

Vietnam in the Reform Era

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The history of post-1975 Vietnam remains largely unwritten.¹ Popular narratives in the media and scholarship of market reforms since the 1980s present different views about its direction (transition to capitalism or something else), its process (who, why, and how), and its relationship to the war (especially the role of the United States). A popular view in the American press praises the economic hustle in Vietnamese cities today and plays it up as evidence that the country has “gone capitalist.” To journalists and even some historians of the Vietnam War, the appearance of capitalism in today’s Vietnam serves to highlight the irony and unnecessary of the US efforts to fight communism during the Cold War.²

On the opposite end is the view held by Gabriel Kolko, an ardent anti-war activist and Marxist historian who enjoyed a close relationship with top Vietnamese officials until he became critical of their reform. Kolko blames the war and the United States for problems encountered in postwar Vietnam but decries Vietnamese communist leaders for embarking on market reform – an act of betrayal of the revolution and their people’s sacrifices, in his opinion.³ As he writes in hindsight:

[During the war] I always expected the Vietnamese Communists to do far better in power than the Russians or Chinese, and in certain important

- 1 Numerous contemporary analyses exist, as do memoirs by those who lived at the time, for example Nguyen Van Canh and Earle Cooper, *Vietnam under Communism, 1975–1982* (Stanford, 1983); Nguyễn Ngọc, *Hòa bình khó nhọc* [A Difficult Life in Peace Time], www.diendan.org/sang-tac/hoa-binh-kho-khan; and Tống Văn Công, *Đến già mới chợt tỉnh* [Disillusionment upon Old Age] (Westminster, CA, n.d.). An earlier version of this chapter appeared as “Đôi Mối” but Not ‘Đôi Mau’: Vietnam’s Red Crony Capitalism in Historical Perspective,” in Nhu Truong and Tuong Vu (eds.), *The Dragon’s Underbelly: Dynamics and Dilemmas of Vietnam’s Economy and Politics* (Singapore, 2023), 25–50.
- 2 For example, see Donald Kirk, “Vietnam Is Unique Ally for US in Decades Ahead,” *Waco Tribune-Herald*, February 28, 2019; or comment by University of Chicago historian Mark Bradley to the same effect in his video interview by C-SPAN, “The Vietnam War Today,” January 5, 2018: www.c-span.org/video/?439275-10/vietnam-war, minutes 5:45–6:05.
- 3 Gabriel Kolko, *Vietnam: Anatomy of a Peace* (London, 1997), 166.

regards they have done so. By 1975 I also anticipated some [serious] post-war problems ... because the concentration of so much power in the party Politburo's hands removed any check on both its abuse and ... its ignorance. But I scarcely suspected it would employ its victory to create a "market economy," which is merely a euphemism for capitalism.⁴

In contrast, the Communist Party of Vietnam (CPV) sometimes admits its own erroneous policies in the postwar period but credits itself for leading the reform. For example, CPV General Secretary Nguyễn Phú Trọng wrote in 2004 that:

In the context of domestic difficulties and complicated international situations, the Party has persisted with our revolutionary goals, held firmly our independent and creative spirit, and led our people in the reform effort that has brought many results, including a growing economy, a stable society and political system, expanding international relations, and improving the people's living standards.⁵

The official narrative has been seriously challenged by the late Đặng Phong, the head of Economic Historical Research at the Vietnamese Institute of Economy, who meticulously documented the economic thoughts and policies of the period, and showed how reform was not a top-down but bottom-up process.⁶ As the postwar central planning and "subsidy system" [*chế độ bao cấp*] created severe shortages and a looming famine, local officials deliberately violated central policies to save their people from starvation, gradually persuading dogmatic central leaders to adopt the market economy in the early 1990s. Along the same line, political scientist Benedict Kerkvliet points out how peasants' everyday resistance and initiatives forced national leaders to dismantle collective farming in rural Vietnam.⁷

While pursuing a similar argument, journalist Huy Duc's sweeping account of the entire post-1975 period focuses on the power struggle among individual leaders and their factions over the direction of reform.⁸ Political scientist

4 Ibid., 13.

5 Nguyễn Phú Trọng, "Vấn đề Đảng cầm quyền và công cuộc Đổi mới ở Việt Nam" [The Ruling Party and Reform in Vietnam], in *Hội Đồng Lý Luận Trung Ương* [Central Theoretical Council], *Lẽ phải của chúng ta* [Our Rightful Course] (Hanoi, 2004), 17.

6 Đặng Phong, "Phá rào" trong kinh tế vào đêm trước Đổi mới ["Fence-Breaking" in the Economy before Reform] (Hanoi, 2009) and his *Tư duy Kinh tế Việt Nam: Chặng đường Gian nan và Ngọa mịch, 1975–1989* [Economic Thoughts of Vietnamese Leaders, 1975–1989] (Hanoi, 2016).

7 Benedict Kerkvliet, *The Power of Everyday Politics: How Vietnamese Peasants Transformed National Policy* (Ithaca, 2005).

8 Huy Đức, *Bên thắng cuộc* [The Winning Side], 2 vols. (Los Angeles, 2012).

Tuong Vu shows how the loyalty to Marxism-Leninism of Vietnamese leaders as a group caused them to fear reform, thus shaping the reactionary character of the reform process.⁹ In contrast, another political scientist, Martin Gainsborough, argues that patronage networks rather than policies shaped the politics of reform.¹⁰ To these authors who know Vietnamese and work with Vietnamese sources, reform was a desperate attempt to save the regime from the postwar crisis caused by mistaken, dogmatic policies. Reform was desirable for the Vietnamese people, and necessary, given the profound crisis of socialism, but was extremely contentious because of the elites' competition over visions, power, and privileges.¹¹ In addition, the result of reform today is not really a capitalist system but something far more sinister, whose appearance may be deceptive to the casual observer.

Against the backdrop of rival narratives, this chapter offers an overview of developments in Vietnam from the 1980s through the 2010s as the country evolved from its socialist system of the war and revolutionary period. After the war, the communist government in Hanoi sought to establish the socialist system in the South in the same way it had done in the North after 1954. This postwar march to socialism was draconian and caused much unnecessary disruption, destruction, and hardship. Even with generous help from the Soviet bloc, Vietnam was in a dire situation in the early 1980s, as already poor economic production and living standards continued to worsen.

With leadership change and support from Mikhail Gorbachev, the General Secretary of the Communist Party of the Soviet Union, in the late 1980s, Vietnamese reformers embarked on market reform but refused political reform. This formula of limited reform allowed the regime to survive the collapse of the Soviet bloc. For more than three decades, the CPV has overseen rapid economic growth that lifted millions out of poverty and raised national income many times. By the 2000s, Vietnam's advantages – including its strategic location in a dynamic region, its tropical climate and natural resources such as oil and forests, its relatively large and young population, and its large diaspora – helped attract billions in foreign investment, aid, and remittance every year, fueling economic growth and wealth accumulation.

9 Tuong Vu, *Vietnam's Communist Revolution: The Power and Limits of Ideology* (New York, 2017).

10 Martin Gainsborough, "From Patronage to 'Outcomes': Vietnam's Communist Party Congresses Reconsidered," *Journal of Vietnamese Studies* 2 (1) (2007), 3–26.

11 On dissent within the party unleashed by reform, see Zachary Abuza, *Renovating Politics in Contemporary Vietnam* (Boulder, 2001).

Despite impressive economic achievements, Vietnam's political system has undergone severe decay. An aging leadership still pledges loyalty to communism. Behind the facade of a market economy, state-owned enterprises still dominate the strategic sectors, while private enterprises are discriminated against. State managers have formed a critical power bloc and have successfully resisted structural reforms that would take away their privileges. The state bureaucracy is thoroughly penetrated by corrupt patronage networks that peddle offices and influences to serve officials and their cronies.

As officials have accumulated wealth legally and illegally, social inequality and political unrest have been rising rapidly. Recent years have witnessed the rise of a civil society and an urban middle class that are increasingly vocal in demanding greater political representation and government accountability. The perverse outcome of a communist revolution that produced an oppressive and corrupt regime in Vietnam today has lately brought about a moment of reckoning for many prominent Vietnamese intellectuals about the true meaning of the Vietnam War.

Historical Background

To understand the timing, goals, and processes of Vietnam's market reform it is essential to understand its top leaders' backgrounds and experiences, which were uniformly narrow to begin with and further ossified over decades of war. Most top leaders of the CPV of the 1970s began their careers as activists within the network of the Third Communist International established in 1919 and directed from Moscow.¹² By the late 1920s and early 1930s, when the communist movement began in Vietnam, that network had spread over the entire Eurasian continent, from Western Europe to Southeast Asia. The first Vietnamese communists, such as Hồ Chí Minh, Lê Duẩn, Trường Chinh, Hoàng Quốc Việt, and Phạm Văn Đồng, were young when they joined the movement, whether in Paris or in French Indochina. Nguyễn Văn Linh, who was on the younger side of the first generation and who would become a central figure in economic reform in postwar Vietnam, was only 15 when he joined the movement while incarcerated at the infamous Poulo Condor colonial prison.

These men and (a few) women typically came from modest family backgrounds with an elementary school education or less in the modern school

12 Tuong Vu, *Vietnam's Communist Revolution: The Power and Limits of Ideology* (New York, 2017), chapters 1 and 2.

system created by the French (exceptions are Hồ Chí Minh, who never attended modern schools, and Trần Phú, Phạm Văn Đồng, Võ Nguyên Giáp, and Trường Chinh, who all received formal education at the secondary level).¹³ Some received training in Moscow, such as Hồ Chí Minh, who was assigned to work in East Asia as a Comintern agent. Others like Lê Duẩn joined when they came into contact with those who had been trained abroad. Significantly, besides Hồ Chí Minh and a few others who had lived in France, China, and the Soviet Union, as well as having traveled to other Western countries, most never had any experience outside of Vietnam.

By the 1970s, the dozen or so members of the Politburo of the CPV, the top executive body, were all those revolutionaries of the first generation. They had spent decades primarily waging war and making revolution. The lower level of leaders was slightly better, but only a few of those 100 Central Committee members, the organ of the CPV, in postwar Vietnam had had any significant experience outside Vietnam. Several younger members of this group possessed training and worked in technical fields, and had accumulated significant experience during 1954–75 in running the economy of North Vietnam based on the Stalinist model.¹⁴ But the vast majority built their careers in war, diplomacy, mass organizing, or propaganda.

Vietnam's communist leaders viewed the wars with the French and, later, the Republic of Vietnam and the United States as part of their socialist revolution. Since the 1930s these leaders had dreamed of taking power and building a communist society in their country while contributing to world revolution. Few Vietnamese communists had actually read Karl Marx and other socialist thinkers. Most learned the basics about socialism from introductory-level books such as Nikolai Bukharin's *The ABC of Communism*.¹⁵ Their model of an ideal society was the Soviet Union under Stalin that they read about or (for a few) observed first-hand. In this model, social classes deemed "exploitative" would be eliminated. The state would necessarily own all productive assets, control trade, and redistribute wealth across society to ensure development

13 For their official biographies, see the book series available at <https://tulieuvankien.dangcongsan.vn/van-kien-tu-lieu-ve-dang/book/sach-chinh-tri>.

14 The general organization of the North Vietnamese economy followed the Soviet model, yet major aspects such as the land reform (1953–6) and the massive mobilization of labor for public projects in the late 1950s were strongly influenced by Maoist thinking as displayed in similar campaigns in China at the time. See Nguyen Tien Hung, *Economic Development of Socialist Vietnam, 1955–80* (New York, 1977); and Alec Holcombe, *Mass Mobilization in the Democratic Republic of Vietnam, 1945–1960* (Honolulu, 2020).

15 Đặng Phong, *Lịch sử Kinh tế Việt Nam (1945–2000)* [*Economic History of Vietnam (1945–2000)*] (Hanoi, 2005), 153, vol. II: 1955–1975.

with social equality. The entire economy would operate under central planning to mobilize all resources for industrialization. In the countryside, all agricultural production would be collectivized to achieve large-scale socialist production.

Vietnamese communist leaders sincerely believed that the effective mobilization of all resources, together with workers' and farmers' enthusiasm about socialism under the power of a strong state and the wise and caring leadership of the vanguard party, would inevitably produce the miracle of a socialist paradise in a reasonable time, regardless of their country's initial level of development.¹⁶ Vietnamese leaders, like their dedicated communist comrades elsewhere at the time, passionately believed that the success of the Russian Revolution and the rapid industrialization of the Soviet Union under Stalin were evidence of "the Age of Revolution" which would bring about the ultimate triumph of communism on the global scale.

After taking control of North Vietnam in 1954, communist leaders embarked on realizing their dream. Collectivization of agriculture and the nationalization of trade and industry were mostly completed by 1960, paving the way for the first Five-Year Plan of 1961–5.¹⁷ Even in the first year of the plan, however, agricultural production fell. With a rising population and stagnant production in subsequent years, living standards deteriorated even before the war in the South began in earnest and also before the United States started bombing North Vietnam in 1964.¹⁸ Throughout the war, not collective farms but the 5 percent of farmland reserved for private cultivation, together with food aid from China and the Soviet bloc, helped keep Northerners from starving. War contributed to the economic hardships the North Vietnamese experienced and was blamed for the failure of collective farms. Near the end of the war, the government sought to enlarge those farms, in the hope of making them more productive.¹⁹

Sorghum Socialism, 1975–86

After the war, North Vietnam took over a largely intact Southern economy that was much more developed and productive than the Northern one. While heavily dependent on foreign aid and trade, the Southern economy was dynamic, with fully commercialized agriculture and burgeoning industries

¹⁶ Ibid., 108–50.

¹⁷ Ibid., 179–210, 250–311.

¹⁸ Vo Nhan Tri, *Vietnam's Economic Policy since 1975* (Singapore, 1990), 19.

¹⁹ Đặng Phong, *Lịch sử Kinh tế Việt Nam (1945–2000)*, 303.

oriented toward producing for consumption and connected to other rapidly growing economies in the region. A predominantly commercial culture and a significant entrepreneurial class dominated by ethnic Chinese made the Southern economy similar to those of other Southeast Asian countries such as Thailand, Malaysia, and Indonesia, yet distinguished it sharply from the Northern economy, which was Stalinist by design.

Touring the South after the war, top North Vietnamese leaders grudgingly admired the Southern capitalist economy for its productive capacity, especially its modern industries. There was some discussion in the leadership about whether Hanoi should leave the Southern economy as-is for some time to exploit existing advantages, or to immediately transform it into a socialist economy. Eventually, the CPV opted for the latter at the 24th Plenum of the Central Committee in August 1975, likely expecting that the Southern economy would perform even better under the Stalinist model.²⁰ A number of factors explained this decision: the belief that the two economies were complementary in resource bases that could benefit each other from immediate unification; the conceit that victory against the Americans in war meant anything was possible; an overall dismissive attitude toward anything related to their much-hated Southern enemy and the capitalist system in general; and the ambition to realize the socialist dream as fast as possible.²¹

The socialist transformation of the Southern economy was draconian. Thousands of residents in Southern cities were taken and then dumped in former war zones, dubbed “New Economic Zones” (NEZs, *vùng kinh tế mới*), with little government support, ostensibly to start a new life as farmers. Between 1975 and 1976, in an operation code-named “X1,” the government confiscated thousands of enterprises, private houses, and other valuable personal property owned by 670 families of “comprador capitalists” in 19 Southern cities.²² Many of these families were ethnic Chinese. Several were sent to the above NEZs, while others were forcibly placed into “reeducation camps,” together with tens of thousands of South Vietnam’s former officials, intellectuals, religious leaders, and writers. In the second campaign (code-named “X2”) during 1977–8, the target was small and medium-sized industrial and trading enterprises that belonged to about 40,000 families of private owners.²³

20 Vo Nhan Tri, *Vietnam's Economic Policy since 1975*, 59.

21 In early 1976, Lê Duẩn actually promised each Vietnamese family a radio set, refrigerator, and TV set within ten years. *Nhan Dan*, February 2, 1976, cited in Vo Nhan Tri, *Vietnam's Economic Policy since 1975*.

22 Vo Nhan Tri, *Vietnam's Economic Policy since 1975*, 66, 77–80, 88–90.

23 Huy Đức, *Bên thắng cuộc*, vol. I: *Giải phóng [Liberation]*, chapters 2–4.

These campaigns to nationalize industry and trade were accompanied by the introduction of new currencies in 1975 in the South and in 1978 in the whole country.²⁴ At each time of changing currency a household was sharply limited in the amount of money in the old currency it could exchange for the new one, practically being robbed of most of its wealth once the old currency went out of use the next day. From mid-1977, the government began to pressure farmers to give up their land, draught animals, and tools to join cooperatives. The goal was to organize all farmers in low-level cooperatives by the end of 1979. The campaigns for socialist transformation and the revenge on former supporters and officials of the Republic of Vietnam were the primary causes of a massive exodus of Southerners and ethnic Chinese from Vietnam in the late 1970s, the largest wave of refugees in modern history up to then. “Boat people,” the term coined to refer to these refugees who risked their lives on rickety boats in the journey to escape from Vietnam, was an original contribution of Vietnamese socialism to the English lexicon.

The imposition of the socialist economic system on the South was carried out in conjunction with the Second Five-Year Plan (1976–80) unveiled at the 4th Party Congress in December 1976. The Congress set the goal of achieving large-scale socialist industrial production in about twenty years. Toward that goal, ambitious targets were set, such as food production to reach 21 million tons by 1980 and industrial output to increase by 16–18 percent a year.²⁵ Yet this plan ignored the war-ravaged and foreign aid-dependent conditions of the country, and the already apparent failure of the socialist model in North Vietnam. Not knowing how economics works, Party leaders thought that Southern farmers could be coerced into cooperatives and paid little for their work while agricultural production would increase.

Postwar Vietnam’s forced march to socialism failed completely and resulted in extreme miseries for its people. Agricultural and industrial outputs increased only marginally, by 2 and 0.6 percent a year respectively, despite more than \$4 billion in foreign aid and loans during this period, mostly from the Soviet bloc.²⁶ About 10,000 out of more than 13,000 collective farms set up in 1979 collapsed in 1980 owing to farmers’ resistance. Stagnant production and rising population led per capita national income to fall by about 10 percent during the Second Five-Year Plan. The whole country was on the verge of famine by 1979, with an already tightly rationed food supply for

24 Vo Nhan Tri, *Vietnam’s Economic Policy since 1975*, 71, 90.

25 Ibid., 74–6.

26 Ibid., 79, 83, 93–4, 100–2.

urban residents drastically reduced. In the absence of rice, the main staple was emergency food aid, from Soviet wheat to sorghum grains that were used in many countries as animal feed. Vietnamese who survived this period coined the term “sorghum socialism” (*chủ nghĩa xã hội ăn bo bo*) to mock their government for its radicalism that ended in disastrous failures.

Even before Vietnam went to war with Cambodia and China, the situation was already grim. In 1979, the Party decided to relent, allowing local governments more autonomy, authorizing the use of material incentives to stimulate production, and tolerating small private businesses.²⁷ In 1981, the central government allowed collective farms to enter into contracts with individuals and groups of farmers that set production quotas for fulfillment above which farmers were free to sell in the market. At the 5th Party Congress in 1982, the leaders approved those 1979 and 1981 decisions and the Third Five-Year Plan, for 1981–5. In the new plan, the Party pledged to improve living standards by adjusting the balance between agriculture and light industry on the one hand, and heavy industry on the other, while still aiming to complete collectivization of the Mekong River Delta by 1985.

The new policies stimulated production for the first two years, but farmers quickly found out that the quotas imposed by cooperatives were too high for them to make a surplus. It was estimated that farmers got only 16–17 percent of the contract output after fulfilling all obligations to the government (for comparison, they had the right to at least 20 percent of the crops while working as tenants in the colonial period).²⁸ During the Second Five-Year Plan, there was some industrial growth thanks to Soviet aid and loans of nearly \$5 billion in the form of 150 infrastructural and industrial projects. Soviet influence in Vietnam reached a peak during this period, with Russian being taught throughout Vietnam, thousands of Vietnamese students and officials studying in the Soviet Union, and hundreds of Soviet experts living in Vietnam.²⁹

The second Five-Year Plan helped Vietnam to recover from the crisis caused by the First Five-Year Plan, and its national income per capita in 1985 returned to the level of 1976. Yet food production was still insufficient to feed a growing population. Already extremely low living standards were deteriorating rapidly in 1985 owing to hyperinflation, as the government had simply been printing money to sustain its perennial budget deficit.³⁰ At the same

27 Đặng Phong, *Tư duy Kinh tế Việt Nam*, chapter 2.

28 Vo Nhan Tri, *Vietnam's Economic Policy since 1975*, 132–3, 163.

29 Đặng Phong, *Tư duy Kinh tế Việt Nam*, 174–80.

30 Vo Nhan Tri, *Vietnam's Economic Policy since 1975*, 144, 160, 167.

time, the thriving black market was threatening government control over the economy, and its corrupt cadres were causing mounting popular resentment. To solve the problem, the Party decided to liberalize some prices and issue a new currency, but these clumsy attempts pushed inflation to over 700 percent, threatening an imminent economic collapse. Fortunately for the Party, paramount leader Lê Duẩn died in office in July 1986, opening the way for reformist leaders who had been inspired by Gorbachev's *perestroika* (economic restructuring) in the Soviet Union. It was very unlikely that the reformist leaders in the CPV would have been able to push through their agenda without Gorbachev's protection and Lê Duẩn's passing.³¹

Market Reform without Political Reform, 1986–97

That was the context of the market reform that the 6th Congress of the CPV embraced in late 1986. At the Congress, three other top leaders (Trường Chinh, Phạm Văn Đồng, and Lê Đức Thọ) retired, and Nguyễn Văn Linh became the new Party chief. The Congress sharply criticized policy since 1975 as driven by wild dreams rather than reality.³² It called for the whole Party to face the truth and speak the truth. The resolution issued by the Congress supported a general toleration of the private sector and accepted the legitimate role of market factors in the operation of the economy. Economic reform was to be accompanied by foreign policy changes: Vietnam was to withdraw its troops from Cambodia, and to seek peace and normal relations with China, the United States, and the Association of Southeast Asian Nations (ASEAN).

Over the next three years, the CPV authorized limited measures to liberalize the economy, including raising real interest rates, dismantling controls over domestic trade, increasing prices paid to farmers, cutting subsidies while giving greater autonomy to state-owned enterprises, and removing many restrictions on foreign trade.³³ A new Land Law enacted in late 1987 is an example of the tentative character of these initial reform measures. The law allowed collective farms to distribute their land to farming households for long-term use, but also imposed a ceiling on what each household could receive. The state retained ownership of all land, and no land sales or transfers would be permitted. The distribution of land to households marked the end of collective agriculture while guarding against the potential rise of new

³¹ Vu, *Vietnam's Communist Revolution*, 249–50.

³² Đặng Phong, *Tư duy Kinh tế Việt Nam*, 296–320.

³³ *Ibid.*, 320–85.

landlords. A foreign investment law enacted in late 1987 followed a similar pattern, with foreign investors welcomed but required to team up with a local state-owned enterprise. The Party wanted to attract foreign funds to develop Vietnam's economy, but it would not permit the reemergence of a domestic capitalist class that could challenge its power.

Although limited in extent, early market reform policies offered immediate relief to the economy, especially regarding hyperinflation, which was brought down to about 40 percent in 1989.³⁴ The overall situation remained dire, as the Soviet Union was reducing its aid to Vietnam, while famine was reported in some provinces in the central region. At the same time, the new policies generated many new problems. Thousands of farmers protested in the Mekong Delta, in some cases clashing with the police, demanding their land back from collective farms.³⁵ Inspired by Gorbachev's *glasnost* (openness and political democratization) and similar democratizing trends in Eastern European communist countries at the time, a movement emerged among Vietnamese intellectuals, writers, and retired officials demanding democratization.³⁶ As the movement was gaining momentum, a sympathetic Nguyễn Văn Linh responded by calling on writers "to save [themselves] before Heaven can save [them]," signaling strong institutional resistance to political liberalization within the leadership.³⁷

Here it is important to bear in mind the various views about market reform among top Party leaders. Three main groups within the leadership held different views about reform, with moderates and conservatives holding a delicate balance and liberals forming a small third faction. Conservatives, who were still numerous, opposed market reform and wanted the Party to continue the march to socialism. In contrast, moderates under Trường Chinh and Nguyễn Văn Linh supported reform in certain areas but viewed it as a tactical step back to raise production and improve living conditions before proceeding with socialism. They did not view reform as a rejection of socialism. Like Gorbachev who inspired them, reform was to have more, not less, socialism. Finally, liberals were inspired not only by Gorbachev's *perestroika*, but also his *glasnost*. They called for political reform and democratization. Liberals

³⁴ Ibid., 378.

³⁵ Benedict Kerkvliet, "Rural Society and State Relations," in Benedict Kerkvliet and Doug Porter (eds.), *Vietnam's Rural Transformation* (Boulder, 1995), 72–80.

³⁶ Abuza, *Renovating Politics in Contemporary Vietnam*, 132–7.

³⁷ Nguyễn Văn Linh, "Đồng chí Tổng Bí thư Nguyễn Văn Linh nói chuyện với văn nghệ sĩ" [Comrade General Secretary Nguyễn Văn Linh's Conversation with Writers and Artists], *Văn Nghệ [Literature and the Arts]* 42 (October 17, 1987): www.viet-studies.net/NhaVanDoiMoi/NguyenVanLing_NoiChuyenVanNgheSi.htm.

were composed mostly of intellectuals, writers, technocrats, Southern veterans, and some retired leaders. They received support from Trần Xuân Bách, the only incumbent Politburo member who advocated political as well as economic reform.³⁸

In early 1989, the Polish Roundtable Agreement between the communist government and the Solidarity movement that allowed free legislative elections was concluded. This event raised alarms among Vietnamese leaders about the dangers of political reform. In a Central Committee Plenum, CPV Chief Nguyễn Văn Linh rejected calls from liberals for democratization as misguided and dangerous.³⁹ He declared that the nature of imperialism had not changed, and the Party needed to maintain vigilance against the plot of imperialist powers to subvert socialist countries. Subsequent events further hardened the CPV's stance toward political reform. That summer, student protests at Tiananmen Square in Beijing nearly brought down the Chinese government; tanks had to be brought in to crush the protest. By the end of the year, nearly all communist regimes in Eastern Europe had fallen like dominoes.

At this critical juncture, moderates and conservatives closed ranks and cracked down on supporters of political reform.⁴⁰ The latter lost their official positions, and some were placed under house arrest. Market reform that had brought some early results was allowed to continue. Publicly, the Party still talked about “renovation” (*đổi mới*), but internally the full motto was “renovation without changing political colors” (*đổi mới nhưng không đổi màu sắc chính trị*).⁴¹ Gorbachev was now considered a traitor, and the CPV was quick to voice public support for the coup against him that eventually failed. Vietnam rushed to normalize relations with China in 1990, even though Beijing refused to form an alliance with Hanoi to save world socialism, as the Vietnamese proposed.⁴² Despite the loss of their main patron, the Soviet Union, Vietnamese leaders could now feel more secure, as it had giant socialist China by its side.

38 Abuza, *Renovating Politics in Contemporary Vietnam*; Lewis Stern, *Renovating the Vietnamese Communist Party: Nguyễn Văn Linh and the Programme for Organizational Reform, 1987–91* (Singapore, 1993), chapter 4.

39 Vu, *Vietnam's Communist Revolution*, 258–61.

40 Abuza, *Renovating Politics in Contemporary Vietnam*, chapter 3.

41 Hà Đăng, “Đòi từ bỏ chủ nghĩa xã hội là một sai lầm lớn” [A Big Mistake to Call for Abandoning Socialism], *Quân đội Nhân dân* [People's Army], January 16, 2017: www.qdnd.vn/chong-dien-bien-hoa-binh/doi-tu-bo-chu-nghia-xa-hoi-la-mot-sai-lam-lon-497501.

42 This is according to the Deputy Foreign Minister Trần Quang Cơ in his memoir published online titled *Hồi ức và Suy nghĩ* [Recollections and Thoughts] (2003): <https://anhbasam.files.wordpress.com/2015/06/hoi-ky-tran-quang-co.pdf>.

The years from 1990 to 1996 were the best of the reform period in terms of growth rate – about 8 percent per annum on average. Never again would those rates be achieved. As one of the poorest countries in the world in 1990, Vietnam benefited from a very low starting point. Human and material resources were extremely undervalued and underemployed under the socialist system that had mostly abolished real prices and economic incentives. Now that market mechanisms returned, the value of resources soared, and efficiency gains were large. Vietnam also benefited from being a part of a dynamic region: South Korea, Taiwan, Thailand, Malaysia, Singapore, and Indonesia were having the highest growth rates in the world at the time, and were all eager to explore new opportunities in Vietnam. As a result, registered foreign investment increased from \$400 million to \$6.6 billion between 1990 and 1995.⁴³ The value of Vietnam's exports, which were mostly crude oil and other commodities, tripled in the same period. As relations with the United States improved and eventually normalized in 1995, Vietnam received pledges of official aid from international institutions annually to nearly \$6 billion, and about the same amount of remittance from abroad by overseas Vietnamese.⁴⁴ Given the country's nominal GDP of about \$20 billion in 1995, the amounts of aid and remittance were substantial, giving a boom to economic activities in urban areas.

As the economic situation improved, the government "equitized" (privatized) about 6,000 small enterprises but retained an equal number, all of which were large enterprises in strategic sectors.⁴⁵ About 800,000 state workers were laid off in the process but were quickly absorbed by the booming private sector. A new land law was promulgated in 1993 that permitted the sale, lease, and transfer of land use rights (not land itself) and raised the time limit of those rights up to fifty years.⁴⁶ The law also empowered local governments with the authority to repossess land to be used for "public purposes" with compensation. (This clause would turn out to be a big loophole for local officials to grab land, pay farmers as little as possible, lease land to private developers at high prices, and pocket the profits.)

43 Vu Van Chung, *Foreign Capital Inflows and Economic Growth: Do Foreign Capital Inflows Promote the Host Country's Economic Growth? An Empirical Case Study of Vietnam and the Intuitive Roles of Japan's Capital Inflows on Vietnam's Economic Growth* (Tokyo, 2015), 13, 31; Melanie Beresford and Đặng Phong, *Economic Transition in Vietnam: Trade and Aid in the Demise of a Centrally Planned Economy* (Cheltenham, 2000).

44 Nguyen Phuc Hien, "Remittances and Competitiveness: A Case Study of Vietnam," *Journal of Economics, Business, and Management* 2 (5) (February 2017), 82.

45 Martin Painter, "The Politics of Economic Restructuring in Vietnam: The Case of State-Owned Enterprises 'Reform,'" *Contemporary Southeast Asia* 25 (1) (April 2003).

46 Nguyen Van Suu, "Contending Views and Conflicts over Land in Vietnam's Red River Delta," *Journal of Southeast Asian Studies* 38 (2) (June 2007), 309–34.

With the dissolution of collective farms and the reduction of export duty on rice from 10 to 1 percent in 1990, Vietnamese farmers produced enough not only for domestic needs, but also for export.⁴⁷ Rice exports made up about 11 percent of total exports throughout the 1990s, and Vietnam became the world's second-largest rice exporter in 1996 – a miracle, given that the country had suffered from famine throughout the 1980s.⁴⁸ With more employment opportunities and new freedom to employ personal and family resources to gain the highest returns in the marketplace, the national poverty rate fell sharply from nearly 60 percent to less than 40 percent between 1992 and 1998.

The economy remained fragile. Although increased tax revenues and foreign aid helped reduce the budget deficit significantly, the trade deficit increased sharply and amounted to nearly half the value of exports. Vietnam's boom of the 1990s was driven primarily by a one-time boost in productivity and by remittance and foreign investment, mostly from neighboring Asian countries. The boom ended in 1997, when the Asian Financial Crisis led to the collapse of the South Korean, Malaysian, Indonesian, and Thai economies. The Vietnamese economy was not yet fully integrated into the global economy, and so the impact of the regional crisis on Vietnam was mild, with weakened demand for its exports and suspension of many foreign investment projects.⁴⁹

In politics, the 1990s witnessed a continuing transition after the CPV had recovered from the shock of the Soviet bloc's collapse in 1991. Changes were implemented to regularize politics, with the retirement age, term limits, qualifications, and regional representation formally or informally established for the Politburo and Central Committee.⁵⁰ This process allowed leadership changes to occur slowly but smoothly at the top. Nevertheless, the Party found it difficult to catch up with the times. Its leaders were in their 70s; more than a quarter of its membership was in retirement.⁵¹ Its members

47 Laura Chiro, "The Politics of New Industrial Policy: Sectoral Governance Reform in Vietnam's Agro-Export Industries," Ph.D. thesis (Massachusetts Institute of Technology, 2016), chapter 5.

48 Yoon Heo and Nguyen Khanh Doanh, "Trade Liberalization and Poverty Reduction in Vietnam," *The World Economy* 32 (6) (June 2009), 945–6.

49 Dinh Xuan Quan, "The Political Economy of Vietnam's Transformation Process," *Contemporary Southeast Asia* 22 (2) (August 2000), 368–72.

50 Carlyle A. Thayer, *Political Developments in Vietnam: From the Sixth to Seventh National Party Congress*, Discussion Paper Series No. 5 (Canberra, 1992).

51 Thaveeporn Vasavakul, "Sectoral Politics and Strategies for State and Party Building from the VII to the VIII Congress of the Vietnamese Communist Party (1991–1996)," in Adam Fforde (ed.), *Doi Moi: Ten Years after the 1986 Party Congress* (Canberra, 1997).

were predominantly male and from the North, with veterans being a significant component of its then 3 million members. Few younger members still believed in Marxism-Leninism. The Party continued to operate with much secrecy, like a revolutionary clique, and policymaking remained a top-down process that permitted few inputs from below or tolerated dissent and criticism from outsiders.

In a midterm Party Congress in 1994, the leaders began to promote the formula of “market economy with socialist orientations,” which appeared to be a copycat of China’s “socialism with Chinese characteristics.” This formula basically meant that the leadership remained loyal to its revolutionary past and committed to the protection of communist rule, but was open to experimenting with market mechanisms to facilitate economic growth. The Congress also defined the threats to Vietnam as being four-fold, namely economic backwardness, corruption, deviation from socialism, and subversive “hostile forces” (i.e., the United States).⁵² This mindset has changed little since. Economic reform is acceptable but only to the extent that it does not threaten communist rule. This means that reform has proceeded slowly and often followed the pattern of two steps forward, one step back. Political reform is out of the question, and no independent political organizations are permitted.

As Vietnam became internationalized, its society changed in ways beyond the Party’s ability to control.⁵³ Toward the end of the 1990s, intellectuals and students with access to the Internet and contacts with the outside world, whether through travel, study, or work, began to question one-party rule and the relevance of Marxism-Leninism. At foreign-invested enterprises, workers frequently participated in wildcat strikes to demand higher wages and better working conditions. Disputes over land between farmers and local governments ballooned, leading to many violent protests. As religious establishments gained more freedom to operate, resentment long accumulated toward the government began to surface among the groups that had been most suppressed: Northern Catholics, Southern Buddhists, Hòa Hảo, Cao Đài, and Protestant ethnic minorities in the Central Highlands.⁵⁴

By the late 1990s the situation in the countryside had become tense. Despite being the world’s second-largest rice exporters, Vietnamese farmers

52 Vu, *Vietnam’s Communist Revolution*, 268–9.

53 Carlyle A. Thayer, “Vietnam and the Challenge of Political Civil Society,” *Contemporary Southeast Asia* 31 (1) (2009), 1–27.

54 Abuza, *Renovating Politics in Contemporary Vietnam*, chapter 6.

did not get rich, because government rice-export monopolies allowed them only low profit margins in good years when the world market had high demand for Vietnamese rice, while refusing to buy their rice in bad years when world demand was low.⁵⁵ Government investment in agriculture had been consistently low, and village governments imposed numerous levies on farmers to pay for local budgets and to line their pockets. Farmers' anger eventually exploded in Thái Bình province in 1997, when villagers in several districts revolted *en masse*, seized local governments, and held officials captive until the military descended to suppress them.⁵⁶ Following this incident, the government issued a decree ordering local governments to publicize their budgets and involve farmers in making important decisions concerning duties and land development. Six years later, this so-called "grassroots democracy" decree reportedly had been implemented in only about one-third of all villages.⁵⁷

Global Integration and the Rise of Red Crony Capitalism, 1998–2011

As previously noted, Vietnam was not severely affected by the Asian Financial Crisis of the late 1990s because its economy was still largely insulated. Still, the regional crisis might have given the Communist Party's loyalists the ammunition to slow down market reforms. Since the mid-1990s, following the successful normalization of Vietnam's relations with the United States and with ASEAN, reformers in the Party such as Võ Văn Kiệt, Phan Văn Khải, and Vũ Khoan had aimed for more substantial reforms in the development of private enterprises and the full integration of Vietnam into the global and regional economy. Their most significant achievements were a 1997 Central Committee resolution to allow the development of agricultural estates for cash crops and the 1999 Company Law in support of private-sector development. The estates policy was to circumvent the limits on land holding imposed by the Land Law, and was followed by amendments in 1998 and 2001 to further stipulate land-use transfer rights and the procedures of land acquisition, including compensations and complaints. The Company Law provided legal protection for private entrepreneurs and investors' property, and limited the arbitrary powers of state regulators.

55 Chirot, "The Politics of New Industrial Policy," chapter 5.

56 Abuza, *Renovating Politics in Contemporary Vietnam*, 83–8.

57 Thaveeporn Vasavakul, *Vietnam: A Pathway from State Socialism* (New York, 2019), 47–9.

The reformers' efforts at international integration met greater resistance. In 1999 they secured the party's approval for a Bilateral Trade Agreement (BTA) with the United States that would greatly expand Vietnam's exports to America. In response to a provocative question about the future of socialism by US Secretary of State Madeleine Albright during her visit to Hanoi, and to China's disapproval of the deal, hardcore loyal Marxist-Leninists such as Đỗ Mười, Lê Khả Phiêu, Nguyễn Đức Bình, and Nguyễn Phú Trọng, who were suspicious of Washington's subversive motives, ordered the planned signing ceremony to be canceled at the last minute.⁵⁸ After China acceded to the World Trade Organization (WTO) in 2000, loyalist opposition to integration within the CPV leadership relented. Vietnam concluded the BTA in 2001 and became a member of the WTO in 2007.

Despite such resistance, a more liberal environment allowed Vietnam to overcome the economic slump caused by the Asian Financial Crisis and achieved growth throughout the next decade. Annual growth rates were lower than those in the mid-1990s, however. Growth was still driven primarily by foreign investment and billions of dollars in annual remittance from overseas Vietnamese. Registered foreign direct investment (FDI) rose seven times from less than \$3 billion in 2000 to about \$22 billion in 2014. The total value of exports increased ten times, from about \$15 billion in 2000 to \$150 billion in 2014.⁵⁹ Not only did the value of exports increase, but the exported commodities also shifted to more labor-intensive manufactured goods. In the early 2000s, Vietnam's top four exports were crude oil, textiles and garments, shoes, and seafood, in that order; a decade later, the value of exports in textiles and garments became three times larger than that of crude oil, and the four top exports were, in descending order, textiles and garments, shoes, electronics, and seafood. Despite rapid growth, labor productivity across the economy did not increase and remained low compared with Vietnam's Southeast Asian neighbors.

Under the Company Law, Vietnam's private sector grew rapidly, from about 15,000 registered companies in 2000 to about 75,000 by the mid-2010s. In terms of total national industrial output, private enterprises' share increased from less than 24 percent in the late 1990s to about 36 percent a decade later (compared with 47 percent for the foreign-invested enterprises, and 17 percent

58 Huy Đức, *Bên thắng cuộc*, vol. II: *Quyền bính* [Power], 344–50.

59 Nguyễn Đức Thành and Nguyễn Thị Thu Hằng (eds.), *Báo cáo thường niên kinh tế Việt nam 2015* [Annual Report on the Vietnamese Economy 2015], Trường Đại học Kinh tế – Đại học Quốc gia Hà Nội (Hanoi, 2015), 342.

for state-owned enterprises). The private sector continued to face many constraints: the CPV has always proclaimed its intention to preserve the leading position in the economy for the state-owned sector, and this policy was manifested in preferences given to state-owned enterprises in access to land, credits, and state contracts.⁶⁰ Private entrepreneurs also face higher hurdles in opening businesses, greater scrutiny of their operation, and arbitrary treatment and even extortion by local officials – all resulting in a higher-cost and volatile business environment.

While the party and the government discriminate against Vietnam's private businesses out of fear of a domestic capitalist class that may one day challenge their power, foreign investors in Vietnam have, ironically, been given red-carpet treatment.⁶¹ Provincial governments usually relax regulations to compete for FDI, since the rate of economic growth in their province is key if officials are to be promoted to higher offices. FDI also brings local governments lucrative construction contracts of which, it is estimated, up to a quarter of their total value lines the pockets of officials. Given such conditions, it is unsurprising that foreign-invested enterprises formed the largest sector in Vietnam's economy by the early 2000s, accounting for 43 percent of total national industrial output (compared with 17 percent a decade earlier).⁶²

As private and foreign-owned sectors expanded, the state-owned sector's share of total national industrial output fell from 29 percent in the early 2000s to 17 percent by the early 2010s.⁶³ State-owned enterprises still controlled all strategic sectors, from energy to steel, and from textiles to foodstuff. Despite being assigned the leading role in the economy and granted many privileges, the state-owned sector continued to decline in efficiency.⁶⁴ The government's policy of "equitization," with the dual purposes of improving efficiency and

60 Vu Thanh Tu-Anh, "The Political Economy of Industrial Development in Vietnam: The Impact of the State–Business Relationship on Industrial Performance, 1986–2012," WIDER Working Paper Series, 158, World Institute for Development Economic Research (UNU-WIDER), 2014.

61 Vasavakul, *Vietnam: A Pathway from State Socialism*, 40–1.

62 Vu Thanh Tu-Anh et al., "A Retrospective on Past 30 Years of Development in Vietnam," unpublished paper, n.d. Thanks to the anticorruption campaign by the CPV in recent years, the so-called "bribe tax," or the average cost of bribe payments for foreign-invested enterprises, was 1.1 percent of sales in 2019 (equivalent to \$1.1 billion). This was a significant decline from the ratio of 1.6 percent in 2016. See Vietnam Chamber of Commerce and Industry, "Provincial Competitiveness Index 2019" (May 2020), 75: <https://pcivietnam.vn/en>.

63 Scott Cheshier, "The New Class in Vietnam," Ph.D. thesis (University of London, 2009), 137.

64 Vasavakul, *Vietnam: A Pathway from State Socialism*, 42–3.

complying with WTO terms for a “market economy,” made little headway, as managers, executives, and supervising ministry officials dragged their feet.⁶⁵

After Nguyễn Tấn Dũng replaced Phan Văn Khải as prime minister in 2006, he moved quickly to take personal control of major state conglomerates and use them as venues for his patronage network. In public, Dũng promoted these conglomerates as “steel fists” in the mold of Korean *chaebols* to spearhead Vietnam’s economic development. His government even underwrote bonds in the international market to raise funds for the conglomerates. Whether due to collusion or lax oversight (likely both), the conglomerates expanded into banking and real estate rather than focus on production. By the first years of Dũng’s second term in office, some of the conglomerates had gone bankrupt, losing billions of dollars in state investment owing to corruption at the highest levels. For example, Vinashin, the state-owned ship-building conglomerate, went bankrupt in 2010 after having lost \$4.5 billion (equivalent to about 4.5 percent of Vietnam’s GDP at the time).⁶⁶

Corruption was also rampant in connection with foreign aid. One of the largest cases involved a Project Management Unit (PMU) of the ministry of transportation, which managed infrastructure projects worth \$2 billion financed by Official Development Aid.⁶⁷ Officials were found to have embezzled millions of dollars in gambling and lavish spending on personal items. The scandal led to the resignation of the minister of transportation, the arrest of his deputy, and the convictions of several executives. Ironically, two reporters who revealed the case were also convicted of “abusing democratic freedoms” and spreading “false information.” The government obviously did not encourage anyone to expose more corruption.

As Vietnam became more open, clear signs of a civil society appeared.⁶⁸ On the eve of Vietnam’s accession to the WTO, dozens of political dissidents who lived in different parts of Vietnam, including several Catholic priests and Buddhist monks, set up the group named “8406” (on the date of their founding, April 8, 2006) to demand democratization. The government briefly

65 James Guild, “A Dream Deferred? The ‘Equitization’ of Vietnam’s State-Owned Enterprises,” *The Diplomat*, February 11, 2021: <https://thediplomat.com/2021/02/a-dream-deferred-the-equitization-of-vietnams-state-owned-enterprises/>.

66 Vu Quang Viet, “Vietnam’s Economic Crisis: Policy Follies and the Role of State-Owned Conglomerates,” *Southeast Asian Affairs* (2009), 389–417.

67 For a detailed summary of this case in the aftermath of the arrests of reporters, see H. L., “2 nhà báo Thanh Niên và Tuổi Trẻ bị bắt vì đưa tin vụ PMU 18” [Two *Thanh Niên* and *Tuổi Trẻ* Reporters Arrested for Reporting on the PMU Case], *Thanh Niên* [Youth], May 13, 2008: <https://thanhnien.vn/thoi-su/2-nha-bao-thanh-nien-va-tuoi-tre-bi-bat-vi-dua-tin-vu-pmu-18-209439.html>.

68 Thayer, “Vietnam and the Challenge of Political Civil Society.”



Figure 16.1 Motorcyclists ride under red flags and banners marking the 65th anniversary of the communist regime in downtown Hanoi (August 31, 2010).

Source: Hoang Dinh Nam / Contributor / AFP / Getty Images.

tolerated this group but arrested its members when they began to have social impacts and connections to people outside of Vietnam. In 2007, a group of public intellectuals, including many who had advised the former prime minister, founded an independent think tank, the Institute of Development Studies. This group, which organized public events to critically discuss government policies, was forced to disband after the government issued a decree banning research institutes from publicizing their reports.

With pressure from party members who wanted to open their own companies, and following China's policy of admitting business executives into the Communist Party, the CPV began to permit party members to run private businesses in 2006. As the ruling class, the 5 million party members were now free to leverage political connections and privileges to enrich themselves. Despite the sharp rise in corruption and graft reaching to the top, the party took one further step in 2011 to admit entrepreneurs.⁶⁹ These moves heralded

69 Sơn Trà, "Để kết nạp những người là chủ doanh nghiệp vào Đảng" [Admitting Entrepreneurs into the Party], November 12, 2012: <http://doanhnghieptrunguoc.vn/nghien-cuu-trao-doi/201211/de-ket-nap-nhung-nguoi-la-chu-doanh-nghiep-tu-nhan-vao-dang-2199343/>.

the rise of red crony capitalism, a capitalist system dominated by people with family connections to the ruling Communist Party.⁷⁰

Institutional Decay and the Crisis of Legitimacy

After three decades of economic liberalization, Vietnam has escaped extreme poverty. Despite some media hype about Vietnam soon becoming the next “Asian tiger,” that moment has not arrived. Growth since 2007 has been slower than in the previous period. While the gap between Vietnam and its neighbors has shrunk considerably, Vietnam’s national income per capita in 2018 ranked fourth from the bottom in Southeast Asia, exactly where it had been in 1986 when market reform began. Vietnam’s growth has relied chiefly on foreign investment, the sale of natural resources, and the use of cheap and unskilled labor. It is doubtful that the gap can be much further narrowed, given the country’s legion of serious problems: its rapidly aging infrastructure, persistent budget deficits, rising foreign debt, unhealthy banks, inefficient state-owned sector, and cancerous corruption.

With 5 million members, the CPV consists of about 5 percent of the population. Party membership is a key requirement for promotion to leadership positions in all government bureaucracies, including universities, public schools and hospitals, publishing companies, and media organizations (no private media are allowed). The party has invested massive resources into controlling public opinion and culture. Two key bodies in charge of strengthening and disseminating the party’s ideology and political messages are the Central Theoretical Council (*Hội đồng Lý luận Trung ương*) and Propaganda Department (*Ban Tuyên giáo Trung ương*). The Central Theoretical Council is tasked with advising the party’s leadership on ideological issues. The Propaganda Department oversees the content of newspapers, radio and television, education, cultural and scientific publications, and information regarding external matters and international cooperation. This department has branches down to provincial and district levels to make sure party propaganda reaches Vietnamese wherever they live and work. The party has created a new cyberforce code-named “AK47,” which consists of tens of thousands of online undercover agents and hackers to monitor social media, spread misinformation, hack into the private accounts of dissidents, and

70 Christine Ngo and Vlad Tarko, “Economic Development in a Rent-Seeking Society: Socialism, State Capitalism and Crony Capitalism in Vietnam,” *Revue Canadienne D’études du Développement* 39 (4) (2018), 481–99.

inundate Facebook with requests for closing down certain pages for “violation of community norms” (with which Facebook now routinely complies).⁷¹

Despite the fact that the regime does not tolerate an independent civil society, Vietnamese continue to form a variety of clubs, groups, and associations. Confronting nearly a thousand state-owned newspapers that serve as the mouthpieces of various government and party organs, a few independent online newspapers have emerged since the early 2000s to offer alternative channels of information. Joined by social media a few years later, independent media have strived to become a counterbalance to the state-controlled media.⁷² Although these media are forced to operate behind a firewall, they have had a significant impact by fact-checking official media, publishing historical documents revealing the dark past of the CPV, and presenting alternative perspectives on numerous social and political topics. Together with independent clubs, these media face constant harassment by the police but help nurture a growing civil society in Vietnam.

It is not a coincidence that the emergence of an incipient civil society in Vietnam is taking place amidst rising unrest. Whereas the regime blames external “hostile forces” for this problem, its own socialist system, namely public ownership of land, one-party dictatorship, and repression of civil rights, is the true cause. The 2013 Land Law currently in force is a major socialist institution, as well as a major source of abuses and resentment. Since the state has the sole authority to manage land, officials have grabbed land ostensibly for “public needs” but in fact for renting to developers at high prices. The farmers whose lands are taken have no voice in most land deals and are often forced to accept any price offered by the government or the developer.

The number of disputes and protests involving land have soared in recent years. Those communities that were forced to leave their lands often face great challenges in resettlement in new areas that are often more remote, with worse infrastructural conditions and few employment opportunities. Entire villages and many individuals have fought back with weapons against police attempts to evict them from their lands. Over the past decades people whose lands and homes were seized throughout the country have formed a new class of “victims of injustice” (*dân oan*) comprising hundreds of thousands. The

71 Mai Hoa, “Hơn 10.000 người trong ‘Lực lượng 47’ đấu tranh trên mạng” [More Than 10,000 Members of “Force 47” Engage in the Online (Propaganda) Struggle], *Tuổi Trẻ* [Youth], December 25, 2017: <https://tuoitre.vn/hon-10-000-nguoi-trong-luc-luong-47-dau-tranh-tren-mang-20171225150602912.htm>.

72 Examples include boxitvn.blogspot.com; vandoanviet.blogspot.com; luatkhoa.org; thevietnamese.org; and www.facebook.com/nhatkyyeunuoci/.

visibility of this class has raised collective awareness among many Vietnamese about the injustice of the system, which has fueled other collective actions, such as anti-China demonstrations, environmental protests, or workers' strikes. Unrest has spread across the country and become increasingly common, with some recent protests involving as many as 10,000 people.⁷³

To protect the regime from collapsing in the face of such unrest, the enormous public security forces have frequently relied on brute force. It is estimated that the public security apparatus now employs one out of every eight working Vietnamese.⁷⁴ Uniformed and undercover police, the armed forces, Communist Youth members, and local officials have been mobilized to prevent activists and other citizens from participating in protests. Peaceful protests almost always meet with a violent crackdown, involving beatings, mass arrests, and long prison sentences for activists. The other key socialist institutions, namely one-party dictatorship and the repression of civil rights, have allowed officials to pursue misguided policies and engage in corruption with devastating impacts on the environment and the livelihood of millions. A case in point is the bauxite mining project in central Vietnam, which the government approved in 2007 despite heavy criticisms from environmentalists, scientists, and the general public about the project's economic viability and potential environmental damage. These criticisms were proven true, as it was reported in 2018 that the project experienced a cost overrun of almost twice its estimated costs, while Vinacomin, also a state-owned corporation and in charge of the project, lost around \$200 million in the first three years. No serious environmental incidents have happened, yet even government officials admit that the risks remain significant.

The most serious environmental disaster thus far occurred in 2016, when the Taiwanese-invested Formosa Hà Tĩnh Steel Company illegally discharged toxic industrial waste into the ocean and caused massive fish deaths along the four coastal provinces of central Vietnam.⁷⁵ It was later discovered that the provincial government in collusion with some central officials had rushed to approve the investment with only a perfunctory assessment of its environmental impact. Neither did they care whether the company later complied

73 Benedict Kerkvliet, *Speaking out in Vietnam: Public Political Criticism in a Communist Party-Ruled Nation* (Ithaca, 2019).

74 Carlyle A. Thayer, "Vietnam: How Large Is the Security Establishment?," Thayer Consultancy Background Brief, April 12, 2017.

75 Cẩm Văn Kinh, "Formosa bồi thường 500 triệu USD" [Formosa to Pay US \$500 Million for Damages], *Tuổi Trẻ* [Youth], July 1, 2016: <https://tuoitre.vn/formosa-boi-thuong-500-trieu-usd-van-con-qua-it-1128220.htm>.

with environmental regulations. In response to sustained public outcries and massive protests by people in the affected provinces, the government negotiated with Formosa to offer compensation to fishing households who lost their source of livelihood, but it has refused to prosecute company executives and responsible officials.

As an attempt to stem the rapid decay of the regime, CPV General Secretary Nguyễn Phú Trọng launched a campaign against corruption in 2016. In his campaign, Trọng appeared to have learned from the earlier campaign to “catch tigers and flies” implemented by Xi Jinping in China to consolidate his power. While Trọng has so far been unable to prosecute former Prime Minister Nguyễn Tấn Dũng and his family for corruption, he has succeeded in sending to prison Dũng’s associates, including a Politburo member, several deputy ministers of defense and public security, and many executives of state-owned banks and conglomerates. At least sixty officials were arrested and convicted between 2016 and 2018.⁷⁶ Although the campaign targets corruption at all levels in many sectors, those known to be close associates of Trọng who appeared to have been extremely corrupt have avoided persecution. The campaign is therefore as much about factional struggle as about fighting corruption. The strategy is strictly top-down, with almost no reliance on public inputs of any form. As Trọng once stated, he wanted to “catch mice without breaking the pots.”⁷⁷ The seemingly tough campaign has not translated into regulations and institutions, since the CPV does not want to restrict its power. There have been no efforts to strengthen institutional or legal procedures to control corruption in the long run.

It is true that a vibrant private sector has emerged after Vietnam instituted market reforms in the late 1980s. The economy, once controlled by the government, is now largely fueled by foreign investment and private entrepreneurial initiatives. At the same time, it is easy to neglect the fact that the government continues to hold on to strategic industrial sectors. The Vietnamese Communist Party maintains a lucrative patronage network that latches onto entrenched socialist institutions, including state ownership of land, and tight government control over society. Party leaders offer foreign

76 Hương Giang, “8 năm phòng, chống tham nhũng: 18 cán bộ diện Trung ương quản lý bị xử hình sự” [After 8 Years of the Campaign to Prevent Corruption: 18 Central Cadres Have Been Tried for Crimes], *Thanh Tra* [Inspection], December 20, 2020: <https://thanhtra.com.vn/chinh-tri/doi-noi/8-nam-phong-chong-tham-nhung-18-can-bo-dien-trung-uong-quan-ly-bi-xu-hinh-su-175520.html>.

77 Xuân Linh, “Tổng bí thư: Diệt chuột đừng để vỡ bình” [Party General Secretary: Catch Mice without Breaking the Pots], *Vietnamnet*, October 6, 2014: <https://vietnamnet.vn/vn/thoi-su/tong-bi-thu-diet-chuot-dung-de-vo-binh-200746.html>.

investors cheap and long-term access to Vietnam's human and natural resources in exchange for a portion of profits that they channel back to their hungry and perennially loss-making state-owned sector. The institutional structure of the socialist system thus remains in place but is mostly hidden from casual observers. If Vietnam can be called a capitalist country, it is definitely of the red crony kind.

Conclusion

In the reform era, Vietnam has witnessed enormous changes in politics, the economy, and society. Overall, general living standards have improved greatly, and the country has become more open and dynamic. The economy has generated a greater amount of goods and services. However, the distribution of wealth and well-being has been heavily skewed to the ruling class, comprising officials and their families and cronies. In the name of economic development, the regime has neglected environmental protection while tolerating unbridled corruption. There has been little improvement in political freedom, human rights, and education. In the last two decades, the "socialist-oriented market economy" model has served the ruling party well, while ordinary people bear the costs. The policy of opening the economy without reforming the political system now entrenches a red crony capitalism that prevents the Vietnamese economy from taking full advantage of favorable conditions. The totalitarian power of the state is now being converted into money in a market economy, generating institutional decay at every level of government.

In retrospect, the outcome of the Vietnam War brought communist rule over all of Indochina. Within fifteen years, the communist revolution in all three countries had faltered, as communist regimes in Eastern Europe were falling. Vietnam avoided such a fate and has made impressive achievements in its market reform since then. Yet Vietnam's transformation over the last three decades does not signal the triumph of capitalism; nor is it a consequence of peace, as some may think. Vietnam remains a frontier where imported capitalist institutions continue to be tested against the harsh local realities of a renegade communist state bent on preserving its power and privileges at any costs.

Understanding this complex process helps one understand why the meaning of the Vietnam War has shifted over time. Ever since the war's end in 1975, Hanoi's leaders have sought to capitalize on their military victory to legitimize their rule. Every year the event is celebrated with great fanfare, as

“the day when South Vietnam was liberated and the country reunified.” The victory on that day, the Vietnamese are told again and again, validated the eternal mandate of the Communist Party to rule the country. Yet public opinion inside Vietnam about the meaning of the war has quietly shifted in the last two decades, as Vietnamese have gained the freedom to travel abroad, as scholars have gained access to previously classified documents, and as the Internet has broken the government’s monopoly on access to information. Much to the government’s chagrin, Vietnamese now view the war between North and South Vietnam as a proxy war and civil war, rather than one for national liberation and unification, and an extremely tragic, devastating, and deadly one at that.

The greater freedom and comfort that the Vietnamese enjoy today came not from the end of the war, but from the end of the communist revolution in the late 1980s. The market reforms that the party has launched since then have been popular but have, ironically, invited greater scrutiny into its past fanaticism. Numerous eyewitness accounts of the land reform, reeducation camps, and famine-riven life in collective farms are now readily available online for those who want to learn more about that past. This gave birth to the popular joke that “the longest and bloodiest path to capitalism is through socialism.” Except for a few honest leaders, the party has morphed into a family-run racket. Children of officials, or the “red princes and princesses,” are now routinely appointed to key positions early on to succeed their parents when they retire. This perverse outcome naturally causes the war that brought the country under the party’s control to be seen in a new light. As the popular poet and onetime-People’s Army of Vietnam (PAVN) soldier Nguyễn Duy wrote bitterly, “whichever side won in war, it is the people who lost.”⁷⁸

Nguyễn Duy spoke for numerous other North Vietnamese intellectuals, from military leaders such as the late PAVN General Trần Độ and Colonel Phạm Quế Dương, to scientists and scholars such as Nguyễn Thanh Giang and Nguyễn Huệ Chi, to prominent writers such as Nguyễn Ngọc and Nguyễn Quang Lập, to young lawyers and doctors such as Nguyễn Văn Đài and Phạm Hồng Sơn. Journalist Huy Đức, who grew up in North Vietnam during the war and used to serve as a captain in the military, admitted that in hindsight it was the South that liberated the North, not vice versa.⁷⁹ The

78 Mac Lam, “Giới thiệu nhà thơ Nguyễn Duy” [Introducing the Poet Nguyễn Duy], Radio Free Asia, June 4, 2012: www.rfa.org/vietnamese/news/programs/LiteratureAndArts/poet-nguyen-duy-06042012141034.html.

79 Huy Đức, *Bên Thắng Cuộc*, vol. I, xiii.

North Vietnamese lived in abject poverty caused mostly by their leaders' fanatical policies, yet many were led to believe that their socialist system was superior and that their Southern compatriots' lives were much worse under imperialism. What they saw with their own eyes in the South after 1975 liberated their minds from the web of lies told by their leaders. Almost fifty years after the end of the war, prominent Vietnamese from diverse backgrounds now feel that it was a costly mistake. The moment of reckoning is late but has finally arrived.