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Vietnam in the last two years: More drastic ascendancy of “the market”

Wednesday 10 August 2011, by [KARADJIS Michael](#) (Date first published: 25 August 2008).

The report is more of an update, so for comrades to fully understand it, they may need to read the article I wrote 2 years ago, [“Vietnam’s ‘Market Economy with a Socialist Orientation’: Towards Socialism or Capitalism?”](#) [1].

In my 2005 report, I pointed to the increasing ideological weight of the ‘market’ throughout society, and its reflection in the drift towards openly pro-capitalist opinions among sections of the party and state leadership. Contrasting the process in Vietnam to that in both the former Soviet bloc and in China, I wrote:

“While much of the structure of a state-dominated economy, a Party with roots among the workers and peasants, a working class with a strong sense of its power both in the state sector and private and foreign enterprises, a highly equal land reform, and a powerful network of mass organisations, remains intact, or has even been strengthened, a new reality, the reality of the market-place, even if not yet dominated by a capitalist class, slowly eats away and corrodes this structure from below. Capitalist restoration is thus taking place by stealth.”

Saying it was “taking place” was not meant to indicate any conscious direction by the CPV leadership (though I certainly claimed that sections of it are consciously pro-capitalist), nor that there was no resistance to it. I pointed to opposition to this direction both from other sections of the party and state leadership, and from broad sections of society, including the working class, though this opposition tends to lack the overall political coherence of the right-wing. I also did not suggest that any completion of the process was likely in the short-term, but that short of other developments in the world revolution, it was likely to be inevitable:

“That (ie, the term “by stealth”) does not mean that there will be no need for ultimate class confrontation for the process to be completed, but I believe it will be largely completed on the ground before certain inevitable confrontations take place towards its completion. However, I should emphasise that I am not suggesting any timeline for this, nor any inevitability – but ultimately, this erosion of basic collective solidarity by the ‘morality’ of the market will make capitalist restoration inevitable short of new revolutionary developments in the region.”

In case any of that is unclear, when I wrote “completed on the ground” I essentially meant this “erosion of basic collective solidarity by the ‘morality’ of the market” and thus the snuffing out of socialist consciousness among the masses. What I meant by this was that the “inevitable confrontations” were likely to take place as largely defensive struggles by sections of the working class without the perspective of an overall socialist program for such defence; and that the ideological weakness of the more socialist wing of the party (and the age of many of them) would also make any clear ideological leadership of such struggles from these sections of the party with a clear perspective unlikely.

However, I judged that despite the many pro-capitalist changes and the ideological advance of the

market, there were also some important pro-socialist changes, particularly in health care, and that the degree of capitalist takeover of the economy and the state was still far from what would be necessary to make any grand statements about completed capitalist restoration, or about declaring any change in the class nature of the state, or of the CPV, the party that actually led a revolution and is still led, not only at the top but throughout all parts of society, by a layer of people who were directly involved in the revolution (though of course, time continually changes this last factor).

Two years later I see no reason to change the final fundamental point. However, the ideological drift of the leadership, the increasing number of pro-capitalist measures, the ideological impact of the 'market' on society and popular consciousness, and the growth of the capitalist sector in the economy have all developed rapidly in the last two years. Vietnam's entry into the WTO last December, while inevitable, naturally accelerates this process. While none of these points taken in isolation would be enough to suggest a major shift, taken all together, I believe they do, and so the overall outlook I regard to be distinctly less positive than in 2005.

Major developments 2004-2007: A significant shift to the right

The following are a number of major changes over 2004-2007:

As I outlined in my article back then, something of a turning point was the new privatisation ('equitisation') resolution of November 2004, which opened up nearly all of the large state corporations, which control all the strategic areas of the economy, to privatisation of their subsidiaries, mostly with majority state-owned stakes, depending on other factors such as the size of the company etc. While the parent company would not be equitised for the time being, they would later also be equitised with a state majority. So far this process has remained slow, in comparison with the great speed-up over the last two years of equitisation of smaller state companies, a process almost complete. However, there have been a number of larger state corps beginning the process. The most outstanding are the state milk company, Vinamilk, the main state insurance company, Bao Viet, a number of power stations etc. This year, the largest fertiliser plant also began equitisation, with one third of its equity opened to "the public." Statements from certain leaders increasingly claim the state sector will eventually be limited to public services, major infrastructure, defense and security related industries and forestry. How far this goes is a question of the balance of forces.

At the 10th Party Congress last year, this issue of what kind of property ownership was fudged, unlike the more emphatic reassertion of the domination of state ownership at the 9th Congress. On the one hand, it did restate that the state sector plays the leading role and that over time as the forces of production grow the state and collective economies will gradually come to more and more dominate the economy. On the other hand, it for the first time laid out the view that "joint-stock" - ie shareholding - companies would become a more and more common form of ownership throughout all sectors. Congress resolutions are always statements of consensus between differing views, and whose interpretation comes to dominate in practice depends on the balance of forces. For the pro-capitalist leaders, a "leading state role" can be envisaged as meaning simply a dominant state share in all these increasing number of joint-stock, equitised former state companies. For some, "dominant" does not have to mean even 51%, but can mean "controlling", ie about 20-25 percent. Naturally, for the pro-socialist wing, a completely different interpretation is possible.

The fetishisation of equitisation as the one and only form of what is called "state enterprise reform" has had the ideological spin-off of experimentation of equitisation of a major state hospital, which does liver and kidney operations, in Saigon, ie, turning a state hospital into a share company. The newspaper of the Saigon branch of the Youth Union, Tuoi Tre, in an editorial called for generalized

equitisation of education and health, a statement that I can only call an expression of unabashed far right neo-liberal ideology. On the other hand, the Fatherland Front, the name of the front of the mass and social organisations, which in effect forms a third tier of the regime after the government and the party, has come out against this move, reflecting the views expressed at the meetings it has called by its mass base. The labour newspaper Lao Dong then interviewed the minister, asking whether this was government policy or not. He had to admit it had been going on, but described it as a mere “experiment,” which is a difficult concept, given that shares had already been sold, and also given out to workers, some of who had already lost them. But that was his way of withdrawing. He said we first had to find what the opinions of the people were, and the opinions expressed he admitted were negative. Therefore, he said the government has made no decision. Of course, on the positive side, this also indicates the ability of the masses via sections of the ‘party-state’ itself – in this case the Fatherland Front – to continue to influence state policy, but the extreme nature of such a policy proposal also indicates just how defensive the nature of the struggle is becoming.

There has been a tremendous growth in both local and foreign capital. Local capital is more confident than at any time since Doi Moi began, and the scale of local capitalism is also growing, with many more medium and some large companies. Last year, Vietnam received 10 billion dollars in Foreign Direct Investment (FDI), and in the first four months of this year, another 4.3 billion had been pledged already, a big increase on last year. Combined, local and foreign private capital now run 65-70 percent of industry, the state left with some 30 percent. Of course, as the state also controls a larger share of major services, its share of GDP as a whole is higher than its share in industry. From some 30% of GDP in 1990 the state share grew to some 40% in 1995, and for the following decade remained stubbornly around that figure, as rapid growth of the state economy matched the growth of private and foreign investment. Now however it is most likely that the corner has been turned, given both the progress of equitisation and this huge progress of private capital outside the state sector. Though I’ve seen no new figures yet, it seems likely the state share of GDP has dropped to around 35%. Obviously, we make no grand statements regarding a drop from 40 to 35 percent of GDP – it may be that the lower level is what the state can realistically run at present. However, given the solid 40 percent level remained for a decade, it does indicate motion in a certain direction. In terms of overall social investment, where the state share includes both the state budget and the investments of state enterprises, for most of the last decade the state share has stood at some 55-60 percent of investment. Now however, it is the combined private sectors accounting for 55% and the combined state investment for 45%, again motion in a clear direction.

The most spectacular change has been the stock exchange. Two years ago it accounted for less than one percent of GDP, compared to 53% in China for example. However, in just 2006 it had leapt to a value of 14 billion dollars, or 22% of GDP, and this rises to 22 billion dollars if we include government bonds. Most of this increased value has come from the equitisation of some larger and more significant SOEs I spoke of above. However, there are vastly different approximations of the real value, and most experts consider it to be extremely overheated, so the real figures may well be lower. Nevertheless, the rise is spectacular however it is looked at.

At the 10th Congress, the party ratified the earlier Plenum resolutions that party members could engage in private business, as long as they followed state laws, party statutes etc when they did this, but officially are under no other special social obligations as businesspeople (though unofficially they may be). The preamble to the statutes which had said that party members do not engage in “exploitation” was replaced with the statement that the party aims to move towards a society where exploitation will be abolished. However, an amendment which aimed to specifically add after the words “private business” the words “with no limitations on scale” was not passed. Of course, just saying “private business” in itself imposes no limitation on scale, hence the amendment was unnecessary, and so the purpose of the amendment was to give a specific invite to the large

capitalist class. Clearly most members did not see this in a positive light, and so its rejection is a good thing. Nevertheless, the passing of the overall resolution opens up a new kind of potential struggle within the party, and given the ideological ascendancy of “the market” throughout society, it will not be an easy struggle. The issue is very complicated, and simply affording to live in urban areas necessitates a great many families having at least one member engaging in some kind of “business,” without this meaning “capitalist,” in the usual definition, ie, large-scale, business. Underdeveloped societies like Vietnam are based to a large extent on petty-bourgeois, small scale ownership, which many CPV members, not only the right, believed needed to be reflected in the statutes for them to catch up with “reality.” At this stage, we are not seeing anything like the developments we saw in China when we analysed the state had become bourgeois, eg, the presence of owners of gigantic capitalist enterprises not only as members but as leaders of the party in various regions, including as party leaders of state bodies in certain regions.

Last year, the Labour Ministry put amendments to the Labour Law to the National Assembly, which on the one hand made the conditions by which strikes were legal easier, responding to a long term campaign by the Vietnam General Confederation of Labour (VGCL), but on the other hand put extremely reactionary provisions against so-called “illegal” strikes, including that local governments would be given powers to force workers taking part in “illegal strikes” back to work, and that these workers would have to pay compensation to the boss. I’m still unclear on whether they have actually been put into the Labour Law, as media reports vary and are unreliable. My friend Binh in the VGCL told me “yeh the ministry made these laws but it hasn’t happened because the VGCL is opposed.” I’m not sure if he meant the laws weren’t passed or simply that they mean nothing anyway as long as the VGCL is opposed. He said it is obvious that they have not been applied. But of course, the repressive sections of the labour law have never been applied: according to this law, every strike since 1994 has been illegal, but there has never been any state action recorded against any strike, and VGCL leaders and their newspaper continually back and justify these “illegal” strikes. This again indicates the power of the masses when they use it, and in particular when sections of the ‘party-state’ support them, but again it also indicates just how boldly reactionary some of the proposals of the right are becoming.

There are many other aspects, but I won’t go into every detail. In general, we are seeing great wealth being created, with all sections of society benefiting to some extent, but it is the very visible rise in the wealth of rich minority that is most outstanding, with new very expensive villas and cars appearing everywhere, amid continuing general poverty. It is the ideological impact of all these developments which are most important. The “market”, capitalism, inequality, persistent poverty among all this is increasingly just seen as the “natural” way of the world. Among young people, any vestiges of socialist ideology are completely absent. Of 100 young people one speaks to, 99 want to go into business (and a great number of older people as well). That is understandable in its way: it’s not necessarily a criticism of the people. I believe it is even ‘organic’ in a way, given the nature of Vietnam’s socio-economic reality, something we need to understand more. However, ideology can only reflect, ultimately, this social reality.

I don’t want to present an entirely negative report, but as I am reporting on the changes over the last couple of years, the changes are mostly in one direction, and that is inevitable given the relationship of forces on a world scale, particularly in Asia.

Obviously, things have changed in the world, particularly in Latin America, and the impact of Chavez is finally being felt in Vietnam. He really exists now. Chavez is a huge inspiration to the left-wing of the party, right up to the leadership. That was obvious from the statements of party leader Nong Duc Manh in his recent visit to Venezuela, and the joint Vietnam-Venezuela declaration when he was there, in which he welcomed the advance of the socialist revolution in Latin America, stood in sharp contrast to the ‘business as usual’ joint declaration they had made last year when Chavez visited

Vietnam. The deputy to Madame Binh, Tran Dac Loi, who I had many discussions with (and who attended the recent Melbourne conference), told me he has three photos on his office walls: Ho Chi Minh, General Giap and Hugo Chavez.

How much this can affect the course of events in Vietnam itself is a more difficult question, given the geographical distance and Vietnam's closer integration with the capitalist economies of the Asian region. Nevertheless, it is a tremendously important reference point and encouragement for the socialist forces in Vietnam.

Overall, the more positive aspects of Vietnam that I have frequently written about remain completely valid. Free health care now covers some 60% of the population, the highest since Doi Moi, and the plans are to extend it to another 10 million or so people by 2010. As my friend Loi explains, this is precisely an example of one of the main aspects they claim represent 'socialist orientation': that economic growth must go hand in hand with social progress every step of the way, as the real economic potential opens those possibilities for such social progress to be real. Obviously, the extent of this in reality is highly debatable; there are still many extremely poor people while private wealth amasses, especially in the more remote mountainous regions, even though the numbers living in poverty have crashed from 58% in 1993 to 18% today. That's a world class achievement, but 18% of 80 million is still a lot of people. Meanwhile, infant mortality according to reliable estimates is now down to 16, the best in the region, and life expectancy up to 72, both figures, like many other indicators, well above the level of other low income countries, and approaching first world figures.

Despite the advance of privatisation, the bulk of the major companies in the major economic sectors remain in state hands, and this is not only a product of bureaucratic slowness but also of clear political opposition from large sections of the party and resistance from sections of the established working class who do see themselves as co-managers of the state enterprises. In addition, the extraordinary combativity of the newer sections of the working class who are emerging from former rural dwellers now working in private and foreign export-oriented firms was plain to see in the upsurge early last year when tens of thousands struck and forced the bosses to implement the state resolutions for 40% wage rises. There have been further explosions this year.

In addition, the majority peasant population will not easily give up the egalitarian land reform that the revolution brought about, though without further advance to new forms of cooperative, neither is this petty land ownership ultimately a road out of poverty. Outside of the organised sections of the working class, especially in state industry, it is among the peasantry that the party has its social base, and the strong links of the party with the peasantry is an additional "conservative" pressure on a major section of the party. Leaders at various levels are often still those who dedicated their earlier lives to a struggle for a socially just society. Vietnamese-American left-wing academic Ngo Vinh Long, for example, claims "it is difficult for the government to carry out repression ... Vietnam just came out of a revolution and many of the retired soldiers and retired colonels are living in the countryside, very close to the people." In fact, he also notes that very often "they are the leaders of the protests," meaning continual protests by peasants against corrupt officials trying to take over their land.

This nature of the party - a revolutionary party as we have long analysed it - is important to remember when we make comparisons between Vietnam and China. For example, the series of moves I have described above in the period 2004-2007 makes the situation resemble in many ways the juncture in China a decade or so earlier, around 1992-94, when the CCP was clearly shifting towards an openly capitalist restorationist course, but before the real advance of this capitalist restoration in practice which began in earnest with the 1997 Congress and the ensuing fire sale of a massive part of the state economy and retrenchment of some 50 million workers. But our different assessment of the two parties is a crucial factor to be taken into account when making such

superficial, though useful, analogies

All this indicates the question is not settled. What we do have to recognise on the negative side, however, are two main points:

That the commercial environment of a market economy has a very negative ideological impact, that it pushes the kind of social motivations that are the opposite of the collectivist and solidarity-based motivations required for socialism, and eventually, as long as other things do not change, and the party leadership is incapable of politically challenging this, it eats away at everything, including the nominally non-market elements such as state enterprises and cooperatives and state land ownership and small peasant plots.

That the party itself is part of society and therefore not immune from all this: this means both at a material level, ie, corruption etc, but also at an ideological level: there is a consciously pro-capitalist element within the party leadership which is constantly becoming a more powerful and leading element, particularly as time goes on, since the more socialist elements of the party tend to be concentrated among older layers who lived the revolution themselves.

Michael Karadjis

P.S.

* From Vietnam from the Left:

<http://mihalisvn.blogspot.com/search?updated-min=2008-01-01T00%3A00%3A00-08%3A00&updated-max=2009-01-01T00%3A00%3A00-08%3A00&max-results=1>

Footnotes

[1] Available on ESSF, article 22542.