
“Reform or Die”

Doi Moi, TPP, and the Legitimacy of Power in Vietnam

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BACKGROUND NOTE

Resistance to external aggression is a theme throughout Vietnamese history, with notable examples including the conflicts over territorial sovereignty with China, France, and the United States. China dominated Vietnam for roughly a thousand years, until the tenth century. As a regional power, and a fellow communist nation, Vietnam has a complicated relationship with China balanced between cooperation and apprehension. French colonization of Vietnam, during the nineteenth and twentieth centuries, inspired a mix of nationalist and communist resistance, ending with military defeat for France and the division of Vietnam during the 1954 Geneva Accords. U.S. support for the Republic of Vietnam in the south drew resistance from the communist regime in the north, as they sought to unify the country, which they achieved with U.S. withdrawal and the collapse of the South Vietnamese regime in 1975.

Following decades of war, Vietnam engaged in further conflicts with its neighbors. In 1978, Vietnam deposed the Khmer Rouge regime in Cambodia and in 1979, engaged in border disputes with China relating to Vietnam’s invasion of Cambodia. During this time, Vietnam tried to rebuild its devastated economy and consolidate its one-party governing structure in ways that would make the nation self-sufficient and able to maintain its sovereignty. In understanding contemporary Vietnam, it is useful to keep in mind these historical motivations and the recent events that have conditioned political identity and behavior.

INDEX OF TERMS

Consistency Plans – Human rights provisions in the Trans-Pacific Partnership

Doi Moi – Vietnam’s economic “renovation,” leading more liberalized policies

Foreign Direct Investment (FDI) – investment by a business entity based in one country (either by creation or purchase) into the economy of another country

Gross Domestic Product (GDP) – monetary value of total goods and services produced in a given country (for the purposes of this paper annually)

Land Collectivization – state control and distribution of farmland and profits to cooperatives instead of individuals/families

Legitimacy – the ability of a given regime to rule and have its rule recognized and obeyed as the rightful system of government

Performance-Based Legitimacy – political legitimacy derived primarily from successful economic performance (in addition to other factors)

Price-Control – state control of market prices for goods

Socialist-Oriented Market Economy – the Vietnamese economic system that is both integrated into the global economy while also being heavily state-owned (thus mixed forms of economic activity)

Trans-Pacific Partnership (TPP) – a U.S.-led trade agreement (with significant strategic implications) involving twelve Pacific Basin countries in North America, South America, and Asia and notably excluding China

INTRODUCTION

Since agreeing to the Trans-Pacific Partnership in principle in 2015, there has been considerable debate regarding the potential economic and political development of Vietnam as a result of its inclusion. Some observers claim that inclusion in TPP, with the economic liberalizations and provisions on human rights that it requires, will lead to cracks in the Vietnamese Communist Party's hold on power and bring about political liberalization. Others point to the recent reelection of Nguyen Phu Trong as General Secretary in January 2016, at the expense of the reform-minded Nguyen Tan Dung, as a signal that conservative forces hostile to the West, and more inclined to China, will slow down the economic reforms that have only recently been agreed upon. This paper contends that a closer analysis of Vietnamese politics and society will allow for a more thorough understanding of how economic liberalizations function in an erstwhile socialist nation. Additionally, by better understanding the particular sociopolitical contexts of Vietnam, one will be able to make more informed hypotheses about what lies ahead. To fully understand the implications of TPP in Vietnam, it is useful to analyze the economic reforms of the late 1980s—termed *doi moi*—in order to understand not only how a country governed by a communist party enacts and justifies economic liberalization, but also to see the effects these liberalizations have had on civil society and the very structures of power that legitimize the regime.

Part I of this paper will explain what *doi moi* was, and, most importantly, how the *doi moi* policies came into existence. This will involve looking at the post-war economic situation of Vietnam, as well as theories of performance-based legitimacy and the socialist-oriented market economy in order to explain how the VCP established, and maintained, a socialist regime while justifying economic liberalization. This will be instructive for approaching how TPP fits into the particular Vietnamese politico-economic context. Part II will look at how *doi moi* affected growth rates in the Vietnamese economy and what this has meant for Vietnam in terms of changes in domestic civil society. Part III will examine how economic growth has resulted in Vietnam's heightened role in the region and beyond. Increased trade has led to continued economic growth and inclusion in larger trade agreements—such as the World Trade Organization—but with warning signs for the future. This enhanced international role also works as a secondary factor in terms of increasing the regime's legitimacy. Part IV will analyze projections of what TPP will mean for Vietnam in terms of economic growth and treaty consistencies on human rights in the context of performance-based legitimacy, the example of *doi moi*'s effects on society, and the 2016 Central Committee elections.

Through background and analysis, this paper aims to address the following thematic issues:

- Vietnam's economic reforms are not a part of gradual government-led shifts towards liberal-democracy. They are, instead, pragmatic initiatives to retain control and maintain legitimacy.
- Political restructuring during the 1980s has allowed for competition within the confines of the VCP but does not extend to outside candidates in a serious way or provide for the development of alternative political parties.
- Vietnam's reforms have resulted in economic growth and enhanced international recognition. These two factors of legitimization perpetuate each other.
- In order to make forecasts about the future, it is necessary to understand the recent VCP elections within the contexts of previous patterns of regime legitimacy and interactions between the state and civil society.

DOI MOI AND PERFORMATIVE-LEGITIMACY: BACKGROUND AND THEORETICAL INTERPRETATIONS

Doi moi, meaning “renovation” in Vietnamese, refers to the economic liberalizations enacted by the ruling Vietnamese Communist Party following the 6th National Congress of the Communist Party of Vietnam in 1986. These liberalizations included agrarian reform by undoing state-led land collectivization and allowing agricultural production autonomy to return to the village and family level, price-control reforms by drastically reducing subsidies for state enterprises and allowing commodity prices to synch with the market, and the opening up to international trade through a mixture of private and state-owned trading systems with an emphasis on export growth.¹

These reforms were not initiated as a government program to abandon socialist principles in order to liberalize the economy and pursue the global market. Rather, they were reactions to an internal economic crisis that threatened the legitimacy of the VCP. Theories of regime legitimacy place liberal democracies at odds with communist governments in terms of establishing legitimacy. Whereas rule-of-law processes—*e.g.* elections or the development of a civil society organizations—legitimize government authority in liberal democracies, communist regimes rely on a host of factors for legitimacy such as nationalism, charismatic leaders, and international recognition. The standout-legitimizing factor for communist countries is economic performance, the universal welfare benefits of which provide a counterweight for the civil liberties that the regime does not provide.²

Following Vietnamese unification, a number of issues threatened economic performance. Land collectivization caused rice production output in Vietnam to plummet, while budgetary funds were diverted to military engagements with Cambodia and China and subsidies for unprofitable state-owned enterprises. Additionally, the impact of decreased foreign aid was exacerbated by an economic climate unfavorable to foreign investment. As a result, inflation skyrocketed to over 700% and, by 1988, famine posed a legitimate threat in northern Vietnam.³

Secondary factors compounded the economic crisis. These included a poor international perception due to the occupation of Cambodia, a lack of official recognition for the VCP regime by the U.S., the absence of a charismatic figure—aside from Ho Chi Minh, who had died in 1969, the Politburo eschewed cults of personality—and decreased nationalism. Nationalism had been an important factor during the struggle for national liberation, but was exhausted as a legitimizing factor following conflict with China and the occupation of Cambodia. The weakness of the regime was not only theoretical. Threats to the VCP manifested as public criticism from the Front Uni de Lutte des Races Opprimée, which was a Montagnard rebel group, and the Club of Resistance Fighters, which was a politically-active group of veterans and high-ranking party members in the South traditionally opposed to land collectivization efforts. In reaction to these circumstances, General Secretary Nguyen Van Linh famously made the call to “reform or die.”⁴

It is important to note that the reforms were seen as a renovation of the socialist approach and not of socialism itself. The reforms were a reaction against a misapplication of socialism—in the nationalistic pursuit of self-sufficiency—that emphasized a rapid transition to industrialization in a country that lacked sufficient infrastructure. *Doi moi*, was the first step in the still on-going transitional period of Vietnamese socialism, termed the socialist-oriented market economy. According to Vietnamese academics Pham Van Duc and Tran Tuan Phong, “the development of the socialist-oriented market economy aims to create a kind of balance and harmony between the private and the public, profit and wages, and the market and the state.” They continue:

¹ Van Arkadie, *Viet Nam: A Transition Tiger*, 79-86.

² White, “Economic Performance and Communist Legitimacy,” 463-464.

³ Van Arkadie, *Viet Nam: A Transition Tiger*, 66.

⁴ Le, “Performance-Based Legitimacy,” 155-158.

we realize fully that the economic theory of Marx is still theoretically and methodologically valuable. Marx's theory plays a fundamental and guiding role in economic thinking in the present context of globalization. What we must do is to rethink and develop further Marx's ideas as well as to acquire critically the quintessence of other traditions and schools of thoughts in order to work out a viable theory of development for Vietnam.⁵

This statement reinforces the party line of "cooperation and struggle," by which Vietnam must engage in globalization in order to develop economically, while retaining its identity and averting "peaceful evolution". In essence, this refers to maintaining a Leninist rule of the VCP while avoiding the undermining influence of Western democracies.⁶

DOMESTIC RESULTS

By the numbers, Vietnam's growth since the liberalizations associated with *doi moi* policies are staggering. According to the World Bank, Vietnam's per capita income increased from US \$100 in 1986 to US \$ 2,100 by 2015. Vietnamese GDP grew rapidly, with an average growth rate of 7.4% in the 1990s, 6.4% in the 2000s, and most recently, 6.7% in 2015. The percentage of those living in extreme poverty dropped from 50% in the 1990s to 3% as of 2016. Life expectancy and education levels rose and the availability of electricity increased from less than 50% in 1993 to nearly 99% of households in 2016. Clean water and sanitation is now available to over 75% of households, compared to below 50% in 1993.⁷ This economic growth and exposure to the globalized world has not, however, resulted in gains for civil liberties or an expanded political process in Vietnam.

Between 1986 and 1990 there was a shift in the structure of the VCP. However, this had less to do with economic crisis and *doi moi*, and more to do with the simple fact that during this time, four leading Politburo officials (Le Duc Tho, Le Duan, Truong Chinh, Pham Hung) all passed away. The result was a succession crisis in which modernizers, state-sector economy traditionalists, and the army competed for influence in the party, expanding the number of representatives in Central Committee in order to fill it with supporters. An institutional compromise was reached at the 1991 Seventh Party Congress, resulting in the division of power between the General Secretary, Prime Minister, and President to prevent any one faction from acquiring too much power.⁸ While the VCP did restructure in order to accommodate the influence of a multiplicity of factions, this was done solely within the confines of the party. This process did not extend to include any other political entity outside of the VCP.

This is not to say that independent political parties do not exist in Vietnam or in overseas Vietnamese communities. These parties exist, albeit either under control of the VCP or in exile. Examples include the People's Democratic Party of Vietnam whose party leaders were sentenced to 3-5 years in prison in 2006, and the Vietnam Populist Party which was created in the U.S. and whose members were arrested in Vietnam in 2007. Although the Democratic Party of Vietnam has a small number of members, the party lawyer was "forcibly committed" to a psychiatric hospital in Vietnam in 2006. The United Workers-Farmers Association, a group of strike activists, was forced to go underground in 2007 after 10 leaders were arrested.⁹

From a social perspective, writer Nguyen Qui Duc laments the effect consumerism has had on culture. Unlike in years past, he is no longer followed, or questioned by the police, but rather left alone because he, and his café, caters to an ineffectually small crowd of intellectuals with little

⁵ Pham and Tran, "The Views of Some Economic Theories on the Economic Crisis of Capitalism and Some Lessons for Vietnam," 728.

⁶ Nguyen, "Vietnam's New Security in the Context of Doi-Moi," 420.

⁷ "The World Bank: Vietnam Overview."

⁸ Malesky, Abrami, and Zheng, "Institutions and Inequality in Single-Party Regimes," 408-409.

⁹ Thayer, "Vietnam and the Challenge of Political Civil Society," 11-14.

commercial ambition. They provide no real threat to the economic successes that legitimize the VCP. In fact, for Duc, materialism and the pursuit of money is the new censor. For example, the former avant-garde artist Dang Xuan Hoa who was once critical of the government has now assumed an official position in the government-controlled Artists' Union. Duc observes, "For a time, the country's embrace of capitalism seemed to promise greater freedom for the production of art. But under Vietnam's new artists/censors, the profit motive is proving even more stifling than political propaganda."¹⁰

In his 1998 observation of post-*doi moi* Vietnam, Robert Templer notes, "Vietnam is starting to see first buds of an emerging civil society that buffers the individual from the power of the state, serving the interests of the group rather than the government."¹¹ There are indeed greater freedoms in terms of economic opportunity which may be seen in family farms, private entrepreneurship, or manufacturing for export. There is even more freedom of artistic and intellectual expression. But it is clear that this freedom, and the truth of Templer's statement, extends only to a point – the point at which the legitimacy of the VCP is challenged in a meaningful way.

INTERNATIONAL RESULTS

One of the major results of *doi moi* is the extension of Vietnamese foreign relations. Since 1986, Vietnam established diplomatic ties with 178 countries, engaged in over 60 intergovernmental organizations, and assumed a non-permanent member position on the U.N. Security Council in 2007.¹² There are two cases of international recognition worth examining to understand regime legitimacy and how Vietnam complies with human rights provisions: recognition by the Association of Southeast Asian Nations (ASEAN) and the U.S. in 1995 and accession to the WTO in 2007 .

At a fundamental level, recognition by ASEAN and the United States grants the VCP regime external legitimacy. Economically, trade with ASEAN allowed Vietnam to sustain its economic growth thereby supporting performance-based legitimacy. For example, in 2010 imports from ASEAN were 19.3% of total imports, and exports from ASEAN were 13.3% of all exports, with 26% of Vietnam's FDI coming from ASEAN members.¹³ Most importantly for the reinforcement of the VCP, ASEAN, unlike the EU, does not hold regime-type requirements. While retaining its socialist regime domestically, ASEAN membership has allowed the VCP to open itself in terms of foreign relations with constituents of ASEAN through a common Southeast Asian identity, rather than solely a communist one.¹⁴

Relations with the United States, too, add to the prestige of the VCP. Reestablishment of relations with a world superpower that was formerly at war with Vietnam over the nature of its regime is a major accomplishment in terms of international recognition for the VCP and its legitimacy narrative. Economic relations between the two countries support the rhetoric of normalization, with the U.S. standing as Vietnam's biggest export market. Between 2001 and 2011 trade increased twelve times, amounting to US \$20 billion, and in 2010 the United States was Vietnam's seventh biggest investor. Relations with the United States are also strategic because of mutual concern over Chinese expansion in the South China Sea.

Accession to the World Trade Organization in 2007 was another example of Vietnam advancing its global standing. However, immediately after joining the WTO with the required permission of the United States, Vietnam engaged in what the Human Rights Watch deemed "one of

¹⁰ Nguyen, "The New Censors of Hanoi."

¹¹ Templer, *Shadows and Wind*, 241.

¹² Le, "Performance-Based Legitimacy," 159.

¹³ Le, "Performance-Based Legitimacy," 160.

¹⁴ Nguyen, "Vietnam's Membership of ASEAN," 496-498.

the worst crackdowns on peaceful dissidents in 20 years.”¹⁵ Looking forward, continued human rights abuses by the VCP juxtaposed with its continued inclusion in processes of economic globalization will be instructive for exploring outcomes of TPP.

TPP AND THE 2016 ELECTIONS

Much like *doi moi*, experts in international trade and finance project that TPP will bring increased rates of growth to the Vietnamese economy. Vietnam is expected to be one of the biggest beneficiaries of the agreement due in part to factors that will “boost Vietnamese exports and terms of trade” in the form of strong trade with the U.S., as well as protections for apparel and footwear manufacturing and other sectors where China’s output is fading. The agreement is also expected to “stimulate productivity gains” through, initially, high levels of protection for domestic industries and the increased scale of production volume in Vietnam’s principal production areas.¹⁶ In the next ten years, Vietnam is projected to raise its GDP by 11%—roughly US \$36 billion—and increase exports by 28%.¹⁷

Within TPP there are human rights provisions known as “consistencies.” One of the most problematic consistencies for Vietnam concerns the formation of independent labor unions. While the consistencies are technically binding, Vietnam has a five-year window to allow the unionization to develop. “Even if Vietnam does not implement the changes by the fifth year, the process for hashing out tariff reductions is so convoluted that they might not even happen,” said Cathy Feingold, the Director of the International Department of the AFL-CIO. “Once the U.S. allows companies to access the benefits of the TPP, it’s very unlikely that the government would withhold those benefits should it come to labor abuses.”¹⁸

Vietnam’s inclusion in a trade agreement that was, initially, exclusively for democratic regimes highlights its strategic importance in the region and for the success of President Obama’s “Pivot to Asia.” This fact is even more telling when one considers that China, a much larger economic and strategic regional power, was not included in the agreement. Indeed, in December 2015 President Obama and General Secretary Nguyen Phu Trong met for an unprecedented meeting at the White House. However, according to Obama’s strategic outlook, “there are going to be times where the best we can do is shine a spotlight on something that’s terrible, but not believe we can solve it automatically. There are going to be times where our security concerns conflict with our concerns about human rights.”¹⁹ This statement gives credence to labor rights activists who claim that enforcing consistencies in TPP is not a fundamental priority of the agreement. If Vietnam is allowed to enjoy the benefits of TPP without adhering to the requisite consistencies, this would further legitimize the VCP from an international perspective while allowing it to continue to crackdown on dissidents and quash democratic movements while legitimizing itself yet again through increased economic performance.

VCP elections during January 2016 have cast some doubt about the direction of the country. The party’s Central Committee re-elected Nguyen Phu Trong as General Secretary at the expense of former Prime Minister Nguyen Tan Dung. Mr. Dung was seen as a more proactive economic reformer and friend to the West. General Secretary Trong, by contrast, is painted as a pro-China conservative. This is a misleading portrayal as General Secretary Trong is very unlikely to be pro-China in the traditional sense of the term because of the hostility in Vietnam for China due to perceived aggression

¹⁵ ‘Vietnam: Crackdown on Dissent in Wake of WTO and APEC.’

¹⁶ Petri, Plummer, and Zhai, *The Trans-Pacific Partnership and Asia-Pacific Integration*, 81-82.

¹⁷ ‘The Biggest Winner from TPP Trade Deal may be Vietnam.’

¹⁸ Semuels, ‘The TPP’s Uneven Attempt at Labor Protection.’

¹⁹ Goldberg, ‘The Obama Doctrine.’

in the South China Sea. More likely, General Secretary Trong can be expected to be less confrontational regarding China than Mr. Dung, who allowed destructive anti-China protests to occur during 2014. Similarly, the tag of conservative does not mean that Vietnam's agreement to TPP will be reversed during his term. Conservative in this case should be interpreted as cautious of the political ramifications of accelerated economic reform. Statements by Mr. Trong such as, "a country without discipline would be chaotic and unstable...we need to balance democracy with law and order,"²⁰ testify to the expectations of cautious advancement one should have for his time as General Secretary. Even more important than his speeches are the members of the party with Ministry of Public Security and police backgrounds that are being appointed to leading positions in the VCP Politburo. The Politburo will be blended with technocrats that will guide reforms, while those with internal security backgrounds in the Politburo and elsewhere (such as General Ngo Xuan Lich, a political commissar and soon to be Minister of National Defense), will focus inward, "reflecting the leadership's ongoing fear of 'colored revolutions.' The heavy commissar representation suggests that the leadership remains prepared to use the [People's Army of Vietnam] for internal security operations should the need ever arise."²¹

This shift of internal security and political commissar personnel to key regime positions signals that there will be a lower tolerance for dissident behavior in the general populace as economic liberalizations continue. The alternative for Vietnamese citizens to engage in their political process is to run as an independent candidate for the National Assembly. These candidates are often celebrities and activists such as Mai Khoi, a Vietnamese pop star—or perhaps business people and academics with a connection to the VCP. Though, with roughly two-dozen such candidates, there are more now than ever, the viability of independent candidacy in Vietnam is still very much subject to a party-controlled vetting process. Even when it would appear that the regime is losing its grip on control, the opposite is true.²²

CONCLUSION

Rather than promoting liberal democratization through economic openness, growth from *doi moi* and TPP actually reinforces the Vietnamese Communist Party's monopoly on power in two key ways. First, it provides legitimacy through continued economic growth, and second, it continues international recognition of the current state regime, enhancing its involvement in strategic and economic affairs. While these reforms did not inherently discourage political liberalization, they encouraged processes that strengthened the authoritarian regime's ability to crack down on dissent, peaceful or otherwise. The recent election of Nguyen Phu Trong as General Secretary, and installation of officials with internal security backgrounds into key positions, signals a less confrontational approach to China, the continuation of current economic policies at a measured rate to maintain political stability, and an increased inward focus for security operations. This paper does not intend to suggest that the sociopolitical path the VCP is charting is sustainable indefinitely, or that no opposition to the party currently exists. Dissident and independent elements exist in all levels of society, from the internet, to the arts, to accepted independent candidates and repressed opposition parties. What this paper has determined, however, is that the VCP has been strengthened and legitimized by the economic reforms it has enacted—in pursuit of a specific "transition stage" of socialism—to the point where it is currently able to contain all avenues of dissent or opposition that may result from said reforms. In the absence of a disastrous economic or foreign policy crisis that

²⁰ Joshi, "Re-elected Vietnam Communist Boss Defends One-Party Rule."

²¹ Abuza and Nguyen, "Little Fallout: Vietnam's Security Policy After the 12th Congress of the Vietnam Communist Party."

²² Ives, "In One-Party Vietnam, Independents Vie for Assembly Seats."

completely erodes the capability of the party to maintain authority, it is likely that the VCP will maintain a Leninist political model while employing its own brand of economically-liberalized socialist-oriented market economy for the near future.