

Reform Immobilism: The Prospects for Doi Moi

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Reform Immobilism and the Prospects for Doi Moi

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Reform Immobilism

Brantly Womack, writing in 1996, described Vietnam's slow pace of policy change and lack of decisive political leadership as "reform immobilism."¹ Womack argued that there were three countervailing factors that explained why reform immobilism became the consensus view within the Vietnam Communist Party (VCP). First, Vietnam's policy of renovation had proven to be the most successful economic policy ever adopted by the VCP. Further success, he argued, was dependent on "decentralization, decontrol, and internationalization." Second, the success of renovation led to the emergence of "negative phenomena" which required

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“political regulation rather than more market forces.” Third, the success of reform efforts, coupled with a peaceful international environment, dissipated the sense of national crisis that spurred renovation in the first place. As a result, the “conservatives have no alternative to reform, the reformers cannot deny the importance of order and redistributive measures.”

Womack also acknowledged that a number of other forces, such as center-provincial tensions and differing generational views, also contributed to policy caution. In Womack’s view immobilism “implies a middle course of muddling through and policies that are conflicting in their effects... The central leadership is in gridlock but the traffic creeps around.” He concluded that “[t]he structural weakness of immobilism is that it is permanently behind the curve of societal developments.” This paper reviews the prospects for *doi moi* within this framework. It notes that the same three key factors — support for reforms, the need for political control and a non-crisis atmosphere — still operate to constrain the pace of reform.

Party reformers and conservatives mainly differ over the pace and scope of reform efforts.² Conservative ideologues are particularly concerned that their power base in state-owned enterprises will be undermined by the process of opening up and integration with the global economy. More liberal reformers advocate political liberalization and democratization, while conservatives decry pluralism and multiparty democracy. Ideologues warn of the “threat of peaceful evolution” by

external hostile forces operating in conjunction with domestic reactionaries. Given this political context, how does one explain Vietnam's agreement to finally sign a bilateral trade agreement with the United States and an apparent step up in reform efforts?

A partial explanation may be found in preparations for the ninth party congress. VCP Secretary General Le Kha Phieu is now seeking election as party chief for a full five-year term. He and his supporters have become preoccupied with fashioning a coherent and effective economic strategy that will attract broad support not only within the party but society as a whole. Of necessity they must present an optimistic picture. Vietnam's conservatives, therefore, have been persuaded that unless Vietnam continues to reform and open up they will not be able to attract back lost foreign investment and revive trade. These steps are necessary in order to achieve and maintain high growth rates. It is this the impending convocation of the ninth party congress that explains the new momentum in Vietnam's reforms.³

The Economy

During 1997-98 Vietnam was affected by "four typhoons" — declining growth rates, peasant unrest in Thai Binh province, a devastating typhoon which struck in late 1997, and the after shocks of the Asian financial crisis. As early as late 1996 Vietnam first began to experience a decline in foreign direct investment and a drop in external trade.⁴ This was the first time since *doi moi* was adopted that economic

growth rates had declined. Vietnamese leaders did not, however, perceive these developments as crisis-like or necessitating a marked step up in the pace of reforms.

Vietnam's economic downturn had many internal causes such as a poor investment climate resulting from excessive bureaucratic red tape, a Byzantine system of rules and regulations, and pervasive corruption. But the root causes were more fundamental. These included government favoritism for 6,000 inefficient and debt-ridden state-owned enterprises (SOEs) and a weak and corrupted financial and banking system. The decline in Vietnam's economic growth rates sparked repeated calls by officials from donor countries and international financial institutions, as well as Vietnamese and foreign economists, for Vietnam to step up the pace and expand the scope of its economic reform efforts. In 1996, for example, the International Monetary Fund ceased providing assistance to Vietnam until appropriate reform measures were adopted. Yet during 1997-98 Vietnam's leaders chose to "batten down the hatches" and ride out the regional economic storm.

According to a World Bank memorandum on Vietnam issued in late 1998, the external shock of the Asian financial crisis amounted to a "kick in the stomach" that it estimated was equivalent to the loss of U.S. \$3 billion or 12 percent of Vietnam's GDP. The World Bank further stated

the economic situation is quite serious for Vietnam — threatening to undermine and reverse the remarkable progress... that was achieved over the past decade. Vietnam can still avoid a worsening situation, but this will require stepped up reform of both policies and programs, and change in the pattern of support from the international community.⁵

For the first time the World Bank signaled that certain types of financial assistance would be contingent on Vietnamese reform efforts.

Conditionality on aid was endorsed by the sixth meeting of the international donor community that met in Paris in December 1998. The donor community agreed to provide U.S. \$2.2 billion in development assistance. An additional U.S. \$500 million was made contingent on Vietnam's adoption of an "accelerated 'doi moi' program." The donor meeting obtained Vietnam's endorsement of a three-point program to accelerate structural and sectoral reforms in 1999: (1) comprehensive state enterprise reform program with time tables and targets for SOEs to be restructured, merged, equalized, divested, and liquidated; (2) a restructuring plan for the whole banking sector, including comprehensive restructuring of the four state-owned commercial banks; (3) and a comprehensive three-year trade reform program, with key milestones for each year.

Although Vietnam agreed to the three-point reform program in late 1998 it undertook no steps in 1999 to carry out this commitment. Indeed, the international donors' meeting that met in Hanoi in December 1999 appeared a re-run of the 1998 meeting. Donors pledged U.S \$2.2 billion in highly concessional loans and grants. And once again they pledged an additional amount — U.S. \$700 million — in

concessional aid. The concessional aid package was specifically targeted to cover the costs of debt restructuring in state-owned enterprises, re-financing the banking system and retraining the unemployed. But, according to Minister of Planning and Investment, Tran Xuan Gia, “You cannot buy reforms with money... no one is going to bombard Vietnam into acting.”⁶

New aid pledges in 1999 brought the total pledged to Vietnam since 1993 to U.S. \$13 billion, but only U.S. \$6.4 billion was disbursed.⁷ The World Bank praised Vietnam for its efforts in reducing the incidence of poverty in 1999 but warned that these gains were fragile and could be reversed if further reforms were not carried out.⁸ The international meeting of donors underscored once again that Vietnam risked being left behind by other states if it did not accelerate the pace and scope of reforms. According to a statement released by the donors meeting

Delegates commended the Vietnamese Government for remarkable progress in reducing poverty, but this was tempered with concern that the slow pace of reforms might leave Vietnam trailing behind, as the rest of the region recovers from economic crisis. This in turn would leave Vietnam unable to sustain reductions in poverty in the future.⁹

Vietnam is known to be drawing up a three-year reform package based on inputs from several ministries; but officials with responsibility for the plan repeatedly refuse to commit themselves to a deadline for implementation.¹⁰

Officially, Vietnam’s economy grew by 4.8% in 1999, independent assessments placed GDP growth rates at 4% or less.¹¹ Economic growth was less than three per cent above estimated population growth. In these circumstances the World Bank,

IMF and the international donor community were in agreement that Vietnam must restructure its economy, liberalize trade, and carry out urgent reforms in the financial and banking sectors.

The above analysis suggests that the three countervailing factors identified by Womack as contributing to immobilism continue to operate and stall reform efforts. Economic reforms continue to have widespread support in Vietnam. Senior government officials continue to express their support for continued renovation. Minister of Planning and Investment Tran Xuan Gia, has stated, for example, “We agree that without accelerated reforms we cannot grow rapidly and therefore the question is how best to accelerate the ‘doi moi’ process.”¹² Vietnam is seeking IMF and World Bank policy advice as it draws up its next five-year plan (2001-05).

Support for reforms, however, are tempered by concern to maintain political control. Vietnam’s ideological conservatives argue that World Bank conditionality on aid is tantamount to a breach of national sovereignty. They do not believe Vietnam is in crisis or is about to enter a period of crisis. This was clearly evident in the government’s economic report delivered to the fifth session of the National Assembly (tenth legislature) in early May 1999. According to Deputy Prime Minister Nguyen Tan Dung, Vietnam had achieved many positive results — a positive growth rate of about 4 percent and the maintenance of political security and social order. “It is also clear proof,” he argued, “that our party’s and state’s lines and policies on the renovation process are correct.” Dung mentioned a

number of weaknesses and shortcomings and forecast that these would result in lower growth rates in the future. On the crucial matter of SOE reform, Dung failed to spell out a comprehensive reform program along the lines advocated by the World Bank and international donor countries. The end result has been excessive caution and gradualism.¹³ Some aspects of the donor community's reform program have been adopted. The sixth session of the National Assembly, for example, adopted the Enterprise Law and revised Law on Domestic Investment.

Domestic Developments: The Party

During the eighteen-month period from the onset of the Asian financial crisis to late 1998, the Vietnam Communist Party's Central Committee met three times (December 1997, July 1998 and October 1998).¹⁴ It was only at the October meeting, the sixth plenum (first session), that economic issues were discussed in detail. The plenum's final communiqué declared Vietnam had achieved a "big success" because it had maintained political stability and a six percent GDP growth rate. Priority was placed on agriculture and rural development.

The October 1998 sixth plenary meeting was a split session. This is highly unusual if not unprecedented. In addition, the second session was postponed five times due to divisions in the Politburo over consolidating government ministries and leadership changes. The sixth plenum (second session) was held under the shadow of several important developments. Firstly, the VCP was faced with a new round of internal party dissent spearheaded by very senior retired officials.¹⁵ Foremost

among this number was General Tran Do, former head of the party's Ideology and Culture Commission. General Do has been continually vocal since peasant unrest in his native province of Thai Binh turned violent in late 1997. General Do was expelled from the party. This provoked a renewed round of protests and even one resignation by a former high-level military historian. Secondly, the sixth plenum (second session) was held amidst speculation of major changes in party and state leadership sparked by the death of Politburo member, and former Minister of National Defense, Doan Khue.

The sixth plenum (second session) was the first of three Central Committee meetings to be held in 1999.¹⁶ This too is unusual, but not unprecedented, as the party statutes require only one meeting every six months. The sixth plenum (second session) met from January 25-February 2, 1999. The meeting discussed "fundamental and urgent issues" concerning party-building. In other words, the meeting focused on ways and means to improve the efficiency and administrative performance of the VCP in implementing Vietnam's reform program but not on economic policy *per se*. The sixth plenum (second session) focused its attention on ways to counter the degradation in the party's ranks caused by corruption, excessive bureaucracy, individualism and internal disunity. No decision was taken to fill the Politburo seat left vacant by the death of Doan Khue, nor were any other leadership changes announced. Indeed, party spokesmen went out of their way to ridicule the foreign media for its pre-plenum speculation on leadership changes.

The sixth plenum (second session) resolved to launch a three-year criticism and self-criticism campaign designed to rid the party of its degenerate members and restore party unity. In the meantime, party officials were tasked with drawing up guidelines on the question of the extent to which a party member and his/her family members can participate in private economic activities. The sixth plenum (second session) also postponed the question of leadership changes until a later date. It set up a task force to draw up a plan to slash the party and state bureaucracies to be presented to the next Central Committee meeting.

The Central Committee held its seventh plenum from the 9th-16th August 1999. The main agenda item was on “issues relating to the organization and apparatus of the political system, wages and social allowances funded by the state budget. The plenum considered the report on reforming the party and state bureaucracies and resolved to lay off about fifteen percent of personnel. Finally, the plenum initiated preparations for the upcoming ninth national party congress. Party congresses are held every five years. The preparatory phase kick starts an intense period of internal party discussion and debate over future policy options and leadership change. The key policy documents that emerge represent compromises reached by various bureaucratic constituencies within the VCP. Alterations to the party statutes change the rules by which the party operates. Leadership transition inevitably reflects a balance of interests among the various party factions. It is the responsibility of the congress to approve Vietnam’s long-term socio-economic

plan, the Political Report of the party Secretary General, and amendments to the party's platform and statutes. The congress will also elect a new party leadership and this in turn will precipitate a shake up in the government's ministerial ranks.

The last plenum of the year, the eighth, met from 4th-11th November.¹⁷ The plenum was concerned with five main issues: attaining the goals set in the socio-economic plans up to the year 2000, assessing the results of the criticism-self-criticism campaign, reviewing the draft text of the U.S.-Vietnam Bilateral Trade Agreement, preparatory work for the ninth national party congress, and leadership change.

Regarding leadership change, these fell into three broad categories: disciplinary cases, a government reshuffle, and reassignment of party officials. For example, Central Committee member Ngo Xuan Loc was reprimanded by the party. He was also dismissed as Deputy Prime Minister for his involvement in a scandal surrounding the Thanh Long water park in Hanoi and for his role in encouraging speculation in the cement market in 1995. The National Assembly also carried out a reshuffle in government posts. Politburo member and Deputy Prime Minister Nguyen Tan Dung relinquished his position as Governor of the State Bank to his deputy, Le Duc Thuy. Dung was later appointed First Deputy Prime Minister and given the responsibility for supervising the other three deputy prime ministers.

Early in the new year the National Assembly Standing Committee announced that Foreign Minister Nguyen Manh Cam would give up his portfolio to concentrate on

his duties as Deputy Prime Minister. He was replaced by his most senior deputy, Nguyen Dy Nien. At the same time, another Deputy Foreign Minister, Vu Khoan, replaced Truong Dinh Tuyen as minister of the ailing Trade Ministry. The final round of leadership changes involved the reassignment of senior party officials. In January 2000 it was announced that Politburo member Truong Tan Sang, Secretary of the Ho Chi Minh City Party Committee, was being brought to Hanoi to head the Central Committee's Economics Department. Politburo member Nguyen Manh Triet was appointed Secretary of the Ho Chi Minh City Party Committee, vacating his post as head of the Central Committee's Mass Mobilization Department. There were other leadership changes made at this time.¹⁸

These leadership changes must be placed in the context of preparatory work for the ninth congress. Secretary General Le Kha Phieu has moved to strengthen his position and gain re-election for the top party post. Phieu is seeking re-election for a full five-year term in his own right. Phieu replaced Do Muoi in December 1987 a year after the last party congress. At that time the party was preoccupied with peasant unrest in Thai Binh province and the regional financial crisis. Phieu came to office as a compromise candidate. He has proven to be a cautious leader. Under his tenure Vietnam's reform efforts have stalled as priority has been given to maintaining political stability.

In the years leading up to Le Kha Phieu's tenure there has been a marked weakening of party control over the military.¹⁹ The colossal upheavals in Eastern

Europe 1989 coupled with internal party factionalism in Vietnam resulted in an expansion of the army's role in ensuring the maintenance of internal order and security. The ending of Vietnam's decade long occupation of Cambodia led to the rise to prominence of Vietnam People's Army (VPA) veterans in both the army and the party. The appointment of Le Kha Phieu as party Secretary General in late 1997 resulted in an increased role for the military in the Politburo.²⁰ Since then the military's internal role has been strengthened by the current program to create economic-defense zones (khu kinh te-quoc phong) throughout the country. In this circumstance the weakened nature of party control over the military in Vietnam may be contrasted with that of China where party leader Jiang Zemin was able to successfully order the People's Liberation Army to divest itself of its commercial enterprises.²¹ In contrast, there has been no attempt in Vietnam to curtail the VPA's involvement in commercial activities.

In September 1999, party conservatives — including sections of the military — succeeded in scuttling a trade agreement with the United States.²² Party conservatives have also criticized the Prime Minister, Phan Van Khai, for not rooting out corruption among his ministers. In November the conservatives engineered the dismissal of Ngo Xuan Loc as deputy prime minister. In December, Khai's aide, Nguyen Thai Nguyen, was reportedly placed under investigation for unspecified violations of the national security law. It was only in October 2000 that

the official media reported that Nguyen and three accomplices were implicated in a “witch hunt” against Central Committee member Vo Thi Thang.

In January Prime Minister Khai candidly revealed that he was unable to obtain consensus on the draft trade agreement with the United States and that he was throwing this hot potato back to the Politburo for resolution. Prime Minister Khai reportedly became so frustrated over the slowness of the reform effort and attacks on him for failing to curb corruption that in March he tendered his resignation. This was refused because of the negative impact it would have on Vietnam’s external relations.²³

Matters were temporarily resolved at the Central Committee’s ninth plenum which met in Hanoi from April 10th-19th, 2000. This meeting was mainly concerned with preparations for the ninth national party congress. The meeting was attended by the three advisers to the Central Committee, Do Muoi, Le Duc Anh and Vo Van Kiet. The plenum discussed four major draft documents: the Political Report, Socio-Economic Strategy for the 2001-2010 Period; the Five Year Plan, 2001-2005, and Report on the Revision of the Party Statutes. It also discussed “reports on other important matters.”

After the opening speech by Secretary General Le Kha Phieu, Politburo member Nguyen Phu Trong briefed the participants on matters that still needed discussion, including sections of the Political Report. One contentious matter concerned making the Politburo more accountable to the Central Committee. Three proposals

were tabled for discussions: (1) the Central Committee would directly elect the Politburo Standing Board (currently the Politburo chooses its Standing Board); (2) the re-creation of the Secretariat (which had been replaced in 1996 by the Standing Board); and (3) the retention of the Politburo Standing Board alongside a revived Secretariat. The plenum set up a Document Compiling Board to consider opinions and suggestions raised by Central Committee members and on this basis to revise and present the draft documents for consideration by the tenth plenum scheduled for mid-2000.

The ninth plenum's communiqué, as previous policy statements, gave no hint that an accelerated program of reforms was likely. Once again the VCP adopted a gradualist approach²⁴ when it identified the main themes of the forthcoming national congress as: "the continuation of the renovation process, speeding the industrialization and modernization process, and building and defending the socialist state of Vietnam." The plenum also dealt lightly in meeting out discipline to three of its members, two of whom were charged with corruption. One member was censured, while the other two were reprimanded. These are the two lowest forms of party discipline.²⁵ Phan Van Khai was assuaged and Ngo Xuan Loc was brought back in from the cold as special advisor to the prime minister for industry, construction and transport.

In late June Vietnam's reform effort gained new momentum after the tenth Central Committee plenum (26th June-4th July) concluded its deliberations.²⁶ According to a

communiqué issued after the meeting: “[a]mong the key issues discussed... were problems of ownership and economic sectors in the transitional period to socialism; building an independent and autonomous economy in the light of international economic integration; and orientation, tasks and solutions regarding party-building work. The plenum also laid the ground work for the Ninth National Party Congress...”²⁷ Of significance was the plenum’s debate on the issue of an “independent and self-reliant economy and international integration.” The plenum concluded that there was no other choice but to continue with regional and global integration. The meeting gave its approval for the new trade minister to sign a bilateral trade agreement with the United States after seeking clarification of several concerns.²⁸ At the same time long-standing plans to open a stock exchange in Ho Chi Minh City were suddenly given the green light.

Since the tenth plenum the Vietnamese media has given increased attention to preparations for the ninth party congress including a discussion of the still confidential draft political report, *Bringing into Full Play the Strength of the Entire Nation, Continuing the Renovation Process, Accelerating Industrialization and Modernization, Building and Defending the Socialist Vietnamese Fatherland*.²⁹ According to one authoritative article the draft Political Report contains fifteen major new points when compared with the previous Political Report to the eighth congress.³⁰ A careful review of these fifteen points, however, reveals no major departure in economic policy since the 1994 mid-term party conference and 1996 eighth national

party congress. In the past party documents asserted that it was the long-term policy of the party and state is “to develop the commodity-based multisector economy operating in accordance with the state-managed, socialist-orientated market mechanism.” The draft Political Report merely condenses this awkward and convoluted expression into a single phrase “to develop a socialist-orientated market economy.” The draft Political Report continues to highlight bread-and-butter themes; it gives prominence to Ho Chi Minh Thought, the period of transition to socialism (which may be shortened by “orderly steps and big leaps forward”), the leading role of the state and cooperative economy, and class struggle. The draft Political Report is quoted as stating, “The principal content of class struggle is to successfully pursue the goal of industrialization and modernization along the lines of socialism, to struggle to frustrate all schemes and acts of sabotage by hostile forces, and to build Vietnam into a prosperous socialist country.” In the view of one Vietnamese economist attached to a major institute in Hanoi, the draft Political Report “represents nothing new, it may even be a step backward.”³¹

Conclusion

What explains the new momentum behind Vietnam’s reform efforts?

A partial explanation for the new momentum in Vietnam’s reform effort may be found in political maneuvering prior to the ninth party congress. Up until 1997, Vietnam’s communist leadership has relied on performance legitimacy —

successful management of economic growth — as the basis for their political legitimacy. The economic down turn of the past three years has eroded this foundation raising fears that maintaining the status quo will only serve to make Vietnam's worst nightmare come true – falling further behind regional states. Vietnam's conservatives, who support gradual reform but are more concerned with its pace and scope, have been persuaded that the economy will not achieve high growth rates unless Vietnam continues to reform and open up. This means attracting back lost foreign investment, reviving trade and further reform of state-owned enterprises and the banking sector.

Domestic and regional developments in the late 1990's have presented Vietnam with its most difficult set of challenges since the mid-1980s when it embarked on a domestic reform program known as *doi moi* and an external policy of diversifying and multilateralizing foreign relations. Domestically, Vietnam's leaders are confronted with the difficult choice of determining the pace and scope of reform efforts at a time of great uncertainty caused by the Asian economic crisis and its aftermath. During the first half of 2000, Vietnam's economy grew at 6.2% year on year.³² Yet foreign investment figures continue to fall. Vietnam's recovery and future development prospects depends not only on encouraging foreign direct investment but seeking new markets. Europe and North America have been targeted. The U.S.-Vietnam bilateral trade agreement holds the potential to really open up Vietnam's market³³ and speed not only its membership in the WTO but

Vietnam's economic integration into the global economy. But it should be noted that the trade agreement contains phase-in periods of up to nine years.³⁴

Vietnam is unable to move decisively forward due to immobilism in its political system. Three countervailing factors have led to policy stalemate — a sincere desire to continue with reform, fear that economic reform will be destabilizing, and a perception that Vietnam was weathered the worst of the Asian financial crisis and can continue on its present cautious course.

Vietnamese party conservatives compare calls for “doi moi 2” with the “big bang” approach to the reform of socialist economies in Eastern Europe and the Soviet Union. They assert that such policies would only result in internal chaos. Indeed, they argue, especially in light of NATO intervention in Kosovo and the mistaken bombing of the Chinese embassy in Belgrade, that imperialist forces still maintain the objective of overthrowing communist regimes and rolling back socialism. Party conservatives are also extremely reluctant to quickly equitize state-owned enterprises for fear of generating unemployment and discontent among their support base. There are considerable vested interests in the present system of state-owned enterprises that involve party members at national, provincial and local levels. Perhaps more importantly, party conservatives are not intellectually or emotionally committed to the development of a free market and the dominance of the private sector. Such reforms would undermine the basis of their power in their view. They seek instead to maintain state control over the economy.

Vietnam's current party leaders see a "doi moi 2" as more threatening than the status quo. In fact, they argue that Vietnam has achieved success in maintaining social and political stability and positive growth rates. In their perspective Vietnam's limited integration with the global economy is a blessing in disguise. Because of a weak financial market, the lack of a stock exchange, and the non-convertibility of the *dong*, they assert, Vietnam was spared the worst effects of the regional economic crisis. In brief, the adoption of "doi moi 2" would undermine the basis of one-party rule, while the preservation of the status quo offers the possibility of prolonging the party's hegemonic position.

Vietnam's leaders face a difficult choice. They can place a premium on political stability at the expense of urgent economic reforms. This choice may undermine the performance legitimacy of the regime because unaddressed economic reforms will only handicap Vietnam in the future. Or, Vietnam's leaders can embark on fundamental economic reforms, which entail a degree of risk, to ensure that they do not fall further behind as regional states resume economic growth.

Externally, Vietnam faces an ASEAN in considerable disarray due to its untimely enlargement. Politically, ASEAN is divided between its politically open and politically closed states.³⁵ Economically, the Asian economic crisis has slowed the pace of regional integration and put in doubt the timetable for tariff reductions under AFTA. Vietnam is formally committed to developing a market-orientated economy albeit under state control, opening up its economy, and integration with

the regional and global economy. The Asian financial crisis has raised serious doubts in the minds of some party leaders and they have deliberately slowed the pace and scope of this process. The current picture is a very mixed one as Vietnam tries to insulate itself from the adverse effects of globalization, preserve its national identity, and integrate with a regional of great economic and political diversity.

The above developments suggest that the VCP will be preoccupied with internal matters in the build-up to the ninth party congress scheduled March 2001. During this process party conservatives are likely to be highly sensitive to any loss of control. Not only is there residual distrust of Vietnam's former adversary, the United States, but Vietnam's ideologues are viscerally opposed to the intrusive forces of global capitalism. The preamble to the bilateral trade agreement states that relations between Vietnam and the United States will be based on "mutual respect for their respective independence and sovereignty" – key concerns of the conservatives. Many of the clauses of the trade agreement do not come into force immediately but are scheduled to be phased in over several years. In this climate Vietnam is not expected to embark on any new bold efforts to kick start a process of "doi moi two." Gradualism in the introduction of economic reforms, and a refusal to countenance political liberalization raise the specter that Vietnam will not only be left behind other regional economies, but will witness the erosion of performance legitimacy as the basis of one-party rule.

According to Doan Viet Hoat:

The crisis in Vietnam today is not merely economic in nature. It is more a crisis of high politics' policy, of national direction and strategy. It is the conflict between communist ideology and the trends of the time.... These global trends of human rights and democratic decentralization conflicts with the principle of "democratic centralism" in communist Vietnam....³⁶

¹Brantly Womack, "Vietnam in 1996: Reform Immobilism," *Asian Survey*, January 1997, , 37(1), 79-87.

²See Quan Xuan Dinh, "The Political Economy of Vietnam's Transformation Process," *Contemporary Southeast Asia*, August 2000, 22(2), 365-366. A recent analysis of leadership in Ho Chi Minh City warns against the facile assumption that all southerners are reformers; see: Martin Gainsborough, "The Ho Chi Minh City Elite," *Vietnam Business Journal*, May 2000, internet version. <http://www.viam.com/archive/2000/05/hcm.htm>.

³Carlyle A. Thayer, "Vietnam's Reforms: New Momentum," *Vietnam Business Journal*, August 2000, internet edition. <http://www.viam.com/archive/2000/08/vrn.htm>.

⁴See remarks by Gerrit Thisses, ABN-AMRO country manager for Vietnam, quoted in Duong Phong, "Growing Need for Doi Moi, Phase Two," *Vietnam Investment Review*, no. 430, January 10-16, 2000, 10.

⁵World Bank Group, *Vietnam Country Economic Memorandum*, Executive Summary, 1998. <http://www.worldbank.org/html/extdr/offrep/eap/vncg98/vncemex.htm>.

⁶Agence France Presse, December 15, 1999.

⁷Associated Press, December 15, 1999.

⁸Quoted by Agence France Presse, December 15, 1999.

⁹Agence France Presse, December 15, 1999.

¹⁰See remarks by Tran Xuan Gia, Minister for Planning and Investment, that "more discussions were needed" quoted by Reuters, December 15, 1999; see also: Catherine McKinley, "International Donors Renew Aid to Vietnam, Pledge \$2.1 billion," *The Asian Wall Street Journal*, December 16, 1999.

¹¹The Economist Intelligence Unit, "Vietnam: Economic Outlook," January 10, 2000 and Deutsche Presse-Agentur, December 15, 1999.

¹²Deutsche Presse-Agentur, December 15, 1999.

¹³Quan Xuan Dinh, "The Political Economy of Vietnam's Transformation Process," *op. cit.*, 261. Dinh argues that "gradualism is due to internal opposition, lack of human resources, and a trial-and-error approach followed by the government."

¹⁴Quan Xuan Dinh, "The Political Economy of Vietnam's Transformation Process," *op. cit.*, 369-370.

¹⁵*Ibid.*, 386, note 36.

¹⁶*Ibid.*, 370-372.

¹⁷The plenum was partly overshadowed by severe flooding in central Vietnam that extended over a six-week period from early November and left over 700 persons dead.

¹⁸Cao Sy Kiem was dismissed as Governor of the State Bank for mismanaging loans that resulted in an explosion of bad debts. Former customs director Phan Van Dinh was charged with corruption while in office. In December the National Assembly removed two deputies, one for being implicated in the Thanh Long scandal and the other for negligence. The final round of leadership changes involved the reassignment of senior party officials. On 13th January 2000 it was announced that Phan Dien, then head of the Central Committee's Economics Department, was replacing Truong Quang Duoc as Secretary of the Danang City Party Committee. Truong Quang Duoc was appointed head of the Central Committee's Mass Mobilization Department. Central Committee member To Huy Rua, a former deputy director of Ho Chi Minh National Political Academy, was appointed Secretary of the Haiphong City Party Committee. Party leadership changes were rounded out in March 2000 when it was announced that Le Xuan Tung, Secretary of the Hanoi Party Committee, and Nguyen Phu Trong, chief of ideological, cultural, scientific and educational affairs at the Central Committee, would swap positions.

¹⁹See: Carlyle A. Thayer, "The Economic and Commercial Roles of the Vietnam People's Army," *Asian Perspective*, 2000, 24(2), 87-120.

²⁰Le Kha Phieu reportedly has lobbied to occupy the post of state president and party secretary general simultaneously. His efforts have been unsuccessful so far. Phieu reportedly is also frustrated at the constraining role diplomatic protocol places on him in dealing with foreign dignitaries. He and his supporters are now exploring ways to enhance the powers of party secretary general.

²¹Susan V. Lawrence, "China: A Model People's Army," *Far Eastern Economic Review*, July 13, 2000 and Reuters, "China Military to Give Up Mobile Business to Unicom." July 13, 2000.

²²Directors of military-run SOEs feared foreign competition. More significantly, provisions of the bilateral trade agreement would require transparency in the government's procurement policies, including items which touched on the secret military budget.

²³In March Vietnam sent a letter to the United States listing eight to ten areas of the draft trade agreement that they felt were inequitable and which should be renegotiated.

²⁴Quan Xuan Dinh, "The Political Economy of Vietnam's Transformation Process," *op. cit.*, 372-377. Dinh considers four examples where immobilism has led to conflicting signals: institutional/public administration reforms, administrative structure, SOE reform, integration into the world market. In addition, Dinh also considers the effects of the lack of human resources on economic decision-making. A recent review of public sector reform in Vietnam concluded, "Administrative reform measures are likely to meet increasing opposition as the public sector attempts to exploit new corporate and rent-seeking opportunities within the country's expanding economy. To this extent, the administrative reform process itself is becoming as much an expression of interdepartmental bureaucratic politics as a genuine effort to create a more effective civil service." "Vietnam: Administrative Reform," *Oxford Analytica Brief*, October 25, 2000.

²⁵According to party statutes there are three forms of internal party discipline: *khien trach* (reprimand), *canh cao* (warning/censure) and *cach chuc* (dismissal). See: "Dieu Le Dang Cong San Viet Nam," *Tap Chi Cong San*, July 1996, chapter eight, article 35. The previous statutes made provision for a fourth category, *khai tru* (purge), see: *Dieu Le Dang Cong San Viet Nam* (Hanoi: Nha Xuat Ban Su That, 1992), 45.

²⁶In late July Vietnam issued new implementing regulations for the Law on Foreign Investment (amended in June 2000). For a discussion see: The Economist Intelligence Unit, "Vietnam: Small Mercies," September 4, 2000.

²⁷Voice of Vietnam (Hanoi), in Vietnamese, 1100 gmt, July 4, 2000.

²⁸Reed Irvine, "A Bridge Too Far?" *Vietnam Business Journal*, August 2000, internet version. <http://www.viam.com/archive/2000/05/btf.htm>.

²⁹*Phat huy suc manh toan dan toc, tiep tuc doi moi, day manh cong nghiep hoa, hien dai hoa, xay dung va bao ve To quoc Viet Nam xa hoi chu nghia.*

³⁰Ha Dang, "Cai moi trong Du thao Bao cao chinh tri Dai hoi IX, *Tap Chi Cong San*, September 2000, 5-9.

³¹Off-the-record interview, October 2000.

³²The Economist Intelligence Unit, "Vietnam: Back in Business," September 4, 2000.

³³Nigel Russell and Brinsley Laird, "Opening the Doors," *Vietnam Business Journal*, August 2000, internet version.

<http://www.viam.com/archive/2000/08/otd.htm>.

³⁴Reed Irvine, "Reason to Cheer," *Vietnam Business Journal*, August 2000, internet version. <http://www.viam.com/archive/2000/08/rtc.htm>.

³⁵Carlyle A. Thayer, "Reinventing ASEAN: From Constructive Engagement to Flexible Intervention," *Harvard Asia Pacific Review*, 3(2), Spring 1999, 67-70; Thayer, "New Fault Lines in ASEAN?" *Asia-Pacific Defence Reporter*, 26(9), February/March 2000, 26-27; and Thayer, "ASEAN Disunity Affects Regional Security," *Asia-Pacific Defence Reporter 1999 Annual Reference Edition*, 25(1), January-February 1999, 11-12.

³⁶Doan Viet Hoat, "Vietnam's Human Rights Issues in Contemporary Perspective," East Asian Legal Studies, Harvard Law School, October 23, 2000. In an analysis that overstates the potential for political instability Hoat argues that the ill-treated peasantry and unemployed youth present "a great threat to social and political stability in the near future." He further argues that "[t]he reluctance of the communist leaders to smoothly transform Vietnam from authoritarianism to democracy creates a time bomb of social unrest and political upheaval."