



E P R E S S

Viet Nam: a transition tiger?
The introduction of *Doi Moi*

Abstract for chapter 6

This chapter sets out some of the main features of the beginning of the reform process in Viet Nam, particularly in the critical reform years of 1986-90.

By 1986, the then Party Secretary General recognised the problems resulting from the emphasis given to central planning and large-scale production. There was ongoing debate within the Party about proposed renovation of the economy. *Doi Moi* was launched in December 1986 at the Sixth Party Congress. The chapter outlines the first steps taken to implement *Doi Moi*, from 1986 onwards, outlining the importance of the transitional period.

Included in this chapter is a table outlining some milestones in the Vietnamese reform process.

Keywords:

Communist Party, Council for Mutual Economic Assistance (CMEA), *Doi Moi*, macroeconomics, market economic systems, National Assembly, Party Resolution No. 10, policy reforms, property rights, Sixth Party Congress, the dong

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THE INTRODUCTION OF *DOI MOI*

This chapter sets out some of the main features of the beginning of the reform process in Viet Nam, particularly in the critical reform years of 1986–90. The successful performance of the Vietnamese economy in the crucial period of dynamic growth, 1992–97, was stimulated by policy reforms, including improvements in private property rights, increasing macroeconomic stability, and a continuing shift from state controls to market mechanisms as instruments of economic management.

THE LAUNCH OF *DOI MOI*

By 1986, the then Party Secretary-General recognised the problems resulting from the emphasis given to central planning and large-scale production, stating

...we have made mistakes due to 'leftist infantilism', idealism, and to the contravention of the objective laws of socio-economic development. These mistakes were manifested in the...[emphasis given to] developing heavy industry on a large scale beyond our practical capacity...[maintaining] the bureaucratically centralised mechanism of economic management based on state subsidies with a huge superstructure which overburdens the infrastructure. As a result, we relied mostly on foreign aid for our subsistence (Truong Chinh 1986:25).

Following the death of Le Duan in April 1986, Truong Chinh¹ was appointed acting Secretary-General of the Party until the Sixth Party Congress in December 1986, when he was replaced by Nguyen Van Linh. At the same time Do Muoi was elected as Prime Minister, replacing Pham Van Dong.

In the lead up to the Sixth Party Congress, the country was facing mounting economic problems. Despite price 'controls' on most goods and services, the annual rate of inflation was over 700 per cent. The value of exports was considerably less than half the total value of imports. Budget resources were strained because of high military expenditure and support provided to loss-making state enterprises. There was virtually no foreign investment, the technology gap between Viet Nam and its neighbours was growing, visits by Vietnamese nationals to market economies were rare and, apart from a limited number of diplomats and aid workers, there were very few foreigners from market economies working in Viet Nam (Mallon 1999).

During preparations for the Sixth Party Congress, considerable debate took place about past mistakes and the need for a major renovation (*Doi Moi*) of the Vietnamese economy. This debate reflected a growing concern about the negative effects that the central planning system was having on the wellbeing of the population. The following extracts from a presentation by Party Secretary-General, Truong Chinh, prior to the Sixth Party Congress, provides an indication of public concern about progress in socioeconomic development.

Our Party's policies must proceed from the interests, desires and level of our people. To evaluate our policies to decide whether they are right or wrong, good or bad, we should see whether the majority of our people enthusiastically approve and are eager to implement those policies or not. We should see whether production has been boosted, our economy has developed, life has become stabilised and gradually improved, national defence and security has become steady and strong or not.

Since our whole country entered the stage of socialism, not a few cadre and Party members have alienated themselves from the people, forgetting the years and months of hardship and sacrifices...thinking that...in the struggle for socialism the people only have to obey them. Lenin said 'The danger facing a party in power lies in severing ties with the masses'.

The peasants have a spirit of private ownership. That is true. To advance to socialism, it is necessary to get rid of that spirit. That is also true...Neither can we say that people who still have a spirit of private ownership are not patriotic. Such an allegation cannot win the people's approval, and only alienates us further from the people...they [the people] cannot agree to our imposing on them things contrary to their legitimate interests and compelling them to obey our subjective will.

...mistakes due to wishful thinking, impatience, and our failing to respect objective laws of development and even going counter to them. At the same time, we have indulged in conservatism and sluggishness, maintaining for too long the mechanism of bureaucratic centralism based on

state subsidies. As a result, our production capacities were restricted and could not develop, the working people could not in practice fully exercise their right to be master of society...causing endless inflation and price hikes, the people's life was unstable, ethical and spiritual values were eroded, and negative manifestations multiplied.

It is regrettable that even now a number of comrades have not fully realised the deep effect in many respects of that mistake, they fear that by thinking and doing otherwise than state subsidised bureaucratic centralism they would depart from socialism.

Some comrades propose that in the relationship between centralism and democracy at present, priority should be given to centralism. Such an opinion is wrong both in theory and in practice. Democratic centralism is a principle manifesting a well-knit unity. Without giving full play to democracy we cannot firmly maintain centralism. Without giving full play to democracy and ensuring the autonomy of the grassroots, ensuring the legitimate interests of the working people both in agriculture and industry, in production and the circulation of goods, we shall have no or very little marketable goods, and the latter will not circulate normally. In such a situation, can we ensure centralism? If we overemphasise centralism to the point of having no goods, and of bringing circulation to a standstill, will centralism have any meaning? This is precisely the state of bureaucratic centralism in which we have been enmeshed so far; the Resolution of the 8th Plenum of the Party Central Committee has analysed, criticised and reject it (Truong Chinh 1986:8–18).

Another address by Truong Chinh, two months later, illustrates the ongoing debate within the Party about proposed renovation of the economy.

To oppose bureaucratic centralism and the system of state-subsidised economic management is an extremely hard struggle between the new and the old, between the progressive and the backward, between the dynamism of the demand for renewal on the one hand and conservatism and the inertia of habits on the other, between the need to establish the real right to socialist collective mastery of the working people and the individualism of certain people who, in the name of defending socialism, try to keep their own special rights and gains. This struggle is taking place within our Party, within our state bodies and mass organisations, within our people, within each level and each branch of activity, and within everyone of us' (Truong Chinh 1986:8–18).

FIRST STEPS TO IMPLEMENT *DOI MOI*, 1986–89

Doi Moi was launched at the Sixth Party Congress in late 1986, when the country faced economic crisis. Despite state price controls, there was a market inflation rate of more than 700 per cent per year. Total exports at about US\$500 million were less than half the total value of imports (US\$1,221 million) and per capita trade levels were very low by East Asian standards. Government

revenues were low, the fiscal deficit was large and persistent, and some areas were on the verge of famine. There was some private economic activity, but it was mostly black market and therefore risky. There was a growing development gap between Viet Nam and neighbouring economies. Contacts with market economies were very limited and Vietnamese were actively discouraged from personal contact with foreigners.

The broad thrust of *Doi Moi* was officially adopted by the Sixth Party Congress in December 1986. This included agreement on the need for policy reforms aimed at reducing macroeconomic instability and accelerating economic growth, and that all economic levers (price, wages, fiscal and monetary policies) were to be used to achieve these objectives. The Sixth Party Congress agreed to abolish the system of bureaucratic centralised management based on state subsidies, and to move to a multi-sector, market-oriented economy with a role for the private sector to compete with the state in non-strategic sectors. Limited investment resources were to be directed towards three main objectives, namely

- the development of agriculture
- the expansion of consumer goods production
- the expansion of trade and foreign investment relations.

The policy directions announced at the end of the Sixth Party Congress in December 1986 represented a marked departure from previous policies and were the culmination of intensive internal debate about the failure of the old system to bring tangible results to the wellbeing of the Vietnamese people. While the Sixth Congress represented a critical turning point in policy direction, however, only limited details were provided about the specific policy reforms that would be implemented to bring about the desired change. The details of *Doi Moi* were discussed in a series of Party plena following the Party Congress, and documents from the Third and Sixth Plena clearly stated the need to move away from central planning towards indicative planning and macroeconomic policy levers (Communist Party of Vietnam 1991a, 1991c).

Just prior to the conclusion of the Sixth Congress, a number of decisions were issued on the family economy² and the role of the private, cooperative and state sectors in the agricultural sector.³ Following the Sixth Congress, there was a gradual relaxation of the administrative constraints to private sector activity and to domestic trade. In early 1987, many of the checkpoints that had been established to limit domestic trade were reduced, and private markets for agricultural goods developed rapidly.⁴

While some commentators focus on the reforms implemented from 1989 onwards, important micro-level reforms were introduced from 1986 that resulted in a strong supply response that greatly improved the environment for the successful implementation of the subsequent macro level reforms.

In mid 1987, substantial price reforms were introduced with the official price of most non-essential consumer goods being raised to close to market prices and the scope of rationing being substantially reduced. At the same time there was a substantial devaluation of Viet Nam's currency, the Dong.

A key change was the different emphasis given to the role of government in the industrialisation process. The state was to concentrate on 'building the necessary premises for the acceleration of socialist industrialisation in the subsequent stage' (Communist Party of Vietnam 1987b). This was an important change of focus, as noted by Luoc (1994:23), who states that '...while industrialisation was reaffirmed as a necessary task, the basic content of industrial policy was confined to creating the premises for industrialisation at a subsequent stage'.

The Council of Ministers issued regulations⁵ which clarified

- the difference between state ownership of property allocated to the enterprise, and the right of enterprise management to use and directly manage this property
- the relationship between the enterprise and government agencies
- the rights of enterprises regarding planning and decisions relating to procurement, sales, pricing, financial accounting, employment and salaries
- rights regarding commercial relations between enterprises.

During 1987 and 1988, the government rationalised and reduced the number of line ministries, state committees and other central government agencies.

A Foreign Investment Law was passed by the National Assembly in December 1987, and enacted in September 1988. It took a couple of years for substantial foreign investment inflows to result but by 1992 inflows were becoming an important source of investment.

A Law on Land was also passed by the December 1987 session of the National Assembly and was enacted in 1988. While state ownership of land was retained, private land-use rights were recognised by the state. Although it was an important step towards the introduction of property rights, this law did not allow for the transfer of land-use rights—despite the existence of an active informal market for land-use rights (World Bank 1993b).

Reforms introduced during 1988 provided greatly improved incentive structures, including steps towards clarifying property rights. A Communist Party resolution, issued in April 1988,⁶ provided for a much greater role for individuals and private enterprise in the agriculture sector. Farmers were given long-term rights to land, centrally planned targets were abolished, and farmers could no longer be coerced into joining cooperatives, and were allowed to sell their produce on the open market.

The Party Resolution No.10, passed in 1988, introduced a critically important reform, greatly enhancing the rights of rural families, and diminishing the legal authority of village cooperatives. While there were initially mixed opinions from external commentators about the impact of Resolution No. 10,⁷ the Party Secretary-General argued that this was a turning point in agricultural development (Do Muoi 1993). Indeed, some argue that it was one of the key turning points in the whole reform process. Providing farmers with property rights (albeit limited in extent), combined with price and trade reforms, contributed to sustained growth in agriculture from 1988. Strong agricultural growth in 1989 (6.9 per cent) was important in offsetting the worst impacts of the tight monetary policies that were introduced that year to control inflation—industrial output fell by 4.0 per cent in 1989.

A month earlier, the Council of Ministers had issued a series of decrees clarifying the rights of the non-state sector to engage in industrial production.⁸ These policy guidelines were reinforced by a Politburo Resolution in July 1988.⁹ These policy guidelines recognised the important potential contribution of the non-state sector in industrial production, and explicitly stated that the state recognises and protects the rights of the non-state sector to the ownership and inheritance of property and lawful earnings of non-state enterprises.

Despite these developments, the World Bank argued in 1990 that

there has as yet been no clear elucidation of property rights, nor is there at present a legal framework to guarantee and enforce these rights. Consequently, there is considerable uncertainty about what actually is permissible and what will be permissible in the future, and that uncertainty retards productive investment (World Bank 1990:55–56).

Undoubtedly there was uncertainty—given development over the previous decade it would have been unrealistic to expect otherwise. Uncertainty could only be expected to diminish after the evolving market institutions, including the legal system, actually developed a track record of underpinning these rights over an extended period of time.¹⁰

Strong growth in the private sector's share of retail trade showed that the private sector had adequate confidence that an institutional basis existed to enforce basic contracts and to protect property rights in relation to the goods being traded. That is, even before formal legal changes to institutions were made, changes were gradually occurring in informal institutions that substantially affected the way economic business was being conducted. This does not imply that the institutions were perfect. There was an implicit recognition in the national policy agenda that more formal institutions would need to be developed to encourage longer-term private investment in productive capacity.

THE IMPORTANCE OF THE TRANSITIONAL PERIOD

The microeconomic reforms introduced in 1987 and 1988 were important in generating strong supply responses that directly contributed to reducing inflationary pressures, and in contributing to an improved economic climate in which it was politically easier to introduce the tighter macroeconomic policies required for sustained reductions in macroeconomic imbalances.

The earlier experience gained from the experimentation with reform since 1979 was important in changing beliefs and norms of behaviour that facilitated subsequent adjustment. Without the earlier reforms, the adjustment costs associated with the subsequent macroeconomic reforms would have been substantially greater.

The reform process was inherently experimental and gradual. Reform, when it came, involved an incremental process, which can be interpreted as a learning process, with the leadership responding to successes and failures of policies in practice, and also as the outcome of an ongoing debate within the political system regarding economic strategy. The fact that the centrally planned economy never worked effectively in its own terms made the process of *Doi Moi* easier than reform of centrally planned systems that had operated as working systems over long periods.

For the southern provinces in particular the experiment with central planning was quite brief. From 1976, attempts were made to integrate the southern market economy into the planning system of the north, but central planning was only applied in the south with full vigour between 1977 and 1980. The private sector, although illegal, was never fully suppressed.¹¹ Even in the north, control over the economy exercised by planners was in practice reduced

Table 6.1 **Some milestones in the Vietnamese reform process, 1986–2002**

Year	Major reform measures	Policy and legal changes
1986	Decisions issued to develop the family economy; renovate management of state farms; facilitate the private economy and business in agriculture, forestry and fisheries, and to reorganise and renovate agricultural cooperatives.	The Sixth Party Congress announces <i>Doi Moi</i> as official Party policy in November.
1987	Law on Foreign Investment issued. Central treasury established.	Land Law establishes private use of allocated land in agriculture.
1988	Land Law creates long-term land-use rights for agricultural uses. Party Resolution No.10 recognises households as the basic unit of agriculture production. Central banking functions separated from commercial banking. Foreign exchange controls liberalised.	Industry policy introduced encouraging private investment in industrial development Devaluation of exchange rates. Restrictions on foreign trading enterprises and state monopoly of foreign trade relaxed. Law on Import and Export Duties issued.
1989	Most direct production subsidies and price control removed—end of ‘two price’ system. Ordinance on Economic Contracts establishes rights for legal entities to enter into contracts. Producers allowed to sell their export output to any licensed foreign trade company.	Quotas removed on all but 10 export and 14 import commodities (subsequently reduced to 7 export and 12 import commodities). Foreign exchange rate system unified. Bank interest rates made positive in real terms. Budget export subsidies removed.
1990	Law on Private Enterprises established legal basis for establishment of sole proprietorships. Law on Companies established basis for limited liability and joint-stock companies. Tax reforms, including introduction of special sales tax, turnover tax and profit tax.	Law on Foreign Investment. Liberalised Law on State Bank of Viet Nam (SBVN) and National Law on Banks, Cooperative Credit Institutions and Financial Institutions enacted, prohibiting SBVN from commercial banking and empowering it as central bank.
1991	Ordinance on civil contracts issued. Criteria set for establishing state enterprises; all state enterprises required to re-register. Major rationalisation of state enterprises undertaken. Private companies allowed to engage directly in international trade.	Foreign exchange trading floors opened at SBVN. Regulation on establishing export processing zones (EPZs) promulgated. Agriculture Bank of Viet Nam allowed to lend to households.
1992	New constitution reaffirms leading role of the Communist Party, but also recognises private property rights in a	Trade agreement signed with the European Union for quota allocated garment exports to the European Union and granting tariff

	state managed, market oriented, multi-sector economy, with socialist orientations. Pilot equitisation program for state enterprises introduced.	preferences on selected imports from the European Union. Foreign investment law amended to reduce bias against 100 per cent foreign owned enterprises and to introduce build-operate-transfer (BOT) options.
1993	Amended Land Law makes agricultural land-use rights transferable and useable as collateral. Bankruptcy Law and Law on environmental protection approved. First Donor Conference facilitates rapid increase in access to official development assistance.	Export shipment licensing relaxed—six-monthly licences issued for 22 export commodities. 90-day duty suspension system for inputs into export production introduced.
1994	Economic courts established. Labour code establishes protection of employer and employee rights, regulation of contracts, social insurance and sets up arbitration mechanism. Law on Promotion of Domestic Investment specifies incentives for domestic investors.	Import permits for all but 15 products eliminated. Inter-bank foreign exchange market introduced. Pilot work on creation of general corporations as groupings of SOE initiated. Export shipment licensing requirements lifted for all commodities except rice, timber and petroleum.
1995	Law on State-owned Enterprises consolidates previous legislative initiatives on state enterprises. Civil Code enacted deepening foundation for market economy, including some legal protection for industrial property rights. Government launches Public Administration Reform program and reduces number of ministries.	Import permits on a shipment basis no longer required for many consumer and producer goods. All export quotas lifted except for those on rice. Range of goods subject to management by import quota reduced to seven. Viet Nam joins ASEAN and commits to AFTA. Number of turnover tax rates reduced from 18 to 11.
1996	Credit activities exempted from turnover tax. State Budget Law defines tax and expenditure responsibilities of different levels of government. New Law on Foreign Investment reduces import duty exemptions for FDI projects, and clarifies some investment policies.	Regulations elaborate regime under Civil Code for protection of industrial property rights. Inward foreign exchange remittance tax lifted. Number of items managed by import quota reduced to six. Mining Law approved.
1997	Reforms provide scope for direct private sector rice exports. Restrictions on domestic rice trade are lifted. Commercial Code approved. Law on State Bank of Viet Nam specifies roles and functions of SBVN. Law on Credit Institutions establishes basis for supervision and regulation of banking system. Value Added Tax (VAT) Law	Number of goods subject to import controls to achieve national balances increased. Temporary prohibitions on imports of wide range of consumer goods imposed then lifted. Approval of certain foreign investment projects decentralised to selected provincial people's committees and industrial zones. Law on Cooperatives confirms continued government incentives for cooperatives. The

- introduces VAT to replace turnover tax in 1999. Corporate Income Tax introduces company tax to replace profit tax also in 1999. London Club agreement to reschedule Viet Nam's international commercial debt.
- 1998 Forward and swap foreign exchange transactions permitted. Domestic investment legislation amended to improve incentives and simplify access for domestic investors. Foreign invested enterprises permitted to export goods not specified in investment licences. Maximum tariff rate reduced to 60 per cent. Shift to tariffs from quota or licensing to manage imports of most consumer goods. Decrees 29 & 71 issued aimed at implementing democracy at commune level.
- 1999 Enterprise Law approved. Business licences requirements streamlined. Value added tax (VAT) implemented. Government issues plan to restructure and enforce minimal capital requirements in joint-stock banks.
- 2000 Enactment of the Enterprise Law. Insurance Law approved in May 2000. A formal stock market commences operation in Ho Chi Minh City. Government announces decision to reduce public service workforce by 15 per cent. Party and government identify information technology as a key element of the development strategy and introduce reforms to increase competition and lower costs.
- 2001 Ninth Party Congress concludes with resolution confirming a leading role for the state, but also recognising a long-term role for private domestic and foreign investors in economic development. A New Socioeconomic Development Strategy for 2001–10 and 5 year plan to 2005 are endorsed. Amendments to Land Law clarify
- Fourth Plenum (Eighth Party Congress) calls for greater effort to develop agriculture and rural areas; and to reform and develop state enterprises, cooperatives, and individual and private enterprises.
- Private sector enterprises allocated quota to import fertiliser and export rice. Domestic enterprises allowed to export production directly without an export/import license. Business registration procedures greatly simplified. Intensified process of consultations with private sector to identify remaining regulatory constraints and to develop the Enterprise Law. National Assembly approves anti-corruption ordinance. The Sixth Plenum (Eighth Party Congress) renews support for economic reform.
- Initial agreement on US–Viet Nam bilateral trade agreement. Viet Nam and China agreement on land boundaries followed by increased high level contact and economic cooperation. Party and National Assembly discipline senior government officials for corruption.
- FDI law amended to streamline procedures, clarify land-use right provisions, provide greater flexibility in corporate structure, and liberalise foreign exchange controls. Tenth Party Plenum concludes that there is 'no other choice but to continue with regional and global integration'. Signing of bilateral trade agreement is followed by first visit by a US president to Viet Nam since reunification.
- Resolution of Third Party Plenum specifies timetable to accelerate state enterprise restructuring, and decree issued to facilitate corporatisation of state enterprises under the Enterprise Law. Bilateral trade agreement with United States ratified by United States Congress on 17 October and by Viet Nam National Assembly on 28 November. Becomes effective on 10

	<p>stipulations on land prices and land-use planning, authorised levels on land allocation, compensation for land clearance, and transferring land-use rights. Decree 44/2001/ND-CP (2/8/01) allows enterprises, individuals, cooperatives and foreign investors to export and import all permissible goods. Government announces comprehensive master plan for public administration reform.</p>	<p>December. National Assembly amends Constitution to recognise role of private sector and to better protect private property rights. National Assembly given more formal power to oversee government actions, including power to pass no-confidence motions on senior government officials. National Assembly also approved 10 and 5 year development strategies.</p>
2002	<p>Fifth Party Plenum takes decisions supporting an enhanced role for the private sector and on improving the capacity and performance of grassroots organisations ('grassroots democracy'). The Plenum also decides that Party members are allowed to own private business.</p>	<p>New National Assembly elected with 115 of the 498 members elected to serve on a full-time basis. Labour Code amended in April 2002 to provide more labour market flexibility (especially in terms of wages and recruitment) and allow foreign investors to recruit staff directly.</p>

Sources: Government of Vietnam, Communist Party of Vietnam, World Bank and Asian Development Bank reports on the reform processes.

throughout the 1980s by a *de facto* decollectivisation of agriculture and the growth of extensive parallel markets.

During the first half of the 1980s, Vietnamese policymaking was subject to contradictory influences, as the commitment to central planning was tempered by pragmatic responses to difficulties in implementing central controls. During that period, there was considerable uncertainty over the government's long-term aims and policy. The Five Year Plan (1986–90) continued to emphasise the leading role of the state sectors,¹² the need to broaden the collective economy and to restrict the negative aspects of the private economic sectors, but it was overtaken by the launch of the *Doi Moi* policy following the Sixth Party Congress in November 1986.

Reform came in response to the serious economic problems faced at various times in the 1980s. Great economic difficulties had been experienced in 1979–80, following the cessation of Western and Chinese aid, and as early as 1981 agricultural policy was modified, when the end-product contract system¹³ was generalised and the role of the informal private sector in such areas as retail trade, handicrafts and artisanship was officially recognised.

One interesting characteristic of the Vietnamese system was its pragmatic flexibility—when it was evident that the system was not working, there was a

willingness to experiment with changes. Such a response is not a necessary reaction; there are plenty of examples of regimes that respond to difficulties by resisting change and withdrawing into a defensive posture. Such flexibility and pragmatism, combined with resolve, in the Vietnamese communist system was not new, as it had been characteristic of the politics and military tactics of the more than three decades of struggle that had led to the creation of modern Viet Nam.

This account emphasises that change came as a response to experience with success and failure of policies. However, there was also a willingness to learn from international experience. While it is difficult to gauge the influence of external examples, despite the limitations on travel and exposure to foreign influences in the pre-reform period, Vietnamese leaders have always been keen to study relevant international experience. Despite stringent efforts to insulate the society from hostile political influences in the post-unification period, the Vietnamese regime was not as controlled, closed or xenophobic a society as North Korea or Albania. Indeed, the theme of modernisation, which has always been a core objective for the Communist Party, incorporated concepts of learning and borrowing from relevant international experience.

There was an implicit recognition that, in many important areas, market economic systems had brought more tangible material and social benefits to many of Viet Nam's neighbours than had been achieved by the existing policy regime. Viet Nam was also a member of the CMEA and was exposed to the ferment of debates and policy changes in the other CMEA countries during the 1980s. Also, while in that period relations with China were not close, the relevance of Chinese reforms would have been clear to informed Vietnamese leaders, many of whom had received training in China.

By 1986, at its Sixth Congress, the Party was ready to make a political commitment to economic renovation (*Doi Moi*), although it remained unclear how far economic reforms would be implemented. For some years the uncertainty of the political commitment manifested itself in cautious and somewhat tortuous language—in the early years the term 'market mechanism' was not in use, the economy being described instead as a 'multi-sector commodity-producing economy'. The period 1986–89 was crucial because this was the period when the process of change was initiated through a number of significant but still cautious reform steps. From 1989 onwards the pace of reform accelerated.

The somewhat cautious and pragmatic approach to reform, while frequently generating frustrations among external proponents of reform, had two great advantages.

First, in terms of the contemporary vocabulary of policy analysis, the reform process had very strong national ownership—it emerged from the national political process and at all times reflected decisions taken by the Vietnamese.¹⁴

Second, there was time for ‘learning by doing’ in the development of new institutions. The incremental process meant that at each step the effectiveness of new institutions and policies were tested and adjusted to Vietnamese conditions.¹⁵ This process was particularly evident in the agrarian sector, which was subject to continuing crisis in the years prior to the adoption of *Doi Moi*.

NOTES

- ¹ Truong Chinh was a leading Party theorist, who was held responsible for the excesses of the 1954–57 land reforms, but remained influential and emerged as a key proponent of reform.
- ² Council of Ministers Decision 146, 26 November 1986, ‘Development of the Family Economy’.
- ³ Council of Ministers Decisions 169, 170 and 171, 14 November 1986, ‘Renovation of the Management of State Farms’, ‘Policy Directions Towards the Private Economy and Private Business Enterprises in Agriculture, Forestry and Fisheries’, and ‘Reorganisation and Renovation of Management in Agricultural Cooperatives’, respectively.
- ⁴ The extent to which administrative constraints were relaxed varied considerably throughout the country depending on the actions of local level administrative authorities.
- ⁵ Decision 217-HDBT, 14 November 1987, ‘Renovating the Planning, Economic Accounting and Socialist Business of State Enterprises’. Subsequently, Statute 50-HDBT ‘Regulations for State-Owned Industrial Enterprises’, of March 1988 provided more details on the rights and responsibilities of state enterprises.
- ⁶ Central Committee Resolution 10 ‘Renovation of Management of the Agriculture Sector’, April 1988.
- ⁷ For a nuanced interpretation see Fforde, who argues ‘that implementation of Decree 10 was limited in scope’ (1990:12), that ‘[t]he fact that Decree No. 10 was so rapidly implemented itself shows the power exercised over local cadres by the level superior to them’ (1990:13), and that ‘[t]he reasons for the limited implementation of Decree No. 10—its lack of effectiveness outside the rather restricted micro area of cooperative management—are at root to do with the slow response of state organizations’.

- ⁸ Council of Ministers Decree 27, 28 and 29-HDBT, 9 March 1988, on 'Rules and Policies on the Private Economic Sector in Industrial Production, Service Industries, Construction and Transport', on 'Rules and Policies on the Collective Economy in Industrial Production, Service Industries, Construction and Transport', and 'Rules and Policies on the Family Economy in Production and Service Activities', respectively.
- ⁹ Politburo Resolution 16/NQTW, 15 July 1988, on the 'Renovation of Management Policies and Mechanisms towards Non-state Economic Sectors'.
- ¹⁰ A subsequent World Bank Report (World Bank 1993b:27) recognised that the 'movement towards strengthening property rights accelerated in 1988, when a Land Law was enacted. While state ownership of land was maintained under this law, private land use rights granted by the state were also recognized'.
- ¹¹ Pragmatic accommodations were made. On visiting a very well run seafood canning plant, owned by the Ho Chi Minh City Peoples' Committee in 1989, one author complimented the general manager on the evident efficiency of the operation and enquired where he had learnt the business. Somewhat shyly he replied that before unification he had owned the factory.
- ¹² As, indeed, has the vocabulary of subsequent planning documents.
- ¹³ The 'output contract system' was introduced into the agricultural cooperatives as early as 1979–80. This reform awarded the individual farmer more rights within the cooperative and the cooperative more rights *vis-à-vis* the state. Compulsory deliveries were replaced by a 'contract' under which families were allocated plots of land and were obliged to supply a certain amount of rice to the cooperative, and any surplus was available for disposal in any way the farmers wished, thus providing an incentive to increase production at the margin and to respond to markets.
- ¹⁴ Fforde and de Vylder (1996:315) argue that '[t]he fact that until recently Viet Nam remained ineligible for IFI lending and conditionality has perhaps also contributed to making the reforms process more authentically Vietnamese'.
- ¹⁵ A paradox of the international debates on reform is that those who have advocated 'big bang' movement to market institutions by application of a set of market economy blueprints derived from economic doctrine are, presumably unwittingly, engaging in a form of social engineering comparable to a neo-Stalinist model. The Vietnamese incremental approach on the other hand might be seen as closer to Karl Popper's liberal views on the most appropriate paths to social change. Stiglitz notes that '[t]he irony of it all is that the modern critique of utopian social engineering was based particularly on the Bolshevik approach to the transition from capitalism to communism, and the shock therapy approach tried to use the same principles for the reverse transition' (1999b:22).