

Vietnam's 'Market Economy with a Socialist Orientation': Towards Socialism or Capitalism?

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In my piece in *Links* comparing China and Vietnam, I outlined that China is well in advance of Vietnam in the process of capitalist restoration. I also gave a far more favourable view of the Vietnamese Communist Party (VCP) than of the Chinese CP (CCP), consistent with the DSP's long-held views. Likewise I repeated what I have written before making a very favourable comparison of Vietnam's social indicators with those of capitalist countries at similar and even higher levels of economic development.

In this contribution, I am not changing any of that assessment, in fact I think it is crucial for understanding the Vietnamese revolution. However, in the last section of my *Links* piece I also outlined a series of key problems ahead for Vietnam. I have been careful not to jump to conclusions and declare the Vietnamese workers' state 'dead'. I am still not convinced there is any strong case to be so categorical at this point. However, it is clear that the medium-term prognosis for Vietnam is negative, and that these key problems I outlined, plus others, make capitalist restoration inevitable (outside of any extraordinary events in the region). I believe the coming 10th Party Congress in 2006 will codify this in certain ways, though it would be wrong to declare the resolutions of a Congress as marking a social counterrevolution, which would necessitate far more drastic developments in practice. The purpose here is not to put the writing on the wall - I hope to be proven wrong - but to keep comrades up to date on what the real state of play is today in Vietnam.

– ‘Healthy Workers’ States with Bureaucratic Deformations’, ‘Deformed Workers’ States’ and Capitalist Restoration

We schematically classify the early Soviet republic before Stalinisation, both before and under the New Economic Policy (NEP), as a ‘healthy workers’ state with bureaucratic deformations’, and we see Cuba as in the same category. We contrast this with a completely ‘bureaucratically degenerated or deformed’ workers’ state like the Stalinised USSR and Maoist and post-Maoist China. The key difference is that in the latter, the inevitable bureaucratic deformations crystallise into a ‘caste’ that, while not a new social class, nevertheless has its own interests, that of defending its own privileges, which are in conflict with the interests of the working class nationally and internationally. The ‘Stalinist’ parties that rule in the latter therefore represent this reactionary caste rather than the workers they claim to represent.

We have never put Vietnam into this second category of deformed workers’ states, meaning we implicitly put it into the first category of a ‘workers’ state with bureaucratic deformations’, though we have very rarely said much about it, and rarely used the adjective ‘healthy’. “Bureaucratic deformations” are inevitable in workers’ states in economically underdeveloped countries, but we are not talking about a crystallised caste that consciously defends its own interests. While many “bureaucrats,” ie full time state functionaries, may indeed act “bureaucratically” or use their offices and connections for corrupt purposes, this cannot be said to completely dominate the nature of the Party and state leadership, which also includes vast numbers of people still strongly connected to their mass base and committed to the ideals of the revolution. When at times I loosely refer to “bureaucracy” or ‘Bureaucrats’ in Vietnam I am using the terms in this general sense, not as a description of a crystallised caste, I am talking about “bureaucracy” rather than “the bureaucracy.” We are more explicit that the VCP historically was a revolutionary and not a Stalinist Party.

In the last two decades, the VCP and CCP launched parallel economic ‘reform’ programs of an NEP type. They were necessary in both cases, though far more crucial in Vietnam given its systemic crisis of the late 1980s. Our Party reached the conclusion in the late 1990s that China’s ‘NEP’ had proceeded to outright capitalist restoration, but we have reached no such conclusion about Vietnam.

This places Vietnam two levels higher than China – both qualitatively less bureaucratically deformed as a workers state, and now one has progressed to social counterrevolution while the other has not. These two levels are connected: it is precisely the more marked divorce between bureaucratic elite and the masses in China that propels more rapid capitalist restoration there when such a CP leads an NEP.

Firstly, as a crystallised caste with interests more rigidly separated from the masses, once embarked on an NEP, whatever the initial aims, it becomes inevitable that by continuing to look after its own privileges, it will convert itself into a capitalist class, the best way to boost privileges in the new environment. A leadership more connected to its mass base, as in Vietnam (even though less crystallised layers of “bureaucracy” inevitably exist), will have a more contradictory relationship to the emerging class environment under an NEP and will include a larger section still imbued with the ideals they fought for and still attached to the interests of masses (I should stress ‘contradictory’ – in other words there is also a section of the elite following the ‘Chinese’ road with gusto).

Secondly, being more rigidly separated from its mass base, the Chinese ruling caste has little compunction about using overt violence against the masses, which is necessary when carrying out a social counterrevolution which impacts sharply on the social rights of workers and peasants. Long before ‘economic reform’, catastrophic ultra-left, ultra-bureaucratic adventures like the Great Leap Forward, which led to 30 million deaths due to famine, and the grotesque massive society-wide

purge called the 'Cultural Revolution', indicated the levels of social and political violence against the masses the Chinese caste was capable of. Like Stalin's forced collectivisation and Great Purges, or the invasions of Hungary and Czechoslovakia, these events much further entrenched the gulf between elite and masses that already existed in these deformed workers' states and significantly impacted on the allegiance of workers and peasants to the whole bureaucratic system.

There are no similar events of any magnitude in the VCP's history. By that I do not mean it never used repression, which it has done, particularly as a result of the siege mentality of decades of war communism. What have to be considered serious human rights abuses do occur in Vietnam. The death penalty is used rather extensively, not only for murder but also for drug smuggling (above a certain quantity) and "economic crimes" of a large magnitude, ie very large-scale corruption. Moreover, in some such corruption cases, while the punishment does reflect a real fight by part of the leadership against corruption, there have been legitimate questions about who copped the ultimate punishment and who didn't. Many intellectuals, artists, religious leaders and others have at times been jailed, or more commonly, put under house arrest. Occasionally a particularly outspoken opponent within the Party has been expelled and placed under house arrest. However, the cases of such individuals never became the issues of the masses at the time - what they were saying may often have been very correct, and such purges were unjustified, but they had little reflection among the masses, or among the Party at large. The Party has not been confronted with mass opposition in such cases. There has been no event of open confrontation between the VCP and the workers and peasants, and instead the VCP has tended to comply with pressure from its mass base when issues arise which touch their more fundamental interests. Nor has there ever been any massive Party purge - the team leadership, reflecting many different tendencies who over the years have had many sharp disputes, has remained intact for decades.

In the post-reform period, this difference was reflected in the massacre of students and workers at Tienamin Square in China, which likewise there has been no parallel of in Vietnam. It is also reflected in the ban on strikes in China, and the use of open repression against workers' struggles there, compared the absence of a single case of any repression of striking workers in Vietnam, and even much evidence of direct support within the Vietnamese party-state, and particularly the VCP-led Trade Union Confederation (VCCL), to workers' struggles. This different relationship between bureaucracy and masses partly accounts for China's massive privatisation drive since 1997, which resulted in some 40 million retrenchments, compared to the absence of such a move, to date, in Vietnam. And the biggest revolt of the peasantry to date - the Thai Binh uprising in 1997 - resulted in a flood of support to the peasants by Party and state leaders and the disciplining or expulsion of over 2000 cadres from the province (comrades need to read my Links article for back-up of these claims).

Not Stalinist, however ...

Given the above, our general view of Vietnam and the VCP in contrast to China and the CCP stands up reasonably well. However, we need to keep certain things in mind.

Firstly, while not 'Stalinist' in the scientific way we use the term, the VCP was far more influenced by Soviet and Chinese Stalinism than the Cuban CP was. This was inevitable - a miserably poor country fighting imperialism for decades was dependent on Soviet and Chinese aid, and there was little else in terms of ideological support beyond the skewed Stalinist and Maoist versions of 'Marxism' emanating from these countries (we can obviously leave aside the view that they should have looked to the 4th International).

Secondly, while it is correct that a 'caste' never became 'crystallised' with its own interests in the way we describe Stalinism, there certainly were the range of special shops, hospitals etc for the elite. To some extent this was also inevitable – emerging out of underdevelopment into decades of war and destruction, it is inherently unlikely that leading generals fighting off foreign aggressors and leading cadres trying to keep the country fed through these decades would not be guaranteed certain goods and services which were not yet available to the whole population. We may have moral qualms about this, but what would we do if, in a country that had not yet had time to spread quality health services to every region, a leading general, say General Giap, who was decisive in smashing two imperialist invaders, was wounded? Would he not be flown immediately to the best hospital in Hanoi? But the fact that the circumstances explain a problem does not mean there is not a problem, especially as it becomes long-term with decades of war. All special shops and hospitals were abolished in 1989 (except guaranteed care at the best hospitals for leading military veterans), but what effect did it have on the thinking of those in power? Surely in the new market economy they would seek to ensure that they had cash, by whatever means necessary, to continue to have the best care?

Thirdly, while decades of 'war communism' may explain decades of restrictions on democratic rights, again the hangover is highly problematic, even more so as the country adopts a market economy. While open clashes between elite and masses appear absent, the long-term restriction on democratic rights produces a culture, in combination with traditional Confucian culture reflecting the still largely rural nature of the country, of not questioning too harshly, of leaving the 'important' matters to those who 'know more about them' and so on, and among those at the top, a distrust of and often an elitist attitude to the views of the 'uneducated' masses, especially the rural masses. While this may not be a major immediate problem as long as the 'experts' in party and state are tied to their traditional mass base and the ideals they fought for, it is not difficult for this to evolve into its opposite as capitalist relations continue to grow within the economy underneath, form more and more direct material links with the 'expert' elite, and more and more influence the thinking even of those not directly corrupted.

Further, this lack of real, institutionalised forms of working class democracy means that, as long as the 'mass' of workers and peasants, or their fundamental interests, are not being confronted by the leadership, some sections of the state may indeed get away with using repression against small marginalised groups of the poor that any socialist would consider outrageous. For example, when the Hanoi People's Committee (which is simply the Vietnamese term for "local government"), increasingly under the influence of the new small business class in Hanoi, now and then decides to launch a crackdown on poor street vendors who set up on pavements without licenses, and rural women on bicycles carrying large amounts of produce to sell on the streets, the cops can get away with just coming along and confiscating bicycles or vendor's tables and produce (till a small "fine" or bribe is paid). The business class wants to 'clean up the streets' so Hanoi or HCMC can look like a 'normal' city, without all these poor rural people polluting its appearance, competing with licensed vendors (but not paying taxes), and their loaded bicycles getting in the way of the flash motorbikes and cars that they simply 'have to' drive murderously fast in order to 'get business done'. As these vendors are from rural areas, they have no organic connection to the urban working classes, and they are away from their rural areas where they may have a more organic connection to their local state as peasants. So they are powerless. A particularly nasty case of this was observed by comrade Allen Jennings at the end of his stay in Hanoi. Poor people had been provided 'temporary' homes when their homes were torn down to make way for the Daewoo Hotel. However, years later, the People's Committee wanted to 'develop' the area where the homes were located. As a small group of people not organically connected to their traditional neighbourhood, there was little they could do when the cops were sent in to kick them out of their relocation houses, which were located where Allen lived.

The perception that 'Socialism' failed

It is this Party - revolutionary of the highest calibre, but also tainted in other ways due to history and context - that has led the turn to the NEP known as Doi Moi (Renovation) since 1986. In making this essential turn, the VCP was not 'selling out' as many on the Left (including John Pilger for example) believe, was not aiming to 'convert its political power to economic power for its members' as some claim, but on the contrary, was evidence of its dynamic, and revolutionary, nature. To not have done so at that point would have left Vietnam somewhere between the USSR in 1920 and North Korea today.

The VCP carried out an energetic study of the Soviet NEP in the late 1980s right throughout its national cadre structure, and modelled itself on the NEP. Doi Moi was explained in Marxist terms, which I don't believe was cynical, at least at the time, and at least for most cadres. It was stressed that this 'multi-sector commodity economy' must have a 'socialist orientation', but in the meantime, the work of all economic sectors, including domestic private and foreign capital, was essential to develop the productive forces to a future point where the real 'socialisation' of the productive forces allowed for the development of a modern socialist society. In the meantime, the state and cooperative economic sectors were to remain the leading sectors throughout this transition.

But while much of the Party leadership took this approach, many intellectuals, businesspeople and others took the view that it was not merely a kind of socialism, a particular application of socialism, that had failed, but socialism itself, and this view was strongly reflected in a section of the Party, and widely throughout society.

The reasons for this perception are not difficult to understand. The economic change, introducing the market and private sector, took place in 1988-90. At precisely this point, 50 years (1940-1989) of war and/or embargo came to end with the withdrawal of troops from Cambodia and the lifting of the EU, ASEAN, NIC, Chinese, Japanese and Australian embargoes in 1989 (the US waited until 1994). The tremendous boost to economic activity this change in Vietnam's circumstances created gave a qualitatively greater boost to the impact that the economic change itself would have produced. That is not to say there wasn't much wrong with the old command-style socialist economy - there was - or that the NEP would not have had a positive economic effect - it would have. However, without an analytical and historical perspective, it is virtually impossible for many Vietnamese to not see all the incredible progress since 1989 as the work of the new order, with the market and private sector, and the terrible poverty of the 1980s as the work of 'failed socialist order'. This perception has a tremendous influence on Vietnam's direction.

This perception is intensified by a similarly ahistorical comparison of Vietnam with its booming 'Tiger' capitalist neighbours, the exact opposite contrast we can make between Cuba's first-class health and education systems, despite US embargo, with the misery of Latin American capitalism. Everyone "knows" that not only South Korea, Taiwan and Singapore are light years ahead of Vietnam, but so are Malaysia and Thailand (and till 1997 it was supposed also Indonesia). The poverty rate is lower in all these countries, health and education at a much higher level (except Thailand, though this is not known to Vietnamese). Capitalism has created enormous industrial development in these countries, whereas until 1989, Vietnamese 'socialism' had only created poverty and underdevelopment, putting it "decades" behind the region, as Vietnamese Prime Minister, "reformer" extraordinaire Vo Van Kiet, put it when he toured the region in the early 1990s. And why shouldn't Vietnamese believe him? They can see with their own eyes on TV that Bangkok has far more cars and skyscrapers than Hanoi!

Never mind that Thailand, with 5 times the GDP per capita than Vietnam, also has a child

malnutrition rate of 19 percent, not far behind much poorer Vietnam, never mind that it has one of the highest rates of prostitution in the world, and these young women and men don't just "choose" this job for nothing, never mind the extremes of landlessness in Thailand in stark contrast to Vietnam, the forest destruction on a par with Vietnam without the war to contribute, never mind the destruction of coastlines for commercial shrimp breeding where each shrimp pond lasts a few years before being left behind as an unproductive graveyard, never mind that the cars they see on TV clog up the roads for hours, never mind the skyline of half-finished skyscrapers left over after the 1997 crash. Surely the Thai development model is a disaster, yet for a nation emerging from desperate poverty, even that might look pretty good, especially when a portion of their leaders are telling them so.

Of course we would point out that these countries had decades to develop in peace while Vietnam was having hell bombed out of it and then embargoed etc. That Vietnam did not have the chance to even begin developing until some 40 years after these states emerged from World War II and colonialism. Of course they are therefore richer, and so their poverty and health and education situations should be better than Vietnam's. And of course we can point out the richer of them, the South Korea's and Taiwan's, received massive US funding to produce 'models' during the Cold War.

And of course we can point out that, despite Vietnam's poorer situation, its health, education and welfare indicators are far better than any other third world capitalist country at a similar economic level, are also better than many countries at a moderately higher level (eg Indonesia, India, Philippines etc) and in many respects equal to Thailand's. It is only much richer and exceptional South Korea, Taiwan and Singapore that are well ahead.

But for average Vietnamese, these comparisons have little real meaning to their everyday lives. That 'part-socialist' Vietnam has much better health and education situations to 'fully capitalist' Bangladesh, Bolivia, Kenya etc means little to people who have never been to these countries. Perhaps some know that some things are better than some countries in the region, like Indonesia and the Philippines, but most Vietnamese don't believe it - they are sure "other Asian countries" are ahead of Vietnam, they have seen more cars and skyscrapers on TV in those countries too. Sure Vietnam had decades of war while others had peace. But perhaps that is just an excuse used by the leaders to cover their own failings in not long ago having introduced an environment "friendly to investment" which creates jobs and development etc, like those smart countries did?

Especially since this analysis of the success of the capitalist neighbours corresponds to their own experience of great growth precisely since the "market" took hold. Even the tremendous record in poverty reduction - from 75 percent in 1988 to 28 percent in 2002 - was caused by what? Was it the market and private sector - ie the elements that Vietnam has in common with so many other third world countries that have not had such success - or was it precisely that Vietnam was partly different, still had a socialist orientation, a strong state sector, a solid land reform etc. To us the second choice seems obvious, because we have the ability to stand back, analyse and compare. To the popular consciousness, it is more likely the first, irrational as that might seem, since that corresponds to their experience chronologically.

Commercial environment eats away at socialist consciousness among leaders and masses

These illusions and misconceptions get combined with the kind of consciousness that the commercial environment of an NEP creates. Doing an NEP requires compromising with an element of capitalism. Getting the productive forces developed from a very low level requires harnessing the material incentives, the element of private benefit seeking, that drives private investment forward. Yes, the state sector remains dominant compared to the domestic private sector and foreign capital. But the really dominant socio-economic form in an industrially backward country like Vietnam is none of the above, but the 'individual household' sector, both in rural areas and in towns and cities, the small

farmers and the small shop-keepers, petty artisans, small technically backward industrial workshops, small traders etc, with a smattering among them getting bigger and developing into proper private small business.

In an environment of poverty, following decades of what is considered to have been an attempt to 'share poverty equally', the view that each person attempting 'legal enrichment', at least up to a point, is not only good and necessary but is what is driving the country forward, is inevitable.

But if each person has the right to try to better themselves, then this does not only mean peasants trying to attain more consumer goods etc, it also means wealthy people looking after their own needs in education, health and housing (and not to mention, this leads also to them having to have the best Mercedes and the best mansion). The state had nothing in 1989-90, and so brought in fees for health and education. It is difficult to blame them for this. I think they should long ago have abolished them, given the tremendous development. However, there are vast numbers of exceptions and fee waivers for the poor, and basic fees are rather low anyway, if we exclude the cost of catastrophic health conditions requiring expensive operations and medicines.

But it is not the issue of basic health and education that is the problem here, it is what happens at the other end. Even if fees were abolished outright, in a poor country in a globalised world, the relatively poor quality of health and education facilities propel those with more money to seek to pay for better quality services. If you are a westerner living in Vietnam, and you have an accident or a serious health problem, will you go to the relatively run-down state hospital, crowded with loads of people, with good doctors, but who are overworked and underpaid, with reasonable equipment but nothing like what exists in an international private hospital, or would you go to the international private hospital? You would go to the second. And thus it's not surprising that more and more middle to upper class Vietnamese think the same once they've got some money. Would you send your children to the state university, which again may well be pretty good by poor country standards, like the hospital, but with vastly inferior resources to a foreign university - or would you try to get cash to send them to a western university?

But the simple inclination is only one thing. This need impels them to try to get hold of more money by any means necessary to be able to buy better health, education and housing. On the legal side, this means a quest for ever more cash, rising competitiveness, people trying to get what may be to get into some form of private business rather than doing any other form of work. Why spend years studying to be a doctor or teacher, and then just be on a state salary?

But then again, if you are a teacher, you could make buckets of money doing night classes, because, since every parent wants their child to get ahead of others in the competitive race to get to university, and better still, to get scholarships to study overseas, they send their children to evening classes; few children have a childhood now. And if you're a doctor, you can set up a private practice, or charge unofficial fees in the state hospital, give preference to paying patients over fee-exempt poor patients, get commissions from foreign drug companies for prescribing more expensive foreign medicines rather than Vietnamese medicines etc. Not that they all or even most do this, but with pathetic salaries, it is understandable that many do.

Thus aside from legal enrichment through private business, then there is the illegal enrichment that this commercial climate promotes. Corruption in Vietnam often gets exaggerated by western lenders, investors and "experts" with a barrow to push, namely that this is related to the leftovers of 'communism' and the very nature of the state sector, and if Vietnam would simply privatise everything, there would be no need for corruption. But leaving this self-serving rubbish aside, it is obvious that as socialists we have a much dimmer view of corruption in Vietnam (or Cuba) than corruption in Thailand, Philippines or Indonesia - in the latter, it is merely the illegal version of the

normal (ie capitalism), whereas in a country with a 'socialist orientation', it is precisely the means by which a new capitalist class can eventually be created, including from leading Communist Party cadres, top government leaders and state-enterprise managers. It is exaggerated. And there has been a terrific fight launched against it, reflecting the very real hatred of the corrupt among a still significant section of the party. But at the same time, it still is a very serious cancer eating away at any possibility of a socialist future.

One important avenue of corruption is in housing and construction. But housing, like health and education, is a basic need. By the early 1990s, Vietnam's stock of government housing, which had been built for city workers from the 1950 to the 1970s, was in a serious state of disrepair. With no money, the state decided to give the houses to the people who lived in them. There was a tiny price charged for this 'sale'. Everyone got a home almost for free from the state. A very important, unrecognised, contribution by the state to economic growth in the 1990s. With each person owning their own home, they will have more incentive to do repairs and maintain them, moving on from the lack of incentives in government-owned housing.

Sounds all very nice, until the next day. Once you own a house, you can also sell it. And with social differentiation taking place in the market economy, some wanted to buy better or bigger houses in nicer areas, and others maybe had to go the other way. Housing is not something that can easily all be the same. Those who already lived in houses on beautiful West Lake immediately had a far more valuable marketable resource than those with little government flats near an industrial area. Those with the houses on the lake could rent them out to expats from foreign companies, NGOs and other development agencies, for buckets of money. Many of those with these houses were already among the pre-Doi Moi elite; now they really became an elite. But this wasn't just a problem of creating a tiny crust of richer people, it was a problem of pushing up housing prices throughout the big cities. As well as having the best consumer goods, and even trying to get better health and education, now the middle classes also had to try to find - by any means necessary - extra money for better housing.

Capitalist Restoration by Stealth

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 this taking place by stealth.

It is the old material versus moral incentives argument. Che put a lot of emphasis on moral incentives as essential for developing a socialist consciousness and thus a socialist society. Socialism could not be built on the basis of the dull instruments inherited from capitalism, the market, competition, material incentives, the commodity. He was right, though the issue in poor countries is finding the correct balance between necessary material and moral incentives. And given that Vietnam was poorer than Cuba, plus had a more semi-feudal structure based on millions of small peasant households, and on top of that had been destroyed by war, the need for material incentives and 'economic growth' was that much greater. The Vietnamese can hardly be faulted for that, but the fact of this emphasis over so many years, and not enough of its opposite, will eventually bring about capitalism.

I use the term 'by stealth' to describe a different process to elsewhere. In the Soviet Union and eastern Europe, the bureaucratic caste was so divorced from the masses that it collapsed like a pack

of cards when the masses unleashed pressure, and wings of the caste sliced up the state assets between them and proceeded to carry out a robber baron style capitalism and social collapse. The working classes were utterly demoralised and had lost socialist consciousness after decades of the cynical bureaucratic straight-jacket, so did not resist.

In China, the bureaucracy kept intact its control of the state via the Communist Party, but as both society and the Party itself were transformed by growing capitalist relations, the caste was able to use extensive violence against the masses in the process of capitalist restoration. On the one hand, the working class has not been crushed, or demoralised as in Eastern Europe, and continues to fight, and thus in a sense we can say the process is not complete, but the masses fight a losing battle (at this point), with the CP leadership and state apparatus in direct confrontation with the workers and peasants.

Vietnam contrasts with both patterns – like in China there has been no collapse or demoralisation, but the ruling CP's stronger links to the workers and peasants make it unable or unwilling to confront them violently – or put another way, while there are elements within the ruling elite that are now completely pro-bourgeois, and certainly would confront the masses if they could, there is also still a large part of the Party and state committed to socialism and linked to the masses and who have no interest or intention of confronting them.

Thus capitalist restoration is not being carried out in such a direct way as in either the Soviet or Chinese varieties, but nevertheless is occurring by stealth. That does not mean that there will be no need for confrontation for the process to be completed, but the process is inevitable, and 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.

The role of the state economic sector

The fact that the state sector has grown as a percentage of GDP since Doi Moi, from some 30 to 40 percent, as has the state's role in total investment, from some 42 to 58 percent, indicates an opposite orientation to what has taken place in China. Moreover, given that agriculture is 25 percent of GDP and the state sector is absent there (ie, absent from agriculture, not from rural industry, food processing etc), the state sector accounts for 55 percent of non-agricultural GDP. And if we leave out the large concessions that a country of Vietnam's poverty needs to make to foreign investment, then the state sector accounts for 66 percent of domestic non-agricultural GDP. Finally, if we leave out the vast majority of the 'private sector' which is technologically backward small household production and services in the 'informal sector', and concentrate on the role of the state and private sectors within the domestic, modern formal industrial and service sectors – then the role of the state sector compared to the modern capitalist sector approaches 9 to 1.

However, a dominant state sector doesn't necessarily tell us everything. Many bourgeois nationalist regimes, like that of Nasser in Egypt and Ataturk in Turkey, had dominant state sectors for extended periods carrying out necessary roles in the circumstances of a very weak bourgeoisie, and part of this role was actually the creation of a bourgeoisie via the state apparatus, which was later able to grab assets as they were privatised, without any struggle from below, as the original nationalisations had been merely carried out from above.

In other cases there are bourgeois regimes with no progressive content whatsoever where large state sectors may exist, not playing the progressive role it temporarily plays in 'Nasserite' states, but

acting as a mechanism for massive corruption by the state and managerial elite, who use it as a means of siphoning off state wealth into Mafiosi private empires, although to some extent they are also used to gain cash for the state using means as exploitative as any private firm, to enrich a state that uses the wealth to repress the masses. For example, Brazil was spoken of "as a country of bras, referring to the 560 state companies which had become such a powerful economic force" under the right-wing military dictatorship of 1964-84. The SLORC regime in Myanmar and the tyrannical regimes in Uzbekistan and Turkmenistan for example have large state sectors.

It is clear that aspects of both above forms of state sector operation exist in Vietnam, but it is also clear from my research that overall the state sector plays a progressive role, and to a greater extent than merely in the cases of the 'Nasserite' states. Since Doi Moi the state enterprises are generally believed to be operating via the market, and as autonomous from state control, but in reality these statements are only relative to the pre-Doi Moi period and can only be stated with great reservations. Vietnamese state enterprises:

continue to play a strong social role both inside and outside the enterprise, and this social role is explicitly seen as equal to the necessary (for survival) goal of profit making in state firm's charters play a pivotal role in the state-led poverty reduction programs, including both programs they are directed to carry out by the state owner, and programs they (and their workers) voluntarily choose to carry out are used by the state to stabilise prices that imports and imported inputs would otherwise drive sky high - the prices of major products that affect the whole economy (oil, coal, cement, fertiliser, steel, electricity etc) are not market-determined but set by the state, at lower than market price have to have their 'autonomous' investment decisions approved by the state, and this has to fit into their assigned role, ie, if the role is to continue producing fertiliser or cement so that the price for peasants falls, the price of imports has to come down to compete, and thus state enterprise profits suffer, so that's what they have to do, they cannot use potential profit to invest elsewhere that may be more profitable

boast far better wages and conditions than the private sector and even better wages than the foreign firms for blue-collar workers, far better safety records, far higher rates of unionisation etc pay a drastically higher proportion of tax to the state, even though official tax rates are now the same for state and private firms have been very slow to carry out even the state-assigned 'equitisation' (partial share-privatisation with a state share) program, even though to date it has only concentrated on small firms representing a few percent of total state capital - and a major reason for this slowness has been resistance by workers

Put all together, all these factors present a picture of the state sector far more progressive than has been painted by a number of superficial leftist observers who see them as nothing but corrupt, profit-grabbing, market-driven firms which happen to still be owned by the state, or state bureaucrats as they would have it.

That is not to deny many negatives, including significant corruption and asset-stripping, a top-down managerial style, a lack of full-scale workers' control in the way we envisage it, often ill-thought out projects (though this can be blamed as much on decisions by the state itself rather than the enterprises themselves), a greater emphasis on naked profit making among many, a blatant taking part in the commercial economy of hotels, tourism, jewellery shops etc by some, corrupt connections with sections of the political elite etc.

All of these factors would occur in state sectors in any country, 'socialist' or otherwise. If these factors got the upper hand in the state sector, that would indeed spell doom for the socialist project. However, the fact that the state sector carries out so much progressive activity, as noted above, suggests the negatives are still far from getting the upper hand. If corruption and asset-stripping by managers was as rife as some like to think, it would be difficult for the state firms to be contributing

so much to the state budget, while also keeping workers conditions high, while also running poverty reduction programs outside the enterprise from after-tax profits etc. If workers were so powerless as some imagine, the managerial elite would not only get away with greater corruption, but would also be easily able to 'equitise' or outright privatise the firms without resistance.

However, this is not just a question of adding up various progressive functions and saying, 'see, in Vietnam, the state sector has more of them than in average bourgeois states'. Key to understanding the role of the dominant economic sector is understanding the role of the dominant party, the VCP, and the dominant class, the working class, and the origins of the Vietnamese state sector.

The Vietnamese state sector originated in a socialist revolution, so are seen by the masses as well as by workers and managers as some kind of 'social property', they did not originate from some bureaucratic state act from above

When interviewing Party theoreticians, I've been clearly told that although they are called 'state' enterprises, they are run by the Party as much as by the state. In pre-Doi Moi times, this went too far: a good party member with good views on the social role of the firm trying to dominate economic decisions, about which he or she knows nothing, can be extremely problematic, especially in a market economy. However, as the managerial elite was given more power post-Doi Moi to make purely economic decisions, the continuing power of the Party cell within the state enterprise is now a necessary balance to an ultra-technocratic tendency among the managers

The enterprise trade union, apart from defending workers' interests, also plays a role in management, as do a number of mass organizations, especially the Youth Union, and often the Women's Union. Like the Party itself, these mass organizations represent the broader society outside the enterprise, representing a possibly quite restricted and diluted form of community management, balancing both the management and also the tendency of workers to focus only on their own narrow interests as workers of a particular firm (a problem given that state enterprise workers are actually far better off than the mass of the population)

The annual Workers' Congress, which reviews not only issues related to the workers, but also past and future business plans, financial accounts etc, and then elects a workers' supervision committee to inspect these agreements made throughout the year. The Workers' Congress makes certain decisions, and if they vary greatly from management decisions, there is supposed to be some form of consensus arrangement, though ultimately the decisions will rest with management rather than the Workers' Congress if agreement cannot be reached. When agreement is reached, the Trade Union head and the Director each sign the document.

It is also notable in terms of solidarity that funding for poverty reduction campaigns, and other campaigns outside the enterprise (ie Agent Orange victims, 'heroic mothers' who lost sons and husbands during the war etc), comes from the enterprise Welfare Fund (which usually accounts for from one third to one half of after-tax profits), and this Welfare Fund is to cover both welfare for the enterprise workers and this other broader welfare. To use any of this fund for out-of-enterprise welfare, the Workers' Congress has to agree. Obviously, if profits are very low and there is little welfare for themselves, they are not compelled to agree. However, in a state firm with big profits, this is a mechanism which the Party and Trade Union leaders use to encourage solidarity with poorer strata, rather than the enterprise workers simply deciding, well, the firm has lots of profit, all the more for us.

Considering the importance of this kind of structure of the state enterprises, with its particular revolutionary inheritance, the drive by the World Bank and the 'reformist' wing of the VCP to 'equitise' greater and greater numbers of enterprises takes on a special significance. That is, it is not only a question of the percentage of the 'equitised' enterprise that remains a state-owned share, versus the amount owned by private share-holders (and usually a significant share by enterprise

workers). This is not irrelevant – equitisation with a state majority is better than with a state minority share, which is in turn better than no share. In theory, it means the state can use its majority to still press state concerns in the enterprise, as opposed to it being used purely for the purposes of the private shareholders. Yet this is dubious, because the whole point of equitisation is to attract shareholders to boost capital sources; but the only way private shareholders will be interested is if the enterprise becomes more profit-oriented.

But the other argument for equitisation, aside from attracting capital, is precisely that it will improve “management.” In other words, the entire structure of Party cells, trade union representatives on management, Workers’ Congress, the role of mass organizations etc has to go. This is all “inefficient.” It means there are too many people who have to be consulted – too much democracy. Rather, in an equitised enterprise, this will be replaced by the “democracy” of the shareholders meeting as the key form of management, along with increased dictatorial powers for the director. Yes the state may or may not have the majority of shares – but the decisions of the shareholders meeting are purely business decisions – what is best for profit for all the share-holders. And while it can perhaps be argued that having a proportion of workers’ shares is better than the enterprise being entirely bought by outside private shareholders, this is also highly dubious. The point is to make these workers petty capitalists, to break the bonds of solidarity with those outside the enterprise (leaving aside the fact that these petty workers shares will eventually, as always, be bought out). As a friend of mine in the Vietnam General Confederation of Labour explained to me, with equitisation, the Workers’ Congress goes: when workers agree to equitisation, they do so under the illusion that they become co-owners of the enterprise with other shareholders. Who needs a Workers Congress when your views are expressed in the share-holders meeting? And that’s real workers’ ownership, isn’t it, more so than now?

Therefore I don’t think the issue in equitisation is how big the state, workers’ and private shares are – once “transformed”, it is essentially not a state or social company, and usually just a step to fuller privatisation anyway. Rather, the two issues in judging the danger presented by equitisation are, firstly, how important are the sectors of the economy being equitised, and secondly, how far is the program on paper actually able to proceed in practice.

Regarding the first, until recently most ‘equitised’ firms were small and in areas not of much importance to the national economy. It could be argued that it is a good thing for the state to dispense with some ice cream shops or tiny workshops that it cannot effectively manage anyway. In a sense, with some of them, it doesn’t matter whether the equitised firms keep a state majority, or even any state stake at all, and in the best cases they have actually been fully ‘equitised’ to their workers, ie turned into workers’ cooperatives, which seems a reasonable idea for such small firms, that by definition cannot play a larger social role given their size.

However, recent larger equitisations, with state majority, of the main insurance company, Bao Viet, and the main milk company, Vinamilk, and with a state minority, a large sugar plant in Thanh Hoa, point to the gathering direction, which was given substance by the Decree 187 in November 2004, which calls for equitisation of the subsidiary companies of the large state corporations. The simple inclusion of the term ‘state corporations’ (“including state-owned commercial banks and financial institutions”) in the new decree is the key difference, as they were not included in the previous legislation, and they control the all the important sectors of the economy. This is a “real revolution,” according to Deputy Finance Minister Le Thi Bang Tam. The simple use of the word ‘corporation’ means the difference between equitising a small local restaurant, or furniture shop, and equitising the cement, fertiliser and steel industries for instance. It is assumed that the state will maintain control because the Corporation itself will be turned into a ‘parent company’ which will hold either majority or minority stakes in the equitised subsidiaries, depending on importance – this is the Chinese method applied from the early 1990s. But the wording is so vague that it is unclear which

and how many subsidiaries should be considered important enough to not be equitised, or to be equitised with state majority, or even whether down the line the parent company itself may be equitised (see below for more on this).

However, this was partly clarified in January 2005, with a new government resolution 01/2005, which reads:

To continue stepping up and expanding the scope of equitisation of state enterprises to cover a number of corporations and big enterprises in the sectors of electricity, metallurgy, mechanical engineering, chemicals, fertilisers, cement, construction, land, river-way, air and maritime transportation, telecommunications, banking, insurance and state corporations in sectors where the State needs not to hold 100% capital. Pending the equitisation of entire corporations, to equitise member enterprises.

In this extraordinary resolution, all the sectors listed in the 9th Congress as the areas where the state aims to dominate are here listed as areas open to massive equitisation, more or less stated just by the way. Yet even when it says it will equitise member enterprises “pending the equitisation of entire corporations,” we remain unclear whether this idea of equitising “entire corporations” means for all of those sectors above or just some to be chosen, whether such equitisation, either of member companies or “entire corporations,” will be of majority or minority stakes, and even whether future equitising “entire corporations” necessarily means equitising the parent company, or merely means all their affiliates.

The other important change is that now equitisation is decreed by the government, whereas previously it was voluntary, and enterprises, including the workers, had a say in whether or not to do it. Now the government will decide which enterprises, and which subsidiaries of which corporations, are to be equitised, and there will be penalties for those who do not get on with it quickly enough. Resolution 01/2005 clarifies that “enterprises which are subject to equitisation but decline or delay equitisation shall certainly have their leading posts replaced.”

Thus it is important to understand that at a purely legislative level, Vietnam has moved significantly into dangerous waters regarding privatisation as of late 2004.

The point is, however, whether this can actually be enacted, depending the level of opposition by workers, Party units, mass organisations, communities, even some management bodies themselves, and a section of the Party leadership. Given the process up to now under the old legislation, which only aimed at small firms, has been slow, there remains hope that the new legislation will remain a dead letter.

The role of the Communist Party

In the final analysis, it is what happens to the ruling Party that will be decisive. Can the VCP act in such a way as to harness the capitalist elements, while actively promoting moral and collective incentives to counter the growing rampant individualism and acquisitiveness?

I believe one of its key problems is that it has not been able to do this. It has certainly done a lot, via its mass organizations it has carried so many successful poverty alleviation projects, including via ‘mobilising’ funds from enterprises and individuals, appealing to social solidarity, and all that is a story in itself which tells us a lot about a post-revolutionary society. However, it is not enough: the opposite incentive structure is more powerful, and is eating away not only at the economic structure but at the Communist Party itself.

This works in two related ways. On the one hand, there is simple corruption. Given rising avariciousness in society, those in positions of power obviously have the most opportunities. As well as corruption among state leaders at various levels, this also affects party members operating in state enterprises – when they are also corrupt, it is one fewer obstacle to a corrupt managerial elite. The Party frankly admits a significant portion of its membership and leaders are corrupt, but as noted, the fierce fight against it (but its continued presence nevertheless), indicates the kind of conflicts this is causing with genuine communists in the membership and leadership. The Party is no God – it is affected the same way everything else is.

The other way it works is ideologically. As the market and capitalist-style incentives more and more dominate, this comes to be seen by many party members and leaders as the ‘normal’ way things operate; all the ideas about ‘socialist orientation’, a dominant state sector, Marxism etc seem like a whole lot of baggage left over from another, unsuccessful, era. Economic liberalism and ultimately outright neo-liberalism are become ascendant. This is entrenched by years of having to deal with the IMF, World Bank, ADB etc. Though originally they would have seen this as a necessary evil, as years go by and these organisations not only have the money for development lending but also for “research”, which aims to and thus does establish that their neo-liberal ideology is The Only Correct Path to travel, and this “research” is then presented in glossy, professional-looking publications, well who can argue with that? It is further entrenched with the sons and daughters of the elite going to imperialist countries to take university courses in Economics, Business Management, Finance, Banking etc, and coming back with all their learned neo-liberal orthodoxy which makes Blair and Latham almost look like social-democrats. Ultimately it comes down to material reality: without further revolutionary breakthroughs, the ideology that says that the social system that exists in the most technologically advanced countries in the world is the obvious best choice for an impoverished country just becomes almost impossible to argue with.

These two forms of capitalist influence in the Party are not necessarily the same, though there is significant overlap. There are many prominent economic liberals who are also known to be corrupt as hell; it makes sense: the ideology says getting rich is good for society, so they carry out that duty themselves. However, there are also many honest party liberals, who actually believe in the stuff, and honestly think corruption is only caused by the lack of pure capitalism; abolish all restrictions to completely free markets and virtually unregulated capitalism, and there is no need for corruption.

On the other hand, socialist conservatives also come in both categories. The stereotype presented by the ‘honest’ liberal and many other ideologically convinced middle class youth is of the corrupt ‘conservative’ – they “oppose change” and “reform” because they are in positions of power as officials or in state enterprises in which they corruptly benefit; “reform” would allegedly remove this access to loot. And of course, such a stereotype is based on an element of reality. But what the “reformers” don’t get is that such ‘corrupt conservatism’ has a limited shelf life: once one such person has accumulated enough illegally, h/she wants somewhere to invest that loot legally, so that when their children’s friends see daddy’s new \$US100,000 car, they can say he is a respectable businessman, rather than having to say he is actually just a government official or a manager of a state firm on a salary of a few hundred dollars a month but he has that car because he is also thief. The question of ‘legitimising’ stolen assets. I think that explains why some of the most appallingly corrupt people are in fact prominent in the “reform” rather than the “conservative” camp – corrupt forces in the “conservative” camp are still busy accumulating, those in the “reform” camp have already made far more the old way, and now they want to move on to better things.

Obviously those of most interest to us are the ‘honest conservatives’. It is difficult to estimate their strength, but they clearly include a substantial part of the Party’s membership, large numbers active in the mass organizations (the Women’s, Farmers’ and Veterans’ Unions and the General Confederation of Labour, but not in the Youth Union), many in the army, and a substantial minority

of leaders, the most prominent of which were the founder of Doi Moi, Nguyen Van Linh, who was General-Secretary 1986-91, and the previous and current General-Secretaries, Le Kha Phieu (1997-2001) and Nong Duc Manh (2001-). There is a certain generational element at work here: an obvious difference with China is that a vast layer who actually fought for their ideals strongly believe in at least the core ideals of creating a more socially just society, whereas the up and coming leadership from among those who reached teenage after 1975 have less connection and thus more easily fall completely for the “new” thinking. This of course is not absolute: the former and current prime ministers, Vo Van Kiet (1991-97) and Phan Van Khai (1997-) are both of the older generation and are economic ‘reformers’ extraordinaire. However, it is a trend that is more or less inevitable.

However, there is a lack of ideological clarity in the socialist conservative camp, they have been demoralised by repeated failures in the past, the collapse of the east bloc, the Chinese restoration, and having to put up with constant verbal assaults by younger more educated cadres telling them that all their life’s beliefs are just old trash that needs to be junked given the “new situation” in the world (globalisation, post-cold war so “all nations are friends”, technological revolution etc). They were never scientifically ‘Stalinists’ but neither were they ‘anti-Stalinists’; they were what they thought were ‘Communists’. They have been unable to put together a coherent alternative to the growing neo-liberal chorus among party members with more education who can cite all kinds of dubious “facts” provided by the World Bank.

The ‘conservatives’ like Cuba, and indeed all Vietnamese still love Cuba. But Cuba is small, and distant, and they know Vietnam does not have what Cuba has to show in health and education, as it never had the chance, so this small, friendly island simply cannot substitute for the country beloved by Vietnamese neo-liberals: China, next door, and over 100 times bigger than Cuba. Venezuela? I simply can’t explain the complete ignorance about what is going on in Venezuela among the Vietnamese cadres; I imagine for the older generation, the idiosyncratic nature of the Chavez phenomenon makes it a little difficult for them to catch on, and even if they get an inkling, it is also a long way away; for the younger generation, Venezuela would appear absurd: a country determined to head in the direction that they are determinedly heading out of as fast as they can.

(Since I wrote this, there has been marked change, and since early 2005 there has been more the Vietnamese media. The Youth Union sent 160 members to the World Youth Festival in Venezuela, and I believe will have learned a great deal. At a recent solidarity conference in Hanoi attended by John P and Eva, the iconic Madame Nguyen Thi Binh, of Paris 1973 negotiations fame, asserted that “Vietnam, Cuba, Venezuela are united”, and then she added, “and Palestine”. Chavez has clearly caught on. Mind you, Madame Binh, now in her 70s, represents the very best of the revolutionary generation and, like Giap, is clearly a cut way above the rest; her statement at the conference appears way ahead of anything I’ve seen elsewhere. Nevertheless, it is hopefully a sign of change).

Interestingly, the anti-globalisation movement and World Social Forum process appeared to offer some direction, and I was fascinated to meet older cadres who told me about attending one of the international gatherings. They were old, but real thinkers; for them it was inspiring to be part of an international movement that was youthful, radical, challenging the neo-liberal ascendancy with new and fresh ideas. Unfortunately, the political weaknesses of that movement has led it into a downturn which cannot be part of a pole of attraction at present.

When I talk about ‘conservatives’ and ‘reformers’ (regarding economic policy), I’m not talking about hard and fast factions, but rather about very broad, difficult to discern, tendencies. Much of what is written in shallow media reports is nonsense. You need to constantly read through the lines to discern tendencies, and often one person may hold a mixture of views usually considered “liberal” and ‘conservative’.

And to the extent we are talking about groups at all, there are more than two of them. It is clear that there is a large 'centrist' (for want of a better term) tendency, probably dominant, which sees itself as somehow 'social-democratic', whatever that means in the Third World, and/or look to the East Asian NICs (Newly Industrialising Countries). I note this to show how right-wing are some of those in the hard economic 'reform' camp. The centrists at least know that the state played a large role in the NICs development, that they were highly protectionist and regulated, and that they had little to do with the free market or free trade. The hard 'reformers', by contrast, are convinced that the NICs' crisis in 1997 was due to this "lack of reform" in those countries.

The Communist Party and the question of democracy

For many on the Trotskyist-influenced left, the existence of a ruling Communist Party is the problem itself, so it is futile discussing whether the VCP is capable of steering a socialist orientation through the NEP. They believe a 'one-party state' is by definition a bureaucratic dictatorship which cannot but link up with a rising capitalist class and use its assumed ability to repress the workers and peasants for the benefit of the new ruling class.

While I am no advocate of a one-party state, this view misses the mark in terms of what is available at present to relace the current situation, as well as reflecting an ortho-Trot view on the nature of the VCP. They believe a party with deep roots in the masses can spend decades leading history's most titanic revolutionary struggle and then the party elite can completely grab all power to itself.

Understanding the party is key to understanding why the revolution has survived, but understanding its limitations is also key to understanding the danger the country is in.

To become a VCP member, you don't just go to the local party office, fill out a membership form, and then if you've got enough money or wealthy backers, stand for pre-selection. To become a member, you have to be nominated by fellow workers at your workplace, or by the Party cell in that workplace, in which case the nomination has to be accepted to the workers. In rural areas, you can be nominated by fellow farmers via the village-based Farmers' Federation, which every farmer is entitled to join. In both urban and rural areas, you can be nominated by fellow youth or fellow women in your local Youth or Women's Union, which every young person and every woman is entitled to join, respectively. A young, rural woman may be a member of the Youth, Women's and Farmers' Unions all at once. Then there is the neighbourhood, from where the local party cell may also nominate members they consider outstanding, but this level appears to function somewhat less 'bottom-up' - while local branches are generally made up of exceptionally locally dedicated people, the actual structures of nominations from the neighbourhood people to the party do not appear to function very clearly (but I could be wrong or generalising on that) due to the more diffuse nature of the neighbourhood compared to the workplace, union, or mass organization.

To be nominated by your workmates or mass organization members to party membership, it means you have to be seen as outstanding in some way, that is what nomination to the party is understood as meaning. For example, a young member I know who joined when he was a young farmer back in his province joined by being nominated by his colleagues in the Youth Union, on the basis of his outstanding volunteer work, digging irrigation canals, and organising local youth events. A teacher I know was nominated by others in her workplace because she put in extra hours without overtime pay to help her students and did extra administrative work. A journalist I know worked for the party's theoretical journal, Communist Review, for 14 years before he was nominated for Party membership, yet a lot of people would assume to be working in such a place in the first place one would have to be a member.

A woman I know was the vice-president of her branch of the Women's Union in a rural commune for many years before being nominated by the party cell in the WU. In an odd twist, she was unable to complete her provisional membership because her niece illegally crossed the Chinese border, tricked by 'work' recruiters, at the time. The niece got back safely, but to be a member, in that particular commune's rules, no-one in three generations within your family can break the law. Clearly, this branch was rather extreme in their interpretation of what a good party member should be (and it would be good if some higher up were this puritanical, to put the problem mildly), but in its own way it does indicate a dead seriousness among many sections of the party. In a further twist to the tale, however, at election time, at the local people's nominations' session, she was nominated to run for the District Assembly. The Party ran its own candidate. She beat the Party candidate hands down and became the member of her commune to the District Assembly.

When a party member accepts any official position within the party, or any state position at any level, they have to do courses in the Party school on Marxism and on other subjects related specifically to their area. Of course, one does not have to be a Party member to get a state position.

Multi-party systems may be a good idea, but the question here is how other parties fit into such a set-up described above. On the one hand, on a purely abstract level, I believe workers or whoever should be allowed, from a simple democratic point of view, to set up an organization based on their political views, and this organization may be called a 'party'; and it can hardly be denied that the act of closing down such an organisation or using repression against people who try to set it up violates democratic rights. And, since non-party members can stand for election to all levels of government (Commune, District and Provincial People's Councils and the National Assembly, which includes some 15% non-Party members), it would seem logical that people forming such organizations should be able to stand as organizations in these elections, rather than just as individuals as at present. Party candidates in fact do not stand as members of the party, but everyone knows that they are. However, such organizations would seem a different species to the kind of party organically linked to the worker-peasant base like the VCP.

In the current context, it is precisely a party with such a structure that is some kind of guarantee, even if in a distorted and not very satisfactory way, of revolutionary continuity. Thus while it is undemocratic to close down another party, it does not follow that the mere existence of other parties, in and of itself, is necessarily more democratic than a one-party system, but rather it depends on the substance of the set-up in each case.

Having lots of parties that get lots of money from the capitalist class, and/or who engage in massive vote-buying, does not necessarily create a more democratic set-up. Massive vote buying and other kinds of electoral corruption by various parties of different wings of the oligarchy is the norm in places such as Thailand, the Philippines, India etc, much has been written about it, along with the election-time violence and killing that goes with it.

Furthermore, there does not appear to be any popular push for another party, let alone from the working class or peasantry. Rather, while people criticise the party and government all the time, there appears to be a consensus that the party is overall a good thing, though it could do with drastic reform. Even among 'The 25 Dissidents', support for a multi-party system is apparently minimal, most advocate all kinds of other democratic rights and openness rather than new parties; some of the fiercest dissidents openly oppose a multi-party system. There is no apparent call by any section of the working class movement to break with the party; if there was such an organic movement within the class we would not ignore it. But at present, the most likely candidate for a new party is new money.

But that doesn't mean that the current system is democratic either, and, like any system, it is open

to manipulation in all kinds of ways. The VCP itself quite often frankly acknowledges the democratic deficits and seeks ways, within certain limits, to change this situation. In one sense, having more parties could do good to the VCP, forcing it to return more solidly to its base so as to fight off challenges, and creating a more open political atmosphere by their mere presence. A party in power for decades without opposition, even if it is a specific kind of party with a specific mandate, cannot but fall into patterns of doing things and become aloof and many of its members become arrogant and feel unchallenged. Few would deny the bureaucratic and routinist and removed nature of much official activity, which many VCP members themselves constantly criticise.

On the other hand, the best solution really is a democratisation of the party itself. On the face of it, it appears democratic. But since a great many restrictions on democratic rights exist throughout society, for example in the media and in culture, this impacts on the party itself. Where do new ideas for new circumstances come from? While older party leaders keep using what often sound like tired ideas and explaining them to new dedicated members, the young professional set can find “fresh” ideas (ie archaic neo-liberalism etc) on satellite TV (available to any home that can afford it and in all hotels) and on the Internet. Because of the relatively closed nature of discussion in the media, such reactionary ideas may appear radical and innovative. The VCP needs to break out of its cocoon and challenge these ideas politically head on, before it's too late.

Ideological confusion and the “market”

Thus at present it is a holding operation. But one of the reasons the VCP is doing little to challenge these reactionary ideas, and one of the problems that the challenge of new, money-backed, parties would create, is that the VCP is confused itself, and a section of it basically agrees with these ideas. A key problem facing the VCP is its inability or unwillingness to clearly explain the nature of the NEP as necessary concessions to capitalism, to explain the superiority of socialism, to explain that Vietnam is far ahead of equivalent capitalist countries and why, to explain the catastrophic effects of imperialism throughout the rest of the third world. Marxist classes are often pie in the sky descriptions of the future unconnected to people's everyday reality, while cadres everyday language tends to the complete opposite: dull, technocratic language about economic growth, investment, how wonderfully Vietnam has done since it saw the error of its ways during the “subsidy” period and introduced “the market” and “allowed people to have their own businesses”, since Vietnam began an “open-door” policy and “become friends with all countries” – as if the previous criminal embargoes were its own fault, and so on. Making the connections appear to be their weak point.

A key problem is how to explain “the market.” Marxists see the market as incompatible with socialism, except perhaps for some rather minor pursuits. The difficulty for the VCP is explaining the necessity for the use of the market on a large scale at this stage, while maintaining the Marxist position on the ultimate overcoming of the market as socialism develops. This combined with the apparent success of the market under Doi Moi compared to the apparent failure of the old system, as explained above, has an impact on popular consciousness. It would seem inconceivable to most people that the market would ever be done away with. Perhaps it could be argued that it is unnecessary for the Party leadership to prepare the masses for such an eventuality, because it will be some time in the future and it is something that will evolve, if there is evolution towards socialism, based on new realities; the masses won't wake up one day and find “the market”, together with their little street stall, “abolished.” But the problem here is less on the masses but on the Party itself. The “success” of the market and the international climate have pushed a large part of the Party to the view that the market is eternal, has existed under all previous socio-economic formations, peaked under capitalism, and thus will continue to exist, in a modified form to remove its negative impacts, under socialism.

China makes the unmarxist claim to be a “socialist market economy”. Vietnam avoids this, and is more honest, by saying it is not yet a socialist economy, but a market economy with a socialist orientation. Again, this is a consensus formulation; it allows the more Marxist elements to read it as meaning that the more the “orientation” evolves towards socialism, the less “market” there will be. But it also allows the market-infatuated wing to claim that, precisely because Vietnam needs the market to further develop the productive forces to lay the basis for socialism, therefore the country at present needs a lot more “market”; as China is more highly developed economically than Vietnam, its “socialist market economy” is something at a higher level than Vietnam’s merely “socialist-oriented market economy,” and Vietnam will evolve towards the former. Never mind that there is also a lot less socialism in China: unfortunately, for some, this is not merely a diplomatic way of discussing with the Chinese CP by pretending to take their formulations at face value; for some in the VCP, the view that by merely being more economically advanced China is therefore more socialist, is the logical outcome of their technological/economic determinism.

Comrade Doug L recently took me up on my use of the term “neo-liberal,” and claimed the right wing were more “Bukharinist”. However, whatever Bukharin’s alleged faults, he was a revolutionary in an immediate post-revolutionary period. He wasn’t advocating massive privatisation. He saw the market as necessary for the transition, and perhaps he took it too far, but he was hardly a convert to market fundamentalism as a faction of the VCP is. This was the 1920s, a few years after the beginning of the NEP, and a few years after the revolution. In Vietnam we are talking about 30 years after the revolution, 20 years into the NEP, isolated in an environment in which socialism is internationally considered to have “failed”, and full of international neo-liberal funding bodies, lending agencies, trade bodies, foreign investors, international neo-liberal “consultants” and “experts” and various other assorted rubbish with bucket-loads of money to throw around – it would be a miracle if no neo-liberal current had arisen. The miracle is that it hasn’t yet come to dominate.

Let me give a few examples of what can only be called unabashed neo-liberalism from the Party-controlled media or theoretical journals.

According to Le Dang Doanh (1999), until recently the head of the Central Institute of Economic Management (CIEM, the leading economic think tank under the government), “social welfare should not encourage reliance on state subsidies and should not entail too large expenditure. The experience of Sweden and France shows that a state with too high welfare may affect the economy’s competitiveness.” Thus, the more “competitive” US is a better model than “France and Sweden.”

Nguyen Minh Tu (1997), a senior researcher in CIEM, claims it is “impossible” for state firms to operate effectively in the market, as “development theory and practice of the world economy have shown,” and there is “no effective mechanism” for the “successful management of state business.” Though in the process of “conversion” state assets may be lost due to embezzlement, this loss “is not as great as that of preserving the previous state business management.” This is interesting. “Reformers” often claim that privatisation will help stop corruption, which they see as a characteristic of the state sector. Yet Tu, conceding that precisely privatisation will lead to a much greater corrupt assault on state assets, sees such theft as better than preserving state ownership.

Ton Tich Qui (1998), a researcher in the State Council for Stock Management, notes that workers in Vietnam “are given better treatment than in other countries but they are never satisfied.” Equitisation will require 1.8 million workers to be sacked, for whom he believes one month’s salary is all that will be required as redundancy pay. Though this strategy will cost the state 10,000 billion VND (\$US660 million), “it is an advisable one.”

Bui Dai Dung (2002), a researcher at the Prime Minister’s Research Commission, begins with an assertion of “empirical evidence” of a “strong negative relationship between increases in

government expenditures and GDP growth,” and asks how one can possibly explain the “illogical situation” that “government expenditures keep growing while both government and people acknowledge such harmful effects on the living and economies.” To provide a solution, he divides “public goods” on which the government spends money into “pure” and “impure” groups. Using tortured “economists” arguments, he shows that while the military, and to an extent transport and major infrastructure may be considered “pure”, education and health are “impure” public goods. However, due to “wrong signals” sent to the government from “interest groups”, “expenditures for impure public goods increase faster than for pure public goods,” and government expenditures in general grow. In order to arrest this “government failure,” “it would be necessary for governments to steadily give up providing impure public goods. These activities (ie education and health!) can be appropriately transferred to the private sector via privatisation.”

Meanwhile, as the government has continually raised wages, people in the Ministry of Finance are looking for new ways of funding state wages. As Vietnam Economic Times writer Le Minh complained, until recently, “the decades-long operation of the subsidy mechanism, until the launch of Doi Moi, had consolidated a mindset that any financial revision in the state-run sector, like salary increases, had to come totally from the exchequer.” Now, however, he quotes a Ministry of Finance official that “many institutions are allowed to accept contributions from people in kind – tuition fees, health-care fees and others. These incomes, sometimes even beyond the government’s control, are left to the institutions to divide among their employees.” But rather than advocate greater public spending to overcome this disaster whereby if students or patients pay higher fees, it allows desperate employees to get decent salaries, or at least to call this an unfortunate reality if one accepts the government’s financial constraints, Minh explains that such situations “enthuse reformers as alternative sources outside the state budget to finance salary hikes,” quoting the MoF official that “ongoing salary reform will stress such sources” (VET February 2003). Upping education and health fees to provide an alternative method for paying staff, rather than state spending, is thus presented as mind-bogglingly new innovative concept.

Hopefully, these few examples give a glimpse at the right, neo-liberal, wing of the state and party elite. Fortunately, they do not dominate, but are close to many people in economic ministries.

‘Democratic centralism’

A point on ‘democratic centralism’. Our view is that it is necessary so that a party operating in a hostile capitalist environment, where the capitalist state has enormous power, is able to carry out ‘unity in action’. However, when a party holds state power, and is the only legal party, I believe a religious application of this concept is more negative than positive. Clearly, being a small isolated country, it is still in a sense in a hostile environment. However, holding state power gives it a qualitatively different position to a small revolutionary party in a capitalist country. The problem with the concept in a country where the party holds state power is that it does not allow a full discussion by the masses of all the issues of the day.

A full discussion does take place within the party, but the party consists of 3 million members, of a population of 80 million. Before Congresses, following the completed inner-party discussion, draft reports are released to the public, so they can take part via the media, sending amendments to TV, newspapers etc, so there is public debate and input. However, this is after the more substantive political discussion has been had. The masses can sometimes discern different opinions among leaders via reading through the lines of various leaders statements to the media, or via word of mouth, via those who know party members who talk about the discussions anyway. However, this is then divorced from any political bases on which these different opinions are held. This severely

limits democratic discussion among the masses, despite the open official channels.

It could be argued that, with the Soviet collapse and the move to Doi Moi, the country had to go through a transition which was initially quite painful; given the systemic collapse around 1989-91, it was essential that the Party maintain strong unity to get through this period. Open democracy might sound good, but in those conditions, it would have been too easy for reactionary forces, funded by imperialism, to present a picture of the utter state of economic chaos and poverty at that point as representing the failure of socialism. It required a period for a united, democratically centralist party, to show in practice they could help the country rise out of that crisis without going to capitalism, and the party has performed this task superbly.

However, that is a different period, and the problem now is that the party's "consensus" mode of operating is being more and more dominated by the 'reform' wing. This is inevitable given the state of the world, and the fact that the right consists of the younger and more educated members. The "consensus" mode refers to the VCP's traditional mode of operating - even if you have a fierce internal discussion, the final resolution, as presented to the public, is not merely the majority position, but rather is a hodge-podge of the two or more positions, expressed vaguely enough for everyone to interpret in their own way. Thus what occurs in reality with the resolution depends on the balance of forces within society.

Till now, this has served the VCP well in war and peace, and it has been key to preventing the more 'reformist' wings of the party from moving too fast in a capitalist direction. They always had to find consensus with the socialist wing. However, as the international situation and the local commercial realities push in an inevitable direction, and the spokespeople for that direction are more confident, articulate and educated, 'consensus' is easily being hijacked by the market-line 'reformers'. As each resolution is vague enough to satisfy everyone, and allow them to interpret it their way, the more articulate 'reformist' forces push their interpretation in the media, try to push it through the National Assembly, and each time they speak or succeed, they get accolades from the local office of the World Bank or some other western body. By the time discussion for updating the resolution comes around, the new version takes a greater deal of this new "reality" into account.

The leftist forces and even the centrist forces are therefore increasingly trapped by this set-up, and by 'democratic centralism', because it is now that they really need their own voices to be heard publicly, and for the masses to participate in this discussion. It is one thing to say they can participate anyway, just without the party opposition helping them publicly; but it is precisely because any of the more articulate members of the party opposition are unable to help them publicly, unable to provide any political direction, any political coherence, to the greater social opposition to a Chinese course, that this public discussion can look good for a while but then go nowhere.

'Consensus' and the privatisation debate

One of the best examples is the equitisation drive that I spoke of above. At the 9th National Congress in 2001, the resolution on the state sector strongly affirmed the Party's view that the state should own all the dominant sectors of the economy. The Socio-Economic Development Strategy calls for building:

State corporations sufficiently strong to operate as the core of major economic groups, such as in petroleum, electricity, coal, aviation, railways, high sea transport, telecommunications, mechanical engineering, metallurgy, chemicals, building materials, import-export, banking, insurance, auditing etc.

The resolution also encourages shares or other forms of private ownership for "enterprises where

the state does not need to hold 100% of capital”.

Despite the seemingly strong emphasis of the paragraph above, it is a consensus statement. It does not ban private companies in the above areas and restrict them to less important areas; so for the state firms to remain “sufficiently strong to operate as the core” of these sectors, they simply have to outdo the private sector. And perhaps this is neither difficult, nor necessarily a bad way of doing things. However, where it says that “enterprises where the state does not need to hold 100% of capital” can be equitised, there is no clarity about which kind of firms this means. It could be interpreted to mean that the above list of areas where the state must remain the “core” are enterprises where the state does need to maintain 100% of capital, as opposed, say to various light industrial and consumer goods areas. But it could also be interpreted as meaning that as long as there are some very strong 100% state firms in these areas, other state firms in these areas do not require 100% state ownership. It could also be understood that all these firms in these key areas could have “shares” (ie be equitised), and as long as the state maintains a majority share (over 51%), it can remain the “core”.

Whichever of the above it means depends on the interpretation of each tendency. Eventually it became clear that the only areas where the state needed 100% were the military, radioactive substances and a few other areas related to security concerns. But this still offered little clarity. Still, as only small firms were being equitised in practice, it was posing no problem.

Some ‘reformers’ began expressing the view publicly that the state need not control industrial production activities in general, but only public services, infrastructure like electricity, railways and water, and the state bank, ie a typical social-democratic set-up (for want of a better term in a third world country).

Polemicising against this view, the Party newspaper, Nhan Dan, reflecting at that time the conservative position in an editorial in 2001, “unilaterally” rejected arguments that “the SOE sector should be restricted to some essential industries like telecommunications, banking and finance, transport, natural resources, security and the public service.”

The view was also strongly opposed by others, including the Party leader, Nong Duc Manh. Yet the view being expressed, which Nhan Dan and Manh rejected, in no way contradicted the resolution.

Frustrated by the slow pace of equitisation, prime minister Phan Van Khai took a step much further, starkly contradicting even the soft ‘reformist’ position rejected above by Nhan Dan, but from the opposite direction. In March 2004, Khai called for mass equitisations in areas such as power, aviation, banking, insurance and telecommunications (and for an expansion of the role of the stock market in such enterprises) – ie, in the areas that even the soft reformists wanted to keep. In April 2004, the Ministry of Finance similarly declared “the state should hold a controlling stake (only?) in major or ‘sensitive’ sectors related to security and national defence, while those involved in key industries such as electricity, banking, insurance, chemicals and telecommunications should be equitized” (without a controlling stake?).

Yet even what Khai and the MoF called for does not explicitly contradict the Congress resolution. But what it does do is push the debate further in a certain direction. This was the background to the new resolutions on equitisation in late 2004 and early 2005 described above. As I explained, even these resolutions remained vague on some important points, such as whether the parent company of a corporation with equitised subsidiaries would also be equitised in future. And once again, the job of pushing ‘consensus’ to the right is being done via media releases.

In an article in the March 23 Viet Nam News (gone from the webpage), we are told:

“The Government wants a clear road-map for the equitisation of SOEs, excluding those operating in the national security and defence areas. SOEs whose majority of affiliates have already been through the renovation process need to be equitised completely. The Government will not yet restructure SOEs that have been playing a major role in the economy, but it plans to equitise most of their affiliates, adding that these SOEs must be transformed into parent-subsidiary models. Only when these subsidiaries have proved to be business efficient should the Government then equitise the parent enterprises” (my emphasis).

It seems to matter not that if what is described here were to actually occur, there would be nothing left in state hands, except the security forces, and Vietnam’s economy would be completely capitalist, yet this is written as an everyday ‘just by the way’ kind of news story.

Health and education and ideological confusion

Even the policy of fee paying for health and education is rarely explained as something totally against their ideals but forced on them by the collapse of state finances in the late 1980s – it tends to get explained as a neat new idea that “all society” contributes to health and education, rather than people “having” to rely on state “subsidies”, as public spending on these public services is called. This policy of the “whole society” contributing is called “socialisation” of health and education.

In fact, fees were introduced in 1989, and the policy of so-called “socialisation” not until 1997, and the latter was not at all envisaged as a way of merely giving a nice cover for fee paying, of ironically calling a “user-pays” system “socialisation”. In fact, “socialisation” was supposed to add extra finance by mobilising local funds for health and education, from rich individuals, mass organizations, and state and private enterprises, as well as better coordinating foreign aid in these areas, on top of increased state funding, as was explicit in the legislation, all on top of the fees which already existed, and explicit in the legislation was that this funding mobilisation should target those who can afford it, while leaving out the poor (even the existing fees are in large part not applied to the poor). In a sense, a form of extra, non-compulsory, local taxation, to make up for the difficulties in taxation in poor countries (though for local state enterprises, this funding mobilisation is often not voluntary – often the local state makes them cough up from their after-tax profits, which is a good thing). Keep in mind also that several years ago, the land tax on peasants was abolished.

Now, much of this may or may not work out well in practice. But the issue here is the fact that Party leaders seem incapable of explaining it the way I just did, even though I have simply used their own documents. Ironically, the setting up of private schools and clinics is put up as an example of “socialisation” – not merely as a necessity for a poor country given the lack of adequate state finance, so that the burden on the state in providing public services is relieved as rich people pay for private services (an argument we would absolutely reject in a first world economy but I find highly logical in a poor country, at least one where a party dedicated to socialism may try to prevent the ‘slippery slope’ syndrome). Rather, this is put up as a way to move further away from the dreaded “subsidy mechanism”, a term meaning everything evil from pre-Doi Moi Vietnam.

An example of the ideological confusion presented via the mass media is a recent article in entitled ‘Commune’s health care goes grassroots’. The article informs us that “the remote Hong Duong Commune in Ha Noi’s southwest has pioneered a health care system that conforms to a market-oriented economy.” Interesting, “going grass-roots” is supposed to be related to “conforming to a market economy”. I thought the market went where the money was. Anyway, how is it doing this:

“By allowing the staff to buy X-ray and ultrasound machines and provide herbal treatments, the communal health centre has attracted a significant number of local people from the area and raised

health workers' incomes ... The communal center used to receive only four to five patients every day, as it mainly relied on State subsidies and focused on preventive measures instead of treatment and diagnosis."

Let's shift aside the more obvious non-sequiturs first, for example, why does focusing on preventative measures indicate a health system based on "state subsidies" while one using "treatment and diagnosis," and herbal medicine, indicate a "market economy"? The statements are completely irrelevant, revealing utter confusion.

The article does not tell us why buying X-ray and ultrasound equipment is a hallmark of a "market" rather than "state subsidised" economy. What is unsaid is that the state "allows" the staff to buy such equipment out of their pockets, and so therefore they charge higher fees to those people who can afford to pay to use this equipment. That way they pay themselves back. Naturally, it attracts paying patients, because otherwise, if the equipment was not there, they would have to go to a large central hospital. The reason the equipment would not be there is not due to any inherent bias of "state subsidised" economies against such equipment, but rather that the Vietnamese state is poor, and cannot afford expensive equipment in every health centre in the country. Naturally, since these staff put their money down, they want to get paid back, so it's reasonable to charge fees. Those who can't afford it can't use it, but the equipment wouldn't be there for them anyway if this hadn't happened. When it is paid off, the fees will be much lower. Meanwhile, even now, a certain percentage of poor patients per year are entitled to use the equipment free, subsidised by part of the money from fees that richer people pay. Thus the staff take longer to get paid off.

Put this way, it does not sound so bad under the circumstances. Risky, open to abuse, certainly; but in the circumstances of a poor state, perhaps a reasonable course. But it is not put this way. It is dressed up as a natural advantage of a "market economy" compared to a "state-subsidised" one.

However, the opposite push also exists, and what is actually going on in health and education appears to me "everything at the same time," as ex-member Peter Annear, recently in Hanoi doing a health consultancy, put it.

Several years ago, the Politburo issued a declaration calling for urgent reallocation of health priorities to move towards universal health care. This was followed shortly after by Government Decision 139 in 2002, which set up the province-based Health Care Funds for the Poor (HCFP) program, to build on and coordinate already existing targeted fee exemption policies. This free health care system now covers some 17 million people, or 21.5 percent of the population (most are provided free health cards, but some 2 million of them, for some reason, are provided free 'health insurance' instead). This figure does not include some 12.5 percent of the population (10 million) already covered by compulsory enterprise-based health insurance, paid by the enterprise, or the free health care for 9 million children under 6, or the semi-compulsory health insurance for schoolchildren, for which parents pay \$1 for the whole year, or those covered by cheap voluntary health insurance.

Yet in the same year, the Government also introduced Decree 10, allowing hospitals and health units (and schools) to "self-finance" by providing special services of a higher quality (eg, larger hospital rooms etc) to patients who could pay more, with the aim of getting more finance to buy better equipment, increase funds of poor patients etc. This widens the dangers of a two-tier health system, with all the thin end of the wedge type arguments, but again it could be argued that in the circumstances, it creates extra finance from the rich in the context of low state finance. Once again, however, it is not explained this way, but as a great new idea that health and educational units should "self-finance" rather than "rely on state subsidies".

In early 2005, no doubt under relentless public pressure (most people in surveys see improving health as a key problem), the Politburo issued Resolution 46, which called:

"To renew and perfect the health financing policies towards rapidly increasing the proportion of public financing sources (including government budgets and health insurance) and gradually reducing direct payment of hospital fees from patients. From now to 2010, the State needs to make strong investments and create a leap forward to upgrade healthcare facilities in which priority shall be given to consolidating and perfecting the networks for basic healthcare, preventive medicine, provincial and district general hospitals. Formulate and implement the roadmap towards universal health insurance coverage by 2010."

While calling for greatly increased state funding, it is unclear in the resolution how health insurance was going to be extended, at least the voluntary part of it. However, apart from calling for "propagating and educating people to achieve universal voluntary health insurance," the resolution also called for "diversification" of health insurance schemes "focusing on community-based ones" and "generating financing sources from the State budgets, foreign aid, charity funds, community funds, funds for hunger elimination and poverty reduction etc to help the poor and those living in rural, mountainous and remote areas enter appropriate schemes of health insurance." Thus the poor and rural dwellers in general would be funded to enter health insurance (ie apart from the real poor already covered by HCFP) via mobilising solidarity funds from a variety of sources, the most progressive meaning of the term "socialisation".

In addition, concrete measures were adopted to encourage health insurance in Decree 63 in 2005. While previously health insurance (whether compulsory enterprise-based, voluntary or free) covered 80 percent of the cost of the health service, it now covers 100 percent; while previously a number of very expensive hi-tech services, such as eye operations and advanced scannings, were not covered fully, now the great majority of even more expensive services are covered; an extra four categories of people were added to those covered by free health insurance; and the cost of voluntary health insurance was halved from around 66c to 33c per month (\$4 per year).

In addition, this year also saw an astonishing move to extend compulsory enterprise-based health insurance. Previously, workers in state firms, foreign-owned firms, and larger registered private firms, employing over 10 people, were covered, meaning some 10 million people, or 12.5 percent of the population (or one quarter of the workforce). At a stroke, this was extended to every enterprise, even if they only employed one person, suddenly taking in the entire petty private sector outside the most pure 'household' enterprise (only staffed by family members). Thus, together with the several new categories of people to whom the state will grant free health insurance as noted above, this new policy will mean that health insurance coverage will jump to over 37 percent of the population (though it remains to be seen how this revolutionary move will be enforced, however).

As Vietnamese figures are often difficult to pin down exactly, I'm not exactly clear whether this figure includes those buying the cheap voluntary health insurance, nor am I clear on how big that figure is. However, I have seen a vague figure that 6.4 million people (8 percent of the population) have bought voluntary health insurance, and that total numbers holding health insurance (compulsory-enterprise-based, voluntary and free) currently stands at 18 million. With the changes, this is expected to rise to 30 million (37.5 percent of the population). When the 15 million poor provided free health cards under HCFP, and the 9 million children under 6, are added, the total covered by some kind of scheme will be 54 million people, or 69 percent of the population. Given that most of the 12 million schoolchildren are covered by a different, much cheaper, health insurance scheme (\$1 a year), raising at least the potential to 66 out of 80 million people (82%), it would appear that changes just in the last six months have brought Vietnam closer to having universal health cover, of sorts, than at any time since 1989. And of course, the very cheap voluntary

scheme remains open to the mostly non-poor remaining 14 million, and this category of course includes the rich.

Yet at the same time, we again have a seemingly contradictory renewed push for “self-financing” reaching bizarre extremes. Now there is some confusion about the meaning of “self-financing”, because the Vietnamese word looks more like “self-management of finances”, which is an entirely different thing to a unit simply financing itself, without state money, via fees and on the side business, as “self-financing” suggests. In practice, for hospitals it appears to mostly mean things like the examples given above (ie, raising extra finance). When I asked my friend Adam Rorris, a former CPA member, who does education consultancy work in Vietnam, he replied, regarding education, that it now appeared to him to be not just language, but means how it sounds. I said it could not mean this, as obviously this is not the case with schools. He agreed, but said it was the case for higher education and other special education. He appears to be correct.

The May 5 Viet Nam News, in an article titled ‘State to relinquish control of services’, reads, as if it is no big deal, “A recent resolution states the government’s intention to give up aspects of ownership and control of several key state-owned functions like education, health care and cultural and sport activities between now and 2010.” The politically incomprehensible rationale is that “the state subsidy regime has drained the already limited government budget, resulting in a lack of care for the poor”, and therefore, “the less dependence on state funding will improve services in all fields.” To this end, “the government has set specific targets for supplementing public schools with private and non-state institutions.” These targets aim to “reduce the number of students at public day-care centres to 20 percent (of the total), 30 percent for kindergartens, 60 percent for senior secondary schools, 70 percent for vocational secondary schools, 40 percent for vocational training centres and 60 percent for universities and colleges.” Fortunately, the list does not include any hospitals or health establishments, merely stating that “by 2010, most public hospitals will operate under a service oriented mechanism,” written apparently with the view that any reader would understand what that means. In reality, the lack of any meaning probably indicates another consensus formulation.

It is notable that this list does not include “basic education”, ie primary and junior secondary schools, and thus the unstated idea appears to be to allow a much larger private chunk of all other supposedly “non-basic” elements of education in order to have more money to complete the universalisation of basic education and more for “the poor” that the “state subsidy regime” is presently short-changing. However, the growth of the private sector to cover large chunks of “non-basic” education will not simply occur via private firms and individuals investing in new educational facilities, but will include direct privatisation.

Dr Banh Tien Long, Deputy Minister of Education and Training, recently stated “I totally support the idea of increasing the number of students in private universities and colleges to 40 per cent.” OK, that’s one thing. Apply the same points I noted about health, even if 40 percent sounds very large. But it gets worse. He continues: “This year, the Ministry of Education and Training will implement a pilot model for financial autonomy at some public universities. On the basis of the project, the ministry will decide on institutions that can go private.” Thin end of the wedge comes to life: allow private universities a greater role – create “self-financing” at some state universities – privatize some state universities.

Similarly, the July 28 Viet Nam News reported that the government had approved a plan to “socialise” vocational training. It first notes that “individual investors will be allowed to establish private vocational training schools,” but then comes to the important part: “Most public and semi-public vocational training schools will be changed into private ones, and 30 schools that belong to state-owned enterprises will be equitised by 2010.” The August 24 Viet Nam News, in an article

titled 'Social sectors need diverse funding', quotes Deputy Minister of Planning and Investment Phan Quang Trung assuring readers that from 2008, "subsidies for vocational training will be slashed and non-state investment in education and vocational training stimulated," while the Deputy Minister of Labour, Invalids and Social Affairs, Nguyen Luong Trao, notes that "the biggest success in this effort was reported in the vocational training sector," as "last year, more than 90 percent of vocational school students paid for their tuition." However, where this market fundamentalism will hit the hard rock of reality is when we read, elsewhere in the same issue of VN News, that "vocational training recruitment slumps," with schools well down on enrolments compared to last year, and surveys showing only 1 percent of high school students in HCMC's inner districts want to study at a vocational college, all having eyes set on university. But since the students in the hearts of big cities are the only ones who could afford fees, and thus those interested will mostly be poor people in rural areas with no money, the entire project will, fortunately, turn out to be nothing more than a neo-liberal fantasy.

All this appears to contradict other aspects of education policy, which, unlike health till recently, has been very well-funded, now at around 4.5 percent of GDP (18 percent of total budget outlays), high by regional standards. Primary school enrolment is near universal, and where it is low, among some ethnic minority girls in remote areas, it has nothing to do with fees, as according to the Education Law, "pupils at public primary schools are not required to pay tuition", and, "apart from tuition and enrolment fees, learners and learners' families are not required to make any other pecuniary contributions." Despite this law, various other charges often are made in practice, and from talking to many people they range from about \$2 per month in urban areas to around 50 cents a month in poorer rural areas. However, ethnic minorities in general are exempt from all education and health fees.

The current push is also for universalisation of junior secondary school enrolment, which has jumped by 20 percentage points since 1998, with a plan to scrap fees for junior secondary school. Yet several days ago, the media reported the government is looking to increase senior secondary school along with higher education fees, so senior secondary is still not seen as 'basic education'. Nevertheless, the increase would not be that high for them, whereas for universities the proposed increase is from 180,000 VND (\$US11) per month to 900,000 VND (\$US55), in 5 instalments over the next few years. The aim can only be to completely consolidate university education as a preserve of the new rich.

(Postscript: many months after writing the above, and following months of public discussion, including sections of the VCP-controlled media openly and continually opposing these proposed fee rises, they were officially dropped, in a demonstration of Vietnamese-style democracy).

Further, even while primary and secondary education are not confronted with the kind of "self-financing" that universities appear headed for, some public schools have apparently taken the rhetoric to heart somewhat. The November 11 Viet Nam News reported that a secondary school in HCMC sent a letter to parents before the new school year was to begin, asking them to choose which "option" of schooling they wanted for their students. The top option would cost from \$US55-85 a month (an average workers' monthly salary), which would "guarantee" they could go to any English language university at home or even abroad, the second option would cost \$US 43 to 60 per month, which only "guaranteed" matriculation and entry to a normal domestic university, and the last option cost the normal (for urban areas) \$2 per month.

Now given that private and semi-private/semi-public schools already exist, one might say that, alongside the schemes in hospitals noted above, this was just another example of the same logic. However, this was the really thick end of the wedge: this gross inequality was to take place among students attending the same school, and as such was met with a storm of protest, from parents,

teachers and even People's Council delegates, and the school was forced to shelve the scheme. A small victory for popular protest, to be sure, but far more significant is the fact that such an idea could even appear in the land of Uncle Ho.

Unlike education, Vietnam's health spending was until recently low by regional standards, at only 1.5 percent of GDP, equivalent to the Philippines and higher only than Indonesia and poorer countries. According to Health Minister Tran Thi Trung Chien state spending per capita increased from VND80,000 in 2001 to VND140,000 in 2004, meaning, with population increase, a rise to a more decent 2 percent, the level in China and Thailand. The Minister recently stated the objective is for it to rise to a healthy 3 percent by 2010, or some 12 percent of the budget, "under the guidance of the Politburo" (Viet Nam News, September 9, 2005). It should be noted that even with the lower spending, Vietnam's health achievements have been impressive by regional and poor country standards, as I have outlined in numerous places, showing the limitations of mere statistics. However, this only goes to show how good the system could be if it did rise to 3 percent or more.

This sounds good, but then we get more confusion from leaders. In her same address to the National Assembly calling for health spending to rise, Chien also called for "more financial and budgetary autonomy for the health industries of Hanoi and Ho Chi Minh City, a factor needed for the growth of localised services." She thus appears to represent "the consensus." Nguyen Thi Hoai Thu, the chair of the National Assembly's Committee for Social Affairs, recently put the view representing the opposite of the Politburo drive, apparently publicly opposing her own Ministry's policies. She stated that "the state should give children under 6 health insurance instead of paying \$63 million each year to give them free treatment. This also should be applied to poor people. The state should give them health insurance but not pay \$44 million each year" (Viet Nam News, June 22, 2005).

Like many media statements, this seems sheer nonsense: if health care for these groups is to remain free, then such "health insurance" will be issued to them free, so the state will still pay, one way or another; otherwise, health care will not be free for them. Or perhaps she means the hospitals themselves, rather than the state, will buy the free health insurance for the poor and under-6 year olds, from the profits made via special services for the rich under the "self-financing" "service oriented mechanism." No-one knows.

In terms of the real differences being subtly expressed, it reflects differing pressures on different parts of the "party-state." The two resolutions from the Politburo underline the folly of seeing the almighty Party as the "bad guys" a la Trotskyists, liberals and anti-Communists; rather, they reflect the very real pressures from the worker and peasant base of the Party for more substance to the socialist rhetoric. Meanwhile, the government itself, which many liberals see as having had to escape the clutches of arbitrary party rule in order to begin establishing "the rule of law", is in fact far more under the direct and daily pressure of "the international donor community" and every conceivable type of neo-liberal "think"-tank and "consultancy" around, thus the pressure for "self-financing" solutions, continued restriction on state spending etc. In between is the National Assembly, the Vietnamese parliament, which is of course a "government" rather than "party" institution (Party members account for 85 percent of the NA deputies), but is a genuinely representative body. When I say the "government" as opposed to the NA, obviously I'm referring to those chosen by the NA to head ministries and the prime minister's department, and the inevitable bureaucracies and layers of "experts" that grow under them. By no means a bad bunch, but on a daily basis far closer to the "donor" set than the grassroots.

Thus the good policies being implemented by the government appear to directly stem from the Party's push via the Politburo resolutions. Regarding all the other "self-financing" stuff, however, what is starkly noticeable is that there is nothing in the Politburo resolution calling for such policies. They represent an entirely different pressure. In health at least, it appears clear that the more

specifically 'Party' forces means the good guys.

Capitalists in the party

At the 9th Congress in 2001, the VCP confirmed that members were not allowed to operate "capitalist business" and could not engage in "exploitation." The question of what exactly "exploitation" entailed was left to be discussed at a later date, though it was understood to mean in the classical Marxist sense, where even operating a small business may entail a degree of exploitation even if only one worker is employed. But the wording "capitalist" business implied, but did not clarify, that small business was OK.

At the 5th CC Plenum (the meetings between Congresses) in early 2003, the Party clarified that members could operate businesses, without clearly including or excluding capitalist business, but this was understood to mean small business and household enterprise, a very logical move in a country where the majority of the population are not wage-workers but tiny household enterprise owners, and even 'small business' may mean a few employees in a workshop in a rural area where such employment is of great benefit to the children of poor farmers.

However, an amendment to the Party statutes has been discussed within the Party this year, to submit a draft to the next Congress in 2006, and this amendment explicitly says that Party members may operate any business, "including capitalist business."

The inner-Party part of this discussion of the draft has concluded in favour of the amendment, (talking to many people beforehand made it clear it was a foregone conclusion). Even though the release of drafts for the public phase of discussion has not officially begun, the conclusion has been publicised as it was voted on at the Party's recent 12th Plenum. An article was put up on the Party website under the title "Party members can do private business," in which Vice Chairman of the Central Committee's Economic Commission, Ta Huu Thanh, explains that "all Party members can take part in every scale of the economic sectors if the Vietnamese laws do not interdict."

There are different views justifying this decision. One is purely pragmatic: It is legal to be a capitalist in Vietnam today, why shouldn't they also be able to be members of the only legal Party given that they are not doing anything wrong, they are only a tiny minority anyway, workers and peasants will vastly outnumber them, and by being in the Party, the Party has more ability to control their activities, to ensure they pay workers well, to ensure they contribute more than usual to poverty alleviation and other state social programs, etc. While all this seems to me to leave out the crucial question of the fusion of economic and political power, even if their numbers are small, this argument might at least have some logic.

However, in the article by Ta Huu Thanh, we read a different rationale. Affirming the new policy, Thanh stated "in order to implement the national target on industrialisation and modernisation, we should reject all obstacles which adversely affect to labour force. We should also promote all productive forces, including the private capitalist economic sector, an important resource," and further, "the country is passing through a transitional period, so we are encouraging many economic models to boost economic development. In order to reach the highest targets of socialism, the country should create production and assets, and liberate all productivity capacity."

One might ask what these general statements about the role of the capitalist class in building productive assets during the transition have to do with the question of the capitalist class joining the vanguard party of the working class. Without explicitly stating it, Thanh replies with this answer in order to say that the CPV, as the party playing the leading role, should also be playing the leading

role in the development of this “important resource,” the capitalist class, the leading role in this “liberation of all productive capacity,” ie, the Chinese CP line.

He also thought it would encourage further foreign investment: “If we apply an “open policy” to Party members, foreign investors will see the open-door policy of the Vietnamese Communist Party, and they will increase their investment into Vietnam.”

Resembling the verbal games played by Jiang Zemin when he invited capitalists into the CCP, Thanh re-labels capitalists as workers. He affirms that a capitalist Party member will also be able to join the Party Committee, “because he has become an exemplary Party member, and a member of the working class, the national labour force.”

This was made more explicit by Hong Ha, general-secretary of the CPV’s Theoretical Council, who noted that “Party members are an important force in society and they should be allowed to do private business. It is a big waste not to make full use of party members’ knowledge and capital” (Vietnam Investment Review, July 4-10, 2005). It is interesting that such a powerfully pro-capitalist statement came from Ha, the former editor of the Party daily Nhan Dan, because in the same interview he strongly rebuffed suggestions to scrap the socialist orientation, and he also asserted that state-owned firms should continue to play the leading role in the economy despite many being equitised, because, in his view, equitisation aimed at strengthening rather than weakening SOEs. Clearly part of the ‘broad centre’ within the Party.

As with other issues, it remains to be seen what this will mean in practice, but let it be clear that this will be the official policy adopted at next year’s 10th Congress.

The significance of the 9th National Congress

After attending the CPV’s 9th National Congress in 2001, comrade Allen Jennings and I wrote that the Party there resolved to stay on the socialist path. However, I also wrote a longer article for the Activist, where I made some points regarding the machinations behind the fall of the previous Party General-Secretary Le Kha Phieu at that Congress, among many other sharper points which provided some contrast to our GLW article.

Since then, I have sharpened my view that the ousting of Le Kha Phieu, while certainly no decisive blow to the socialist path, did represent a setback, by removing a key figure with strong forces behind him strongly opposed to a more openly pro-capitalist direction.

Phieu was a socialist “conservative” who was in particular, by all accounts, honestly appalled by the level of corruption he observed around him in state and party among cadres of different political tendencies. Following the mass peasant revolt in Thai Binh in 1997, the new party leadership around Phieu disciplined, punished or expelled over 2000 party cadres in that province, essentially handing victory to the peasants, and moral endorsement to their actions.

Phieu followed this up with a Party “rectification” campaign, in which every Party member was called on to carry out “criticism and self-criticism” and to denounce corrupt and authoritarian Party leaders. A ‘Grass-Roots Democracy’ decree was issued, ceding considerable powers to people at the commune level to oversee local budgets and protest and bring about change. This was then extended to the workers in state enterprises, as seen above. Thousands of corrupt party members were driven out. Insisting he did not only want “little mice” but “big rats”, a corrupt deputy prime minister was brought down in 1998.

A large range of people I have spoken to, including many who did not support his socialist

“conservatism” at all, or were even harshly critical of his politics (for example, for his out-of-fashion anti-imperialist speech during Clinton’s visit), have nevertheless affirmed that they believe he was brutally honest in his anti-corruption drive.

His replacement, Nong Duc Manh, can also be called an honest socialist “conservative”, and by all accounts was a compromise candidate for all factions, including Phieu himself. He was apparently seen by the “reformers” as less confrontational than Phieu. However, more to the point, Phieu was a military man, with a base for his policies among powerful sections of the People’s Army that remain suspicious of the “reform” direction, while Manh appears to be just a good, honest socialist, but with little base. Moreover, for the previous eight years, Manh had controlled the National Assembly, showing quite a democratic attitude in balancing time between different groups. By putting him in the position of Party leader, he had to shift out of the position of National Assembly chair.

For the first year or so, Manh spoke out solidly on a number of things, including with a “conservative” opinion on the state sector and equitisation, and in defence of poor people confronting by “street cleaning” campaigns. However, for the last couple of years, he has turned silent, apparently eclipsed by the more lucid leaders of the reform camp, while meanwhile, a much greater proportion of the older conservative camp around Phieu have either retired or fallen into silence.

However, the campaign against corruption initiated by Phieu has been taken up with a vengeance by Manh, and continues at a furious level – while meanwhile, by all accounts, corruption also continues at a furious level. One of the problems is since the 2001 Congress, the relatively obvious political and ideological struggle taking place till then has apparently subsided (except over largely technocratic issues). There are still obvious differences, but the formal, public appearance of ‘consensus’ has been strengthened. Thus the continued fight against corruption takes place in an ideological void. Corruption is not just bad people “taking advantage” of the market economy, but rather is due to the very nature of the incentives unleashed by the market economy; but this fact is now largely seen as some old hat idea only believed by those who don’t support “reform.” This weakens the struggle on all fronts.

Conclusion

However, the 9th Congress, while a turning point, has clearly not allowed the “reform” forces to push through their program unopposed – in fact, as in many of the examples I’ve shown above, what is on paper has tended largely to remain on paper. This is evidence of the deeper forces at work within society, which remain powerful despite the ideological weakening.

There is a great deal I haven’t said much about above. On the positive side, I haven’t said much about the continued resilience of equal land distribution, despite the creepings of the market, a clear gain of the revolution; nor the slow but steady rise of new cooperatives, though still at a low level. I also haven’t said much about the huge role of the mass organizations, also organs arising directly from the revolution; nor about the open fight by workers and unions against exploitation in the private and foreign enterprises, where the official union leadership and local party bodies openly side with the workers, in stark contrast to China, as I have shown in GLW articles and elsewhere.

On the negative side, however, I also haven’t said a great deal about the growth of drug addiction, prostitution and crime, the rising numbers of AIDS victims, the battles between “developers” and farmers trying to keep their land or get better compensation (a battle in which either side may be the winner in various places), often blatant police injustice, the appalling conditions that the reduced numbers of real poor still live in, despite the enormous success of poverty reduction, the rising

problem of social, political and economic injustices against marginalised people who are outside their areas where they are connected to networks, particularly rural to urban migrant labourers, though the numbers are miniscule when compared to the 150 million floating population in China and similarly gigantic numbers of urban slum dwellers throughout the capitalist third world.

Clearly, the pressures are enormous, and with the coming entry into the WTO, these pressures will increase greatly.

A number of comrades have asked me recently about producing some kind of pamphlet to explain to our newer members about our position on Vietnam. I think we need to be very careful about trying to see Vietnam as another 'model' in the same way as we do Cuba or increasingly Venezuela. Its inheritance of being the most destroyed country on earth makes it rather difficult to be a 'model', and we should not expect it to be. We need to explain this context, and once we establish that clearly, plus materialist explanations of the still very low level of productive forces (GDP per capita much lower than Cuba for example), we can then talk of all the amazing achievements that Vietnam has made despite all this, for example, listed in my introduction to Allen Myers pamphlet, or summarised in my GLW article on 30 years after victory at <http://www.greenleft.org.au/back/2005/625/625p14.htm> .

However, once we forget about "models" and about trying to find the truly amazing stuff we find in Cuba, what is noticeable in recent years is a slight but perceptible change in Vietnam's world image. Organisations such as the United Nations Development Project, UNICEF, WHO, FAO, various other development agencies and NGOs, and slowly, a number of left organizations, have in recent years noted Vietnam's success in a range of fields, which stand out starkly from most of the third world, something I have been pointing to for years. At the last World Social Forum in Porto Allegre, Vietnam was even referred to as a "model," much as I am dubious about that idea.

Given the great changes this year in the area of health - the area which was of most concern to me about a year ago - this recognition may increase, and increasingly we may have a right to start playing up Vietnam more than now.

It is interesting that these positive changes in health are occurring despite the growing ideological victory of market-worship, as evidenced by the proposed new education policies, the official new equitisation policies, and the invitation to capitalists to join the CPV. What this indicates is either that it is the 'centrist', or 'social-democratic', forces (for want of better terms) that are largely in charge, or at least that the 'consensus' between tendencies still holds. Some 'centrists' honestly believe that they can continue to carry out privatisation of 'inefficient' state industries, but are honestly committed to the social aspects of socialism - in other words, they think that by having more profitable private industries, they can be taxed, and thus the state budget will have even more for social programs - classical social democracy (of course other 'centrists' advocate maintaining a significant state sector role, just not as large as the so-called 'conservatives' envision).

There are two problems with this - the first is that even now, the state sector provides the bulk of taxation because it is so much more difficult for a state in the third world to control and to tax private firms, so much easier for the latter to hide their real financial situation. So, as with all social-democracy in the 3rd world, this is pure illusion - in fact, if privatised, the large corporations will be stripped, investment will go wherever, including off-shore, and the tax base will collapse. But the second problem is that, at present, trade protectionism protects not only state firms, as is commonly supposed, but even more it protects the small and medium domestic private firms. Open WTO membership will threaten them more than the larger and better established state firms. Everything to remain competitive and profitable just to stay alive will be the private firms' policy - their top concerns, apart from increasing exploitation of their workers, will be tax avoidance by all means. But

while the state will be able to keep control of state firms much better, the same pressures to “compete” on the “level playing field” will also encourage the worst in them and further promote ‘equitisation’.

Thus if capitalism is growing “by stealth”, but resistance to it continues to hold the course, it is WTO membership that holds the big stick that threatens to smash everything decent in Vietnam. Whether or not this occurs depends on the political strength of the Party and the ability of the organised masses to resist this outcome.

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P.S.

* From Vietnam from the Left:

<http://mihalisvn.blogspot.com/2006/11/vietnams-market-economy-with-socialist.html>