VIETNAM IN 1996

Reform Immobilism

Brantly Womack

Progress in economic development and foreign affairs continued in Vietnam in 1996, while in domestic politics, the year’s main events—the Eighth Congress of the Vietnam Communist Party in June and the Tenth National Assembly in October—were disappointing because of the indecisiveness and conservatism of their outcomes. Since the political immobilism of central leadership can best be understood in terms of the effects of a decade of reform, we will conclude our survey with a brief review of reform policies and outcomes of the 1986–96 decade.

Foreign Affairs: Incremental Progress
The most exciting thing about Vietnam’s foreign policy in 1996 was that it was a normal year. It had been preceded by a year of historic accomplishments, including admission into the Association of Southeast Asian Nations (ASEAN) and normalization of relations with the United States, and these accomplishments had been in turn the fruit of years of dogged diplomacy. Having achieved normal regional and global relations, Vietnam’s external relations have issued into a vast lake of normalcy in which progress in any direction can be made more easily but the sense of significant accomplishment is diminished. Moreover, it is hardly a Vietnamese lake, and so there are many anxieties and insecurities about external contingencies.1 There are major tasks remaining, such as the establishment of most-favored-nation (MFN) status with the United States, admission into Asia Pacific Economic Cooperation (APEC) and the World Trade Organization (WTO), and the settlement of territorial disputes with China, but none of the remaining goals are

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as significant as last year's accomplishments. Moreover, in 1996 moderate progress was made toward each of the remaining goals.

American senators who visited Hanoi in November predicted that a comprehensive trade agreement would be presented to Congress in 1997 but the fourth round of negotiations, completed on December 11, did not yield official results or prognostications. American negotiators appear reluctant to add yet another venue for an unfavorable balance of trade, and are making stiff demands in the areas of market access, the lowering of tariff barriers, and intellectual property rights protection. Vietnam is concerned about increasing its vulnerability to imports, but concessions to the U.S. will also mark progress toward admission to the WTO. The next step in negotiations is for Washington to table a draft trade agreement, but the following step from the draft agreement to one that Vietnam agrees to and that can pass congressional scrutiny might be long indeed. Despite the foot-dragging on MFN, the U.S. has invested over $700 million in 50 projects in Vietnam since its embargo was lifted.

Vietnam will be participating in a two-year trade policy project jointly sponsored by Switzerland and the United Nations Development Program to prepare for membership in the WTO, but the United States could well prove an obstacle. The United States is also the main obstacle to Vietnam's entry into APEC, but the issue of admission is complicated by a stack of applications from a number of countries that raises hard questions about how broadly the organization will define its membership. It is clear that Vietnam would qualify even under the narrowest definition, and its application has the concerted support of ASEAN. The decision has been postponed until the 1997 meeting in Canada, and then Vietnam would formally join APEC at its 1998 meeting in Kuala Lumpur.2

Relations with China improved in 1996, though not dramatically. China's Premier Li Peng was the guest of honor at the Eighth Party Congress, and the fourth round of border talks was held at the vice-ministerial level in September. The negotiators claimed to have made "positive progress" toward resolving differences over the land border and the demarcation of the Tonkin Gulf and hope to resolve the issues within the millennium. Meanwhile, trade between China and Vietnam continues to expand, reaching one billion dollars in 1995. Institutional cooperation is developing as well. Fifty Chinese businesses are said to have offices in Vietnam, and an international border trade fair was held in Dongxing in Guangxi Province in December. The bustle of the moneychangers with fat stacks of dong, renmin bi, and dollars may be replaced by new trade clearance agreements between the banks of Dongxing

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and Vietnam’s Guang Ninh Province. The inherent asymmetries of border
trade produce tensions that more contact only intensifies but for both sides
the advantages of trade outweigh the costs: a normal bilateral relationship
has become the premise of the regional strategies of each.

Vietnam reached its first anniversary of joining ASEAN without incident,
though there was some murmuring that it was less eager than the other mem-
bers to remove internal trade barriers. However, Foreign Minister Nguyen
Manh Cam has committed Vietnam to achieving the ambitious tariff reduc-
tion targets of the ASEAN Free Trade Area (AFTA) by 2006. As Laos,
Cambodia, and Burma join ASEAN and it becomes truly a regional organi-
zation, the camp of the poor will grow. But continued cooperation in various
regional projects was more characteristic of the relationship than differences
of interest. Vietnam is involved in a number of the most promising projects
under the aegis of the Mekong River Development program, including new
highway projects from Thailand through Laos and various projects connect-
ing Thailand, Cambodia, and Vietnam.

Progress has also been made with international financial institutions. In
June the World Bank announced that it would be prepared to offer $1.5 bil-
lion to Vietnam, which would make it the second-largest recipient of World
Bank assistance after India. In December Vietnam hosted a meeting of 29
donor countries and organizations in Hanoi for the first time, and a total of
$2.4 billion was promised for 1997, the major donor being Japan (up 16% at
$850 million). The total amounted to a slight increase over last year’s $2.3
billion and creates a cumulative total of $8.5 billion in development assist-
ance since 1993. Vietnam now has diplomatic ties with 160 countries, trade
ties with over 100, and over 50 have invested in Vietnam.

Despite the incremental diplomatic gains discussed above, Vietnam’s inter-
national reputation was tarnished somewhat in 1996. Politically, the meas-
ures against foreign language advertising that were enforced early in the year
provided vivid images of a conservative leadership trying (ineffectually) to
restrain foreign influences. In October the government refused to renew the
visa of Adam Schwarz, Hanoi correspondent of the Far Eastern Economic
Review, and simultaneously issued more stringent regulations for Hanoi’s be-
leaguered foreign press community. Economically, much of the year’s news
has had a critical tone, reporting the grumbling of investors, the criticisms of
economists, the advice of international financial institutions, and the preva-
ience of corruption and inefficiency. If Vietnam is still a boom town, most of
the prospectors seem to be writing home more about the mud than about the
gold.

1996, p. 4.
Economy: Another Good Year

Although 1996 has been a year of unparalleled disasters related to weather, the economy has prospered in all major sectors. Thirty-eight storms and major flooding on the Red River and Mekong killed a record 1,023 people and drove 200,000 from their homes, destroying the rice crops of several northern provinces. But the Mekong flooding occurred after the main harvest, so the national grain harvest actually went up to 28 million tons, three million tons of which is approved for export.

Overall, Prime Minister Vo Van Kiet announced that the GDP grew 9.5%, the same rate as 1995. Agricultural production was up 5% and industrial production 14%. Inflation is expected to stay below 7% for the year, well below the previous year’s 15.6% and reversing an upward creep in inflation since 1993. Before an increase of fuel prices in November, the year-on-year inflation rate was only 2.9% (6% in Ho Chi Minh City), the lowest rate since reform began. Indeed, in midyear a falling consumer price index caused concerns about a possible slowdown. Crude oil production has grown almost 8% from 7.7 million tons in 1995 to 8.3 million tons in 1996. Vietnam has become the world’s sixth largest coffee exporter and has joined the International Coffee Organization. Total exports are expected to be up by 27% for the year. However, there has been an alarming growth in the trade deficit, estimated at $4 billion, which is 60% of export volume and a 70% increase over last year’s deficit. The increase was blamed on imported capital goods for foreign projects, but that only accounts for 25% of the shortfall. Measures are in place to reduce import growth, but budget and trade deficits remain serious fiscal problems.

Progress is not equivalent to prosperity. A high birth rate keeps the population young (37% below 15 years) and increases pressure on resources. Worker productivity is low. Prime Minister Kiet estimated that 40% of working hours are idle. Domestic production is constantly vulnerable to imports, and previous efforts to control consumer imports have only encouraged smuggling. Savings are low compared to Asian norms. 14% of GDP in contrast to the 25%–35% elsewhere, but considerably better than the 10% of 1986–90.

The five-year plan for 1996–2000 is a vast document that leaves no promise of improvement unspoken, but its two underlying principles appear to be the continuation of the rapid rate of economic growth of the past five years and the redressing of shortfalls and imbalances created by market modernization. The targets are set by the fast pace of the last two years: average

4. Vo Van Kiet, “Prime Minister’s Address to the Opening Session [of the Tenth National Assembly],” BBC, Summary of World Broadcasts (SWB), October 18, 1996.
annual GDP of 9%-10% of which agriculture should grow at 4.5%-5% and industry 14%-15%, producing a doubling of the 1990 per capita GDP. Even the long range goal of increasing the GDP 8-10 times by 2020 is only an extrapolation of the 8% growth rate of the first half of the 1990s. Yet the five-year plan is not content to shout “more, faster!” at the economy. It points out that “polarization of wealth has increased between various regions, between urban and rural areas, and between different sections of the population,” and also that public services have declined in quality and increased in cost to users. Much of the plan is devoted to policies that try to redress these problems. Most notable is the special attention paid to mountainous regions, where the plan promises to concentrate its concessionary development assistance. It also promises to ensure that “no hungry households exist by the year 2000,” and to eradicate illiteracy and bring electricity to all districts. Of course, there is an implicit tradeoff between the redistribution of wealth implicit in the welfare goals and the rate of development counted on in the development forecast, but the purpose of the plan is to lay out a comprehensive set of policy values rather than to try to make five year’s worth of hard choices in advance.

The Eighth Party Congress and the Tenth National Assembly

The five-year cycles of the Party Congress and the National Assembly destined 1996 to be a significant year in Vietnamese politics. The Eighth Congress was held from June 28 to July 1, and the Tenth National Assembly had its first meeting in November. Official history is reckoned by these conclaves, and they provide the temporal bottom line for major realignments in policy directions and leading personnel. The Congress is preceded by more than six months of organized discussion of draft documents, most importantly the Political Report, at all party levels; before that process begins, the central leadership must struggle over what direction to take in writing the drafts. The discussions are often quite lively and different alternatives are argued over, though like cats in a bag, there is only indirect evidence of disagreements in the public media. In comparison to China, the eventual conference documents usually appear remarkably bland and conciliatory, reflecting the consensual pattern of collective decision-making. Despite the soothing language, past congresses have made substantial deflections in the course of policy and in the composition of leading organs.

Close observers agree that the discussions leading up to the Eighth Congress were particularly heated despite the simultaneous public crackdown on
well-known dissidents. In April a leading conservative member of the Politburo, Nguyen Ha Phan, was expelled from the party for historical mistakes. Phan had been a critic of Prime Minister Kiet and was rumored to be a possible replacement. To some extent, this counterbalanced the 1990 expulsion of the reformist Politburo member, Tran Xuan Bach, except that Bach was expelled because of his radical views while Phan was expelled for hiding a wartime indiscretion. In general, however, the conservatives maintained the upper hand throughout. Various reformist initiatives failed, and the draft Political Report that was made public two months before the Congress included such conservative notions as a commitment to return the state sector to 60% of GDP from its current 40%. Reformists and observers feared that June would bring a conservative shift in the leadership and retrogression in the regime’s commitment to reform. Indeed the conservative mood at the Eighth Congress was stronger than it had been at the Seventh in 1991. But the goal of 60% for the state sector was softened to a “leading role,” and the economic goals of the Political Report and of the Five-Year Plan are simply extrapolations of the progress of the 1990s. The Political Report continues the rejections of political pluralism that were first enunciated during the later plenums of the Sixth Congress.

In personnel changes, the most amazing outcome of the Congress was that there was no change of the top three leaders, Party General Secretary Do Muoi, President Le Duc Anh, and Prime Minister Vo Van Kiet. One could argue that the Central Committee operates on a strict seniority system, since Muoi and Kiet are its longest-serving members, but the reasons for the continued rule of the septuagenarians appear to be two-fold. First, the expected arrangements for replacing President Anh may have collapsed when Vice-Foreign Minister Le Mai, one of Vietnam’s most respected diplomats, died of a heart attack two weeks before the Congress. It has been said that Foreign Minister Nguyen Manh Cam was to replace Anh, and Mai was supposed to become foreign minister. But the fragility of such arrangements points to a more substantial reason, namely, that the greater heat of factional differences makes the selection of top leadership increasingly difficult. Nature did what politics could not—at year’s end, President Anh had been in the hospital with a disabling stroke since November. The membership of both the Central Committee (CC) and the Politburo expanded to the benefit of central bureaucracies, the military, and the Interior Ministry while provincial leaderships lost share, though all but one of Vietnam’s 53 provinces have a leader on the CC. It can be expected to be a more conservative group but leading reformers have also retained their seats.

In the most dramatic and possibly the most important moment of the Congress, a lone delegate objected to the granting of decision-making authority to the new Standing Board of the Politburo. During final discussions of the party statute, Tran Trong Tan, former head of the CC’s Ideology and Culture Department, pointed out that the Standing Board of the Politburo was appointed by the Politburo rather than by the CC and therefore it would not be democratic to allow it to exercise the authority of the CC. Le Duc Anh, who was chairing the session, did his best to allow the objection to die, but Tan was persistent and the party statute was amended accordingly. As a result, the Standing Board now has a statutory position not as strong as that of a standing committee (with full powers to act ad interim) and more like that of a secretariat (in charge of managing daily affairs). Presumably it will not be able to decide important matters on its own, and therefore will face the more difficult task of obtaining consensus in the Politburo.

The inaugural meeting of the Tenth National Assembly in November did not challenge the directions set by the Party Congress but it was very active in discussing government policies, grilling ministers, and making its own mark on government reorganization by removing twelve ministers and approving only eight replacements. The delegates also approved the subdivision of eight provinces, which will raise the total from 53 to 61 and further complicate the lives of cartographers and data analysts. Hanoi delegates reportedly questioned whether the subdivision was being proposed for the convenience of the people or the benefit of officials but the provinces being divided did have larger than average populations for their regions. The session did not produce major legislative advances.

**Political Immobilism**

Very little was done in 1996 in terms of decisive political leadership despite the opportunities provided by the Eighth Congress and the National Assembly. It was not for lack of interest; central-level debate had been heated since January 1995 and organized discussion had also been extensive. The removal of a Politburo member indicates that the gloves were off. The softened Political Report and the continuance of the old leadership could be partly attributed to consensus politics and the tradition of softly worded public documents, but the question should still be asked why this non-outcome became the consensus.

Three countervailing factors appear to be involved, all of which show the effects of a decade of reform. On the one hand, reform has proven to be the most successful economic policy direction in the history of the Party, and its hopes of continuing material transformation hinge on further decentralization, decontrol, and internationalization. On the other hand, this path of economic growth has a variety of undesirable consequences, including potential destabi-
lization and growing economic disparities, which appear to require political regulation rather than more market forces. Finally, thanks to reform and a peaceful international environment, the sense of mortal crisis is gone and with it the overriding urgency that decisive action is required. So the conservatives have no alternative to reform, the reformers cannot deny the importance of order and redistributive measures, and meetings like the Eighth Congress are not forced by circumstance to move beyond a consensual middle ground.

There are other juxtaposed forces that contribute to the conservative versus reformer deadlock. There is the central apparatus and military vis-à-vis the provinces. There is the party’s greater concern with political control and the state’s with economic prosperity. There is the preponderance of political power in the North and economic power in the South. There is the gap between the engagement in the existing order by the political class and the disinterest and disaffection of the rest of society. There is the difference in tastes and world views between aging revolutionaries and youthful devotees of materialism, consumerism, individualism, and cultural rebellion. In a parliamentary regime, these forces would be openly confronting one another and whatever group was in power, and possibly the outcome would be a different from of immobilism, one with more noise and oscillation. In the Socialist Republic of Vietnam, however, such pluralism and confrontation is not permitted so interests outside the political class are pre-empted and if necessary suppressed, and interests within go through a private cycle of consensus and discipline known as democratic centralism.

Immobilism is not necessarily bad. It implies a middle course of muddling through and policies that are conflicting in their effects rather than static rigidity. The central leadership is in gridlock but the traffic creeps around. Immobilism does not engage in great leaps forward or big bang privatization. Its daily weaknesses are inconsistency, passivity, complacency, corruption, lack of long-term orientation, and lack of dynamism and charisma. Immobilism does not reduce factional differences within the party; indeed, it is a measure of their severity. Democratic centralism eliminates radical opinions because they are too inconvenient in a consensual, non-confrontational process, but it is an old social law that protracted conflict increases the scope of participation, whether it be a bar-room brawl or the smoke-filled rooms of a central committee. But without a crisis, the ferocity of factional differences only reduces the potential common ground of consensus and one ends up with leadership by default. Tan’s dramatic intervention concerning the authority of the Politburo Standing Board is a case in point. He waited until the last moment of the general session of the Party Congress to launch a surprise attack on an important conservative innovation, and he succeeded, relying on the open forum, the rule of consensus, and the pressure of time. He suc-
ceeded in blocking a change, but he could not have succeeded with an innovation of his own. Nor is immobilism necessarily reactionary, though it seems so to frustrated reformers and to outsiders. The documents of the Congress do not backtrack on reform, but they do take full view of the problems generated by 10 years of reduced state resources and leadership, weakened political and ideological control, and greater vulnerability to outside influences. These are conservative issues that are directly related to the root conservative issue of maintaining the established social order. Conservative interests conflict with those whose preferences lie in increased devolution of authority and individual opportunity, and they are anathema to economists, donors, and investors for whom marketization and privatization are the new *mission civilisatrice*.

The structural weakness of immobilism is that it is permanently behind the curve of societal developments. In ironic contrast to the millennial posture of a communist party, such a leadership no longer leads but rather is pulled along unwillingly by its reins on social forces. As David Elliott put it before the Seventh Congress in a prescient essay: “Vietnam’s leadership, while not willing to go all the way, seems already to have gone too far to turn back.”

It will require skillful use of both handles of government, reward and punishment, to continue to preempt crisis.

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