed.

Vietnam's economic renovation stems from the demands of actual life and is progressing on an irreversible course

From the 1980s, Vietnam's economy entered a period of difficulty whose salient features were galloping inflation, goods scarcity, worsening living conditions, and diminishing levels of cultural, information, educational, health and social facilities. This was a fact referred to as 'crisis' by some media. And this arduous fact compelled Vietnam to seek solutions. The entire decade of the 1980s was devoted to seeking solutions. Some hard sought solutions bore good results: the contract system in agriculture, the policies of loosening the market and stimulating family and private economic activity. At the same time, serious setbacks were seen in the process: the price—wages—money readjustment in 1985, and the curb on free markets. Not until the Sixth National Congress of the Vietnam Communist Party in 1986 did Vietnam's economic renovation make a real start, with the following salient features:

- Shifting from a centralized, bureaucratic, subsidy based economy to a planned commodity economy.

- Shifting from an economic structure which gives priority to developing heavy industry to one which puts emphasis on a tripartite program, i.e. food and foodstuffs, consumer goods and export goods.
- Shifting from an economy which maximises the state and collective sectors to one which utilizes diverse sectors.
- Shifting from an economy which depends on unilateral foreign aid to an open-door economy.

The policies of the Vietnam Communist Party and state since 1986 have been evolving mainly in the above mentioned directions. As a matter of fact, however, Vietnam was faced with a terrible problem: the further the renovation went along the said course, the worse the inflation became. It was this worsening inflation which negated the positive effects of the renovation and put renovation before new dangers. Therefore, to fight inflation constituted an extremely urgent task and was of decisive significance for the success of renovation. The results obtained by Vietnam in its anti-inflation fight in 1989 were of paramount importance. Thanks to the resultant stability of prices, the policies of shifting Vietnam's economy to a commodity-based one and expanding the market have increasingly taken effect. At the same time, the associated policies of setting prices and exchange rates on a par with market rates, opening the country's borders, and encouraging the operation of non-state economic sectors, have all helped to create a positive environment for the anti-inflation fight.

Despite drawbacks and impeding forces, Vietnam's economic renovation, since 1980, has made constant advances. Especially since the Sixth Communist Party Congress, these advances have been deployed in both scope and depth, and are irreversible.

Now, Vietnam is drafting its socio-economic development strategy for the coming period—also in the above-mentioned directions. Vietnam's integration in the world economy constitutes an urgent requirement for the course of economic renovation in Vietnam.

Vietnam's economic renovation is creating conditions for a shift to a commodity economy. There are some favourable factors which prove helpful: a market economy, already seen in South Vietnam before 1975, in fact remains despite its having been forbidden, and has exerted a strong impact on the expansion of market relations all

over the country. However, the shift to a market economy in Vietnam would be slow and limited if the positive impact came only from the narrow and small market of South Vietnam. With Vietnam's integration in the world economy, the impact of the world market will help bring about a faster and more profound shift of Vietnam's economy to a commodity based economy. Thus, Vietnam's integration in the world economy is becoming an urgent requirement for the renovation process.

Foreign investors and business men have taken inspection tours to Vietnam and made the following remarks:

- Vietnam's foreign investment law is quite generous, but several provisions are still inadequate; thus foreign investors are worried that their interests are not guaranteed by law.
- Vietnam's managerial apparatus, though having been renovated, remains burdened with such bureaucraticism as to cause obstacles to investors.
- Vietnam's infrastructure is backward, not appropriate for integration into the world economy.
- The Vietnamese currency, though more stable than before, remains inconvertible; Vietnam's banking system is backward, and therefore not compatible with present world economic transactions; financial and currency markets in Vietnam are non-existent.
- The system of socio-economic information in Vietnam is not adequate to meet business requirements.
- Vietnamese businessmen have little knowledge of the market economy.

These are just some of the challenges. These remarks reflect Vietnamese realities. However, it should also be admitted that renovation is being effected by Vietnam in all these respects. With participation from foreign countries, a swifter solution may be found. The Soviet Union has assisted Vietnam in building big power plants which are now Vietnam's main energy establishments. Australia has cooperated with Vietnam to modernize the latter's system of communication with the outside world and thus, within a short time, Vietnam has managed to equip itself with an improved

communication system. It's a pity, the Western countries, for several reasons, have so far not joined hands with Vietnam to help in the solution of their problems.

Changes in East European countries and the Soviet Union are exerting a strong impact on Vietnam's economic renovation

Political instability and economic depression in East European countries and the Soviet Union have had a negative effect on Vietnam in several respects. However, an even bigger impact on Vietnam has come from the changes in the Soviet and East European countries' policies, particularly their foreign policy. The Soviet implementation of the policy of detente, dialogue, cooperation with Western countries, and its initiative to reduce nuclear weapons and armed forces, have greatly influenced the world situation, creating opportunities for Vietnam, through dialogue and cooperation, together with other countries, to settle the protracted Cambodian conflict and to build up an environment of peace for development.

On the other hand, the Soviet Union and East European countries, for several reasons, have cut down priority aid to Vietnam, shifting the economic relationship between the two sides to a new basis of cooperation for mutual benefit. These policies have been translated into deeds. From 1990 Vietnam-Soviet trade is done at world prices, no longer priority prices, and payment is made in US dollars instead of rubles; Vietnam has to keep import-export balance in dealing with the Soviet Union; Vietnam has to consider clearing the debts which are due.

These changes will greatly affect Vietnam. First, they call for a faster renovation process in Vietnam's internal and external economic policy, to enable Vietnam to shift to a new phase of cooperation for mutual benefit with the Soviet Union and East European countries. Second, Vietnam should, in all earnestness, seek new sources of priority aid to fill the gaps left by the Soviet and East European countries' reduction. Third, Vietnam has to envisage a new policy *vis-a-vis* the Western countries, to be able to cooperate with them in utilizing their capital, technology and market for the resolution of Vietnam's socio-economic problems.

Vietnam does not resent the shift by the Soviet Union and East European countries from the policy of priority aid to that of cooperation for mutual benefit. In fact, this shift has created

opportunities for Vietnam to step up the renovation of its internal and external economic policies to keep pace with the new situation.

The United States and Western countries are gradually shifting from a policy of isolating Vietnam to one of dialogue and cooperation, though the shift is evolving too slowly to match the requirements of the renovation taking place in Vietnam. The US administration's policy of isolating Vietnam has been the main stumbling block in the way of expanding relations between Vietnam and Western countries. The stumbling block still remains, but several Western countries have chosen to ignore it.

This Western isolation of Vietnam is obstructing Vietnam's renovation course. It is not only harmful to Vietnam but does not do any good for the Western countries either. That is why the Scandinavian, West European, ASEAN and other countries have been engaged in dialogue and cooperation with Vietnam. Not a few Western countries have dissociated political issues from economic relations with Vietnam. These countries may still disagree with, or even be opposed to Vietnam politically, but they maintain and develop economic relations with it.

Many people had been waiting for Vietnam's troop withdrawal from Cambodia, believing that the removal of this stumbling block would set the stage for the expansion of relations with Vietnam. Vietnamese troops have withdrawn from Cambodia, yet the stumbling block remains. Now, people are again waiting for a comprehensive settlement to the Cambodia problem as a prerequisite for the United States to normalize relations with Vietnam.

As a matter of fact, the Cambodian problem is just a pretext to cover the US administration's hostile policy towards Vietnam. It is not the Cambodian problem that matters, but the U.S. administration's hostile policy. The time for a shift from hostility to cooperation with Vietnam has come. But the US administration, for several reasons, is bent on ignoring this.

Vietnam's foreign economic policy has really entered a period of renovation

The watershed marking the most important step of renovation in Vietnam's foreign economic policy is the promulgation of the law on foreign investment in Vietnam in December 1987. By this law, Vietnam for the first time confirmed conditions more favourable than those of several other countries in the region, for foreign

capital to be invested in Vietnam. In its session on July 7, 1990, the Vietnamese National Assembly adopted some supplements to this law, one of which, remarkably, reads: 'Vietnamese private economic organizations are entitled to do business with foreign organizations and individuals in the sectors and under the conditions stipulated by the Council of Ministers'. This is the first time Vietnamese private economic organizations have been allowed to have business cooperation with foreign countries. For implementation of the law on foreign investment, regulations on labour, services, prices etc. have been issued, but in the light of realities, several more need to be studied and issued. Together with the promulgation of the law on foreign investment, regulations on customs, exit-entry, import-export are also being renovated to facilitate the expansion of economic-relations with foreign countries.

At this juncture, Vietnam advocates expanding economic relations with all countries, world organizations, transnational corporations and, above all, the nations in the region. Vietnam will reserve privileges for the countries which give it massive priority aid, and which invest heavily in Vietnam, enabling Vietnam to export goods to their markets.

Vietnam advocates diversifying its foreign economic relations, assimilating all present advanced forms of business undertaking with foreign countries. Vietnam is drawing up projects for establishing export processing zones, has permitted foreign banks to establish representation in Vietnam, is considering making the Vietnamese currency convertible. Of course, all of these things cannot be accomplished overnight. What is important is that Vietnam has set its mind on renovating its foreign policy and is, step by step, integrating with the world market.

The following few figures bear evidence to this growing trend: in the first half of 1990, Vietnam's export turnover reached 950 million rouble -dollars, an increase of 40 per cent compared with the same period in 1989; import turnover was estimated at 1,150 million rouble -dollars, a remarkable decrease of import surplus compared with last year. By the end of May 1990, Vietnam had issued 151 licenses representing a total investment of US\$1,077 million.

There is one more decade before mankind enters the 21st century. No one can be sure what will have happened then. But every nation is preparing itself for this new phase. The experience of success and failure of various nations on their road of development is extremely

precious to Vietnam in its preparations for the future. We highly appreciate the experience of success from Japan, NIEs, Australia, ASEAN and others.

The lessons drawn from the realities of these nations will be extremely helpful for Vietnam's renovation course. Integration with the region, contribution to building a prosperous regional market—this is one of the most important directions of Vietnam's renovation course.

FERTILITY AND FAMILY PLANNING IN VIETNAM: TRENDS AND CHALLENGES

Vu Qui Nhan

Background

Country setting

The Socialist Republic of Vietnam is the second most populous country in Southeast Asia. The population of over 65 million in 1990 was concentrated in the two fertile deltas of the Red River in the north, and the Mekong River in the south. The delta areas are separated by close to 900 kilometers of central highlands and narrow coastal plains. The climate is tropical in the south, and sub-tropical in the north where the winters are cool and dry, and the summers hot and humid. About 80 per cent of Vietnam's terrain is mountains, high plateaus, and jungles. These areas are of little agricultural productivity. The rice producing deltas provide the bulk of food for the population.

Struggles against outside powers seeking to dominate the country have been a major theme of Vietnam's history for thousands of years. After the most recent period of colonization, Vietnam attained independence from France in 1954, but the country was divided into two very different social systems. Re-unification was officially proclaimed in 1976, after the United States supported regime in the south fell in 1975. Defense of the borders has continued to be a major political concern, although recent prospects for peace in the region have allowed Vietnam's leaders to focus more on social and economic development than ever in the past.

The main ethnic group is the Kinh, who account for 87 per cent of the population. There are over 50 other ethnic groups, many of whom live in isolated, difficult to reach mountainous areas.

Buddhism has been the dominant religion in the past, but there is a significant Catholic minority, and numerous indigenous creeds.

Since 1975 the economy has been centrally controlled with almost all economic activities taking place in cooperatives and state enterprises. The principal economic activity is agriculture, with rice the predominant crop. The per capita GNP in 1990 was below \$US200 per annum, making Vietnam one of the world's poorest countries. However, the government has devoted major resources to education and basic health services. Socialist policies have promoted equality in basic, modest lodging, food and social services for all. The Ministry of Health has developed a basic health care system covering the whole country. Every commune, should have its own commune health centre staffed with trained health workers. Problems that cannot be handled at the local level can be referred to district, provincial or specialized hospitals. Recent economic reform measures (*doi moi*) have also encouraged private initiatives in health, but it is still unclear how widely these have spread, on what impact they have had on total health services.

Vietnam's health situation is relatively favourable for a developing country. Infant mortality and child mortality rates have been reduced considerably in the last few decades. Preliminary estimates of infant mortality from the 1989 Census sample gives a rate of around 50 deaths per 1000 live births,

Population and family planning policies and program

Government policy to control rapid population growth was first articulated in Vietnam in the early 1960s. Results from the 1960 Census made policy makers aware of the rapid population growth and this, combined with a general awareness of increasing pressure on agricultural land in North Vietnam no doubt contributed to unanimity among national leaders on the need to lower the birth rate. A statement supporting fertility regulation was issued in 1963.

The government has repeatedly expressed its commitment to reduce the rate of population growth, and has relied on voluntary family planning to attain this objective. In addition, strong support for family planning as essential for maternal and child health, and as an important component of improving women's status, have been stressed by leading government and party leaders, ministers, and officials at all levels of society over the years, and increasingly during the last decade.

The Vietnamese National Family Planning Program is a multisectorial effort, involving a wide range of ministries and mass organizations, which focus on educating, promoting and encouraging couples to use family planning. Contraceptives are provided through the Ministry of Health network, down to the commune level. (See Tables 12.1A & 12.1B) This effort has contributed to broad awareness and support for family planning throughout society. The findings from family planning service statistics indicate that current use of effective contraceptives is fairly high. There is still considerable scope for improving and expanding contraceptive services, since many women who do not want another birth are not contracepting. In addition, recourse to pregnancy termination is frequent.

Because contraceptive service delivery was from the outset primarily a medical program implemented by the Ministry of Health the involvement of other ministries and non-government organizations has been inadequate. The greatest problems faced by the system are the shortfall in the supply of contraceptives and the need to strengthen the service delivery logistics system and infrastructure. At present the program offers very little in the way of outreach activities or follow-up of acceptors.

The National Committee for Population and Family Planning (NCPFP) was set up in 1984 to improve coordination among ministries in Vietnam involved in population and family planning activities. The Committee includes members from eight ministries and four mass organizations.

The NCPFP advises the Government in policy formulation, program development, and coordination. It is expected to conduct research studies and prepare analyses and policy briefs to carry out these functions. It is increasingly playing a management leadership role in the National Family Planning and Population program.

The most important recent official statement of population policy was the 18 October 1988 Council of Ministers' *Decree on Population and Family Planning Policies*. Its goal was to reinforce and strengthen measures to reduce population growth and insure that adequate family planning methods are available and used by the population. The NCPFP Ministries, and People's Committees of provinces and municipalities are responsible for monitoring and supporting measures to control population growth. The policy is highly normative. Guidelines are set for minimum age at marriage (22 years of age for women and 24 years age for men in urban areas

and in government service or in industry; nineteen years for women and 21 for men in other areas or occupations), total number of children (maximum of two children for most groups in society with the exception of ethnic minorities and a few other categories who may have three children) and spacing between births (generally, the second child should be spaced three to five years apart from the first).

The 30 June 1989 *National Health Law*, passed by the National Assembly, gave legal force to some of the measures discussed above, and additionally stressed the principle that individuals must be free to choose the family planning method they prefer. Article 2, Chapter 8 of the Family Planning and Mother and Child Health Care Section states that 'institutions of the state, collectives or individuals must respect everyone's desire to use the method of birth control of their own choosing.' In addition, further reiterating the voluntary nature of the Vietnamese family planning program, Article 4 states that 'All acts of preventing or forcing the implementation of family planning are prohibited'. The 1989 National Health Law thus gives legal force to the individual's right to choose or to limit or not to limit births and provides recourse to justice if there is any attempt to violate this right.

The long history of awareness of population pressure on the limited land resources, the steady official emphasis supporting family planning and fertility reduction, the broadscale programs of population education and information, and the extensive use of mass organizations to promote maternal and child health, including family planning, combine to produce a situation where few people in Vietnam are unaware of the need for family planning and population control. Most people strongly support this policy.

While son preference and the persistent need for family-organized agricultural labour mean that some people are unenthusiastic about having only two children, the current estimate of desired family size (2.5 children among young Vietnamese women) suggests that efforts to persuade people to limit births are paying off. As modern family planning methods become more easily available, and the opportunities and constraints of modern life increasingly confront families, couples can be expected to further reduce desired family size and have fewer children than previous generations.

Fertility trends

Vietnamese demographic data come from Vital Civil Registration, Censuses and Sample Surveys and program service statistics. The General Statistical Office (GSO) is the only institution authorized to release official statistics on population and vital statistics.

The latest Census was carried out in April 1989 with the assistance of the United Nations Population Fund (UNFPA). It is believed to have been carefully conducted, and reliable, particularly in comparison with the previous Census in 1979. The GSO estimates the error rate to have been about 3 per cent. The five per cent sample result was released in early 1990 and its quality was said to be relatively high. The fertility estimates from this source is presented in Table 12.2.

Every year GSO releases demographic data based on the household registration and vital statistics systems. These data are computed for national and provincial levels. This source of data is considered by many observers to be unreliable due to under-reporting of deaths and births. The registration figures for the 1980s were always lower than those estimated by ESCAP. (Table 12.5 and 12.6), but it is unclear whether the registration data were more accurate in reflecting trends than the ESCAP estimates.

The 1988 Demographic and Health Survey (VNDHS 1988) was the first nationwide survey implemented by NCPFP, with financial assistance from UNFPA and technical backstopping from the ESCAP Population Division. It was a three-stage probability sample of 4800 households. The analysis of fertility trends and Contraceptive Use Patterns in the following section is based on the results of the VNDHS 1988 and the 1989 Census 5 per cent sample result when needed.

Current fertility levels and trends

Estimates of current fertility levels and trends in Vietnam are presented in Tables 12.5 and 12.6. In Table 12.5 the age specific fertility rates and total fertility rates (TFR) are given for three alternative time periods spanning the preceding 12, 24 and 60 months, respectively. These show that the longer the time period prior to 1987 the greater the total fertility rate. In other words, fertility in Vietnam appears to have declined steadily during the five year period preceding 31 December 1987, from an average 4.8 for the whole period to 3.9 live births per woman in the one year before the survey.

These trends are also reflected in other larger data sets covering longer periods, such as decades preceeding the population censuses of 1979 and 1989 (see ESCAP, *The Geography of Fertility in the ESCAP Region*, Bangkok, 1988: 32-33). Indirect techniques of estimation show that the total fertility rate fell during the decade of 1969-1979 from over six children per woman to under five, and further during the decade of 1979-1989 to around four children per woman on average.

Recent estimates show fertility to be relatively low in urban areas and, while in rural areas it is still high. Urban fertility is almost half of that of rural areas.

Fertility declines appear to be faster in the south than in the north. This is suggested if we compare the cumulative fertility of women currently at the end of the childbearing ages (indicated by the mean number of children ever born to women aged 40-49) to the current fertility measured by the TFR (Table 12.6). The difference between the cumulative fertility (CEB) and current fertility (TFR for the 24 months preceding the survey was only three tenths of child in the north, and one and seven tenths in the south. These findings suggest that the family planning program and social economic conditions have been more strongly influencing fertility recently in the south than in the north may indicate the earlier start to family planning in the north, and hence earlier initiation of fertility decline there. This interpretation is supported by the fact that mean number of children ever born to women aged 40-49 in the south was higher than that in the north.

Using birth history data collected in the survey, more extensive analysis of fertility trends can be done on the patterns of fertility for successive five year periods preceding 31 December 1987. Table 12.7 shows the age-period fertility rates by age of women at time of childbirth. Note that the pattern of change in fertility over the last two decades is irregular: for the older age-groups, fertility has declined steadily whereas the fertility of younger age-groups (15-19, 20-24, 25-29) has fluctuated (see also Table 12.5 and 12.3).

Cumulative fertility

Table 12.8 provides data on the number of children ever born to women aged 15-49, including never married women, and ever married women. It is assumed that never married women have no children.

Differences in results obtained between all women and ever married women are greatest at the younger ages, i.e women aged 15-

29 and women having no births. This is because among all women aged 15-49, 33.8 per cent are still single. Most of these women are aged 15-29. The proportion of widows at older ages causes a small reduction in general fertility level.

There were no women who said they desired no births. Thus, the proportion of women who have no children at the end of the reproductive span may reflect the actual sterility of Vietnamese women. It is lower than 1 per cent among ever-married women. Over 40 per cent of the women aged 45-49, and nearly one in four of those aged 40-44 have seven children and over while there are, respectively, 10 and 15 per cent who have two or less children.

The data suggest that the government's target of each couple having no more than two children will be difficult to achieve if the family planning program is not significantly strengthened. Of all women aged 20-24, nearly 20 per cent have at least two children already. By age 25-29, 30 per cent have over two children.

Table 12.9 presents the mean number of children ever born to ever married woman according to duration of marriage. This table indicates the relationship between age at first marriage and fertility for successive marriage cohorts. Differences are not very great among newly-married women, whether their ages at marriage are high or low. However, the differences in number of children ever born are considerable when looked at by duration of marriage. The earlier the marriage, the more children born. Older women often married at young ages in the past, and this indicates that fertility of young women might be expected to be lower as a result of marriage delay. The blanks in the table indicate women who were out of the reproductive ages at the time of the survey. For example, women who married 25-29 years ago at age 25 were too old to be included in the survey. Data are not provided and for women currently over age 49 since they were not interviewed.

Most women who married at young ages are illiterate and currently in the older age groups. Major educational development in Vietnam in recent decades has helped to ensure that today the proportion of women who marry early is small.

Age at first birth

As with the age at first marriage, age of onset of childbearing has a strong impact on fertility. In many countries, postponement of first birth has made a large contribution to the overall fertility decline. An indicator of this behaviour is the proportion of women who

become mothers before the age of twenty. This is sometimes referred to as adolescent fertility. The fertility of women under age twenty is a major health and social concern in many countries. High adolescent fertility generally carries adverse effects on the health of teenage mothers and their infants. Furthermore, early motherhood often leads to higher subsequent fertility.

In Vietnam, the fertility rate has been low among women under age twenty in recent years. Median age at first birth is high, as we can see from Table 12.10, which shows the per cent distribution of all women by age at first birth according to current age. The table includes a category for no births and refers to all women, including those who have never married (assuming that they have had no children). Median age at first birth is also presented for all cohorts for which at least 50 per cent of the women had a first birth (i.e. age groups 25-29 and above). In general, the median ages at first birth are relatively high—23 years and above.

Compared with other cohorts, the highest reported median age at first birth (24.1 years) is the cohort of women aged 40-44. The median ages at first birth for groups of women aged 25-29 and 45-49 are lowest, both about 23 years. The data also show that age at first birth increases with age-group of mothers from 25-29 to 40-44. A similar trend was found in age at first marriage. This pattern may have been caused by the effects of wartime conditions in the 1960s and early 1970s. Women who married during this period, i.e. women over 40 years old at the present time, had unfavourable conditions for early childbirth. In many cases their husbands had to join the Army soon after their wedding and they were separated from spouses for long periods. Only 13 per cent of the women became mothers before age twenty. About half of the women had their first birth between ages 20 and 24. The proportion of women who had a first birth at age 30 and above was relatively high. About 10 per cent of women aged 40-49 had a first birth after age 30.

Table 12.11 provides median ages at first birth for age cohorts according to geographic distribution. The results show that median ages at first birth for urban women are higher than for rural women. Urban women have their first births two and one half years later than rural women. Table 12.11 also shows that urban women aged 25-29 have the highest median age at first birth and rural women of the same ages have the lowest.

Age at first birth is not greatly different in the north and south. The median age at first birth of the cohorts of women aged 25-49 in both regions is about 23 years or higher.

Fertility regulation

Contraceptive knowledge

Knowledge of contraceptive methods and of places where methods can be obtained are preconditions for their use. The VNDHS provides information on the level of knowledge of both methods and service providers. Data on knowledge was obtained first by asking the respondent to name the ways that can be used to avoid becoming pregnant. If the respondent did not spontaneously mention a particular method, the method was described by the interviewer and the respondent was asked if she recognized the method. The questionnaire described the following nine methods: the pill, IUD, condom, female sterilization, male sterilization, periodic abstinence (rhythm), withdrawal, menstrual regulation, and abortion. In addition, other methods mentioned by the respondent (e.g. herbs) were recorded. Finally, for any modern method that she recognized, the respondent was asked if she knew about a place or a person from which she could obtain the method and what main problems, if any, were associated with the method. If she reported knowing about periodic abstinence, she was also asked if she knew a place or a person from which she could get information about the method.

Table 12.12 indicates that knowledge of at least some method of contraception is widespread among married Vietnamese women in the reproductive ages. Almost 94 per cent of both ever-married and currently married women are aware of at least one modern method. Knowledge of the IUD is very widespread, followed by abortion, female sterilization, male sterilization, and menstrual regulation. Less than half the women know about pills and condoms, and similar numbers rhythm and withdrawal.

Table 12.13 shows contraceptive knowledge according to selected background characteristics. Predictably, urban, educated women are more aware of modern methods than are rural, illiterate women. There are also important regional differences, with women in the south more aware of the pill, condoms, and female and male sterilization than women in the north. There are also significant educational differences concerning knowledge of these methods. While over 90 per cent of the women know of the IUD, among

illiterate women, of 80 per cent knew any method and only 74 per cent know of the IUD.

Table 12.14 presents the distribution of responses according to the main problem perceived with particular methods among women who knew the method. If this information is reasonably meaningful, it could be useful in identifying obstacles to the use of specific methods and could be helpful in guiding education and publicity campaigns. Many respondents had difficulty in answering this question, especially if they had never used the method, which was the case with most women. Thus interviewers often needed to probe, but even then failed to elicit an answer. For a number of methods substantial percentages fall in the 'don't know' category. Based on the percentages who explicitly indicated that there was no problem, the most problem free method in the reports of respondents was the IUD.

Contraceptive use

The VNDHS 1988 provides the first nationally representative survey data on contraceptive use in Vietnam. Since family planning program service statistics are not very accurate and the system is currently being revised, the survey is the best source of data on the achievements of the family planning program in Vietnam. In addition, it represents the baseline data to use in comparisons with future surveys currently being planned to monitor the family planning effort.

Table 12.15 shows that around 60 per cent of Vietnamese women have used birth control at sometime. About 50 per cent have used a modern method, the most popular being the IUD, followed by periodic abstinence and withdrawal. About 7 per cent have had a pregnancy terminated, either by abortion or menstrual regulation.

Current use of contraception for the women 15-44 has reached 54 per cent (see Table 12.16). The IUD is used by 34 per cent of these women, followed by such traditional methods as periodic abstinence, (8 per cent) and withdrawal, (7 per cent). Use of other modern methods is very low: female sterilization (2 percent), condoms (1 percent), and less than 1 per cent each for the pill or male sterilization.

Beginning with women over 24, contraceptive use is over 50 per cent—for all the older age groups. Female sterilization is used by over 5 per cent of the women over 34. There is not much variation in contraceptive use by age since the IUD is still apparently virtually

the only modern method widely available. Less than a third of the women 20-24 are contracepting. One wonders if contraceptive use in this group would increase if temporary, easy to use methods like the pill, injectable or the condom were readily available.

Data on contraceptive practice according to selected background characteristics is presented in Table 12.17 for currently married women aged 15-49. The association between number of living children and contraceptive practice is curvilinear. Prevalence is highest among couples with three children. The lower percentage practising among couples with 4 or more children compared to those with three probably reflects a selection process whereby couples who do not practice contraception are more likely to reach higher family sizes than those who do practice. Further, higher parity women are likely to be older and a portion are at ages where they no longer perceive a need for contraception. Use of female sterilization is directly correlated with age; only after three children do more than 1 per cent of the women use this method.

Differentials based on urban/rural residence and level of education are evident: the urban and more educated women are more likely to be using contraception. Regional differences are also important. Only 17 per cent of women in the south are using the IUD compared with 47 per cent in the north. However, 5 per cent of women in the south have been sterilized compared to less than 1 per cent in the north. Use of traditional methods (rhythm and withdraw) and temporary methods (the pill and the condom) are also more prevalent in the south than in the north.

Source of contraception

The government health service is the major provider of contraception in Vietnam (Table 12.18). Almost 45 per cent of the current users are supplied by the commune health centre, the basic health unit available in Vietnam's over 8000 communes. Another 37 per cent are supplied at the district hospital, the next institution up in the hierarchy of health care units. The most widely used method, the IUD, is provided to over half the users at the commune health centre.

The private sector is beginning to play a significant role in the supply of methods—31 per cent of pill users and 17 per cent of the condom users were supplied through commercial channels and 5 per cent and 20 per cent respectively, were given these methods at other than the basic government health service units. Although these

methods are still insignificant in terms of the amount of contraceptive coverage provided, the findings suggest that promotion campaigns using commercial retail sales might significantly expand use of these methods.

In the Vietnam DHS, the percentage of women of reproductive age who were currently married was 60 per cent. According to the 1989 Census, over 16 million women were between 15 and 49 years old. The target population for the family planning program was thus about 9.6 million women. The VN DHS produced an estimated contraceptive prevalence of 38 per cent implying that about 3.7 million women are currently contracepting. Further, 60 per cent of currently married women said that they wanted no more children. The moderate level of contraceptive prevalence and the large number of menstrual regulation (MR) procedures and induced abortions performed every year, along with the use of less efficient contraceptive methods and the high percentage of women not wanting another child but not practicing contraception, the unmet need for contraception is quite significant.

If a wider range of modern contraceptives was available and the quality of service improved, one could expect a substantial increase in contraceptive use in the coming years, and consequent substantial reduction in fertility and family size.

Achievements and shortcomings of the Family Planning Program

The 1989 National Population Census (Preliminary 5 per cent Sample Results) provided the basic demographic indicators shown in Table 12.19.

Although Vietnam's fertility has declined during the two decades its fertility level is still high in comparison with that of countries in the Southeast Asian region. When the figures are compared with data for other countries at similar levels of income per capita, Vietnam appears to be doing rather well.

The percentage of the population in age group 0-4 has declined from 14.6 per cent in 1979 to about 14.0 in 1988 (Census 1989). This reflects a minor impact of the family planning program over the last decade. The target of rate of natural increase of 17 per thousand per cent set by the Government of Vietnam is still distant and probably cannot be reached at the turn of the century.

According to the sample results of 1989 Census, only three provincial level regions had a rate of natural increase below 17 per thousand. These were: Hanoi City, Ho-Chi-Minh City and Thai Binh Province.

The limitations on the achievements of the FP program are many, but some key factors are the young age structure of the population; the estimated number of women entering the child-bearing age (15-49) every year is about 450,000; the relative proportion of women in their productive age (WRA) is increasing, from 45.1 per cent of total women in 1979 to 48.5 per cent in 1988. The contraceptive prevalence rate (CPR) is only 38 per cent (for effective methods only) and the contraceptive use is predominantly low quality IUDs. There is a large unmet need in the FP program.

Family planning target for 1991-1995

At the National Conference on Population and Family Planning held in Hanoi on April 17-18, 1990, revised targets for the family planning program for the period 1991-1995 were proposed. These took into account the actual situation facing the country where, according to the 1989 Census, the total population of Vietnam was over 64 million persons, the CBR was still high at 31.3 per thousand, the TFR was around 4.0 and the CPR was 38 per cent (if only effective methods were considered).

For the period 1991-1995, an annual reduction of CBR by 0.5 per thousand is proposed (Table 12.20). The annual increase in CPR is targetted at around 1.5 per cent (Table 12.21). The reduction of CBR and increase in CPR were also estimated for separate geographical areas, in recognition of the wide differences in potential.

In order to achieve the above mentioned targets, the following measures were proposed by NCPFP, in October 1990:

- to develop higher quality of Maternal and Child care and Family Planning (MCH/FP) services, ensuring sufficient provision of contraceptives for the people in rural areas, with special attention to the densely populated rural districts in the Red river delta, the Mekong river delta and the coastal region in the central part of the country
- to promote Information, Education and Communication (I.E.C.) on population and family planning throughout the country, in terms of formal and non-formal education; to

develop Pop/FP information through mass-media with special emphasis on the radio system, press and mobile information teams. Community mobilization should be done with the participation from mass organizations and non-governmental organizations (NGOs).

- to strengthen the ability in management of NCPFP at different levels by creating favourable conditions in working facilities, training contingents of staff and improving the information management system.

Population projections for the period 1990-2000 have been prepared by NCPFP. The projected population for Vietnam in the last decade of the twentieth century is presented in table 12.22, with three variants: high, medium and low. The projection shows that the total population of Vietnam for the years 1990, 1995 and 2000, according to the medium variant, will be at 61,159,000; 73,048,000 and 79,533,000 respectively. The projection of the population of Vietnam as estimated by United Nations gives similar figures, i.e. at 66,153, 73,065 and 79,870 thousand, respectively.

Conclusion

In the past two decades, fertility in Vietnam has decreased consistently, but still remains at high levels, when compared to levels in other countries in the region.

The government of Vietnam considers this fertility level to be too high and has promoted the objective of fertility reduction through the Family Planning programme to address this problem. It is now obvious that this goal can only be reached by strengthening the Family Planning programme.

Although Family Planning in Vietnam has contributed to reduced fertility, the achieved result was far from the expected level. For Vietnam so far, the most common method of contraception is the IUD. Induced abortions and/or menstrual regulation, although never considered as a part of the family planning programme, are still commonly practised everywhere. The NCPFP regards the high incidence of induced abortions and/or menstrual regulations as a symptom of programme failure to satisfy the contraceptive needs of the people. Senior officers from the Ministry of Health share this opinion.

In the recent years, the NCPFP has directed its efforts to converting the national FP programme from one of one dominant method to the use of a wider range of effective methods. At the same time, NCPFP together with its close member, i.e. the Ministry of Health, is committed to improve the accessibility and the quality of FP services at all levels, especially in rural areas. by doing so, the number of induced abortions and/or menstrual regulations can be reduced gradually and the FP programme will be more effective in reducing fertility.

This reorientation of the national FP programme will certainly require more resources, and an increasing local budget will be needed to respond to the growing demand for modern contraceptive methods in the years to come.

Table 12.1a: Health establishments

	1985	1986	1987	1988
Institutions	9	8	8	8
Hospitals	729	757	765	767
specialized hospitals	91	92	93	98
general hospitals	638	665	672	669
District hospitals	485	501	505	505
Sectoral polyclinics	583	594	599	676
District polyclinics	533	534	542	611
other polyclinics	50	60	61	65
	84	73	65	66
District Maternity hospital				
Urban Health	1,683	1,608	1,739	1,723
Commune Health station (centers)	8,907	8,965	8,993	8,993

Source: Health statistical data (summary), M.O.H. Hanoi 1989.

Table 12.1b: Medico-health personnel

	1985	1986	1987	1988
Physicians	19,104	19,804	21,911	22,797
Pharmacists	5,543	5,700	6,065	6,166
Assistant-physicians	39,713	42,885	47,506	48,194
Nurses (2nd. level)	15,423	16,222	16,317	16,504
Midwives (2nd level)	4,089	4,480	4,606	4,683
Auxiliary nurses	67,700	67,000	67,147	61,040
Auxiliary midwives	10,699	10,825	10,994	10,230
Traditional medicine practitioner	3,837	3,928	3,557	3,340

Source: Health statistical data (summary). M.O.H. Hanoi, 1989

**Table 12.2: Age specific fertility rate (ASFR)
(Census 5% sample result)**

Age Group	ASFR (per 1000 women)
15-19	26
20-24	192
25-29	221
30-34	167
35-39	110
40-44	57
45-49	19
TFR	3.96

Source: GSO. 1989 Census Preliminary Results.
Based on the Five per cent sample

**Table 12.3: Official estimates of crude
rates for Vietnam**

Year	CBR	CDR	NIR
1981	30.02	6.98	23.04
1982	30.41	7.41	23.00
1983	30.45	7.48	22.97
1984	29.43	7.04	22.39
1985	28.44	6.94	21.50
1986	27.87	6.95	20.87
1987	27.43	6.66	20.77
1988	26.64	6.30	20.34

Source: GSO. Report of Vital Registration System

Table 12.4: Crude Rates for Vietnam, as adjusted by ESCAP

Year	CBR	CDR	NIR
1984	31.3	10.60	19.7
1986	33.1	10.00	22.5
1987	33.1	10.30	22.6
1988	31.7	9.40	22.4
1989	31.4	9.10	22.3
World Population Tables			
1985-1990	32.0	10.0	22.0

Source: ESCAP Population Data sheet.

Table 12.5: Age specific fertility rates (Births per 1000 women)

Maternal age	1983-87	1986-87	1987
15-19	7	16	20
20-24	151	199	235
25-29	264	254	243
30-34	237	186	151
35-39	160	105	85
40-44	84	51	51
45-49	58	19	11
TFR	4.81	4.15	3.98

Source: Vietnam DHS, 1988

Table 12.6: Mean number of children ever born to all women (including never-married) aged 40-49 and total fertility rates for 1983-1987 and 1986-1987, by selected background characteristics

Background characteristics	CEB to women		TFR for women 15-44		TFR for women 15-49
	40-49	1983-87	1986-87	1983-87	1986-87
Urban	3.95	2.59	2.19	2.66	2.22
Rural	5.59	5.05	4.55	5.21	4.61
North	4.67	4.65	4.29	4.72	4.31
South	5.73	4.44	3.89	4.68	3.97

Source: Vietnam DHS, 1988

Table 12.7: Age-period fertility rates (per 1,000 women including never married), by age at time of childbirth

Group	Years prior to survey						
	0-4	5-9	10-14	15-19	20-24	25-29	30-34
15-19	7	13	17	15	12	24	(6)
20-24	151	150	149	150	142	(107)	
25-29	264	285	276	259	(203)		
30-34	237	268	271	(219)			
35-39	160	187	(192)				
40-44	84	(119)					
45-49	(29)						

Note: Numbers in brackets indicate experience of age group incomplete for given period prior to survey.

Source: Vietnam DHS, 1988

Table 12.8: Percent distribution of women by children ever born according to marital status and current age

Current Age	Number of children ever born								Total %	No. of women	Mean CEB
	0	1	2	3	4	5	6	7+			
All women including never married											
15-19	98.26	1.59	0.15						100	1323	0.02
20-24	57.79	23.76	14.83	3.12	0.42				100	1187	0.65
25-29	20.08	18.83	31.33	18.50	8.50	2.33	0.33		100	1200	1.86
30-34	11.44	8.48	17.06	24.65	20.71	10.75	4.73	1.98	100	1014	2.98
35-39	7.72	4.99	11.80	19.21	19.97	15.28	9.83	11.2	100	661	3.89
40-44	5.79	3.79	9.13	11.14	16.70	16.04	15.59	21.60	100	449	4.75
45-49	2.78	3.21	5.78	9.64	13.49	11.99	12.85	40.47	100	467	5.66
Total	38.61	10.79	13.85	11.60	9.32	5.81	3.92	4.65	100	6301	2.13
Ever-married women											
15-19	64.06	32.81	3.13						100	64	0.39
20-24	21.23	44.34	27.67	5.82	0.79				100	638	1.21
25-29	6.53	22.03	36.65	21.64	9.97	2.73	0.39		100	1030	2.16
30-34	2.60	9.33	18.76	27.11	22.78	11.82	5.21	2.17	100	926	3.26
35-39	2.09	5.30	12.52	20.39	2.19	16.21	10.43	11.87	100	625	4.11
40-44	0.94	3.98	9.60	11.71	17.56	16.86	16.39	22.72	100	429	4.97
45-49	0.87	3.28	5.90	9.83	13.76	12.23	13.10	63.98	100	460	5.84
Total	6.93	16.36	21.01	17.59	14.12	8.81	5.94	9.15	100	4172	3.22

Source: Vietnam DHS, 1988

Table 12.9.: Mean number of children ever born to ever-married women, by age at first marriage and duration since first marriage

Duration since first marriage	Age at first marriage							
	<15	15-17	18-19	20-21	22-24	25-27	28-29	30+ All ages
	Average number of children ever born							
0-4	1.14	1.88	1.20	1.18	1.16	0.94	1.37	1.15
5-9	6.25	2.88	2.46	2.49	2.43	2.24	2.17	2.48
10-14	4.25	3.83	3.71	3.66	3.35	3.50	2.98	3.63
15-19	4.50	4.95	4.86	4.60	4.52	3.95	3.98	4.65
20-24	7.45	6.51	5.70	5.32	4.48	4.12	4.67	5.53
25-29	6.03	6.64	6.37	5.36	5.09	-	-	6.03
30+	-	7.01	5.37	-	-	-	-	6.42
All durations	3.37	4.23	3.46	3.10	2.75	2.35	2.42	3.21

Source: Vietnam DHS, 1988

Table 12.10: Percent distribution of all women (including never married) according to age at first birth (including the category "no birth"), by current age

Current Age	No births	Age at first birth							Total per cent	Median Age*
		<15	15-17	18-19	20-21	22-24	25-27	28-29		
15-19	98.26	-	0.76	0.91	-	-	-	-	100	-
20-24	57.79	0.08	2.79	12.64	16.68	10.03	-	-	100	-
25-29	20.08	0.33	2.50	12.83	23.25	27.17	12.25	1.42	100	23.32
30-34	11.44	-	3.35	13.71	20.02	27.81	15.78	4.64	100	23.39
35-39	7.22	-	3.48	11.35	20.27	29.35	15.43	6.05	100	23.52
40-44	5.79	0.45	4.45	9.35	16.70	27.17	19.38	8.24	100	24.10
45-49	2.78	0.21	6.00	14.13	19.91	24.41	15.63	6.64	100	23.20
All ages	38.61	0.13	2.82	10.13	15.60	18.30	9.08	2.71	2.51	100

Note: Median: age by which half of the age cohort had given birth

Source: Vietnam, DHS, 1988

**Table 12.11: Median age at first birth among all women
(including never married) age 25-49 years by current age and
geographic distribution**

	Current age					Total
	25-29	30-34	35-39	40-44	45-49	
Urban	26.12	25.39	26.02	25.00	24.25	25.50
Rural	22.78	23.93	23.12	23.89	23.10	23.05
North	23.28	23.35	23.72	24.42	22.93	23.47
South	23.02	23.43	23.24	23.62	23.50	23.33

Source: Vietnam DHS, 1988.

Table 12.12: Percentage knowing any method, knowing any modern method and knowing specific birth control methods, among ever-married and currently married women, by current age

Age	Any method	Any modern method	IUD	Pill	Condom	Female sterilization	Male sterilization	Cal-endar Rhythm	With -draw	Other	M.R.	Abortion	Weighted No. of women
Ever married women													
15-19	82.81	82.81	78.13	31.25	32.81	42.19	26.56	29.69	26.56	6.25	4.063	57.81	64
20-24	90.91	90.13	87.93	37.30	31.82	49.22	37.62	34.64	32.92	4.08	43.89	62.38	638
25-29	94.85	94.56	93.30	41.84	42.82	58.83	47.28	43.98	42.91	5.63	50.49	67.86	1030
30-34	95.25	94.71	93.52	52.48	51.73	63.82	54.54	47.30	43.30	7.02	49.60	73.22	926
35-39	94.88	94.56	92.16	92.16	50.24	67.20	53.92	48.64	45.44	7.20	49.60	70.40	625
40-44	96.50	96.50	94.17	94.17	49.42	65.73	57.34	44.76	42.19	13.05	51.98	69.70	429
45-49	92.39	91.52	89.13	89.13	40.87	58.70	48.26	36.30	31.96	5.87	39.13	63.26	460
All ages	94.06	93.60	91.75	91.75	44.53	60.16	49.23	43.00	40.32	6.74	48.83	68.12	4172
Currently married women													
15-19	80.70	80.70	78.95	29.82	33.33	43.86	28.07	31.58	29.82	7.02	43.86	61.40	57
20-24	90.94	90.29	88.19	37.38	32.04	49.51	38.03	34.47	33.01	4.21	44.17	62.14	618
25-29	95.17	94.87	93.56	41.75	42.86	58.55	46.88	44.37	43.36	5.73	51.01	68.11	994
30-34	95.86	95.30	94.30	52.80	52.01	64.21	54.92	47.87	44.07	7.16	53.80	73.49	894
35-39	96.46	96.28	94.16	55.04	51.50	68.67	55.22	50.09	46.90	7.26	50.97	71.50	565
40-44	97.34	97.34	94.68	53.19	51.06	66.49	57.71	46.01	43.62	13.30	52.66	70.21	376
45-49	93.64	92.88	90.33	44.78	41.48	58.52	48.60	36.39	31.81	5.34	37.15	62.34	393
All ages	94.69	94.28	92.53	46.75	45.01	60.43	49.47	43.60	41.06	6.75	49.22	68.41	3897

Source: Vietnam DHS, 1988:

Table 12.13.: Percentage of ever-married women aged 15-49 knowing specific methods and any method, by selected background characteristics

Back- ground character istic	IUD	Pill	Condom	Female steriliz- ation	Male steriliz- ation	Calendar (rhythm)	With- drawal	M.R.	Abortion	Any method	Weighted No. of women
Residence											
Urban	96.15	76.37	75.69	82.14	74.86	68.27	64.70	68.27	80.91	98.63	728
Rural	90.82	40.07	37.95	55.55	43.82	37.69	35.16	44.74	65.42	93.06	3444
Region											
North	94.15	32.81	35.58	4770	37.56	35.99	35.16	49.48	70.05	94.93	2170
South	89.16	61.14	54.25	73.68	61.89	50.60	45.90	49.25	65.98	93.06	2002
Education											
Illiterate	73.88	30.60	22.01	48.51	35.45	20.15	14.93	26.87	41.79	80.97	268
Read/ write	91.25	44.92	38.27	55.54	43.76	351.51	31.16	42.47	60.09	94.17	857
Primary	92.35	42.33	41.79	58.46	47.07	42.62	39.67	48.65	69.85	94.39	2405
Secondary and +	97.51	70.40	72.43	77.73	70.40	69.31	65.58	67.29	83.18	97.98	642
Total	91.75	46.60	44.53	60.16	49.23	43.00	40.32	46.85	68.10	94.03	4172

Source: Vietnam DHS, 1988

Table 12.14. Percent distribution according to the main problem perceived in using methods by method, for women who have ever heard of the method

Main problem perceived	IUD	Pill	Condom	Female sterilization	Male sterilization	Calendar (rhythm)	With drawal	Other	M.R.	Abortion
Among those with a stated response										
No problem	56.2	21.9	23.2	31.9	25.2	47.8	47.1	20.6	38.7	24.4
Not effective	2.9	2.6	3.2	0.0	0.4	16.9	9.4	11.7	0.3	0.1
Husband disapproved	1.5	0.5	10.39	3.19	5.5	0.8	7.0	0.0	0.8	0.8
Health problems	14.9	17.1	3.6	18.1	20.1	0.7	1.9	2.1	19.8	31.0
Access-availability	0.1	3.1	1.9	0.3	0.4	0.1	0.1	0.4	0.3	0.2
Inconvenient to use	0.9	6.0	10.1	1.8	1.9	3.8	3.6	1.4	0.1	0.9
Other	0.4	0.6	0.1	1.9	1.8	0.6	0.6	0.7	0.3	0.8
Don't know	23.1	48.1	47.5	42.7	44.7	29.3	29.5	62.7	38.8	41.7
Total percent	100	100	100	100	100	100	100	100	100	100
Weighted no. of women	3828	1936	1858	2510	2054	1794	1682	281	2038	2872

Source: Vietnam DHS, 1988

Table 12.15. Percentage of women who have ever used specific methods among ever-married and currently married women, by current age

Age	Any method	any modern method	IUD	Pill	Condom	Female sterilization	Male sterilization	Calendar (rhythm)	Withdrawal	Other	M.R.	Abortion	Weighted no. of women
Ever-married women													
15-19	14.06	9.38	6.25	-	1.56	-	-	4.69	6.25	-	3.13	1.56	64
20-24	36.36	23.67	20.85	0.94	1.57	-	0.31	10.19	12.85	0.16	2.66	1.25	638
25-29	61.55	46.41	42.23	1.55	3.69	0.29	0.29	18.35	19.51	0.49	2.91	2.33	1030
30-34	68.36	54.54	47.19	4.10	5.18	2.16	0.32	19.87	20.30	0.43	4.43	4.64	926
35-39	71.68	58.56	49.44	4.48	6.08	5.28	0.80	21.28	20.80	0.96	3.20	3.84	625
40-44	67.83	56.18	44.52	4.43	6.53	4.90	1.17	18.65	18.18	1.86	3.03	5.36	429
45-49	55.00	46.52	37.39	5.22	2.39	5.00	0.65	11.09	12.17	0.65	1.09	5.22	460
All ages	59.92	47.00	40.29	3.14	4.17	2.40	0.50	16.90	17.71	0.65	3.07	3.52	4172
Currently married women													
15-19	15.79	8.77	7.02	-	1.75	-	-	5.26	7.02	-	3.51	-	57
20-24	36.89	24.27	21.36	0.97	1.62	-	0.32	10.19	13.11	0.16	2.75	1.29	618
25-29	62.98	47.38	43.36	1.51	3.52	0.30	0.30	18.81	20.02	0.50	3.02	2.41	994
30-34	70.36	56.26	48.55	4.14	5.37	2.24	0.34	20.36	20.81	0.45	4.59	4.81	894
35-39	76.81	63.01	53.27	4.96	6.37	5.66	0.88	19.95	20.21	2.13	3.19	5.59	376
40-44	73.14	60.64	48.94	4.14	5.37	2.24	0.34	20.36	20.81	0.45	4.59	4.81	894
45-49	61.32	52.67	42.24	5.60	2.54	5.85	0.76	11.70	12.98	0.76	1.27	5.34	393
All ages	62.66	49.27	42.39	3.23	4.23	2.54	0.49	17.53	0.69	3.26	3.62	3897	393

Source: Vietnam DHS, 1988

Table 12.16: Percent distribution of currently married women according to contraceptive method by current age

	Current ly using any method	IUD	Pill	Condom	Female steriliz- ation	Male steriliz- ation	Calendar (rhythm)	With- draw	Other	Not using	Total percent	Weighted no. of women
15-19	5.26	3.51		1.75			1.75			94.74	100	57
20-24	31.72	19.09	0.16	0.49			4.85	6.96		68.28	100	618
25-29	52.17	34.34	0.10	1.21	0.50	0.20	7.75	7.65	0.40	47.83	100	993
30-34	59.84	37.81	0.34	1.90	2.35	0.11	9.62	7.49	0.22	40.16	100	894
35-39	68.85	41.42	0.88	0.88	6.02	0.71	10.09	7.96	0.35	31.15	100	565
40-44	65.43	38.30	0.53	1.60	5.59	0.80	11.17	6.65	0.80	34.57	100	376
45-49	47.07	29.01	1.02	0.25	5.85	0.51	5.60	4.33	0.51	52.93	100	393
15-49	53.18	33.14	0.41	1.16	2.67	0.31	8.09	7.01	0.33	46.82	100	3896
15-44	53.87	33.60	0.34	1.26	2.31	0.29	8.36	7.31	0.31	46.13	100	3503

Source: Vietnam DHS, 1988

Table 12.17: Percent distribution of currently married women 15-49 according to contraceptive method currently used by selected background characteristics

Background characteristics	Currently using any method	IUD	Pill	Condom	Female sterilization	Male sterilization	Rhythm	Withdrawal	Other	Not using	Total percent	Weighted no. of women
No. of living children												
0	7.41	1.11	0.00	0.37	0.00	0.00	4.81	1.11	0.00	92.59	100	270
1	38.91	18.49	0.16	2.09	0.48	0.16	8.84	8.52	0.16	60.93	100	622
2	60.99	40.37	0.37	1.36	0.86	0.25	9.75	7.90	0.12	39.01	100	810
3	64.88	45.95	0.58	1.01	2.31	0.29	7.23	6.94	0.58	34.97	100	692
4+	57.51	35.17	0.60	0.80	5.19	0.40	7.78	7.05	0.53	42.29	100	1504
Residence												
Urban	67.17	29.20	0.76	4.08	6.81	0.76	17.85	7.72	0.00	32.68	100	661
Rural	50.25	33.96	0.37	0.56	1.82	0.22	6.03	6.86	0.43	49.72	100	3236
Region												
North	58.68	47.17	0.19	0.72	0.72	0.00	4.45	5.12	0.29	41.37	100	2069
South	46.83	17.29	0.71	1.59	4.87	0.66	12.14	9.14	0.44	53.01	100	1828
Education												
Illiterate	28.63	18.80	0.00	0.00	1.71	0.00	3.85	3.85	0.43	70.94	100	234
Read/Write	45.55	26.34	0.64	0.64	3.44	0.25	7.51	5.98	0.76	54.33	100	786
Primary	55.42	36.21	0.48	0.88	2.47	0.35	6.92	7.80	0.31	44.54	100	2270
Secondary	63.76	35.91	0.33	3.13	2.80	0.33	14.66	6.59	0.00	36.41	100	607
and +												
Total	53.10	33.15	0.44	1.13	2.67	0.28	8.06	7.03	0.36	46.77	100	3897

Source: Vietnam DHS, 1988

Table 12.18. Percent distribution of ever users of supply or clinic methods of contraception according to most recent source of supply, by method

Source	Supply methods				Clinic methods				
	Pill	Condom	Total supply methods	IUD	Female sterilization	Male sterilization	M.R.	Abortion	Total clinic methods
Commune	14.70	22.0	18.8	54.0		5.4	14.5	3.6	44.9
Health Centre									
District	23.9	24.8	24.4	33.1	22.1	22.3	57.5	74.1	36.9
polyclinic									
Province	20.0	12.5	15.7	8.3	57.80	33.1	18.9	18.3	12.3
hospital									
Central	2.4	1.8	2.1	2.4	18.4	20.0	4.4	4.1	3.6
hospital									
Other health	4.6	19.7	13.7	1.8	0.6	3.1	1.4		1.6
institution									
Private market	31.8	16.8	23.3	0.1			0.9		0.1
Other or									
Don't know	2.1	1.3	1.6	0.1	1.1	5.4	0.9		0.2
Total percent	100	100	100	100	100	100	100	100	100
Weighted number of women	132	173	305	1681	101	20	128	146	2076

Source: Vietnam DHS, 1988

Table 12.19: CBR, CDR, NIR, and TFR in 1989

Demographic indicator	National	Urban	Rural
Crude Birth Rate	31.3	23.4	34.4
Crude Death Rate	8.4	6.1	9.0
Rate of Natural Increase	23.2	17.3	25.0
Total Fertility Rate	4.0	2.5	4.4

Source: 1989 Census

Table 12.20: Crude birth rate targets for 1991-1995.

Regions	Annual Reduction of CBR (per thousand)
Northern Mountain & Highland	0.52
North Delta	0.47
Central Coastal Part	0.66
Southern Central Areas	0.60
Central Highland Region	0.30
South-Eastern Region	0.50
South Delta	0.58

Source: NCPFP: Population and Family Planning for the year 1990 and the period 1991-1995. (Report at National Conference on Pop/FP, Hanoi 17-18 April 1990).

Table 12.21: Contraceptive prevalence rate targets by regions in 1995.

Regions	Contraceptive Prevalence Rate (%)
Northern Mountain & Highland	33.6
North Delta	55.7
Central Coastal Part	42.8
Southern Central Region	40.7
Central Highland Region	16.6
South-Eastern Region	50.5
South Delta	43.1

Note: Contraceptive Prevalence Rate (CPR) is the percentage of MWRA currently using contraceptive method

Source: NCPFP's report at national conference on Population-Family Planning, Hanoi April, 1990.

Table 12.22: Official population projection, 1990-2000 (in thousand)

Year	High	Variant Medium	Low
1990	66,324	66,159	65,999
1991	67,871	67,538	67,208
1992	69,240	69,020	68,427
1993	70,948	70,307	69,625
1994	72,512	72,731	70,359
1995	74,370	73,048	72,229
1996	76,291	74,324	73,284
1997	78,092	75,598	74,339
1998	79,950	76,829	75,351
1999	81,811	78,153	76,459
2000	83,744	79,533	77,631

Source: National Committee for Population and Family Planning, Scientific Research Program VN-90-KH, 1990

VIETNAM'S FERTILITY PROBLEMS: A SOCIOLOGICAL VIEW

Pham Bich San

According to the General Statistical Office (GSO) fertility is declining in Vietnam. By their adjusted registration figures, the crude birth rate in 1989 was less than 27 per 1000 population which, given the recorded crude death rate of seven per 1000, implies a natural rate of growth of two per cent per annum. Despite the fertility decline, these figures fall short of the government's population targets which had hoped for a growth rate of 1.7 per cent for 1985 (later set back to 1990).

A recently published article by Nhan and Hanenberg (1989:3-14) provides data from the 1988 Demographic Survey which can be compared with the Census results. Using the 1988 estimates of fertility and mortality, and the 1979 national census of the population, the authors projected three variations of vital rates to estimate the total population for 1989. The variations assumed (I) Fertility decline from five to four children per woman between 1979 and 1989, (II) From 5.2 to 4.2, and (III) From 4.8 to 3.8, and varied the mortality for each from moderate improvements in (I) and (II) and great improvement in (III). These three could be characterized as representing little, moderate or great demographic change.

The three projections showed populations in 1989 of 67.9, 68.8 or 67.8 million—all substantially above the actual 1989 Census results. Each yielded a growth rate of around 2.5 per cent, in contrast to the official census result of 2.13 per cent. Of course, the projections did not take international migration of refugees into account, but the differences were far greater than might be accounted for from this source.

On June 15, 1989 the Census Steering Committee in Hanoi issued a brief statement providing the preliminary results for the nationwide population census held barely two months earlier. Contrary to the Nhan and Hanenberg projections and rumours which

had circulated in Hanoi that the enumeration would reveal a population of 68 million, the count for all provinces, cities, and overseas residents covered by government departments was given as 64,412,000. This number consisted of 31.3 million males and 33.1 million females, of whom 12.7 million lived in urban areas, 50.6 million in rural areas, and 1,045,000 under the jurisdiction of the Ministries of Home Affairs, Foreign Affairs, National Defence and Labour, including Vietnamese who were working or studying abroad on official programmes.

The 1989 Census has provided an entirely new, and much improved, perspective on population issues. Calculations based on the census put the birth rate for the few years prior to 1989 at 31 to 32 per 1000, and a death rate of eight or nine per 1000, implying a growth rate of between 2.2 to 2.4 per cent per annum. While this is not greatly larger than previous estimate based on adjusted registration statistics or surveys, it does confirm that government targets of population growth have not been met, and raise questions about whether the targets and the policies were ever feasible, or whether they have just been inadequately implemented.

The Family Planning Program

Problems of rapid population growth were recognised by the government of North Vietnam (the DRV) as early as 1962, and various programs of family planning and fertility reduction have been pursued since that time, despite financial constraints and pressures on a nation at war. After 1975 the activities of the family planning program was extended to the south, and the government gave renewed emphasis to family planning as a means of both safeguarding the health and welfare of women and children, and reducing the demand for social services and goods as a result of increased population. The main method of contraception used by the program was an Intrauterine Device (IUD) based on an Eastern European (Dana) device which unfortunately has a high failure rate by international standards. As a result, many women have used the option of legal abortion as a means of dealing with contraceptive failure.

The reason given by the government for stressing the IUD is that this method is relatively reliable and safe, and is much cheaper than many other forms of modern contraception. It is also apparent that the government prefers a method which is easy to promote and

regulate through a tight, hierarchical bureaucracy. Between 1963 and the late 1980s this has meant that the family planning program could be strongly linked to the agricultural cooperative institutions in rural areas, and state enterprises and governments in urban areas, and linked to educational, informational and health programs. From the viewpoint of the government, this closely interlinked administrative structure has been a key to the reduction of total fertility from over six to around four children per woman on average.

The challenge facing Vietnam is that further reductions in fertility will be difficult in the face of socio-economic problems including the low incomes, limited employment options, and other economic constraints on the majority of the population. Over the period between 1963 and the late 1980s, the family planning program relied on central government funding and planning to promote small family norms and provide contraceptive and abortion services. Unfortunately the economy cannot keep up with the rising demand for family planning services. Even before the economic reforms associated with the policy of *doi moi* the government's investments in health and family planning infrastructure were inadequate, and since then the continuing high rate of growth of women of reproductive ages has put even greater pressure on this sector. Luckily, the reforms have produced some increases in rates of economic growth and government revenues.

The main point of *doi moi* is to decentralize and liberalize the process of economic planning. While it is believed that this will generate sustainable high rates of economic growth, and establish a more efficient economic structure, it is likely to have contradictory impacts on various welfare programs, including family planning. This is anticipated to be of greatest importance in rural areas, where *doi moi* is focussed on the disestablishment of agricultural communes and the promotion of family-based farming systems. This has both positive and negative effects on desired family sizes. Most immediately the higher growth has allowed government to increase funding for the family planning program, particularly since 1989. This has been seen in the construction of a growing network of committees of population and family planning at central, provincial and local levels. The government believes that this bureaucratic structure will improve the communication and logistic capabilities of the family planning program.

At the same time the motivations for childbearing are changing as families in rural areas become more independent economic units.

On the one hand, parents are encouraged to consider decisions to have additional children more carefully because they now must face costs of childbearing with less support from cooperatives and other socialist institutions. In the cities government organizations suspended various allowances and subsidies tied to family size, thus making additional children more expensive. In both settings the impact on the family budget was such as to encourage reductions in family size.

In an opposite direction, the fact that renovation has encouraged allocation of land to peasant families has meant that some people have been encouraged to believe that larger family sizes would be advantageous. This arises because land allocations took two forms. About a third of the land was made available to tenants on the basis of long-term contracts. The remainder, constituting the bulk of arable land, has been divided among rural families in proportion to the number of adults available to carry out agricultural work. Because larger families were seen to gain advantages from this practice people probably saw this as a direct contradiction to the propaganda about the advantages of smaller families. In addition, in all forms of rural, and many urban enterprises, children can often make significant contributions to the family economy, thus sustaining the motivation for larger families.

These changes associated with renovation have also affected the ability of the community to provide educational, health and welfare provisions to the population. These were previously funded largely (though inadequately) from the surpluses of productive activity of the cooperatives. Now, with cooperatives fading, and families the major focus of production, community resources have been severely reduced, making investments in health and family planning harder to organize. As a consequence the prospects for major fertility reduction are dim unless some form of compensating system of raising and disbursing revenue can be developed.

Doi moi is still in its early stages, and it is premature to predict the precise impacts which are likely to affect fertility levels and trends. If the government were to ignore the sociological impact of economic reforms, the prospects for reduced rates of population growth would not be good. However, the government is increasingly aware that there is a tension between the need for economic reform to promote development, and investment in welfare and health services to reduce population growth rates. This awareness is laudable. Now the question is how can the awareness be converted

into concrete programs to promote family planning in an effective, efficient and humane manner. This is the next stage of what might be regarded as the demographic *doi moi* taking place in Vietnam.

Table 13.1: Estimates of the Size and Growth Rate of the Population of Viet Nam, 1979-89

Source/ Year	Mid-year Population (000s)	CBR (0/00)	CDR (0/00)	NI (0/00)	r (%)
Census 1979	52741	32.49	6.25	26.24	
Dieu Tra Dien Hinh (Typical Survey) 1980	53722	31.70	6.70	25.00	2.07
Dieu Tra Chon Mau (Annual Population Sample Survey)					
1981	54926	30.02	6.98	23.04	2.22
1982	56170	30.41	7.41	23.00	2.24
1983	57373	30.45	7.48	22.97	2.12
1984	58653	29.43	7.04	22.39	2.21
1985	59872	28.44	6.94	21.50	2.06
Census 1989	64412	31.0	8.0	23.0	

Notes: Mid-year Populations, Crude Birth Rate (CBR) and Crude Death Rate (CDR) provided by the General Statistical Office. Natural Increase (NI) calculated as CBR-CDR. Rate of growth (r) calculated as an exponential rate from previous mid-year population to current mid-year population.

MATERNAL CHILD HEALTH AND EDUCATION IN VIETNAM

Stewart Fraser

Introduction¹

Of all the various human resources available in Vietnam, perhaps the most basic and important, as well as the most sensitive and vulnerable, are the very young. The two major early survival and development periods for children, that is from birth to age five, or early childhood, and the pre-puberty ages, of six to ten, necessitate special concern on the part of both parents and care workers. Closely allied to the concern for the physical, emotional and intellectual development of young children is the interdependent need to care for young mothers. Their biological, bonding and mental needs must be nurtured and understood. In Vietnam a range of informal political and social, as well as formal health and educational agencies, bring to bear their concerns and resources for the qualitative enhancement of the family. Some of these are of a direct interventionist nature, certainly administrative and perhaps coercive at times. Others are of a voluntary, supplementary, and indirect nature and work to change historical and cultural patterns some of a longstanding and discriminatory nature.

¹ The author acknowledges the valuable assistance of officials and colleagues in the Ministry of Education, Early Childhood Section, Committee for Mothers and Children (CCME), Central Census Steering Committee, UNICEF, and UNFPA. Particular thanks are due to Dr Pham Min Hac, Minister of Education, Dr Nguyen Vo Ky Anh, Childrens Protection and Education Department, Ministry of Education, Mr Vo Nhu Thuyen, Non Formal Education Dept. P.E.P Project, Mrs Tran Thi Kim Nhung, Hanoi Education Dept., Ms Gabriella De Vita, Education Projects, UNICEF Hanoi.

Discussions of maternal and child provisions in Vietnam should be considered in comparative terms *vis a vis* regional standards in neighbouring countries.

However, that is another exercise which has its own methodology and its own set of goals and aims, especially if expected to have practical and developmental outcomes. This paper instead considers some key points or factors impacting on the quality of life of children and their mothers, and changes that are now taking place within Vietnam. The completion of the April 1989 Census; and the interim or sample results released in March 1990, and the on-going analysis and evaluation process, is providing data to measure both quantitative and qualitative changes in Vietnam. For some areas of health and education there are signs of progress, some of stagnation and some even of retardation.

Maternal and child health

A major indicator useful for measuring the quality of maternal child health services² are the relevant morbidity rates. Some official sources estimate maternal mortality rates (MMR) to be between 1 per cent to 1.4 per cent. There is reason to believe that this rate could be higher. For example the Hanoi based Institute for Protection of Mothers and Newly Born in a series of studies undertaken in the mid 1980s (seven northern provinces and the Institute's maternal hospital) showed 6 per cent of deliveries in the study resulted in maternal death. Caution needs to be made in extrapolating from such selected and limited samples.

2 Health and Epidemiological Background

Nearly 80 per cent of Vietnam's population is found in a diversity of non-urban regions, such as the high plateaus, forests and coastal plains. All are high endemic malaria regions with the most active transmission time during the rainy season i.e. May to September. Combined with the situation of natural transmission is the aggravating factor of regular and constant labour migration. This is especially the case in the more primitive areas, such as military-frontier districts and the New Economic Zones. Regular natural disasters such as typhoons and resulting floods, extend epidemiological risks to the population. Mountain and forest regions are least serviced by effective health (and educational) services and provide the poorest quality of life for ethnic minorities and Kinh peoples alike.

For infants the death rate from birth to age one (IMR) has been estimated from the *Census Sample* (Hull and Forbes 1990:5), at 47 per 1,000 in rural areas, 31 in urban centres and 44 nationwide.

Perhaps equally important, the mortality rate between ages one and five was fifteen per 1000 births in rural areas, seven in urban and thirteen nationally. Using a different source (UNICEF) a historical view over the past 30 years suggests the IMR of 156 has been reduced to 63 or approximately a 60 per cent reduction, and the under five child mortality from 233 to 88 between 1960-1983. Keeping in mind these estimates from both the Census and UNICEF, the infant and child mortality rates are significant in both historical and regional comparative terms. UNICEF, certainly in the last two years, has increasingly used child mortality as a major indicator for development and quality of life factors. It classifies Vietnam at the bottom of the so called middle child mortality group of countries—ranked at 64 in a scale topped by Afghanistan at one and Finland at 131. Vietnam is grouped with Iran, Iraq, Turkey and Ecuador and is logged in at 233 in 1960 and 88 in 1988.

To these figures, as indicators, should be added the very significant reduction in Total Fertility Rates (TFR) from six to four births per woman in the last twenty years. This is a most significant reduction of one third which pays tribute to the effective family planning program. It also indicates one of the major factors underlying significant drops in infant and child mortality.

While there are obvious cautions needed in considering these statistics, especially those from 30 years ago, it is apparent that some fundamental improvements in health and education services have been made over the longer run. But there are anxieties over whether the changes have been sustained over the past two or three years in the face of difficult and fluctuating economic conditions.

Those concerned with maternal and child health and with educational services expect more and are not be satisfied with what is claimed to have been accomplished. I would join with Vietnamese colleagues in 'expecting' and planning for 'more' in both qualitative and quantitative terms.

Accordingly the following pages review major themes of the health situation reflecting cooperative research interests undertaken with a number of Vietnamese colleagues.

Table 14.1: Morbidity and Mortality by Disease Category

Morbidity		Per 100,000 Inhabitants	Mortality		Per 100,000 Inhabitants
1.	Malaria	1359.00	1.	Respiratory infections (incl. tuberculosis)	3.20
2.	Diarrhoeal (salmonellosis, amoebiasis shigellosis, cholera)	949.16	2.	Diarrhoeal diseases (salmonellosis, amoebiasis, shigellosis, cholera)	2.57
3.	Respiratory infections incl. tuberculosis)	573.30	3.	Malaria	2.00
4.	Measles	111.00	4.	Haemorrhagic dengue viral encephalitis	1.61
5.	Haemorrhagic dengue and other viral encephalitis	75.00	5.	Tetanus	.50
6.	Whooping cough	72.10	6.	Rabies	.40
7.	Rabies	70.60	7.	Measles	.36
8.	Viral hepatitis	32.20	8.	Diphtheria	.30
9.	Chicken pox	21.00	9.	Whooping cough	.10
10.	Mumps	14.00	10.	Viral hepatitis	.10

Source: *Handbook of Medical and Health Statistics*, Ministry of Health, Hanoi. 1986 (Translated for UNICEF (Hanoi) 1989 edition under revision).

Maternal services

Substandard care, that is poor hygienic conditions during confinement, resulting in abnormally high incidences of neonatal tetanus, is generally characteristic of the modest health facilities available, particularly in rural areas. Officially some 90 per cent of women are stated to have their confinements in health centres. However a number of health agencies believe the more accurate figure to be approximately 50-60 per cent.

Infants and breastfeeding

Breastfeeding is the custom of majority of women irrespective of geographic location, northern or southern provinces. Some 90 per cent of women breastfeed for the first 3 months of a child's life. This figure is reduced to about 85 per cent by the sixth month. However by twelve months only 10 per cent of women in southern provinces and 30 per cent of those in northern provinces are still weaning. Studies by the Central Committee for Mothers and Children (CCME) indicate that there are three predominant reasons why mothers cease breastfeeding, namely the need and inconvenience of work/labour, an inadequate diet and the incidence of diseases affecting both mothers and children. Other studies, still in progress focus on the relationship of breastfeeding, family spacing and fertility.

Children with disabilities

The Ministry of Labour, War Veterans and Social Affairs since 1987 has been given responsibility for looking after disabled children and also orphans. Unfortunately there are only inadequate and specific location based studies of Vietnam's disabled children. Some of these studies are now five years old and were limited (surveys were conducted in 1984-85 and again further initial samples checked in 1987). UNICEF provided assistance in the survey design, administration and analysis for studies in Ha Bac (Gia Luong district) Nghe Tinh (six districts) Ho Chi Minh City (Cu Chi district). The Nghe Tinh survey of 1,598 handicapped children listed major handicaps as (1) Cerebral (motor) disability, (2) mental retardation, (3) congenital malformation, (3) deafness, (4) poliomyelitis. From another source Ministry of Labour, Invalids and Social Affairs 1985/88 major disabilities were listed in priority order.

1. Infectious diseases (i.e. children born with a condition following infection in utero)
2. Treatment discontinued after acute phase of illness overcome
3. Nutritional defects (due to parents' lack of knowledge—poor/insufficient diet)
4. Inoculation, vaccination regime not implemented
5. Hereditary/Factors (viz deafness, malformation, mental retardation)

The UNICEF report analysing these studies suggests caution in extending the application to the whole country of the Gia Luong and Nghe Tinh figures. Nonetheless, a minimal case extrapolation would suggest a population of nearly half a million children aged zero to fifteen years with a range of handicaps.

From the point of view of an 'external' aid and development agency such as UNICEF, with a particular interest in children with handicaps, the situation in Vietnam is 'parlous'. Put in more stringent terms UNICEF some three years ago in an unpublished evaluation noted:

The sector lacks financial resources. Most of the institutions are decrepit, the equipment and materials are insufficient, training of personnel is inadequate, specialized officials are lacking or are too few to satisfy the needs.

The main default in the organizational plan, is the prevention of handicaps. The prevention of handicaps is not the responsibility of the authorities of the Rehabilitation Department, but is rather the responsibility of the Ministry of Education (which also handles a certain number of specialized schools for the handicapped) and of the Ministry of Health.

All of the sectors give an impression of putting the problems aside. Statistical data are missing and this does not help a correct situation analysis to be made. The impression is that the activities for handicapped children lack coordination (UNICEF 1988:42).

Table 14.2: Distribution of main diseases causing death in children under one and aged 1-4
Results of household surveys 1986/7

Cause of Death	Hai Phong Province		Nghe Tinh Province	
	1 year	1-4 years	1 year	1-4 years
Diarrhoea	41.20	22.50	17.00	26.70
Malnutrition	-	5.50	6.40	-
Measles	17.60	16.70	2.10	10.00
Pneumonia	23.50	5.50	23.40	13.30
Others	17.60	50.00	36.20	50.00
Unknown	-	-	4.30	-

Source: Table based on information collected by Child Health Institute and CPCM (Hanoi) in 1986/87.

Dietary needs

Overall national food provisions for children, certainly between the years one to three have been estimated indirectly from the diet supplied at creches. Some 20 per cent of children attend 'registered' creches (and nurseries) for varying periods and there are a variety of diet studies available for consideration. The food ration/allowance (in state or communal run facilities) for such age groups would not be higher than 850 calories per day. There are considerable ranges for these rations going as high as 95 per cent of normal calorie requirements in selected creches in Ho Chi Minh City, Hanoi, Haiphong and Danang, dropping to between 65-70 per cent in resettlement areas, forest and mountainous communities. More specifically, protein deficits range from 35 to 20 per cent of normal requirements, with deficiencies for lipids at 40-30 per cent.

Education

The Ministry of Education is responsible for general education which includes:

1. Creches and Nursery Schools (pre-school)
2. General Basic Education (GBE or Cycles I and II)
3. General Secondary Education (Cycle III)

4. Supplementary Educational Program for adults
5. Teacher Training: Programs for Nursery Teachers and Instructors (pre-school) and General Education Teachers.

Some 15,602,000 students come directly under the control of the Ministry of Education out of a total population estimated at 64.4 million (nearly one person in four is attending some form of schooling in Vietnam). A simplified outline of the Vietnamese education system, is noted below.

Level	Target Age Groups	Duration (years)
Higher Education	19-23	4-6
Apprenticeship School	16-19	2-3
Specialised Secondary Schools	16-20	3-4
General Secondary Schools		
Third Cycle	16-19	3
General Basic Education (GBE)		
Second Cycle -	12-15	4
First Cycle -	6-11	5
Nursery Schools	3-6	3
Creches	0-3	3

Note: Bold type indicates target compulsory years.

A comparison of official enrolment figures at different levels of schooling and the age groups most likely to be enrolled at those levels is presented in Table 14.3 below.

'A full education to adolescents and to prepare them for their future tasks in the economic and social development of their country'

This is the goal of the government, and currently is to be achieved through a minimal nine year compulsory program (Cycles I and II, for ages six to fifteen). It is the government's expectation that in time it will be extended to include a further three years of complete

secondary education. The year 2000 has been discussed as a possible target date for the achievement of this goal.³

Table 14.3: Participation in education institutions

Age	Population 1989 (P)	Enrolment 1987-88 (E)	School Level	Ratio E/P
2-3	3 442 503	1 129 000	Creche	.33
3-6	7 424 257	1 770 000	Nursery	.24
6-11	9 708 749	8 500 000	GBE Cycle 1	.88
11-15	4 447 391	3 280 000	GBE Cycle 2	.73
15-18	4 245 220	925 000	Secondary	.22

Sources: CCSC 1990: Table 1.2. and Ministry of Education Statistics.

General basic and secondary education is required to give:

Creches-child care services

The creche system (for children two to three years) and the general educational system (for nursery schools) were integrated in 1987. Prior to this date the provision of early childhood services and those of the nursery schools and basic primary schools (1st cycle) were separated: they had little articulation with each other. This separation has a historical background and is the result of a variety of pedagogical and sociological as well as a political and administrative factors. The Central Committee for Mothers and Children [Comité Central des Mères et les Enfant] (CCME) had until 1987 full responsibility for running the Creche system (and had a direct line of control to the Council of Ministers). This situation has been changed now with a line responsibility to the appropriate department within the Ministry of Education. Coordination of all early childhood programs hopefully will lead to a more efficient delivery of services. Currently the integration of the creches and nursery schools (four to six years) represents a major program reform

³ Discussions with Ministry of Education officials and Director of Department of Child Protection and Education, and Minister of Education in Hanoi - June 1989.

and pedagogical redirection of services, with merger into a single department in the Ministry of Education. The operation of a single department has not been without problems and lack of direction and purpose is manifest to some extent. Previously the CCME, with sole responsibility for Creches, saw its function generally as the enhancement of the physical development of infants. For example, special concern with growth monitoring, prophylactic care and immunization, motor coordination, dietary regimes, food supplements and where necessary medical interventions such as oral rehydration therapy (ORT).

On the other hand, the nursery school department, while not ignoring such functions was more primarily concerned with 'intellectual' developments. The fullest integration by 1991 of services for creche and nursery age children, will eventually involve a more even balanced emphasis on both physical growth as well as intellectual and cerebral development. Thus health, nutritional care, physical-motor coordination and intellectual stimulation will all be part of an articulated program for children two to six years of age.

It is only five years, (since 1985) that maternal leave has been granted for a period of six months. Urban applications of this allowance for factory, clerical, administrative workers will vary greatly in comparison to provisions for rural households and mothers involved with farming responsibilities. A particular problem noted in Vietnam, irrespective of zonal application relates to the extended family role and the choice, after six months maternity leave, whether to leave an infant with a grandmother, or place a child in a creche. The former is desirable for familial and 'affectionate' reasons, and the latter because a more formalized and structured care system can operate. The former, the 'grandmother' is often ignorant of dietary needs and basic health care understanding. The latter, with the availability of trained attendants, is able to provide a modicum of scientifically based health care services. Surveys undertaken at a variety of social science research institutions, (and those in which the author participated through UNICEF programs) indicate that a creche is often a second resort. It is one to which girls are more often consigned than boys!

The official child creche care policy and goals, as determined by the Central Committee for Mothers and Children (CCME), are stated as follows.

The care of the child in the creches is designed to train new generations by teaching them aesthetic and moral principles and nurturing their physical and intellectual development. The type of care is established in the national program of the CCME which also specifies the details of the activities and children's rhythm of resting, awakening and eating. This care includes the monitoring of mental and physical psychomotor development by means of a series of actions connected, for example, with nutrition and diet, health care, educational games, etc.

Goals directly emanating from these policies and ones which provide parents with a simplified explanation involve;

- Educating the child
- Combating malnutrition
- Providing health protection

The system of creches has a much longer and wider application in northern provinces where in 1988 approximately 80 per cent of the creches were located i.e. (some 32,083) and the south 20 per cent (or 8,120). It should be noted also that 80 per cent of the 'registered' creches are found in urban areas and the coverage of creches nationwide barely reaches one fifth of the children who otherwise would be eligible.

Needs: staffing and facilities

To staff and service these creches, each province maintains a creche attendant/teacher training college. Students, almost all of whom are women, are expected to have completed the second cycle of education, that is general basic education (GBE of nine years of schooling) before they undertake a twelve month course in child care. Currently the annual output for basic trained creche attendants is 3,200, and a further 750 are given a three year advanced course for creche supervisors at either an advanced college in Hanoi, Ho Chi Minh City or Nha Trang.

While many creches are state run or cooperative run, and are sponsored by factories, government departments, there is also in place an extensive system of informal or 'family' creches. While the system is apparently widespread the quality of provisions is difficult to assess. The private or nonformal creches in rural areas

are often of a more transitory nature, being established temporarily at planting or harvest time.

A major problem of creche care in Vietnam, as perceived by CCME, and agencies such as UNICEF, now focus on the critical role of parents. The need for specific parent education and 'responsibility training' has received considerable attention during the past three years. The participation and or involvement of parents in creches and receiving 'parent education' in 'basic child development knowledge' is to be a prominent feature of creche programs during the 1990s. This will include family planning instruction for both parents and creche worker-attendants.⁴

The creche system: an evaluation

An evaluation of the present program of creches notes:

The first general comment that can be made about the creche system is that it provides a means of reaching some 1.2 million children and their families at a critical age in their physical and psychomotor development (non-formal creches are not included in this figure). The children's services provided in creches are easy to administer and control. The children go to the creche every day accompanied by their mother or father. Personnel specialized in the care of the young child thus come into contact with parents every day. It is therefore clear that children in creches are a target group which is easy to reach and to which assistance can easily be channelled.

However, the creche system does not meet the demand in the sector owing to the economic problems—a reflection of the general situation in Vietnam—facing either the state or the cooperatives. The problems for the state are due more to the need to build new premises for new creches and less to the operating costs, to which the parents make substantial contributions. But for the cooperatives the operating costs are often too high (payment of instructors' salaries); this

⁴ The author was involved in the initial research and trialling of a program entitled Parent Education Program—UNICEF CCME a cooperative venture (partly financed by AIDAB sponsorship through UNICEF) to investigate parents attitudes towards both child-rearing and family planning practices.

are often too high (payment of instructors' salaries); this leads to state intervention and an increase in the number of state creches at the expense of cooperative creches. Faced with this problem, however, the people take action to reach the places not reached by government bodies. Accordingly, the creche system, directly or indirectly, is increasingly linked with the grassroots communities. Thus in the light of the actual situation, the creche network should be expanded to meet the demand, but owing to the financial limitations the community has to organise non-formal creches for itself.

The state is making great efforts for this sector either, as already stated, by taking over some of the cooperative creches or by increasing the creche budget. The 1991 target is for the state to increase the cover by 10 per cent throughout the country, thus boosting the rate to 34 percent according to some sources or to 40 per cent according to others. Apart from this, there is the qualitative improvement of creche services, in particular the food. To this end, it is planned that the number of creches equipped with a kitchen will increase from 56.7 per cent in 1985 to 70 percent in 1991. Though this means new efforts will be made to improve the children's diets, even though this problem stems from a very difficult situation affecting the whole country. More should be done with respect to the stimulation of the children. Stimulation can in fact be achieved with very simple means, provided that the instructors are aware of the problem. The sensory stimulation of children in the creches is impeded by a particular problem in Vietnam, the attitude to education. Children are usually brought up in the home in a way which leaves little room for the demonstrations of affection which are normal in other countries (UNICEF 1988:61,68).

As noted previously (above) until 1987 creches and nursery schools were the responsibility of two different administrative entities. Creches came under the Central Committee for Mothers and Children reporting to the Council of Ministers (for children aged two to three years) and Nursery Schools to the Ministry of Education (for children aged three to six years).

The decision of the State Council, on 16 February 1987, gave the Ministry of Education a more comprehensive role in coordinating approaches to the various problems of catering for children.

The integration of creches with nursery schools now allows further important but somewhat neglected considerations to be taken into account, namely;

'to improve the coverage of sanitary and nutritional needs (hygiene, prevention of transmittable diseases, nutritional balance)'

and

'to help acquire proper food practices and balanced diet and practice rules of individual and joint hygiene'.

Problems and difficulties

Nursery schools are expected to fulfil the following duties:

'to supervise the health of the children and ensure their physical development.

to give them moral and aesthetic training and imbue them with good habits;

to promote the development of their intelligence;

to teach them various elementary work skills and habit'.

There are a number and variety of problems which confront the Ministry of Education in developing an effective system of early childhood facilities at the nursery level. Schools are insufficient in number, the quality poor and the teachers inadequately trained.

During the 1987-88 school year there were some 6,200 nursery schools, 78,000 teachers and 62,743 classes which catered for 1,770,000 children. This number however represented only a third of the children in the age groups three to six years. In any consideration of 'adequacy of services' critical regional differences need to be recognized as well as the expected variance in provisions between urban and rural areas.

Teacher training programs have been unable to keep up with either quantitative or qualitative demands for a competent and properly trained teacher force. Salaries and allowances are modest and there is a reluctance for teachers, predominantly female, to travel to unfamiliar areas and take up rural appointments. Less than 10 per cent of the teachers have attained the official minimal standard of training that is twelve plus two years of instruction, and approximately 30 per cent are bereft of any form of qualification at all, some merely having completed basic general education.

General basic education enrolment

During the school year 1987-88 in GBE cycle I: there were 8,500,000 students and in cycle II: 3,280,000 with 381,000 teachers and 12,607 schools. These schools enrolled a total of 11,780,000 students.

Perhaps it is worth considering the efficacy of these figures in relationship to actual school attendance/*vis a vis* registration/enrolment figures and the repeated re-enrolment of students who either do not proceed on to the next grade or drop out and re-enrol later in the same year. The figures in Table 14.4 are of interest, and although for the school years 1985 and 1986, are perhaps generally indicative of the problem of analysing school attendance rates.

**Table 14.4: School Attendance Rates (by age group)
National Level**

Grade (years)	1985			1986		
	Children	Students	%	Children	Students	%
1 (6-7)	1 491 000	2 330 973	156.3	1 566 000	2 300 229	148.80
2 (7-8)	1 477 000	1 783 227	120.7	1 487 000	1 822 951	122.60
3 (8-9)	1 465 000	1 532 383	104.6	1 473 000	1 604 647	108.90
4 (9-10)	1 496 000	1 344 981	89.9	1 462 000	1 437 333	98.30
5 (10-11)	1 472 000	1 134 212	77.0	1 494 000	1 229 015	82.20
Sub Total	7 401 000	8 125 836	109.8	7 482 000	8 484 685	113.40
6 (11-12)	1 509 000	1 160 144	76.9	1 470 000	1 074 267	.73
7 (12-13)	1 513 000	942 348	62.3	1 507 000	1 030 153	68.30
8 (13-14)	1 506 000	792 402	52.6	1 512 000	849 137	56.10
9 (14-15)	1 487 000	275 681	18.5	1 504 000	320 363	21.30
Sub Total	6 015 000	3 170 575	52.7	5 993 000	3 273 920	54.60

Source: Based on Ministry of Education 1987.

The State Planning Commission, for the years 1985-86 had suggested that school attendance for students in General Basic Education (cycles I and II) was approximately 85 per cent. However some considerations of Table 14.4 might be useful.

In reference to Table 14.4 it is apparent that there are two situations which need consideration namely;

1. there is a significant difference in enrolments between the two cycles in the GBE; and
2. there are various plateaus, namely in grades one, two of cycle I, and between grades eight and nine of cycle II.

During the first cycle (grades one to five) the stated average rates of school attendance were (1985—109 per cent and in 198 —113 per cent). This could suggest that certainly all children have access to schooling. Whereas during the second cycle (grades 6-9) only about half (1985—50 per cent and 1986—55 per cent) continued with their schooling.

At first glance this would seem an enormous disparity as between the first and second cycles of GBE, where children's access to school was diminished between these two cycles. Accordingly the rate of 85 per cent stated by the State Council, as being the overall school attendance rate, may be somewhat over optimistic and needs qualification. Another factor to consider is the difficulty of students proceeding to higher grades, after attending, dropping out, re-enrolling and repeating years one, two and three. The apparently enormously high 'attendance rates' for years one and two, are out of proportion to the age cohorts. This suggests considerable barriers to completion of secondary school and even substantial difficulties in completion of a basic primary school cycle of only five years at the very beginning of a child's formal schooling. Likewise in the second cycle; progressing from grade eight to grade nine illustrates great difficulties and suggests a high drop-out rate before the end of the second cycle is completed. Thus the goal of a 'compulsory nine year' education for all has to be tempered with reality. The problem of repeaters places an additional burden on the effectiveness of normal class progression and is undoubtedly a negative influence on the attitudes of teachers and the quality of teaching.

Completion rates, progress levels

Thus two major problems continue to confront educational authorities, these involve both needless waste and unnecessary costs and focus on repeated years in Cycle I and high drop out rates in Cycle II.

The Ministry of Education has provided a further example of this retardation process when using enrolment figures as a base in 1982-83 (2,198,931) to show that only 1,229,625 students (55 per cent) reached grade five without dropping out in 1986-87. Progression from the base year 1982-83 is illustrated as follows;

Grade One	1982-83	100.0%
Grade Two	1983-84	74.4%
Grade Three	1984-85	67.1%
Grade Four	1985-86	61.2%
Grade Five	1986-87	55.9%

Some 20 to 25 per cent of students in grade one do not progress to grade two, and similarly 10 to 15 per cent in grade two do not progress to grade three. Between 50-60 per cent of students do not progress from grade eight to grade nine.

Thus only approximately half the students in Cycle I were able to complete basic primary school without either repeating a year or dropping out.

Imbalance of services: north and south

Southern provinces with some 52 per cent of all the enrolled students are served by 47 per cent of the teacher force in Cycle I and the teacher student ratio is 38:1 as opposed to 31:1 in northern provinces. A similar imbalance is seen for Cycle II with southern provinces having 48 per cent of students and 39 per cent of the available teacher force. In this case teacher student ratios are 1:29 in contrast to 1:19 in northern provinces. An unevenness in educational provisions throughout Vietnam, is a characteristic of the school system whether between northern and southern provinces, urban and rural districts, or mountain and coastal zones. Southern provinces generally are still disadvantaged and have a higher population of children not attending school or being provided with supplementary schooling. These are situations of which the government, and especially the Ministry of Education, are informed and are the topic

of various on-going research and policy studies to seek appropriate solutions.

In Ho Chi Minh City 12 per cent of children are not enrolled in basic school, the figure for Hanoi is estimated to be less than 2 per cent. In Long An and Kien Giang provinces approximately 25 per cent of children are not receiving a normal education with only 5 per cent enrolling in evening or supplementary schools.

The qualitative evaluation of school services presents a variety of difficulties. In terms of using suitable educational objectives and resource indicators for monitoring there are likewise difficulties. Material facilities for students are generally minimal and teachers often work under difficult and unsatisfactory conditions. National averages for a student class size are 34 in Cycle I and 40 in Cycle II with considerable regional differences which need to be considered.

In one important aspect, namely the education of girls, Vietnam presents a slightly more positive picture. While in nursery schools, more girls are enrolled. Just under half of the students in Cycle I (47.6 per cent) Cycle II (48 per cent) and Cycle III (44.7 per cent) are girls.

Table 14.5: Distribution by sex of pupils in nursery schools and in general basic education, 1982-1983 and 1985-1986

	Total	Pupils		Girls	
		Boys Number	%	Number	%
I. Nursery Schools					
1982 - 1983	1 543 992	741 064	48.00	80 2928	52.00
1985 - 1986	1 701 681	816 114	47.95	88 5567	52.05
II. Cycle I					
1982 - 1983	7 816 961	4 004 186	51.20	381 2775	48.80
1985 - 1986	8 125 836	4 261 488	52.44	386 4348	47.60
III. Cycle II					
1982 - 1983	2 947 455	1 495 799	50.70	1 451 656	49.30
1985 - 1986	3 1705 75	1 648 361	52.00	1 522 214	48.00
IV. Cycle III					
1982 - 1983	668 657	355 518	53.16	313 139	46.80
1985 - 1986	852 283	471 568	55.30	380 715	44.70

Source: Ministry of Education 1987.

Access and quality of education

The rate of drop outs and *repeaters* as already noted is a major factor to be considered when discussing the effect, impact and quality of schooling in Vietnam, especially during Cycle I (Grades one to five). Access to education is influenced by a range of factors, the majority of which concern the general economic situation in Vietnam, that is, out of school factors over which school authorities at either provincial or local levels have little direct control.

Perhaps the most important factor concerns parental attitudes towards schooling and the relevance of specific educational skills, as taught in school, to promote 'successful' subsistence farming. In a country where nearly 80 per cent of the population is engaged in rural pursuits (farming, fishing, forestry) the value of children's labour is enhanced. To some extent this can be said also of many urban families in major towns where the work of children is often a considerable factor in family maintenance. The farming cycle of planting and harvesting often dominates family considerations and children are absent periodically from school for 'voluntary involvement in necessary vital agricultural work'. Added to the deprivation of child labour, through school attendance, is the further negative cost of parents having to purchase school supplies, text books, even clothes. Physical inaccessibility of schools in rural areas as well as poor construction and maintenance of buildings, harsh seasonal conditions either in mountainous zones or delta flood areas, all contribute to a difficult environment not conducive to encouraging regular and enthusiastic school attendance by children. These are the environmental or situational 'out of school' factors which often negate sustained enthusiasm for persistent educational involvement on the part of children, parents and teachers.

The qualitative evaluation of school services presents a variety of difficulties. In terms of using suitable educational objectives and resource indicators for monitoring there are likewise difficulties.

Material facilities for students are generally minimal and teachers often work under difficult and unsatisfactory conditions. National averages for a student class size are 34 in Cycle I and 40 in Cycle II with considerable regional differences which need to be considered.

In one important aspect, namely the education of girls, Vietnam presents a slightly more positive picture. While in nursery schools, more girls are enrolled. Just under half of the students in Cycle I (47.6 per cent) Cycle II (48 per cent) and Cycle III (44.7 per cent) are girls.

The in school material factors which make 'teaching, schooling and learning' a difficult enterprise are legion, ranging from poorly designed, inadequately constructed, to tardily maintained facilities.⁵

The difficulties of teaching staff, who are unable to earn a living solely from teaching duties, often their lack of sufficient training and upgrading in service prospects are personnel problems of which parents can be rightly critical. The absence of sufficient teaching materials, basic school equipment, not to mention adequate and appropriate text books, are daunting factors facing children and their teachers. These difficulties are openly discussed and freely commented on by teachers and parents, by the teacher unions and women's unions and are the subject of widely disseminated research studies by the Ministry of Education. During the decade of the 1980's some modest material progress in gross terms has been noted. This, for example may be seen in quantitative rather than qualitative terms in the light of a six year period 1981-82 to 1986-87 with respect to increase in teachers and classes and schools constructed. Over this period the population grew at 2.3 per cent per annum.

Table 14.6:
Increases in number of schools, classes, and teachers 1982 to 1987

	1982-3	1983-4	1984-5	1985-6	1986-7	Increase 1982-87
Classes	293 964	301 626	307 660	316 372	325 036	10.6%
Schools	1 1605	12 016	12 284	12 511	12 673	+9.2%
Teachers						
Cycle I	211 433	219 749	226 836	235 793	239 760	+13.4%
Cycle II	127 984	131 841	133 527	138 804	139 804	+ 9.2%
GBE	339 417	351 590	360 363	374 595	379 864	+11.9%

Source: Ministry of Education 1987

⁵ It should be pointed out as a personal aside that the author has inspected a wide range of facilities. Community involvement, local pride and sensitive leadership are key factors in quality control and often overcome bureaucratic incompetence and financial slothfulness not to mention indifferent, ignorant officialdom at higher control levels. Perhaps at times identical comments could be made by empathetic critics from overseas visiting Australian schools!

Ethnic national minorities

There are other difficulties which affect some children. Theoretically these could involve just under 13 per cent of the population from minority background and concerns the problem of the language of instruction. This is less so for Cycle I students who are generally taught in their mother tongue. But this is not the case in Cycle II and Cycle III schools. Ethnic minorities in the post primary grades often have difficulties struggling with a mother language at home and Vietnamese in school. Admirable efforts have and are being made to preserve and continue minority languages and cultures, and employing specially trained ethnic minority teachers utilising specially printed materials. Nonetheless, the problem remains and minority ethnic children are often disadvantaged in upper primary and in secondary schools despite considerable efforts to overcome difficulties.

In the 1988-89 school year there were approximately 572,000 students from ethnic minority backgrounds or 7 per cent of all students enrolled in Cycle I schools. They were being serviced by 16,000 teachers of a similar ethnic background. Some 6.5 per cent of all teachers are from ethnic minorities. In the Cycle II schools the figures are 138,000 or 4.4 per cent of the total enrolments and 4,800 teachers who are of the same ethnic backgrounds as the students. They represent nearly 3.5 per cent of the total teaching service. These figures would suggest that ethnic minorities are catered to by a teaching force predominantly of a similar ethnic background in Cycle I, whereas the proportion drops in Cycle II. It should also be noted that mother language predominates in Cycle I with Vietnamese being taught generally as a second language. The increase in Vietnamese language instruction is graduated each year in the grades one to five to prepare for entry to Cycle II. The 1989 Census (sample results) suggest that 87.1 per cent of the population is recorded as being members of the Kinh ethnic group, with minorities at 12.9 per cent. The largest of the ethnic minority groups are Tay (13.7 per cent), Thai (12 per cent), Hoa (11.7 per cent), Kho-me (10.6 per cent), Muong (10.5 per cent) and Nung (8.4 per cent). They each represent between 1.4 per cent to 1.8 per cent of the total population.

Sex ratios

A further background comment on school enrolment figures is necessary in terms of the age sex ratios between male and female children. The 1989 Census Sample results would indicate that at

birth the sex ratios are 107 males to 100 females. This imbalanced sex ratio in favour of males continues until about the years sixteen and seventeen when the male and female population are almost equal in number. Certainly after age eighteen females are in the preponderance for the remaining ages of life. The Central Census Steering Committee (CCSC) suggests that the ratio imbalance in the middle years may be caused by the large number of young males who have 'immigrated or gone overseas'. Presumably the main cause is males aged 18-35, who have either departed as refugees or left for employment/training abroad in countries such as USSR Czechoslovakia and the former GDR.

The imbalance of males and females at middle age, from 40-60, more obviously and directly reflects the considerable losses which have occurred during the periods of war. Certainly Vietnam, which has been in a war condition intermittently for the past 40 years, can attribute most but not all of this imbalance to battle casualties.

For the ages 65 years and above the imbalanced sex ratio is accelerated through higher mortality levels of males where the sex ratio is 66 males per 100 females.

Education, schooling and literacy

It is one of the main expectations of the current Census to provide information of an effective and straightforward kind as to a minimal but practical application of general schooling in Vietnam, namely, what are the levels of literacy. Has there been any change since the last Census? Are the schools fulfilling their task in both educating children and making the population literate? Unfortunately estimations of literacy levels are often flawed for a variety of reasons, some methodological and some involving definitional dilemmas. In the case of Vietnam the situation of measuring the attendance at school, either in quantitative or qualitative terms, provides difficulties for Census workers unless it measures specific abilities to read, write and communicate as necessary outcomes of merely enrolling in school. No tests are given as to what a 'literate' Vietnamese child (or for that matter adult), can manage. No word count, no sample definition, no written tests, no newspaper comprehension are utilized. The definition of a *literate* person, as stated for the 1989 Census, for the use of enumerators, was as follows;

Literacy

'A person who knew how to read and write, and understood simple sentences in his/her national or foreign language'

Perhaps this is an advance on the 1979 Census where 'all persons attending or ever attended school were considered to be literate'. This use of such a definition in 1979 undoubtedly overstated the percentage of population recorded then as being literate, namely some 85 per cent, with men recorded at 90 per cent and women 81 per cent. The four part breakdown of literacy figures then based on 'schooling' levels, published by the State Planning Commission 1979 and provided by the Ministry of Education in 1987 indicated:

Illiterates	15.70%
Semi-illiterate	3.30%
Appropriate level of GBE	80.40%
Further Higher Education	0.60%

To make comparisons between 1979 and 1989 more valid the Census Committee only took into account the population then aged ten and above. This was done on the assumption that there was a transition between a 'state of illiteracy into a state of literacy' presumably after three to four years of schooling, or as a practical screening cut in point. The comparisons between 1979 and 1989 appears to reflect a significant increase in literacy levels with men recording an increase of 2.8 percentage points and women 3.2 percentage points. In 1979 (on the adjusted year ten and above schooling figure) the difference between males and females was 9 percentage points, but in 1989 this had been reduced marginally to 8.6 percentage points.

A closer examination of the change at various age levels suggests greater movement and improvement of women's literacy. Looking at the age groups 10-24 there was 'barely a 0.5 percentage point difference between the literacy rates for males and females'.⁶ However, for elderly females of 65 years and older, an illiteracy rate was recorded of 69 per cent whereas the males were only 27 per

⁶ This figure needs to be viewed cautiously especially in view of differentials for school achievements above age ten, i.e. 80.4 per cent male, 74.4 per cent female at primary level and 11.8 per cent male to 8.9 per cent female at secondary level (CCSC 1990:49).

cent illiterate. These extreme rates reflect a historical dimension of discrimination and a lack of schooling in the past for many girls. While much further analysis is necessary into the evaluation of the census results regarding the composition of literacy trends, and the definitional problems involved, it is apparent that the past decade has been positive in providing quantitatively more schooling to all children. Girls are enrolling and staying in school for longer periods, and they are having greater success in keeping up to enrolment levels of boys. The overall improvement of literacy levels in Vietnam is due firstly to the 'aging of highly literate cohorts and secondly to the improvement in literacy among the female population, especially young women. However it should be noted that women's literacy rates in rural Vietnam are lower than their counterparts in urban areas if the yardstick of school attendance is used. In towns and cities the differential participation rates for those in school aged fifteen to nineteen was 3.7 percentage points, whereas in rural Vietnam it was 10 points. Certainly girls are not receiving the amount of secondary education that their male counterparts are obtaining.

Table 14.7: Schooling: Census Sample Results

Population aged ten years and above by education level 1979 and 1989

Level	1979		1989	
	Number '000	Percent	Number '000	Percent
No schooling	6 762	18.1	5 727	12.6
Primary)			35 212	77.2
Secondary)	30 305	81.2	3 968	8.7
Tertiary	272	0.7	703	1.5
Total	37 339	100.00	45 610	100.00

Source: CCSC 1990:48.

In Vietnam's case, with a rural population of some 80 per cent, there are important consequences for girls not continuing with their

schooling. For girls and young women the recidivity into illiteracy or semi literacy is especially unfortunate as factors indirectly impacting on fertility patterns, understanding of family planning measures and successful child rearing practices.

Educational classifications have changed somewhat between the two census periods and the Census Committee suggests caution in making comparisons. It notes that at both ends of the educational scale, namely for those with *no schooling* and those with *tertiary studies*, more reliable comparisons can be made. Those in the former category without schooling fell from 18.1 per cent in 1979 to 12.6 per cent in 1989. While those with higher education more than doubled in a decade from 0.7 per cent in 1979 to 1.5 per cent in 1989.

The gender difference is illustrated in another configuration which shows overall males participation rates at a much higher level at both the primary Cycle I and secondary Cycle II levels. These are respectively 80.4 per cent male to 74.4 per cent female and 11.8 per cent male to 8.9 per cent female. Again careful consideration must be made of the sex ratio imbalance in the populations (1989 Census Sample Results) commencing at birth M:107; F:100 which reduces gradually to age 16/17 where the ratio is M:100.F:100.)

Table 14.8: Percentage currently attending school by age group, sex and rural/urban area of residence, 1989

Age Group	(Rural)		(Urban)	
	Males	Female	Males	Females
5 - 9	62.4	61.7	73.8	74.0
10 - 14	78.0	71.1	87.5	86.0
15 - 19	26.8	16.5	37.7	34.0

Source: CCSC 1990:32.

However, these figures include *all* the population aged ten and above who have had schooling and it is perhaps of *greater* importance to consider the younger age cohorts. An unexpected situation has emerged with an increase of males in the more recent younger cohorts not attending school and gender differences reduced especially in age cohorts under 35. The Census Committee notes that in the five to nine age groups the differences in boys and girls

attending school is only one percentage point different. However by the age ten to fourteen this had widened in favour of boys to 6 per cent points difference and 9 per cent for the age group fifteen to nineteen. A rural-urban comparison suggests a slightly worsening position for females in the countryside especially in the fifteen to nineteen years group. Only in urban areas are there little differences in school enrolment as between boys and girls. For girls aged five to nine in urban localities there is even a slightly higher enrolment level in comparison to boys' enrolment.

VIETNAM RENOVATION: (*DOI MOI*), THE LAW AND HUMAN RIGHTS IN THE 1980S

Amnesty International¹

A series of legal reforms and changes in government policy have provided a basis for greater protection of human rights in Vietnam—although serious human rights concerns remain. The report outlines these continuing concerns and reviews new legislation and recent developments affecting human rights in Vietnam.

A campaign the government calls 'renovation', *doi moi*, began in 1986. It has included reforms that the authorities say are intended to guarantee the legal rights of citizens and to protect human rights. New legislation provides for the development of an independent judiciary. New judicial procedures have introduced the principles of the presumption of innocence, the right not to be detained without a court order, the right to have a legal defence and the right to choose an independent lawyer. These developments are of particular significance for the protection of specific human rights—although they have yet to be fully implemented in practice. The 'renovation' policies have also resulted in the release of thousands of people held without charge or trial in 're-education' camps, although an unknown number of political prisoners, including, prisoners of conscience, continue to be held without trial.

In May 1989 an Amnesty International delegation visited Vietnam at the invitation of the government to learn more about the 'renovation' policies and the current human rights situation and to discuss the organization's concerns with the government. The

¹ This summarises a 67-page document, *Vietnam: Renovation (Doi Moi), the Law and Human Rights in the 1980s* (AI Index ASA 41/01/90) issued by Amnesty International in February 1990. The full document is available in English and French and can be obtained from the Australian Section office, PB 23, Broadway NSW 2007.

delegation met senior officials from the Ministry of the Interior, the Ministry of Justice and the Ministry of Foreign Affairs as well as members of the judiciary, the procuracy and the Vietnamese Lawyers' Association. The delegation was able to visit a 're-education' camp in Thuan Hai province, the Z30D camp, although requests to visit a number of other centres, in which prisoners of concern to Amnesty International were believed to be held, were not granted.

Officials repeatedly emphasized the government's determination to implement the 'renovation' policy in all fields and stressed the importance the government attaches to the rule of law. They cited a number of improvements and pointed specifically to the promulgation of laws governing judicial procedures, the abolition of provisions for detention without trial, the government's commitment to the prevention of all forms of torture and ill-treatment, steps taken to ensure that those responsible for such abuses are prosecuted, and increased freedom of the press in reporting abuses of power by local authorities. During the meetings the authorities also acknowledged that there had been problems in implementing the new laws.

Among the issues of continuing concern to Amnesty International in Vietnam are: the continued detention without charge or trial of political prisoners, including prisoners of conscience; the imprisonment of prisoners of conscience and people who may be prisoners of conscience on broadly defined charges of having endangered national security; trials of political prisoners that fall far short of international standards; reports of torture and ill-treatment; and the use of the death penalty.

Detention without trial for 're-education'

Legislation providing for detention without trial for the purpose of political 're-education' was originally introduced by the Government of the Democratic Republic of Vietnam (DRV) in the north in 1961. After July 1976 the government of the unified Socialist Republic of Vietnam adopted the DRV policy on 're-education' and the retroactive application of the legislation became the basis for the long-term detention without charge or trial of large numbers of people in 're-education' camps. Others are believed to have been arrested under provisions set out by decrees issued by the transitional Provisional Revolutionary Government between 1975 and 1976. The Vietnamese Criminal Code, which came into force in

January 1986, contains no provision for detention without trial for 're-education'. Article 10 of the 1989 Criminal Procedure Code states that 'No one may be considered guilty or forced to undergo punishment without a court judgment that has taken legal effect'. This stipulation appears to render detention without trial illegal.

The Vietnamese authorities have acknowledged difficulties in the initial implementation of the new criminal codes. In December 1986, the newspaper *Nhan Dan* reported that people were still being arrested and detained under the provisions set out by decrees issued by the government of the DRV before the reunification of the country.

Those in untried detention include military officers and civil servants of the former Government of the Republic of Vietnam (RVN) in the south, who have been held in camps since 1975. Thousands were released under government amnesties in 1987 and 1988. Officials said that 130 remained in custody, but told the Amnesty International delegation that it was the government's intention to release them.

No recent government statements have referred to the number of political prisoners who had no connection with the RVN governments in the south. These have included writers, journalists, members of religious congregations, professionals critical of government policies, people believed to have been arrested for their ethnic Chinese origin, and people arrested for 'illegal departure'. Many of these prisoners have been held in detention without charge or trial for years under DRV legislation, or on the basis of administrative decisions taken by people's committees at the municipal or district levels, and it appears that no judicial procedures were involved in their cases. Other political prisoners detained in 're-education' camps were tried and convicted on political charges (see below 'Unfair trials').

Recent information from former prisoners suggests that a number of camps—for example camps Z30A and Z30D in Dong Nai and Thuan Hai provinces—still hold several thousand prisoners, many of whom are said to be classified as 'political' prisoners and held without charge or trial. Among these are prisoners of conscience such as the poet, Nguyen Chi Thien. Born in 1932 he has spent more than half his life in detention. Since 1979 his place of detention has been unknown although he may be in a prison in Hanoi. He is reported to be very ill.

Unfair trials

Legislation has been enacted to introduce procedural guarantees which are essential to fair trials but these have yet to be fully implemented. Trials of prisoners of concern to Amnesty International have fallen far short of international standards for fair trial. Defendants are reported to be unable to choose their own counsel and to be given inadequate time to prepare their defence. In some of the cases known to the organization the defendants were informed that the trial was to take place only hours before it was due to begin. Individuals have also been condemned in the official media before their trials have taken place, thereby prejudicing their right to presumption of innocence.

Amnesty International is also concerned that the Vietnamese authorities have, in some cases, invoked provisions set out in the 1986 Criminal Code to imprison people, including prisoners of conscience, whose peaceful religious, political or cultural activities are not acceptable to the government. The Criminal Code defines a number of serious crimes under the broad rubric of 'crimes against national security' and provides a basis for the prosecution of people solely for the peaceful exercise of their rights to freedom of expression and association.

In some cases individuals have been charged under Article 73, which sets out the penalties for people convicted of establishing or joining an organization aimed at overthrowing the people's government. In at least one case the defendants were convicted under Article 82, which sets out the punishment for 'spreading propaganda against the socialist regime'. Among the prisoners of conscience convicted in unfair trials have been Buddhist monks, Roman Catholic priests, Protestant pastors, writers and others believed to have been convicted solely because of peaceful political and human rights activities.

Brothers Tran Vong Quoc and Tran Tu Thanh are among those believed to have been convicted for peaceful political activities after an unfair trial. The two brothers were held without charge or trial from 1984 to 1988. In December 1988 they were reportedly convicted of 'anti-government activities'. These were said to have included collecting information and intending to pass it to human rights organizations abroad in order to discredit the Vietnamese Government. According to reports the brothers and their relatives received only one day's notification of their trial, which itself lasted for no more than a day. They are believed to have been

refused legal representation at the trial. Tran Vong Quoc and Tran Tu Thanh were reportedly sentenced to twelve and five years' imprisonment respectively. Tran Tu Thanh was released on 5 September 1989.

Clandestine departures

Since the late 1970s there have been reports of people being arrested and detained in 're-education' camps and prisons for attempting to leave Vietnam clandestinely. Some may be prisoners of conscience arrested while attempting to leave the country because of government restrictions on the right to freedom of conscience and expression.

Procedures for people wishing to leave the country were set out under the terms of the 'Orderly Departure Program' (ODP), established in 1979 by the United Nations High Commissioner for Refugees in agreement with the Vietnamese authorities. However, the ODP has been unable to stem the flow of Vietnamese people leaving Vietnam and thousands, for whom procedures for legal migration were unavailable, have sought to leave the country 'illegally'.

Under the heading 'crimes against national security' Vietnam's Criminal Code stipulates in Articles 85, 88 and 89 that fleeing, or attempting to flee, to a foreign country is a criminal offence punishable by law. An attempt to leave Vietnam clandestinely may be considered to be an 'especially dangerous crime against national security' and an offence under Article 85 of the Criminal Code if it is deemed to have been undertaken 'with the intention of opposing the people's government'.

The legislation under which a number of prisoners arrested for attempted 'illegal departure' after 1975, but before the 1986 Criminal Code came into force, is unknown although some appear to have been convicted of 'counter-revolutionary' activities. Others are believed to have been charged under Article 89 or held in detention without trial under administrative orders.

The right to leave one's country is guaranteed in both the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights, the latter of which was ratified by Vietnam in September 1982.

Torture and ill-treatment while in police custody and in 're-education' camps

Torture and ill-treatment is prohibited by the Vietnamese Constitution and by the 1989 Criminal Procedure Code. Since 1986, and the beginning of the 'renovation' campaign, the official Vietnamese media have increasingly reported and criticized cases of police torture of suspects including deaths in custody as a result of police brutality. For example, three cases of torture were reported in the legal journal *Nha Nuoc va Phap Luat* in issues one and two of 1988. In one case, a student suspected of burning hay belonging to the village youth movement secretary was reported to have been beaten so severely that he lost his memory and became mentally handicapped. In February 1989 a man who had himself been imprisoned wrote in the theoretical journal of the of Vietnam Communist Party that '...people have been arrested and put in chains just because they have been suspected of committing a crime...it is common for people to be arrested and beaten and this is done quite arbitrarily'. Official press reports have also referred to the prosecution and conviction of police officers for abusing criminal suspects. These reports appear to indicate an increased awareness by Vietnamese government officials that ill-treatment and torture occurs and that measures are required to check abuses.

Government officials acknowledged to the Amnesty International delegation, which visited Vietnam in May 1989, that torture and ill-treatment of prisoners occurs, but said they did so only in isolated cases in which public security or police officers acted in violation of Vietnamese domestic laws prohibiting the use of torture. Information obtained both from the Vietnamese press and radio broadcasts, and from former prisoners suggests, however, that the legal safeguards against these abuses are not fully operational and that in many cases torture or ill-treatment is still a feature of the process of police investigation and a means of punishment in penal establishments and 're-education' camps.

Information received from former inmates in 're-education' camps, and from relatives of detainees, indicates that prisoners may continue to be subjected to abusive treatment in 're-education' camps. This is reported to include the punishment of prisoners by solitary confinement in combination with beatings, the use of shackles or leg irons, and the reduction of food rations.

The use of the death penalty

The death penalty remains in force for a wide range of crimes defined in the Criminal Code, including serious crimes 'against national security'. Amnesty International has received reports that at least 107 people have been sentenced to death since 1975, of whom at least 26 have been executed.

Conclusion

The information on which the report is based was obtained from a wide range of sources, both official and unofficial, and on research carried out over a number of years. This includes interviews with former prisoners who left Vietnam after being released, and with relatives of prisoners who now live outside Vietnam. Other information was obtained in the course of talks with Vietnamese authorities in May 1989 and from Vietnamese news media, including material from official legal and party journals on the continuing debate on the implementation of reforms.

The report concludes by urging the government to review aspects of the legal system which may give rise to contraventions of international human rights standards and recommends a number of practical measures which would serve to remedy abuses and to strengthen existing human rights safeguards.

Amnesty International has urged the government to consider the following:

1. To ensure that the system of detention without charge or trial through 're-education' is eliminated in practice.
2. To repeal resolution 49-NQ/TVQH and any other resolutions or regulations providing for detention without trial; and to make all legislation consistent with international human rights agreements and the 1989 Criminal Procedure Code, which uphold the right to be presumed innocent until proved guilty and the right not to be subject to arbitrary arrest.
3. To release all prisoners of conscience immediately and unconditionally.
4. As a matter of urgency, to review the cases of all political prisoners detained without charge or trial in prisons and 're-education' camps. This review should take into account the obstacles posed to a fair trial should criminal charges be brought many years

after the offence was allegedly committed. International fair trial standards require that prisoners should not be charged and brought to trial under legislation introduced since the alleged offences were committed.

5. To review the cases of people imprisoned for political reasons as a result of trials which did not satisfy international standards of fair trial: such prisoners, in Amnesty International's view, should be given a retrial which conforms fully to international fair trial standards or released.

6. To review provisions contained in the Criminal Code, particularly those concerning 'crimes against national security' which may be invoked and used as the basis for conviction of people for the peaceful expression of their religious, political or other opinions, for legitimate religious, political or cultural activities, or for exercising their right to leave the country.

7. To review legislation governing trial procedures and to ensure that trials are conducted in full accordance with international human rights standards, notably requirements to ensure that defendants are informed of the charges against them and have adequate time to prepare their defence; granted full and early access to independent legal counsel; and that copies of trial transcripts, verdicts and sentences are made available. The practice whereby self-incriminating 'confessions' are obtained from prisoners during pre-trial investigation should also cease.

8. To end the practice of condemning prisoners in the official media before their trial takes place, given that this may seriously reduce the possibility of their receiving a fair trial.

9. To review the regulations governing the organization of lawyers and to establish an independent bar association.

10. To ensure that existing provisions prohibiting the use of torture and ill-treatment of prisoners are enforced in practice and to implement safeguards against these abuses. In particular, prisoners should not be held in *incommunicado* detention, and information about where they are held should be recorded centrally and made available to family members and others involved in the defence such as lawyers and doctors. Suspects held for investigation should also be granted early access to independent legal counsel. Rules governing the treatment of prisoners and conditions of their

detention should be known to all prison and police officers and all prisoners should be informed of these rules and of their rights at an early stage of their detention.

11. To abolish the use of leg irons and shackles on prisoners held in solitary confinement in prisons and 're-education' camps and to prohibit the reduction of food rations as a means of punishment. To ensure that regular inspections of all places of detention are carried out by an independent body with the appropriate expertise, and to ensure that their findings are made public.

12. To institute criminal proceedings in all cases where torture or ill-treatment of prisoners is believed to have occurred; to suspend officers alleged to have committed such acts until judicial proceedings have been completed. To make information about these proceedings publicly available. In the case of death in custody to carry out a public judicial inquiry to determine the cause of death.

13. To accede to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, and the Optional Protocol of the International Covenant on Civil and Political Rights.

14. To revise the provisions in the Criminal Code allowing for the imposition of the death penalty and to take the necessary steps for the total abolition of the death penalty in Vietnam.

FORCES OF CHANGE IN VIETNAM

Gary Klintworth

Vietnam's strategic outlook is in the process of change. For the 1990s Vietnam's national focus will be almost exclusively domestic economic renovation and integration with the world economy. It has been forced to repair the damage and decay of the last decade. Former Foreign Minister Nguyen Co Thach said that the Vietnamese had been too romantic about the virtues of socialism. Socialism might have saved Vietnam from its external enemies but it had turned Vietnam into a charity house that ought to be burned down and rebuilt. Thach said he would be happy to strike the first match (interview, Hanoi 1988).

Economic development, financial restructuring and an expansion of foreign trade are the new battlefields for Vietnam. But if Vietnam has shifted away from the single-minded pursuit of national survival and reunification it has been able to do so only because those earlier battles have been won (Thayer, 1986).

Importance of history and geography

To appreciate the outlook for Vietnam in the 1990s it is useful to look at Vietnam's historical and geographical circumstance.¹ Vietnam is located on China's southern gateway. Hemmed in by the Great Wall, the tension of Chinese empire has always been released southwards. Although Chinese invasions of Vietnam were interspersed by long periods of peace and cultural borrowings, China was regarded as Vietnam's traditional enemy. Similarly, Vietnam was regarded by the Khmer as their traditional enemy.

1 See also the essay by David G. Marr in this volume.

Vietnam's history was one of expansion southwards into Cambodia along the Mekong River Valley. The Mekong binds Cambodia's central plains to Vietnam's southernmost provinces. Topographically the two are indistinguishable. History, geography and the Mekong River Valley partly explain Pol Pot's war on Vietnam and the fierceness of the Vietnamese response. Pol Pot wanted the map of Cambodia redrawn to include territory lost to Vietnam in the seventeenth and eighteenth centuries.

The Vietnamese opted for a permanent solution. The Vietnamese Army marched to Phnom Penh in December 1978 and remained in Cambodia until September 1989. The occupation of Cambodia was a heavy millstone round the neck of Vietnam. From April 1977 until September 1989 Vietnam lost 55,000 dead and 60,000 wounded.² It was attacked by China, ostracized by the international community and subjected to a damaging economic embargo. By the mid-eighties, an impoverished Vietnam was almost at breaking point. It had no choice other than to get out of Cambodia, although it has always maintained it never intended to stay (Klintworth, 1987)

Vietnam's previous encroachments in Cambodia were interrupted by the French in the mid-nineteenth century. The French created a Union of the Indochinese states and stayed, apart from a Japanese interlude, until 1954. The geography of the Mekong and French rule generally contributed to a habit of thinking about Indochina as one entity. The concept of an Indochina Federation was promoted by China, the Soviet Union and Vietnam in the Second Indochina War. And American and Vietnamese generals treated the three Indochina states as integral parts of the one strategic theatre for the conduct of their military operations.³ The Vietnamese invasion and occupation of Cambodia was therefore easily seen as confirmation of a Vietnamese ambition to establish an Indochina Federation dominated by Hanoi. China's own ambitions for regional hegemony meant that the Vietnamese moves were impermissible.

2 This figure is about the same as the Vietnamese losses during the First Indochina War against the French; and comparable with the 58,000 American dead in Vietnam.

3 Phnom Penh is about eight hours drive by bus from Saigon (Ho Chi Minh City) across flat open tank country; the feature called the Parrot's Beak is within half an hour of Saigon. Hence Vietnam's sense of acute vulnerability when the Khmer Rouge attacked its southern borders at a time of rising tension on the Sino-Vietnamese border

The China factor

From the historical viewpoint it is China that has overshadowed Indochina and dominated Vietnam's strategic outlook. And it has been China's struggle against intervening external powers that has embroiled smaller neighbouring states. Until the relationship between China and other great powers—Japan, the Europeans, the Soviet Union and the US—was settled (and it has taken a couple of centuries), then small states on China's borders suffered the consequences. Korea is an example. So too is Vietnam.

China fought with France and the United States in Vietnam. In the late 1970s it confronted the Soviet Union in Vietnam. China was annoyed by Vietnam's persecution of the overseas Chinese community in Vietnam. If China was angry with Vietnam for inviting the USSR into a Chinese sphere of influence, it was outraged by what it saw as Vietnamese ingratitude. Vietnam's invasion of Cambodia was the last straw. From Beijing's viewpoint, it was a direct and provocative challenge to China's regional prestige.

China taught Vietnam 'a lesson', briefly, from 17 February-16 March 1979 and kept up its military pressure on the Sino-Vietnamese border until around 1986/87, mainly near Ha Giang in Vietnam's Ha Tuyen province.

As well as the factor of Chinese face, Vietnam found itself caught up in a chain of great power rivalry. It was complicated by regional antagonisms and the American defeat in Indochina. Cambodia felt Vietnam was trying to swallow it up. Vietnam felt threatened by the Chinese. The Chinese felt encircled by the Soviet Union. The Soviet Union meanwhile tried to outflank the hostile alliance it perceived emerging in an alliance between NATO, the US, China and Japan.

The Soviet factor

The Soviet point of breakout was Cam Ranh Bay, a move which only accentuated the downward spiral of distrust between all the major powers and left Vietnam, host to the facility, hanging dangerously in the middle.

Cam Ranh Bay was opened to Soviet warships from 27 March 1979. In Washington's view, it gave the Soviet Pacific Fleet 'a surge capability' into the eastern Indian Ocean and it significantly

threatened US and Western strategic interests in the Asia-Pacific. The US Pacific Fleet Commander, Admiral James Lyons, on a visit to Australia, claimed that Soviet access to Cam Ranh Bay enabled the Soviet Pacific Fleet to affect the balance of power in the Western Pacific Ocean (*Aviation Week and Space Technology*, 2 March 1987). It was alleged that Danang-based Soviet Tu-95s, equipped with cruise missiles, could easily strike sea lines of communication to Japan, targets in southern China, the Strait of Malacca and northern Australia (*ibid.*) There was talk about the deployment of strategically-capable Backfire bombers to Danang.

China published maps depicting the radius of action of Soviet military assets operating from Danang and Cam Ranh Bay (*World Affairs* 6(16), 1985:28). From 1980, annual Japanese Defence White Papers, in describing the growing threat posed to the region around Japan included references to 'the growing Soviet naval, airforce, logistics, communications and intelligence-gathering presence at Cam Ranh Bay' (*The Japan Times*, 1987:54).

The end result of Cam Ranh Bay, and therefore Cambodia, was to put the US and Japan on the same side as China against Vietnam. They were joined by ASEAN and many Western countries who saw Vietnam's occupation of Cambodia as an act of aggression contrary to norms of international law. International criticism of Vietnam was contained in annual UN General Assembly Resolutions that consistently called for the withdrawal of all 'foreign forces' from Kampuchea and 'the restoration of independence, peace and the right of self-determination of the Cambodian people'.⁴

Vietnam was not, however, subjected to the kind of sanctions that have been imposed on Iraq (and the contrasting response to the two situations is an interesting commentary on international priorities). Nonetheless Vietnam was cut off from aid and loans by international organisations and potential donor countries like Japan and the US. The strategic stalemate and isolation of Vietnam persisted until the mid-1980s.

Sino-Soviet rapprochement

Change, however, was underway. First there was the process of Sino-Soviet rapprochement. This eased Chinese fears of the Soviet

4 See any of the UNGA Resolutions on the Situation in Cambodia. Some are collected in *Documents on the Kampuchean Problem 1979-1985*, Ministry of Foreign Affairs, Bangkok, 1985.

Union, and *vice versa*. China decided there was less need to try and give Vietnam a second lesson (bearing in mind that it was ill-equipped to do so anyway). In 1985 Deng Xiaoping expressed relative indifference about the Soviet presence at Cam Ranh Bay. By 1986-7 China began winding down its military forces on the Sino-Vietnamese border.

Sino-Soviet rapprochement was consummated at the Gorbachev-Deng summit in May 1989. But the foundations for normalized Sino-Soviet relations had emerged in the early 1980s. The Vietnamese claim to have foreseen the trend and prepared their strategy for withdrawal from Cambodia accordingly.

The Vietnamese withdrawal from Cambodia

The second factor for change was the Vietnamese withdrawal from Cambodia. It was the centrepiece of Vietnam's strategic chessboard. The withdrawals began in July 1982, two months after Leonid Brezhnev's Tashkent speech signalling important Soviet overtures to China.

The Vietnamese thereafter staged annual withdrawals that gave the Hun Sen government in Phnom Penh time to get itself established. But because Vietnam could claim it was progressively withdrawing and because it did so by September 1989, fifteen months ahead of schedule, it could claim—unlike Iraq's annexation of Kuwait—that it went into Cambodia with no territorial ambitions. All Vietnamese have now been withdrawn from Cambodia apart from perhaps 1,500-2,000 technical advisers.⁵

The Vietnamese withdrawal was vitally important to Vietnam because, as a Chinese Foreign Ministry spokesman noted, Vietnam's 'occupation of Cambodia was the root cause of its economic crisis and its international isolation' (*Renmin Ribao*, FBIS China, 19 November 1986:E1). By withdrawing from Cambodia, Vietnam could reasonably expect the international community to suspend the pain and punishment it was inflicting on Vietnam's economy. At least Vietnam could expect to encounter less distrust and suspicion. This has in fact occurred and a more positive international attitude

5 US Assistant Secretary of State Richard Solomon said in May 1990 that Vietnam military men in Cambodia numbered 'in the low thousands' acting in combat support roles, intelligence, command and control functions and actively participating in combat operations inside Cambodia (Paul Wedel, UPI, Bangkok, 14 May 1990).

towards Vietnam is emerging, led in particular by Thailand, Indonesia, Japan and the European Community. Furthermore, by withdrawing from Cambodia Vietnam gambled that the Hun Sen government might gradually consolidate its hold and even win international recognition. This had occurred to a limited extent prior to Vietnam's agreement with China on a United Nations role.

Nonetheless, the fact of the Vietnamese withdrawal from Cambodia reflected Hanoi's realisation that it must return to first principles—that is, it is China, not the USSR or the US that ultimately determines Vietnam's long term security and well-being; and that as long as Sino-Vietnamese antagonism remains at a high pitch, Vietnam's economic development will suffer. Vietnam accepts once more, as Beijing anticipated, that it can never cut itself adrift from China and that unlike the USSR, the US or France, China will always be Vietnam's biggest and most powerful neighbour.

The Vietnamese withdrawal was not a hurried retreat however. As conceived by strategic planners in Hanoi it was designed to give Hun Sen time to consolidate and simultaneously give the international community, including the ASEAN states and, reluctantly, China, time to ponder the problem of what to do about the dreaded Khmer Rouge. Paradoxically, the fearsome reputation of the Khmer Rouge has been one of Vietnam's few foreign policy assets.

In fact, international awareness of the murderous proclivities of the Khmer Rouge—an awareness assiduously promoted by Hanoi and Phnom Penh—has been one of the most important forces of change affecting the situation in Indochina. It is a change affecting Cambodia from outside of Indochina; the war is being physically fought inside Cambodia but the television and media portrayal of limbless peasants and piles of skulls from Pol Pot's torture centre at Tuol Sleng in Phnom Penh has been a major catalyst for political change affecting the Cambodian situation.

With clever diplomacy—actually one of necessity—Vietnam is now on the verge of getting the international community and ultimately perhaps the United Nations to take over the financial, diplomatic and military cost of a problem that has heavily burdened Vietnam and for which it has been criticized for so many years. Vietnamese Foreign Minister Nguyen Co Thach claimed, the Cambodian problem was no longer a Vietnamese responsibility (*The Nation*, 9 May, 1990).

The US position

Vietnam's dividend from the withdrawal strategy and the Khmer Rouge factor came with the statement by the US Secretary of State, James Baker, in July 1990.

Baker announced that the US would no longer vote to give the Cambodian seat at the UN to the Khmer Rouge-dominated Coalition Government of Democratic Kampuchea. He said the time 'had come to prevent the brutal Khmer Rouge from shooting their way back to power' (*International Herald Tribune*, 28-29 June, 1990) and added that the US would hold talks with Vietnam and the Phnom Penh government on the Cambodian issue. This step is perhaps the most important made by Washington on Indochina since 1975.

The shift meant implicit US acceptance of the Vietnamese withdrawal from Cambodia, made clear American opposition to a Khmer Rouge return, and took the US a little closer to eventual normalisation of relations with Vietnam now scheduled for early 1992. It was an important signal for Hanoi as well as Beijing, the ASEAN states and the Khmer Rouge.

While the United States is still getting over its Vietnam experience it seems less inclined to pursue a policy of punishment. Vietnam war veterans, businessmen and a sizable number of American Congressmen want to lift the embargo on business dealings with Vietnam.⁶ The US has said it would do so, and would normalize diplomatic relations with Vietnam after Hanoi helped arrange a settlement in Cambodia. Vietnam would appear to have gone more than halfway towards meeting this demand, and it has been cooperative on the MIA (Missing-in-Action) issue. Talks held between Vietnam and the US on Cambodia in New York in August 1990 were described as useful, constructive, 'businesslike and contributing to a better understanding between the two sides' (*The New York Times*, 7 August, 1990). The Vietnamese are privately jubilant.

6 Although the Trading with the Enemy Act, in place since 1964, has just been extended to 14 September 1991 it can be lifted by President Bush at any time.

The Gorbachev factor

Another important factor for change has been the collapse of the Soviet economy and Gorbachev's domestic reform priorities. This led the Soviet Union to reduce its overseas commitments. Economic aid to Vietnam, including supplies of petroleum, cotton, cement, steel and other commodity assistance, has been cut. Substantial reductions in Soviet military aid are scheduled from 1991 (Nariai and Suruga, 1990:10).

The Soviet Union withdrew most of its aircraft and naval combatants, including MiG23s, Tu-16s, submarines and large warships from Cam Ranh Bay in December 1989 and January 1990. Vietnam has offered to open the facility to the navies of other countries including the US, Japan, India and Indonesia.⁷

Vietnam's return to China

Vietnam is clearly on the verge of significant domestic and external change. It has reached this point partly because of its own efforts but primarily because of what has been happening with China. From the long historical viewpoint, China has seen the Europeans returned to Europe (with the temporary and small exceptions of Macao and Hong Kong). Japan has been inoculated against visions of an empire on the Chinese mainland. And from Moscow and Washington, Beijing has extracted acceptance as a great Asian-Pacific power with the right to its own exclusive buffer border zone.

All that remained was for Vietnam to recognize the reality of China's power. This Hanoi is now doing. Vietnam has adopted a non-provocative posture on the Sino-Vietnamese border. It has withdrawn from Laos and Cambodia; Vietnamese leaders make only occasional references to 'the special solidarity' of the Indochinese states. Hanoi accepts and arguably has so advised Beijing, that it cannot control Phnom Penh. The best it can hope for is a neutral, independent and non-aligned Cambodia (interview Nguyen Co Thach with Vietnam News Agency, 25 August 1990). And Vietnam

7 Vietnamese Deputy Foreign Minister Tran Quang Co, in Manila, quoted by the *Age*, 28 November 1989. Nguyen Van Linh is reported to have told the Japanese that when relations were normalised, US and Japanese ships could use Cam Ranh Bay for supply and maintenance purposes: NHK interview, Hanoi published by NHK Tokyo, 27 April 1990.

has been circumspect in the Spratly Islands after the Chinese navy moved in and took several of the islands in March 1988.

Vietnam, in other words, has decided on a policy of equidistance from the great powers and deference to the proximity of China's great power. Many would say that if Vietnam does appear contrite, and if its foreign policy outlook has changed from one of obstinacy to flexibility, it is only because of its domestic economic ruin, the absence of a reliable and powerful patron and unrelenting external economic, political and military pressure.

There may be some truth in this. However I would add two further considerations. First the strategic circumstances that caught and crushed Vietnam have changed dramatically; and secondly, Vietnam has achieved its minimum security aims on its borders.

Vietnam's security assured

Vietnam has more or less secured its southern border against the likelihood of further attacks from the Khmer Rouge in Cambodia. Ideally it would like to have eliminated the Khmer Rouge altogether and it would probably prefer to have more influence over the Phnom Penh government than it has. Nonetheless, Vietnam has isolated the Khmer Rouge internationally and has crippled them militarily, at least insofar as Vietnam's border security is concerned. The Hun Sen government meanwhile, or some variant of it in a Supreme National Council headed by Prince Sihanouk, has a reasonable chance of surviving and winning internationally supervised elections in Cambodia. Alternatively, Vietnam is taking out insurance with China, the country that can best guarantee its southern borders against renewed Khmer Rouge attacks.

Most importantly, Vietnam has secured its northern borders against China. It has demonstrated a substantial defence capability on the Sino-Vietnamese border and shown that it is prepared to bear a disproportionate cost to protect its independence (Klintworth, 1989). Begrudged though it may be, China respects Vietnam's military prowess. Vietnam is thus able to concentrate on economic and political reform in an environment that is more secure than anything it has experienced since the end of the Second World War, and possibly even since the mid-19th century.

There is a residual problem over islands in the South China Sea but it appears China is prepared to talk rather than, as previously, threaten war over the issue. Chinese Premier Li Peng said in

Singapore that China hoped to normalize relations with Vietnam and would 'discuss' such problems as their territorial dispute over the Spratly Islands (FBIS 15 August 1990:68). And in Bandung in Jakarta in June 1991, China sat down at the same table with Vietnam and said it would put the sovereignty issue to one side.

Normalization of relations with Washington is much sought after by Hanoi. An economic relationship with Japan is also on the agenda. And Vietnam wants to, and in fact has managed to, preserve its relationship with the USSR.⁸ But of all the great powers, it is to China that Vietnam is coming home. Not in the sense of a close embrace. It is rather a relationship which acknowledges the facts of geography and size as well as China's political and security interests in Indochina.

Recent Sino-Vietnamese developments

Vietnam has deleted references to China as an expansionist state in the preamble of its Constitution. Cross-border trade at Lang Son and Mong Cai and other towns razed by Chinese troops in 1979 has resumed. Discussions about suitable models for economic development in the post-Cold War era have been held. A commercial counsellor has been appointed to the Vietnamese embassy in Beijing for the first time since 1979.

Vietnam, in short, is finding it has many things in common with China, not least their common position on the importance of a socialist ideology that is in retreat elsewhere in the world. As Vietnamese Communist Party Secretary General Nguyen Van Linh remarked, it was necessary for Vietnam to maintain good relations with those forces which were defending socialism—'the international situation therefore required Vietnam to give new impetus to its relations' with China (interview *L'Humanite*, in FBIS East Asia, 15 June 1990:69).

China and Vietnam held their first publicly revealed talks on Cambodia in 1990. Although there are unresolved differences,

8 The Soviet Union has not cut off all aid to Vietnam. It retains important intelligence facilities at Cam Ranh Bay. In fact, the surprising thing is that Hanoi's alliance with Moscow has not changed all that much. Vietnam remains a member of Comecon (the Council of Mutual Economic Assistance) which it joined in June 1978. Its Treaty of Friendship and Cooperation with the USSR, signed on 3 November 1978, remains in force until the year 2003.

Hanoi has stressed the importance of the fact that talks had begun. China and Vietnam were determined to restore their fine traditional friendship observed Hanoi Radio after the first round in Beijing (FBIS East Asia, 25 May 1990:65-66.). Vietnamese Deputy Foreign Minister Dinh Nho Liem said the abnormal situation of the last decade was 'just temporary' (*ibid.*) while Chinese Premier Li Peng expressed a wish for 'the normalisation of Sino-Vietnamese relations so as to meet the fundamental longterm interest of the two countries' (*ibid.*). The second round of talks, in June, was less promising. Indeed, they made 'no progress' said Vietnamese Vice Foreign Minister Trang Quang Co. (FBIS East Asia, 6 July 1990:52).

But it seems that the two sides have been able to find substantial common ground on key points relating to a Cambodian settlement (including the composition of the Supreme National Council (SNC), verification of the Vietnamese withdrawal, a ceasefire, cessation of external arms-supplies, elections, and guaranteeing the neutrality and independence of a new Cambodia). The specific functions and powers of the SNC inside Cambodia and ceasefire arrangements have yet to be settled, but Vietnamese Foreign Minister Thach seems to think that these are not so fundamental (interview *Vietnam News*, 25 August, 1990).

Thach is probably aware of the changing political nuances on Indochina that have wafted out of Beijing. Deng Xiaoping has been receiving advice for many years that his Indochina policy was wrong and that it ought to be changed. Chinese policy advisers to the top leadership have recommended a more enlightened and less vindictive Chinese policy towards Hanoi. A major review was underway in early 1989 but was interrupted by the Tiananmen affair and its aftermath. Now, as Chinese Vice Premier Wu Xueqian stated, China and Vietnam were still brothers and comrades and China wanted to restore the relationship (FBIS East Asia, 7 May, 1990:54). China would normalize relations with Vietnam and stop supporting the Khmer Rouge if the UN stepped in to administer Cambodia and the Hun Sen government and the three rebel factions formed an interim Supreme National Council pending UN-supervised elections.

With the Vietnamese withdrawal from Cambodia, a compromise on the composition of the Supreme National Council, and agreement on an intrusive role for the UN, China and Vietnam are now closer to normalized relations than ever before.

In this context therefore, one might conclude that Vietnam's current security interests are limited to avoiding a Khmer Rouge return, and no longer extend to guaranteeing the continued unconditional existence of the Hun Sen regime. The Hun Sen regime might therefore be a negotiable commodity in the interests of Vietnam obtaining assurances of good neighbourly relations with China. From the Vietnamese viewpoint there is little more that Vietnam can do in Cambodia anyway and its leverage on the government in Phnom Penh is increasingly limited. For its part, China has a greater strategic interest in good relations with Hanoi than it does in preserving its connections with a discredited group like the Khmer Rouge, particularly post-Tiananmen.

Recent reports from Bangkok suggest China and Vietnam may have agreed on a mutually satisfactory package on Cambodia, with Vietnam secretly pledging not to re-intervene in Cambodia (*The Australian*, 21 September, 1990). The reports mentioned discussions on normalisation with old Vietnamese party luminaries friendly to China like Pham Van Dong (*Australian Financial Review*, 18 September, 1990). General Vo Nguyen Giap, another old Vietnamese friend of China's, led the Vietnamese sports delegation to the Beijing Asian Games in September 1990.

By giving an undertaking to disengage from Cambodia, Vietnam might reasonably expect assurances of no further conflict with China and even a resumption of normal economic relations, including aid. There was a report in early 1990 that China offered Vietnam \$US2 billion in aid provided Vietnam promised not to launch a Gorbachev-style political reform (*Time*, 30 April, 1990:14).

Vietnam's foreign economic focus

Vietnam has come almost full circle since 1975. It has got the Cambodia problem almost settled; there is peace on the Sino-Vietnamese border; and there is a reasonable prospect of normalized Vietnamese relations with the US, Japan and other Western countries. Vietnam is independent, unified and powerful militarily. It is not, however, prosperous or powerful economically.

But it has established the strategic basis for concentrating on attaining those goals by all necessary means, including fraternisation with the West to an extent that may leave conservative party leaders uncomfortable. They look on the rest of the world with some suspicion and see the imperialist powers

taking advantage of the crises in socialist countries (*Nhan Dan*, FBIS, 10 May, 1990:40). Vietnam is 'a target of attack by imperialist forces using the scheme of peaceful evolution' said Vietnamese Party Secretary Nguyen Van Linh (FBIS East Asia, 25 May, 1990:68). The imperialists were using labels of democracy and openness to demand political pluralism and deny the leadership of the Communist Party so as to turn Vietnam towards capitalism (*ibid.*)

Linh affirmed that Vietnam would remain a socialist state. It would be led by a revamped Communist Party of Vietnam and it would preserve its relations with the Soviet Union and other socialist countries, as well as with CMEA (interview Nguyen Van Linh, 1990:39). However, with this due acknowledgement to the primacy of socialism made, Linh also said that Vietnam's basic aim in the decade to the year 2000 is the accumulation of material wealth (*ibid.*).

It is clear that Vietnam is preparing for a post-Cambodian era which takes it away from socialism and reliance on the Soviet Union, Eastern Europe and CMEA. That reliance was a consequence of the war in Cambodia and tension with China. Both are matters of the past. Instead, Vietnam is developing economic ties with neighbouring countries. Vo Van Kiet, Vice Chairman of the Council of Ministers, said Vietnam would broaden its trade, economic and financial relations with all countries and organisations irrespective of their political affiliations (Vo Van Kiet, 1990:72). This policy has been reflected in the switch in Vietnamese imports away from the Eastern bloc to the West.⁹ Increasing exports has also become a matter of 'paramount importance' (Porter, 1990:1, 5).

Vietnam's policy of looking outwards beyond Cambodia and beyond China includes reaching out in particular to the NIEs in the Asia-Pacific for trade, aid, investment, management skills, and ways to modernize education and develop science and technology resource (Do Muoi, 1990:54). Australia is clearly an important part of this new horizon.

9 In the first six months of 1990, imports from capitalist countries, especially those in Asia rose by 67 per cent over the same period in 1989. Imports from the Soviet Union and Eastern Europe fell by 24 per cent over the same period. But exports to the Soviet Union and Eastern Europe rose by about 55 per cent - AFP, Hong Kong, in *FBIS East Asia*, 10 August 1990, 54.

Foreign investment is critical. Vietnam introduced a new law on foreign investment in December 1987 (with modest results so far).¹⁰ Pending the arrival of the Americans, Vietnam is looking to the overseas Vietnamese and investors from Western Europe, Canada, South Korea, India, Taiwan, Hong Kong, Malaysia, Thailand, Australia and Japan. Areas of interest include hotels, tourism, petroleum, textiles and clothing, car assembly, transport services, and agri-industries such as shrimp farming and forest products.

Foreign Minister Thach visited West Germany, Italy and Belgium in May 1990 to promote commercial interest in Vietnam. Vice Chairman of the Council of Ministers Vo Van Kiet visited Sweden, Finland and Denmark to promote economic and technical cooperation in Vietnam's electricity, forestry, fertilizer and ship repair industries. General Vo Nguyen Giap went to Malaysia and Indonesia in June 1990 to boost bilateral economic ties and cooperation.

Also noteworthy is the growing web of commercial ties between Vietnam and the rest of the world. France, West Germany, Malaysia and Thailand are developing air links to Hanoi and Saigon. Italy, South Korea and Australia have helped with Vietnam's international telecommunications network. Japanese shipping lines are expanding their services to the two halves of Vietnam. Jardine Matheson, from Singapore, has opened offices in Saigon to provide services for shipping.

Vietnam has opened a commercial office in Seoul and proposes others in Taipei and Hong Kong. Malaysia and Taiwan have opened trade offices in Saigon. Taiwanese investors have negotiated direct trade, air and sea transportation and telecommunications links after a fifteen year ban (*Bangkok Post*, 2 May 1990). Korean Air is discussing a cargo service to Vietnam. Even China Travel Service

10 Since then about 150 agreements have been signed with companies from 25 foreign countries involving deals worth about \$US1 billion. Preferential treatment is being offered for foreign investment in the processing of agricultural products, manufacturing consumer and export goods and banking. And the government is hoping to use the south of Vietnam as 'a motor of development' for the rest of the country because of its more advanced economic experience and its overseas connections - VNA, Hanoi, in *FBIS East Asia* 21 February 1990, 72; AFP, Hong Kong, in *FBIS East Asia*, 1 May 1990, 80; and *The Vietnam Newsletter* 1 (1), August 1990.

(HK) has begun to offer tours to Vietnam in anticipation of normalized Sino-Vietnamese relations.

And of course there is oil. Vietnam's state oil firm Petro-Vietnam has signed or is pursuing exploration contracts with oil companies from Japan, Taiwan (Chinese Petroleum Corporation), Britain (Clyde Expro Plc), Switzerland (International Petroleum Ltd), Holland (Shell), France (Total), Belgium (Petrofina), Sweden (Secab Corporation), Canada (Petro Canada and Sceptre) and Australia (BHP). It also wants the Americans.

Japan is likely to become a very important part of Vietnam's post-Cambodia economic strategy. It is one of the largest investors in Vietnam after Taiwan, Australia, France, Britain and Belgium. Predictably, Japan has an eye on Vietnamese resources such as petroleum, coal and other minerals. It is well advanced in planning aid and infrastructure development programmes for Vietnam. Japan wants Vietnam integrated into the East Asian economic development cycle as part of its broad strategy of promoting development, stability and security in the Western Pacific (Osamu Nariai and Osamu Suruga, 1990).

Vietnam's new world view

The corollary of Vietnam's reaching out is a revised world view. This is taking Vietnam away from the stark portrayal of socialism versus capitalism that had been so central to Vietnam's foreign policy framework in the past (Porter, 1990). Foreign Minister Thach in particular was a leading advocate of the necessity for Vietnam to adapt to a changing world.

In a major article published in the *Vietnam Courier* last December (VNA, in FBIS 3 January 1990:70), Thach said the world was entering a new period in which there were 'veritable leaps forward taking place on a huge scale' in science and technology. He said

In practice, willy nilly, a world economy, a world market has taken shape in which countries with different socio-political regimes...compete and cooperate with each other. This ever-growing economic interdependence naturally leads to interdependence in the field of security and peace...all countries must undergo restructuring and renewal and reform their economies and political structures if they are to take full advantage of the scientific-technical revolution and the

internationalisation of the world economy...we must put an end to the policy of autarky and closing our door to the outside world. We must act fast to incorporate our economy into the world economy...

In a later interview in *Nhan Dan*, Thach said

In the era of this technological revolution the challenge to countries is mainly economic, not military and political. The everwidening economic gap is becoming a threat to the security and national defense of each country. All countries are tending to...reduce the burden of national defence expenses in order to concentrate on...this historical economic race....Military adventures therefore, especially military mires abroad...now pose a monumental danger to any country... (*Nhan Dan* 1 January 1990 in FBIS East Asia, 19 January 1990:53).

He added that

The strategic target and the highest interest of the Vietnamese people in the coming period is to maintain peace, take advantage of the favourable conditions and time to concentrate all efforts to gradually stabilise and create a foundation for economic development in the next 20-25 years, to build socialism and defend the fatherland while making positive contributions to the common struggle for peace, national independence, democracy and socialism. Our foreign policy has to serve that long-term and basic target. We should not allow temporary and local issues to sidetrack us from this fundamental goal (*Nhan Dan* 2 January 1990 in FBIS East Asia, 3 January 1990:72).

Implicit in these extracts is the judgement that Vietnam should do its utmost to avoid becoming sidetracked by another Cambodian problem. It should avoid confrontation with China and war on the Sino-Vietnamese border or naval conflict over remote islands in the South China Sea. Also implicit is the view that Vietnam's involvement in Cambodia over the period 1977-1989 and Vietnam's war with China were avoidable policy errors.

Thach's statements on change in Vietnam's national priorities have roots in the Vietnamese Sixth Party Congress of 1986. Truong Chinh's Political Report then stated that Vietnam's

most recent wars as well as the previous long ones were obstacles in the path of Vietnam's development...and of the two strategic tasks presently facing Vietnam—socialist construction and defending the country—the latter, socialist construction, was the primary one (Sixth Party Congress documents 15 December 1986).

One consequence already apparent has been a cut in defence expenditure and a reallocation of defence resources to the civilian sector. Also, half a million troops (including 100,000 officers) have been cut from the Vietnamese armed forces since 1988 and more cuts are likely to follow (*Nhan Dan*, FBIS East Asia 15 February 1990:69). Foreign Minister Thach said his aim was to get Vietnamese defence spending down to the same level as Japan's, that is, about 1 per cent of GNP (interview 1988). As Vice Chairman of the Council of Ministers Vo Van Kiet observed Vietnam may have won its wars, but it had squandered several decades of economic growth (*Washington Post*, 14 March 1990).

ASEAN plus Vietnam

Not surprisingly, the Vietnamese have expressed a desire for a new regional framework, one in which the Indochinese countries and ASEAN share a common interest in a zone of peace and economic cooperation, a zone that excludes the big power (*The Nation*, Bangkok, 12 February 1990). There are few references to an Indochina bloc anymore. The idea of a new regional framework that includes Vietnam is partly a reflection of Vietnam's interest in joining the mainstream of Asia-Pacific economic, financial and political activities. It also represents a Vietnamese quest to find a niche for itself other than being an appendage of China's or being the odd man out between China and ASEAN. Vietnam has explored membership of ASEAN (as early as 1984); and in April 1989, Foreign Minister Thach said Vietnam was willing to accede to the Bali Treaty that established ASEAN in 1976 (Osamu Nariai *et al.* 1989:5).

Outlook

If the foregoing is right, then Vietnam can expect to gain significant diplomatic, strategic and economic benefits in the coming months,

not want to be left behind by the rest of the world any longer. It envies the rapid growth of its neighbours and hopes to make up lost ground as quickly as possible. This has risks, of course, as the relevance of socialism comes into question. And the cumulative impact of an open door and renewed Western influences will test Vietnam's ability to manage domestic social, economic and political change. Hundreds of thousands of foreign tourists may bring in hundreds of millions of US dollars, but they will be accompanied by cultural viruses. Provided however that economic growth is maintained and distributed evenly, there may not be a repeat of the socio-economic problems that erupted in China in 1989.

Conclusions and regional implications

The effects of the end of the Cold War are beginning to be felt in Indochina. China has consolidated its political and strategic influence in Southeast Asia, Indochina and the South China Sea. Vietnam has got its world view into the right perspective. It is much more modest than the one that prevailed in the heady days of 1975. It is a world view based on acknowledgement of China's proximity and Vietnam's limitations. It means Vietnam cannot expect to exercise strategic control of Indochina. With China again at the core of its foreign policy, Vietnam will nonetheless try to follow a quadrilateral foreign policy.¹¹ Vietnam will try to get China's blessing and Chinese economic assistance whilst simultaneously seeking continued assistance from the USSR and significant new aid from Japan, the US, Taiwan, South Korea and the European Community.

The 1990s will probably see a new political and economic presence in Indochina by the Japanese and by a post-Vietnam war generation of Americans. This development may further undermine the need for a continued US military presence in the Western Pacific.

Vietnam might hope to become the next NIE of Southeast Asia (provided it can preserve domestic stability and reconcile the contradictions of mixing a socialist and free-market system). If it works, this will tend to erase differences between ASEAN and Indochina and bring closer former Thai Prime Minister Chatchai Choonhavan's idea of turning Indochina from a battlefield into a

11 An idea for which I am grateful to Carlyle Thayer.

market place. New opportunities may then arise to resurrect the Mekong River development project involving Thailand, Cambodia, Vietnam and other riparian state (Schaaf and Fifield, 1963).

The improved relationship between Vietnam and China and between Vietnam and the ASEAN states will contribute to a regional atmosphere conducive to a negotiated settlement of overlapping claims in the South China Sea. Cumulatively, these developments will require some rethinking and adaptation in the diplomacy of ASEAN and its members, notably Singapore, which has been the most hardline of the ASEAN states towards Vietnam.

Finally, the involvement by China and Vietnam supporting opposing sides in the war in Cambodia will end. The war will revert to much more of a civil conflict with the Cambodians being left to sort out their differences either by themselves or with the assistance of United Nations mediation and peacekeeping.

Whither Vietnam?

Graham Alliband

To answer the question whither Vietnam it is useful to look historically at where Vietnam has come from. One way of viewing Vietnam's interaction with the world, at least since the nineteenth century, is to see Vietnam as a victim of history. Since 1941 alone Vietnam has been variously occupied or attacked by the French, the Japanese, the British and the Nationalist Chinese after the Second World War, the US and its allies including Australia, South Korea, Thailand, New Zealand and the Philippines, by the Cambodian Khmer Rouge and finally by China.

The long history of struggle against foreign domination has fostered a very strong sense of nationalism, independence, and determination to survive among the Vietnamese. In many respects it has also led to a toughness and persistence which make it more difficult for Vietnam to adapt to a rapidly changing world.

The 140 years of French colonial rule was particularly repressive and exploitative. One might ask what kind of Vietnam we might have today if the French had allowed the development of internal self-government and the free development of Vietnamese political parties, as happened under later British rule in India, or even if the French had seriously negotiated Vietnamese independence after the Second World War. We cannot assume that a Marxist-Leninist one party system was inevitable in Vietnam.

Fifteen years after its defeat of the world's strongest power and its unification, Vietnam is still suffering from the US trade embargo and the economic isolation and deprivation that stem from it. A bitter blow to the Vietnamese was the betrayal of Vietnam's erstwhile revolutionary allies, the Khmer Rouge, who in 1977 and 1978 in particular carried out systematic attacks on Vietnamese

towns and villages, killing thousands of civilians. The ultimate blow was the Chinese cross-border attacks in February 1979 following Vietnam's overthrow of the genocidal Khmer Rouge regime and its occupation of Cambodia. While Vietnam's military action in Cambodia violated the United Nations charter, it cannot be denied that it did succeed in saving the Cambodian people from further depredation and maltreatment by the Khmer Rouge. A decade later this same objective is only now receiving the due attention of the world. In hindsight, Vietnam's destruction of the Khmer Rouge regime would have been a much less costly exercise, if the Vietnamese leadership had had the political vision of calling for United Nations intervention in Cambodia to enable them to withdraw their forces quickly. Yet in the context of the cold war and of Vietnam's international political isolation at the time, it is not surprising that they took the action they did of staying put, and installing a government of their own making—an action which has cost them very dearly.

These events placed Vietnam in an isolated and vulnerable position with it being totally dependent, economically and militarily, on the Soviet Union and its East European allies. The Vietnamese did make considerable effort to normalise relations with the US in late 1978, but they left it too late to drop their demands for reparations, promised by Nixon and Kissinger, and became subject to the China card then being played by the US in its confrontation with the Soviet Union.

A close alliance with a superpower in a bi-polar world is not necessarily such a bad policy in itself, as demonstrated by South Korea and Japan, but the benefits depend on what the superpower can offer. While Vietnam's alliance with the Soviet Union did bring many initial benefits, in the form of large-scale military support as well as economic assistance, it has also been an economically costly alliance. Vietnam's slavish imitation of the Stalinist model of rapid industrialization, through surplus extraction from agriculture and the forced collectivization in the south, resulted in a distorted economic structure, stagnant agricultural production, inefficient capital investment in large-scale projects, hyperinflation and finally poverty for its people. The massive training programs undertaken in the Soviet bloc have also left a legacy in Vietnam of government cadres and business people poorly trained in modern managerial, commercial and administrative skills. Additionally, Vietnam has been left behind

in the information and communications revolution which has been transforming the world economy.

The Vietnamese leadership have largely themselves to blame for the misguided and ultimately failed economic strategy they pursued after unification, errors which they admitted openly with the adoption of the *doi moi* reforms of December 1986. In a sense the Vietnamese leadership were also victims of their heady victory against the US. This victory was not just an extraordinary testament to the Vietnamese people's determination for independence and self-survival; for them it had a wider significance as an historical turning point in the inevitable victory of socialism over capitalism. Vietnam at that time was proclaiming itself the outpost of the socialist bloc in Southeast Asia and a beacon of the world revolutionary movement. Moreover, the rapidly expanding strength of Soviet military power and the Soviet Union's space successes helped foster the myth of the superiority of the Soviet economic model. That myth, as we all know, has now been exploded.

The sudden collapse of communism in Eastern Europe shocked the Vietnamese leadership. Gorbachev's unexpected ending early this year of the Soviet Communist Party's monopoly of power in the very cradle of socialism stunned the leadership even more. The consequences for Vietnam of the collapse of the socialist bloc are enormous and the shock waves are still being absorbed. What is perhaps surprising is that Vietnam has managed to weather the storm so well. The leadership have been presented with unenviable challenges. Ideologically, the basic tenets of the Vietnam Communist Party (VCP) inherent right to monopoly power and the inevitability of the victory of socialism have been undermined. Politically, the heresy of political pluralism and a multi-party system has found legitimacy and favour with many Vietnamese, even within the Party. Economically, the socialist bloc's economic community, CMEA, has collapsed and Vietnam has lost its protective economic links with the Soviet Union. Strategically, Vietnam's position has become even more isolated, as its political and military ties loosen with its hitherto ally, without the concurrent normalization of relations with the other great powers.

How has Vietnam been able to weather this storm? First and most obviously, is the fact that Vietnamese communism is indigenous and homegrown. It was not imposed by Soviet tanks as in Eastern Europe. The VCP has achieved political legitimacy through its leadership of Vietnam's long but successful struggle for

independence and national unity. This struggle was led by an extraordinary man, who ultimately must go down in history as one of the world's great political leaders. The legend and legacy of Ho Chi Minh's political sagacity, his modesty and common touch with the people are pervasive two decades after his death and, in the north at least, he is universally revered. While the policies with which he was associated are not without their negative side, Ho Chi Minh is probably one of the few political leaders whose reality largely lives up to the political myth. I am aware that not all would agree with this assessment.

The VCP's legitimacy has been strengthened by an apparently incorruptible top leadership that I judge has a genuine sense of responsibility towards the well-being and interests of the Vietnamese people. The VCP is not a plutocracy simply sustaining itself through privilege and oppression, as was the case in Eastern Europe. This does not mean, however, that there are not problems of corruption and abuse of power in the Party's lower ranks, a situation which the leadership are trying to redress. On the other hand, it has to be acknowledged there are many in the south who are supporters of the old southern political order, who, for understandable reasons, reject the VCP's claims to political legitimacy, but the impact of this opposition has been greatly weakened by the mass exodus to the west since 1975.

It was in part due to the leadership's close links to the grass roots that they were able to respond to widespread popular discontent and confronted early on the disastrous realities of the bureaucratic command economy, several years before their East European and Soviet colleagues. The Sixth Party Congress in December 1986 was an historic turning point for Vietnam, when following intensive self criticism of economic failures, reforms were introduced known as *doi moi* (or renovation). The subsequent successful implementation of economic *doi moi*, which has transformed Vietnam's economic structure, has without doubt restored to the VCP a degree of credibility, which it was fast losing due to the country's economic stagnation. The introduction of a market-based economy, and a family-based agricultural system, and the legitimization of private enterprise have been welcomed by the Vietnamese people.

The accompanying political reforms which have occurred, if to a much lesser degree, have opened to some extent the valves of pent-up political steam and have led to a relatively more relaxed

political atmosphere. The Vietnamese are pleased with the new freedoms, for example, to visit relatives and to study privately overseas and to marry foreigners. There is also greater scope to mix freely with foreigners, although there are still some constraints on officials socialising with foreigners, especially in the north.

The pragmatism underlying *doi moi* reflects one of the strengths of the Vietnamese national character, the ability to assess the realities of a situation and find practical solutions. It is this ability which has consistently enabled the Vietnamese to triumph over foreign domination. It is this pragmatism which will act as a powerful force, moving to untie ultimately all the remaining ideological knots that inhibit Vietnam's economic and political development.

The VCP's mass roots have enabled it to detect signs of sectoral discontent, eg among students, farmers or workers, and to move rapidly to address grievances and engage in appropriate dialogue. In this the leadership have also learnt the lessons of Tiananmen Square where the Chinese authorities failed to respond early to grievances and allowed the situation to deteriorate to a point where the alternative was either political defeat or mass repression. The leadership have also used the extensive and effective security apparatus to detect and control any overt political challenge. These challenges have in fact been isolated and few. It is no secret, however, that the authorities tightened up security after April 1990, particularly in the south. These measures have included increased surveillance over foreigners, interrogations and warnings, the detention (including house arrest) of an unknown number of people, and the expulsion of at least three Americans. The security authorities have publicly justified their actions in terms of alleged increased external threats to the country from 'hostile intelligence services' and anti-communist emigre Vietnamese, who have been inspired by the communist collapse in the former Eastern Bloc to step up anti-government propaganda activities inside and outside Vietnam. It is difficult to obtain a complete picture of the extent of the security measures, but they are not on the scale of the crackdown in China after Tiananmen Square and appear targetted on particular individuals and groups. While any action by Vietnam that violates internationally accepted norms of freedom of speech and association, and due processes of law, is a matter for concern, this security preoccupation of the Vietnamese authorities should also be seen in the context of the continuing (if now somewhat

diminishing) enmity towards Vietnam of two of the great powers (the US and China), and the challenge of some emigre groups, who are still pursuing the civil war they lost fifteen years ago. Nevertheless, the security measures and the accompanying shrill rhetoric do seem to have been an overreaction, which has unnecessarily harmed Vietnam's international reputation and damaged its commercial interests.

So where does Vietnam find itself today? Internationally, Vietnam is caught up in a rapidly changing, multi-polar world order, where all the alliances and certainties of the past are being overturned. The Soviet-led socialist bloc, of which Vietnam was a loyal member, has disappeared. Its political, ideological and military alliance with the Soviet Union is breaking up. In particular, Vietnam is faced with freeing itself fully from the Cambodia imbroglio. It has been seeking to do this without compromising its perceived security interests and without losing completely its large investment in Cambodia, of manpower, finance and national prestige, yet at the same time in a way which enables it to normalise its relations with the US and China and other countries. It is worth noting here that Japan continues to deny aid and to discourage commercial investment in Vietnam.

With both the US and China, Cambodia has posed the principal obstacle to normalization of relations. Recent progress towards a settlement of the Cambodia issue has given momentum to the dialogues recently begun with these two countries. The most dramatic demonstration of this was the reported secret visit of Vietnam's top leadership to China in the second half of 1990 where, *inter alia*, agreement was apparently reached on the terms of a U.N.-brokered settlement for Cambodia. At this stage, the US has still to lift what is, in effect, its political veto of the international financial institutions resuming lending to Vietnam. The IMF, World Bank and Asia Development Bank are ready to roll, once the US gives the green light, as Vietnam has met their financial conditions. Several Western countries have recommenced bilateral aid programs.¹

¹ Italy—US\$140 million over three years; Germany, a new commitment of 7 million DM; Canada, an initial C\$100,000 during the 1990 financial year; France, 45 million Francs; Britain, one million Pounds through NGO's, specifically related to boat people repatriation.

Internally, the VCP is securely in power, unchallenged by any other political grouping. The VCP is in the midst of a process of internal renewal and has undertaken a thorough campaign to rid itself of corrupt, incompetent, authoritarian and politically unreliable members. The VCP realises that its claims of political infallibility are being badly tarnished by corruption and abuse of power in some of its middle and lower ranks. Its internal purification campaign is aimed at both strengthening its popular credibility as well as upgrading the quality of its political leadership. The aim is for the Party to become more responsive to the concerns and aspirations of the people and thus maintain its legitimacy.

The VCP is also trying to draw a distinction between party and state responsibilities, with the Party theoretically to involve itself only in setting broad policy guidelines and directions and monitoring policy implementation, while the state organs, including the people's state representative assemblies at all levels, are to have enhanced policy-making and administrative powers. There is no doubt that the National Assembly these days is performing a much more important legislative role in debating and deciding legislation and in calling government ministers to account. Ensuring that provincial and district assemblies are able to undertake a similar role is a much more difficult proposition because of the entrenched power of party cadres at the local level.

Economically, the market-based and multi-sectoral economy is in place and is being reinforced. This is being done, domestically, by new company and commercial laws, which will complete the process of legalization of private enterprise and, externally, by further liberalization of foreign investment policies, for example, allowing foreign banks to operate fully in Vietnam. The unexpected shortfall in 1990 in Soviet contracted commodity supplies and the cutback in Soviet orders for some Vietnamese products gave Vietnam an early taste of what is in store, when it has to bear the full brunt of international market forces from January 1991.

Whither Vietnam?

As we approach the last decade of this century, a new chapter in Vietnamese history is opening. With the collapse of the international communist system and the end of the cold war, Vietnam is now in a position for the first time in one and a half

centuries to take its place in the world, as a fully independent country expressing its own national ethos and cultural heritage. The big difference between now and the mid-nineteenth century is that Vietnam will have an open door policy. However, just how open the doors will be for the free flow of ideas and information, rather than for commerce and technology only, is one of the challenges facing Vietnam.

The end of Vietnam's pariah status and distorted international relationships is clearly in sight. Vietnam will soon become a fully fledged member of the international community, including a full member of the Asia-Pacific community.

With the international understandings being reached on the framework for a Cambodian settlement, especially between China and Vietnam, it appears only a matter of time before Vietnam normalises its relations with China and the US. Just when this normalization will take place is still too early to predict, given the remaining difficulties to be overcome before a final Cambodia settlement is reached.

Normalization of relations with the international financial institutions, such as the IMF and World Bank, can be expected to follow rapidly once the US signals its approval. By January 1991, Vietnam's economy was subject to full international market conditions. Its trading and investment links with the region will continue to expand. Normalization with China will see a burgeoning in Chinese/Vietnamese trade, especially with China's southern provinces. Vietnam's commercial links with the Soviet Union will decline relatively, but will probably remain at a significant level for some time. Obviously there will be major problems of adjustment, but the end result of all this should be the full integration of Vietnam's economy into the international economy.

This will mean that Vietnam will wish to take part in the various international and regional consultative mechanisms that are in existence or are being proposed. As its trade with the Asia-Pacific region expands, Vietnam's claims to join the Asia Pacific Economic Cooperation (APEC) grouping will be enhanced. Vietnamese officials are already expressing interest in having observer status at APEC.

At the Southeast Asian regional level, Vietnam will be keen to participate fully in a regional consultative framework. One possibility would be for Vietnam to join the Association of Southeast Asian Nations (ASEAN). Vietnam has already made

some positive soundings about this and about signing the Bali treaty. Another scenario, only theoretical at this stage, might be the establishment of some new Southeast Asia consultative mechanism, including the six countries of ASEAN, Myanmar and the three countries of Indochina. The establishment of a new organization might have the advantage of starting afresh by delineating new objectives and functions in tune with the rapidly changing international situation, and of not introducing a possible divisive element into the existing ASEAN framework.

There has been some speculation whether Vietnam might join China and North Korea in the establishment of a new Asian socialist bloc, based on shared ideological orthodoxy. It would be logical for hardline ideological elements in the Party to support such a political grouping and there are indications that the degree of rapprochement with China is a key issue of debate within the VCP. With the Party on the ideological defensive, such a possibility cannot be discounted. But there are factors mitigating against such a development, not least of which is the deep atavistic suspicion of China stemming from Vietnam's millennial struggle against Chinese dominance and cultural absorption. With memories still recent of instances when the Vietnamese felt betrayed by the Chinese in their struggle for independence, not to mention against the Khmer Rouge, it seems unlikely that Vietnam, with its very strong sense of nationalism, would want to risk subjecting itself again to undue Chinese influence, which a new political/ideological bloc would entail. Such a move, I believe, would also not find favour among the mass of the population. Moreover, the Vietnamese are very keen to obtain the latest technology, expertise and management skills from the industrialised economies, which could be hampered by too close an alignment with China.

While the geographically adjacent and more culturally akin north might have greater interest in closer ties with China, the commercially vibrant and more internationally oriented south, with its strong cultural and commercial links to its ASEAN neighbours and the West, would act as a strong counterbalance to any northern desire to tilt towards China. Renovation (or *doi moi*) in itself can be seen as a symbolic expression of the commercial spirit of the south having emerged to challenge the bureaucratic conservatism of the north. Nevertheless, we should expect that normalization of Sino-Vietnamese relations will take place rapidly when it begins. This will include establishment of Party-to-Party relationships. But I

believe the odds are against the 'lips and teeth' relationship similar to that which existed two and three decades ago.

Where is Vietnam's internal political development heading? The current leadership continue to reiterate their commitment to the maintainance of the VCP's monopoly of power and to Marxism-Leninism as its ideological base. However, it is important to note the qualification that it is Marxism-Leninism creatively applied to meet Vietnam's specific conditions. The establishment of socialism in Vietnam remains the VCP's political goal in line with what is described as the historical evolution of mankind. The leadership remain opposed to the introduction of political pluralism and a multi-party political system in Vietnam.

On the other hand, the leadership express their commitment to political reform and the broadening of democracy as part of the total '*doi moi*' renewal process. Economic and political reforms are to proceed together, but with greater emphasis on economic reform, which is seen as creating favourable conditions, in turn, for political reform. Political stability is viewed as an essential precondition for economic reform and development.

The Vietnamese leadership's preoccupation with political stability and security is obviously linked to maintaining a firm grip on power, but it also has to be seen in the historical context of the 40 years of destruction and turmoil experienced during the struggle for independence and national unity. It is thus not surprising that this concern for political stability also touches a sympathetic chord among the ordinary Vietnamese people. There is without doubt a deep yearning for peace and stability among the Vietnamese, even on the part of those in the south who fought on the losing side. In my view this is another important reason why Vietnam has been able to weather the political upheaval elsewhere in the communist bloc, as it has provided, at the minimum, a reservoir of tolerance for continued VCP rule.

The political turmoil and economic decline, which are occurring in many of the Eastern European countries and the Soviet Union following the introduction of political pluralism, are also acting as deterrents to many eager for more rapid political change in Vietnam. Additionally, the bloody events of Tiananmen Square and the consequent security crackdown there have been a salutary lesson.

Despite the mass exodus of supporters of the old southern political order, there remain in the south many who are viscerally opposed to communism and the VCP's monopoly of power. This is

understandable given the bitter legacy of the war and sufferings they endured after their defeat with re-education, detention and confiscated property. The existence of this anti-communist group poses a particular problem for the VCP leadership. Psychologically and politically there is undoubtedly a considerable barrier to be overcome for the VCP voluntarily to compete openly for political power with its former bitter enemies. Fifteen years is a very short time to heal the deep wounds of civil war. Nevertheless, the country and the people of Vietnam would benefit greatly from an act of reconciliation between the two sides. Such an act would take great courage, vision and statemanship, especially from Hanoi. I believe it is an ideal worth pursuing, however difficult it might be.

From a sociological point of view, the transposition of a multi-party democracy—a system based on conflict and sectional interest—on an essentially backward rural society, with an underdeveloped middle class, raises a whole range of questions about its practical viability at this stage of Vietnam's development. Moreover, Vietnam's tradition of political parties has not been one conducive to a multi-party democracy. In the past, Vietnamese political parties have either been authoritarian and revolutionary in nature, or in the south, based on personal cliques or religious and sectarian beliefs. All this does not mean that people should not have the right to advocate multi-party democracy for Vietnam, but the complications of its introduction should also be thought through.

Those who are interested, in rapidly introducing a multi-party system, at this stage of Vietnam's development, are probably in a small minority. Because of the prevailing conservative political climate, these advocates of a multi-party system are either cowed into silence and biding their time, or subject to various forms of sanctions, such as denial of overseas travel or of freedom to publish, non-promotion or even dismissal, or restrictions on movement, the worst case being in gaol. It is, however, recognised by many that the emergence of a pluralist political system is inevitable as the country's economy grows and Vietnamese society diversifies. What some see as a more immediate and relevant objective is the establishment of a more open political climate within the one party system, further relaxation on information and security controls and an enhancement of the rule of law to protect individual rights. In particular, they want to see the strength of the all-powerful Ministry of Interior reduced.

The most important political event in the near future is the Seventh Congress of the VCP scheduled for June 1991. The VCP is now gearing up for the series of preceding congresses at the local level which began at the end of 1990.

Because of the excessively secretive nature of the inner workings of the VCP leadership, it is very difficult for foreigners to gain insights into the differences of view, debates and factional lineup on issues. This is partly because of the VCP's well developed tradition of collective leadership and adherence to the principles of democratic centralism. But all indications are that the leadership are acting to ensure that continuity of political line will be the predominant theme at the Seventh Congress. The current campaign to purify the Party ranks is in part aimed at strengthening VCP solidarity and discipline and pulling into line and, as a last resort, even expelling those who openly oppose the Party's current line. So while there has been, and will continue to be, considerable debate over the draft Party platform, it is most unlikely that the debate will encompass political pluralism and a multi-party system as an option for the future.

It is likely that a significant proportion of the ageing leadership within the Political Bureau will be replaced, including Party General Secretary, Nguyen Van Linh who is 76 years old (although there is a possibility he may be asked to stay on). The Congress should be a further step in the generational change of leadership of those associated with Ho Chi Minh and the revolutionary struggle. However, any infusion of younger blood will not necessarily mean any significant difference of viewpoint to the older mentors, at least not while the latter remain in positions of power.

Since the VCP's Central Committee meeting in August 1990, there have been some signs of a deliberate attempt to tone down the harsh and divisive rhetoric which has marked official pronouncements to date. Correspondingly, more emphasis is apparently being given to the teachings and homespun wisdom of Ho Chi Minh. It would thus appear that the leadership is looking for a new ideological amalgam which continues to have its formal roots in Marxism-Leninism, but incorporates more of Vietnam's nationalist tradition and revolutionary ideals to make it more acceptable both domestically and internationally. Too strong an attachment to orthodox Marxism-Leninism would only exacerbate the ideological skepticism and fatigue which are widespread in the

country, especially among the young. The updated ideological doctrine is currently being formulated in the form of the VCP's draft platform on the transitional phase towards socialism. The draft platform was published for public discussion before being submitted to the Seventh Party Congress.

Conclusion

In sum, Vietnam is in the process of developing its own political system, based on Marxism-Leninism, on its own revolutionary political tradition and on the needs of a modern state in an increasingly economically integrated world. In this system, the political supremacy and leading role of the Party will be maintained. Further steps towards political liberalization are likely to be very cautious and remain within the parameters of a one-party state. Where there appears to be some room for debate and movement is on the cooption of non-party people into the government and on further democratization and openness within the Party itself. But substantial political liberalization is not popularly expected until the Eighth Party Congress in 1995.

While it is very risky these days to predict political events, for the foreseeable future, at least, I foresee little substantial change in the internal political landscape in Vietnam, particularly if there are no serious setbacks in the gradual improvements in the economy. For the vast majority of the Vietnamese people, I believe, their overwhelming concern is for improvements in their material well-being. Economic renovation has already provided a better standard of living for many; for others it has given them hope. However, with the rapidly changing international situation, the return of students and workers with liberal ideas from Eastern Europe, the expansion of economic relations with the capitalist countries, and the increased information flow, the authorities will inevitably be faced with increased pressure from the intellectuals, professionals and the younger generation for greater political freedom. In my view, in the short term at least, the authorities will be able to contain this pressure through a combination of security controls, political manipulation and economic carrots. Thus, I believe, it is unlikely that in Vietnam there will be political upheaval and transformation on the East European model, or disturbances and bloody repression along the lines of Tiananmen Square. The energy of the leadership will be primarily geared to meeting the economic and social aspirations of the Vietnamese people. This is what *doi*

moi is really all about. Whether these popular aspirations can be met will be the ultimate test of whether the VCP can maintain its political control over the long term.

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