

30 years after victory

Towards capitalism or socialism?

Wednesday 4 May 2005, by [KARADJIS Michael](#) (Date first published: 4 May 2005).

Thirty years ago, the Vietnamese people carried out a world-historic defeat of US imperialism, under the banner of constructing a new, socially just, society. Yet today, rising capitalism, corruption and a growing rich-poor gap are evident in Vietnam. The question arises: how different is this emerging society from the US-backed Thieu dictatorship it replaced?

Contents

- [A fine line](#)
- [Neoliberal success story?](#)
- [Challenges](#)

After reunification in 1975, the Communist Party of Vietnam initially attempted to extend the socialist economy of former North Vietnam to the south.

#####

[Essai de lien interne - www.rinoceros.org](#)

#####

Essai de note automatique [[1](#)]

Essai transformé !!! [[voir la note en bas de page](#)]

#####

Essai de tableau

	mars	avril
adhérents à la LCR	2494	154 789

#####

However, in 1986, the CPV changed tack, and introduced Doi Moi (Renewal). The aim remained socialism, but the CPV decided that an extended period of mixed economy, operating via a state-managed “market mechanism”, was necessary to harness the capital and the energy of the private sector and foreign investment, to build the productive forces to lay the basis for future socialism, given the poverty of the Vietnamese state and the end of the fair-trade arrangement with the Soviet bloc.

The Vietnamese Revolution inherited a country destroyed by the most massive armed assault in

history, yet was denied US reparations. Then the genocidal Khmer Rouge regime in Cambodia launched a brutal three-year war against Vietnam, until Vietnamese troops went in to help liberate the Cambodian people. The US, China and Thailand armed the Khmer Rouge along the Thai border, while an embargo was imposed on Vietnam by the imperialist powers, the right-wing Asian regimes and China. China invaded Vietnam in 1979, and though driven back, forced Vietnam to keep half a million troops on its northern border and double the size of its armed forces.

The catastrophic inflation that resulted almost forced the collapse of the system based on state-owned enterprises and rural cooperatives. The collapse of the Soviet bloc was the coup de grace, cutting Vietnam off from its major source of international aid, trade and technical assistance. Only by moving to market mechanisms was Vietnam able to take advantage of the end of the Cambodian war and international embargo in 1989 to push exports and bring in foreign capital to avert collapse.

A fine line

The CPV claims to maintain a “socialist orientation” within this mixed economy, channelling economic growth in a socialist direction via the state-owned sector and a gradual renewal of cooperatives, while aiming to minimise the negative impacts of the market and private sector.

This requires walking a fine line between encouraging private investment and offering material incentives, and being swamped by rising capitalism with its profit-driven, individualistic and consumerist incentives, which contradict the collective and moral incentives that sustained the war effort and are necessary for socialism. While the market economy has brought a great many evils, the CPV’s attempt to walk this line has been shaky but successful.

Vietnam has experienced the world’s second-highest economic growth, doubling its GDP in the 1990s. This was accompanied by a fall in poverty from 75% in the late 1980s to 28% in 2002, the most rapid poverty reduction on record. A new World Bank report claims Vietnam reduced “extreme poverty” from 51% in 1990 to 14% in 2002.

The active Poverty Alleviation and Hunger Elimination Program builds schools, health centres, clean water systems and roads in remote areas, delivers free healthcare and education, and delivers a large amount of subsidised, low-interest collateral-free credit to the poor, to help them set up or improve small household businesses in farming, handicrafts and the like. In the coming five-year plan, some 7.5 million households will have access to subsidised credit.

Following the Soviet collapse, Vietnam introduced small fees for education and health. This blow against socialist fundamentals was forced by necessity: Vietnam’s per capita GDP had dropped to \$78 by 1990. The great progress the country has made in health and education since is evidence of the CPV’s desire to overcome this.

Vietnam is a “low income” country (US\$430 per capita GDP), but its educational and health indicators are on par with, or better than, “middle income” countries such as Thailand (\$2000 GDP per capita), China and the Philippines, and far above those of similarly poor countries, such as Bangladesh, Pakistan, Kenya and Tanzania.

Primary school enrolment rose from 88% to 95% between 1990 and 2001. The World Bank contrasted this with the East Asia and Pacific average where “net enrolment declined from 97% in 1991 to 92% in 2001.” Secondary school enrolment shot up from 62% to 72% since 1998. Vietnam’s literacy rate of 94% is equivalent to Thai and Philippine levels, and above that of richer China, Indonesia and Malaysia, where literacy stands around 85-87%. Vietnam’s female literacy is only

several points behind male, compared to a 13-point gap in China.

Average class sizes have steadily dropped, from 30 to 23 in primary schools, and 28 to 23 in secondary schools. The fees introduced for primary school in 1989 were later shelved, but unofficial fees of \$1-\$2 remain common, except for ethnic minorities and the very poor. There are now plans to abolish all fees for lower secondary school by 2010.

Vietnam has cut child mortality to 23 per 10,000 live births, and infant mortality to 19, lower than Thailand, China and the Philippines, and dramatically lower than India and Indonesia. The equivalent numbers in Bangladesh are 69 and 46, and in Pakistan, 103 and 81. Vietnam's life expectancy of 69 is equivalent to wealthier China, Thailand and the Philippines, higher than Indonesia and India, and a decade higher than the low-income country average. Maternal mortality stands at 130 cases per 100,000 births, well below the Philippines (200), Indonesia (310) and India (540).

In the 1990s, Vietnam reduced malaria fatalities by 97%, in a campaign praised by the World Health Organisation as "a story to be shared." In 1997, it was one of only two countries in the world to meet WHO targets of diagnosing more than 70% of tuberculosis (TB) infections and curing 85% of patients, and remains "the only high-burden country" to achieve this goal. Thailand manages 75% diagnosed, the Philippines 58%, India 47%, China 33%, Indonesia 21% and Pakistan only 9.8% of cases.

Vietnam has 170 health clinics at the village level per million people, compared to 32 in Indonesia, 63 in China and 141 in Thailand. There is a hospital bed for every 389 Vietnamese, compared to every 465 Chinese, 665 Thais, 910 Filipinos and 1743 Indonesians.

Despite fees, some services are free, including many reproductive health services (antenatal examinations, tetanus-toxoid shot, contraception), treatment for target diseases such as TB and malaria and child vaccinations against seven major infectious diseases, for which Vietnam has the highest rate in the region, around 98-99% coverage. Nearly 80% of married women use contraception, one of the highest rates in the Third World.

The cost of a simple hospital visit for minor health problems averages around 2000 dong (13 cents), but it is the fees for major operations and expensive medicines that crushes the poor, who have to go into debt. Such services are too expensive for any Third World country to fully cover, given the cost of advanced equipment and medicines monopolised by the international pharmaceutical cartel, but Vietnam could reduce the fee burden if its low health budget was raised.

Not everyone pays fees. Health is free for ethnic minorities (13% of the population), people defined as "the poor", to whom the Health Care Funds for the Poor program gives free health cards (now issued to some 11 million people, over 13% of the population), children under six years' old, workers in state, foreign and registered private firms (12-15% of the population) covered by workplace schemes, people retired from these sectors, and various war-affected groups. School children are covered by health insurance with a compulsory parent payment of 15,000 dong (\$1) for the year.

World Health Organization field visits observed that fee exemptions, free essential drugs, health insurance and hospital funds for the poor have been launched "*on a large scale since 2001*" and have been "*greeted enthusiastically by both patients and health workers*".

While significant, these programs leave many in serious difficulty, including many just above the "absolute poor", and some of the most expensive services are not 100% covered. Health workers' low salaries often lead them to charge unofficial fees or give preferential treatment to paying

patients.

A positive sign is a Politburo resolution in January calling for rapid increases in health funding to achieve universal health insurance by 2010 and *“gradually reduce direct payment of hospital fees from patients”*.

Neoliberal success story?

Neoliberals believe Vietnam's successes, rather than the problems, have been caused by the market and private capital. But the capitalist countries that Vietnam compares so favourably to also have a market and private capital. Doi Moi has not been merely about markets and private sectors.

The state sector's contribution to GDP has risen since Doi Moi, from 33% in 1990 to 40% today. The share of the state in investment rose from 42% in 1992 to 58% in 2001, and state budget revenues rose from 14% to 22% of GDP. “Equitisation” (partial share privatisation of “non-strategic” state-owned enterprises) has only affected 3% of state capital. New legislation calls for “equitisation” of subsidiaries of state corporations in key sectors, but it unclear whether this can be pushed through against significant opposition.

A significant share of the GDP not from the state sector comes from foreign investment, which is necessary for capital and technology, and some 10% is from cooperatives or the “mixed” sector. Of the 35% of GDP in the domestic “private sector”, only 4-5% can be called capitalist - most is the small urban and rural “household sector”, including millions of peasants, who constitute most of the population.

Of course, operating in a market economy, many state-owned enterprises become completely commercially oriented, or hotbeds of corruption. However, the impression that they are all purely market-based entities independent of social control is false. State-owned enterprises pay much more tax than private firms; state-sector garment workers receive pay around 30% higher than in private and foreign firms. The annual Workers' Congress must agree to the overall enterprise plan, trade unions and mass organisations are represented on management boards, and under the 1998 Grassroots Democracy decree, workers have rights and responsibilities to discuss decisions and monitor finances. The World Bank complains that “equitisation” is held up due to opposition by workers, who must agree in their majority.

Many state-owned enterprises have non-economic roles, ranging from employment maximisation to regional policy goals. The 17 major state corporations have been allotted provinces where they must contribute to the state's Poverty Alleviation Program, via after-tax profits or other production levies. Through control over key products like oil, coal, steel, cement, fertiliser, chemicals, paper and electricity, the state works to stabilise prices of products used throughout the economy, keeping them lower than import prices, sometimes directly telling the state-owned enterprises to “lower their profits” to this end. This could hardly be demanded of a private firm.

The egalitarian land distribution is also fundamental to Vietnam's success, providing a form of rural social security. Despite de-collectivisation, land is leased for 20 years rather than owned, restricting its value to a buyer or creditor - land bought during the lease period can be reallocated at its end. A ceiling is placed on the size of land holdings. Diversification is combined with continued emphasis on food security, so that the food sector is not fully exposed to market volatility. However, in some regions such as the Central Highlands and Mekong Delta, land concentration and landlessness are approaching levels typical of neighbouring capitalist countries.

Vietnamese unions actively fight violations of workers' rights. Though almost every strike has been led by spontaneous workers' organisations and *"did not follow proper legal procedures"* they were *"tolerated by the government with no reports of retribution against the strikers"*, according to a hostile report by the US Commerce Department, which further claims that *"labour rights sentiments in Vietnam are backed by a conciliation system and a judiciary sympathetic to labour demands"*. In virtually every case, official unions intervene and force the bosses to relent to workers' demands.

In a research project on attitudes to workers in China and Vietnam, Taiwanese bosses complained that they were unable to beat Vietnamese workers or force them to work long hours, as they did in China, due to the activism of Vietnamese unions and the support given them by authorities. Nevertheless, the rapid proliferation of small private firms leads to many violations that the unions are often slow in busting.

Another revolutionary inheritance are the *"mass organisations"*, the women's, farmers', youth and veterans' unions, which encourage solidarity and mobilise funds for poorer members. The Women's Union spreads health education, information and free services to women down to the village level; the Youth Union organises thousands of volunteers to work in poor rural areas. The Vietnamese People's Army also carries out large-scale free health and education programs in remote areas.

Challenges

Nevertheless, the challenges to socialist orientation in a poor country within global capitalism are enormous. Drawing the line between incentives for private investment and crass displays of wealth is not easy. It is difficult to argue that the state cannot afford free health care while more expensive cars and houses appear daily. Yet those with this wealth are a tiny minority. Company taxes stand at 28%, while the top personal tax rate is a reasonably high 50%. The government is now preparing to strengthen the tax on high income earners, but there will be a limit to how much private capitalists can be taxed before they hide their profits, turn to mafiosi business (thus pay no tax), or invest overseas - and much of this more visible wealth is already in this category.

Despite its achievements, Vietnam remains poor. Despite phenomenal advances in food production, 19% of the population remains undernourished. Only 73% of Vietnamese have access to improved water sources, though this is a 20% leap since 1998. The rising inequalities of the *"market economy"* show up as street children, prostitution, drug abuse and petty crime. While the AIDS epidemic remains well below Thai and Cambodian levels, the current 200,000 infected may be the tip of the iceberg.

While tremendous re-greening has healed many scars of US destruction, rapid growth leads to environmental recklessness. Women account for 27% of National Assembly seats, the 10th highest position in the world; but the market economy eats away at women's equality in familiar ways, including rising domestic violence. Ethnic minorities account for 17% of NA seats and benefit from free healthcare and education, but their health and education indicators remain significantly lower.

The inequalities and injustices plaguing Vietnam despite phenomenal successes must be set in context. The lasting legacy of the US war includes 2 million people affected by Agent Orange, resulting in a plague of cancers and horrific birth defects, and weekly deaths from unexploded US bombs 30 years later. Some 7 million people live with physical disabilities, about 9% of the population. Our main stance should be to continue demanding the US pay up.

The pressures of Doi Moi have their effect on the CPV, which admits to very serious corruption among *"a not small segment of party officials and members"*. However, it would be premature to

declare it a creature of corrupt and capitalist forces. Many of those who dedicated their earlier lives to fighting for a socially just society are now in positions in government, local people's committees, state-owned enterprises, trade unions and mass organisations, exerting a counter-pressure to that of "new money".

The CPV has taken some democratic steps such as the 1998 Grassroots Democracy decree detailing the rights of people at commune level to participate in decision making, petition authorities and oversee budgets. However, greater openness in debate will be necessary for those dedicated to socialism to publicly confront the massive illusions of today's middle class youth in archaic neoliberal ideas, which may otherwise appear radical and innovative.

P.S.

From *Green Left Weekly*, May 4, 2005.

Footnotes

[1] c'est chouette non ?

[[voir la note en bas de page](#)] Encore plus chouette non ?