

A Framework for Enabling Prosperity in Vietnam

**An initiative by
Vietnamese Professionals of America, Inc.**

Background

Doi Moi (the Renovation Program enacted in 1986) yielded important improvements to the Vietnamese economy. Based on the optimistic growth figures of that period, it was estimated that it would take Vietnam 25 years to catch up with Thailand. The development gap, which was significant, may be widening between Vietnam and its neighbors and counterparts now that Doi Moi has long passed and gone. China's GDP per capita is now almost three times larger than Vietnam's while the two countries were at the same level in 1975.

The recent ratification of the United States-Vietnam Bilateral Trade Agreement¹ (BTA) has brought renewed belief that its implementation may represent the single most important factor that will bring significant change to the Vietnamese economy. For the Communist Party of Vietnam (CPV), the stakes are quite contentious: trade may help grow the economy, but the openness that the BTA will introduce could potentially lessen the control of the CPV over the direction of the country. The external pressure from Vietnam's neighbors is no less significant. The intense activities pursued by China into becoming a world-class trading partner constitute a formidable competition that Vietnam has to face. The implementation of the BTA will be indeed a daunting challenge.

Challenges to Development

The poor performance of the Vietnamese economy can be attributed to a number of factors.

The role of the state. Although the role of the state in controlling the “commanding heights²” of the economy in Vietnam has radically evolved over the years, it is also quite obvious that it has not decreased in importance. For instance, international organizations have been assisting Vietnam to evolve beyond its deficit-plagued state-owned sector. This process of “equitization” – as it is called in Vietnam – is proceeding ahead for a number of SOEs that represent money-losing operations. This will allow the Vietnamese government to cope with the magnitude of these financial losses. On the other hand, support for the industries that are deemed critical to the survival of the CPV is continuing unabated. The power of the state – and hence the bureaucracy – as a determinant of

¹ See “Trade and Economic Development in Vietnam” on the Vietnamese Professionals of America, Inc.’s web site at www.vpa-inc.org/conference/pdf/trade.pdf.

² Attributed to Lenin.

economic activities remains pre-eminent. Internally, almost every significant force of production is co-opted under the party-state umbrella including foreign investors who are required to do business as joint ventures with Vietnamese partners in targeted sectors.

... And its effect on the economy: systemic inefficiency. Institutional frameworks that are not conducive to the rule of law and competitive practices will provide ample opportunities for rent seeking and other systemic abuses in the production and trading process. With Doi Moi, economic growth has also brought systemic corruption and other social excesses. As a consequence, in 1997 - 1998, the exit of foreign direct investment (FDI) from the country culminated due to a business climate that has essentially become harsh and unpredictable. The focus over income capture and its redistribution at the expense of the creation of wealth represents the most serious challenge to progress.

The lack of a property rights regime. The status of the private sector is as murky as ever. In fundamental ways, the distinction between the public and private realms does not exist. The lack of a private property regime means that wealth that is created ultimately rests under the control of the state. In case of a dispute, the interpretation of the law still remains under the control of the party-controlled court system. The lack of adequate private property rights has negated critical incentives for economic efficiency, investment and production, and represents the central impediment to the formation of capital.

A Different Paradigm

The international donor community provides unique and invaluable services. But its focus on the country's leadership - as required by the rules of diplomacy - to provide consulting assistance also suffers fundamental limitations:

- It has little effect when the leadership does not find sufficient incentives to adopt changes;
- It leaves out the remaining constituencies to fend for themselves;
- It fails to level the playing field by leaving the “rules of the game”, economic and otherwise, unchanged.

For economic development to take hold and become sustainable, *the central question of how to instill efficiency in the production of wealth and equal economic opportunity for Vietnamese citizens remains to be addressed.* Changes are inescapable. But what is to be done, and how?

The lack of efficiency in the economy compounded by the preceding constraints will in time cause internal crises and external shocks (chronic unemployment, inability to repay mounting debts, etc.) that will in turn disturb the political order. This may be a plausible scenario but unplanned transition is hardly a desirable option to lead the country out of its current conditions. As the case of the Former Soviet Union clearly shows, uncharted changes are quite precarious.

Prosperity will necessarily requires the population at large to have a stake in society. In order to support and enable the various constituencies of Vietnam to become active participants in societal changes and reform processes, their specific needs and issues have to be addressed. Formulating practical alternatives with the objective of improving their welfare represents a necessary step. For Vietnam, it is urgent to enable such a process to develop and take root.

As a starting point, the organization of conferences with the participation of leading researchers and field experts as well as the sponsorship of major institutions will be the most credible means to support these endeavors. A number of key attributes of these activities have to be established and maintained:

- They have to be issue-oriented, and constructive;
- They must be inclusive, balanced and open.

The ensuing debates will represent a salient incentive for the general population to become stakeholders in the process of changes. They say to the people of Vietnam that there is a future and they belong in it. The central building component of prosperity revolves around active participants and informed citizens. Such citizens would also guard society against extreme actions.

Past Conferences and Planned Activities

Our current focus is geared towards the organization of conferences based on the general theme of “Prosperity for Vietnam”. As of today, three conferences have been held, each based on a specific focus. The first conference we organized was held in Paris, France, on 8-9 October 1999, jointly with "l'Association des Techniciens Vietnamiens d'Outre-Mer". The second conference was held in Washington, DC, on 16-17 November 2000. Dr. Robert A. Scalapino, Emeritus Professor of Government at UC Berkeley and a leading authority on East Asia, was the Program Chairman. We also had the great privilege of having the Paul H. Nitze School of Advanced International Studies (SAIS) of the Johns Hopkins University as co-organizer and co-host of the conference. The third conference was held on November 16, 2001 on the campus of Catholic University of America, with Prof. Scalapino as our Honorary Conference Chairman.

The proceedings of these conferences are posted on our web site at www.vpa-inc.org.

Added Values

These activities provide important added values. On the one hand, the articulation of reform issues and the development of related alternatives are based on the perspective of specific constituencies. This approach provides the targeted constituencies with a self-contained framework that they can use to promote their welfare and positions in society. On the other hand, we emphasize topics that are of central importance to sustainable development and progress but have only received scant attention and incidental mention in other forums and conferences.

- The topic of private property rights was, for example, prominently featured in all the first three conferences to underline the fundamental necessity of such an institution as a prerequisite for sustainable, broad-based economic growth and social progress in Vietnam, and elsewhere;
- Forthcoming conferences are being planned to focus on the liberalization of the economy, privatization of SOEs and lessons learned - what works or doesn't work - from the transition experiences in Russia and Eastern European countries, and their applicability to Vietnam;
- Land reform - in the context of a comprehensive approach to agrarian issues - is of critical importance to the rural population (80 percent of the population and poorest segment in Vietnam);
- Trade and development.
- Etc.

About Us

Vietnamese Professionals of America (VPA) Inc, is recognized as a not-for-profit organization under section 501(c)3 of the U.S. Internal Revenue code. VPA's primary mission is to provide educational programs that would enable Vietnamese nationals in the U.S., in Vietnam, and elsewhere to become productive professionals and active stakeholders in the environment they live in.

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