“Doi Moi” in Vietnam and Some Suggestions

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In the later 1970s and 1980s, to cope with development difficulties, most nations in the socialism system tried to explore their own paths towards development. These included the “Reform” of the Soviet Union and China and “Doi Moi” in Vietnam. Due to the leading socialist state, the Soviet Union’s failed “Reform,” the whole socialist system began to fall apart and most of its countries have shifted towards capitalism-based development. However, China and Vietnam have remained consistent in their socialist paths, maintaining suitable methodologies through respective reforms. Given this line of reasoning, this article objectively shares some achievements and challenges Vietnam has encountered over the past thirty years of renovation and offers implications for the developmental process.

Keywords Vietnam, economic development model, socialist reform

Introduction: Regarding the Innovative Breakthrough of Vietnam in 1986

After the great victory of spring 1975, Vietnam unified the country and formed a subjective ideology to rapidly accelerate the country towards socialist model in a short time. Due to many objective and subjective reasons, including economy management, the shortcomings of the centralized planning system and subsidy model were revealed quite severely, leading the country to gradually fall into serious socio-economic crisis. In such circumstances, the vital issue is to bring the country out of crisis. To achieve this, Vietnam had to drastically change its way of thinking and implementation development within the country. Since then, there have been new research findings and ways of doing business, providing novel answers to the questions raised.

The 6th Session of the Fourth Plenum in 1979, with the policy of “making production burst,” was the first breakthrough in the process of exploration and experimentation. The conference advocated to (1) stabilize food obligations for five years; (2) sell the surplus to the State or freely trade; (3) encourage people
to take advantage of fallow ponds and fields; (4) promote animal husbandry in all forms; (5) revise food taxes and food prices to encourage production; and, (6) revise the internal distribution regime of agricultural cooperatives, remove the quantitative/capitation distribution method, among other agendas. The Resolution of the 6th Central Session was quickly accepted by the people and turned into action, specifically in economic practice. Only in a short time, there have been many examples of new ways of doing business all over the country. For example, Long An province, since the mid-1980s has been trying to implement a model of “buy high, sell high,” “make up for wages” in exchange for the mechanism of “buy supply and sell provision.” Many localities in Hai Phong, Vinh Phu, and Nghe Tinh provinces have implemented “agriculture under contract.” From the actual contracting in these localities, the Directive 100 CT/TU (Communist Party of Vietnam 1981c) of the Secretariat on improving and expanding the contracting of products to groups and workers in agricultural cooperatives was born. Next, in industry, the autonomy of the establishment in production and business and the financial autonomy of enterprises were initially determined under the Decision 25/CP (Communist Party of Vietnam 1981a) and 26/CP (Communist Party of Vietnam 1981b) from the Government Council. The Central Resolutions 6, Directive 100 of the Secretariat and the 25/CP and 26/CP decisions of the Government Council have shown that the initial ideas of renovation were still primitive, not yet basic and comprehensive; however, it is a meaningful first step, laying the first foundation for later renovation.

The 5th National Congress of the Party in 1982 developed one more step, objectively evaluating achievements and limitations in the socialism construction, pointing out the shortcomings and mistakes of leadership and management as the subjective cause of the declining of the economy. In order to contribute to overcoming the impulsive ideology, the General Assembly introduced the concept of “immediate path” of the transition period and identified in this stage, the main content of socialist industrialization was “considered agriculture as a leading front, combining agriculture, consumer goods and heavy industries in a reasonable structure.” The Congress also confirmed the existence of five economic sectors in a certain time in the South. In addition to the state and collective sectors, the Congress established individual, capitalist and state-capitalist ones, which all have important roles to play in the economy.

However, the 5th Session of the Fifth Plenum in 1983 suggested that the slowdown in socialist reform was one of the causes for socio-economic difficulties. Therefore, they argued that to stabilize the situation, socialist reform must be further promoted: the state must seize goods, hold money, eliminate free markets for important food and agricultural products, and unify price management.

The 8th Session of the 5th Plenum in 1985 was the second breakthrough including several decisive policies: (1) eliminate the centralized and subsidy bureaucracy; (2) implement one-price mechanism; (3) eliminate the provision of
supplies at low prices, shifting all production and business activities to socialist business accounting mechanism. In September 1985, the general adjustment of wage to money began with the exchange to money and completely abolished the stamp promissory note system. Due to the impulsive ideology, this system-wide adjustment resulted in complicated changes to market prices such as an increase in inflation at breakneck speeds. Beginning in 1986, Vietnam took one step back, returning to the two-price policy implementation.

The 5th Politics Ministry Conference in 1986 was the third breakthrough with “Conclusions on a Number of Economic Issues” being brought forth. The content included several key statements: (1) in arranging economic and investment structure, agriculture must be taken as the leading front with light industry and selective heavy industry in development; (2) in socialist reform, multi-component economic structure must be identified as a characteristic of the transition period to socialism in the country; and (3) in the mechanism of economic management, planning is the focus, indicating that the correct monetary commodity relations must be used, explicitly eliminating the centralized and subsidy mechanism, price policy must apply by the value law, proceeding to implement the one price mechanism. The conclusion of the 5th Conference was an important basis for preparing the political report of the 6th Congress.

The 6th Congress in December 1986 marked a fundamental turning point in the process of nationalism building in Vietnam, with the introduction of a comprehensive renovation plan for the country. This forwarding moving plan for Vietnam included transitions from ideological renovation to organizational, personnel, and leadership style renovation as well as from economic renovation to renovation in political system and other fields of social life.

The outline of Vietnam’s renovation process in 1986 allows some comments as follows. Firstly, in terms of time, “Doi Moi” started to be considered in the mid-term of the Communist Party of Vietnam’s (hereinafter Party for short) 6th Congress in 1976, which was marked by the Resolution of Central Committee VI in 1979 and later following similar statements. The period from 5th Congress in 1982 to 6th Congress in 1986 witnessed a fierce and complicated struggle between the first elements of the reform and the perceived need to maintain the old management mechanisms. “Doi Moi” was considered as the official and comprehensive path towards development in Vietnam during the 6th Party Congress (Institute of History 2017a, 2017b).

Clearly, “Doi Moi” cannot be taken for granted, it is the result of exploration and experimentation process obtained through mental and spiritual struggle. It was based on practicing theory and applying reality, which brought about important breakthrough. It was a step-by-step process from low to high, partial to fundamental, one aspect to the whole picture.

Secondly, about the relationship between action and ideology, action came first, due to the requirement of practice, which was for coping with difficulties
and finding the way to achieve development, existing from the stagnation. Starting with individual actions, even accepting the investment was done “under the table” and lifting the ban on market prohibition was through “breaking the fence.” Every action was spontaneous. These spontaneous actions are not entirely derived from desperate thought, but they are merely considered “renovative thinking” when being summarized by reality and have become the guiding ideology. The renovative thinking was not totally complete since it only started from some people including leaders at the local level. It had not been turned into action of the whole society. But after those incomplete ideas were added and developed to a new level and summarized into a more complete theory, it would return to guide the practice. The theory came from practice but was brought back for practice guidance. Presenting theory without practicality is an empty argument but practicing without theory will bring about blind judgements.

Thirdly, regarding the renovation process of Vietnam at that time, both political and scientific parties considered it to start from renovative thinking, which is a decisively theoretical starting point. As we know, nowadays, Vietnam builds the country based on the Marxist-Leninist and Ho Chi Minh ideology. It can be summarized as follows: “The mode of material production determines the process of social, political and spiritual life in general. It is not the human consciousness that determines their existence; on the contrary, their social existence determines their consciousness” (Engels 1993, 15). Social existence of humanity is primarily a production mode of social material wealth. That is the purpose, after all, deciding the whole life and development of society. Social consciousness is nothing more than a reflection of social existence. While affirming the principle of social existence that determines social consciousness, Marxism-Leninism also recognizes the relative independence in the development of social consciousness and the positive role of advanced thought and reasoning in the social development.

To take a closer look, Marxism-Leninism states that in the process of social production, humans have certain, indispensable relationships, regardless of their wills. Those are some production relations being consistent at a certain level with physical production forces. All these production relations constitute the economic structure of society, which is the basis of reality. A legal and political superstructure is built on that basis, which corresponds to certain forms of social consciousness. At a certain stage of development, the physical production forces of society will conflict with the ownership relations, in which they have historically developed. Because they are the development forms of production forces, those relationships became their shackles. This conflict can only be resolved when there is a new and progressive production relationship suitable to the growing production force. With the changing economic base, the entire massive superstructure will be reversed quickly.

Fourthly, the theoretical basis raises the question that if Vietnam builds a
socialist-oriented country on the basis of low starting points, it must proactively establish a production relationship that is always slightly ahead of, but cannot stray too far from, the production force. A similar line of reasoning can be seen in solving the relationship between superstructure and infrastructure or the relationship between economy and politics. Another question arises which is how much advanced proactiveness is enough and is not over “conformity.” This is the point that the 6th Party Congress has summarized, drawing on theoretical thinking breakthrough. To quote, “Practical experience shows that production forces are constrained not only in the case of outdated production relations, but also when production relations develop asynchronously. There are factors that go too far compared to the development of production forces.” (Communist Party of Vietnam 2005, 58). Thanks to such breakthrough of ideology, Vietnam has gained remarkable achievements on the path of renovative implementation ever since.

Vietnam’s Achievements over 30 Years of “Doi Moi”

Based on exploration, experimentation, ideological struggle and interpretation of reality, Vietnam has gradually figured out the way to renew the country towards development. Vietnam’s reform process has been carried out in many different areas: politics, economy, society, culture, etc. However, the most important renovation that Vietnam has achieved was the new thinking in the economic crisis, when inflation reached 774.7 percent in 1986. The overall achievement after the first year of renovation was the transformation of people from not wanting to work to actively participating in work, devoted to their own benefits and for the whole society. The profound revolutionary meaning of renovation in Vietnam is reflected in the transformation of a bureaucratic and centralized planning economy to a socialist-oriented market economy, dynamically and actively internationally integrated, promoting the industrialization and modernization to build a country that is rich, strong, democratic, fair and civilized.

Looking at each aspect, Vietnam has achieved the following fundamental achievements. Firstly, in politics, Vietnam has gradually built and completed the socialist rule of law with the spirit of “the state is of the people, by the people and for the people.” The state has a number of characteristics: (1) organizing and operating on the basis of the Constitution as well as respecting and protecting the Constitution; (2) social management by law, ensuring the supreme position of the law in social life; (3) respect and protect human rights, rights and freedom of citizens; (4) state power is unified, with a division and coordination of control among state agencies in the implementation of the powers (including legislative, executive and judicial) with strict inspection and supervision; and, (5) the state is led by the Communist Party of Vietnam. The reform process has created a democratic and open atmosphere in society, which has established mechanisms
and policies to implement the people’s rights. The concrete evidence for this was
the strong implementation of grassroot democracy, which began in 1997 with the
motto “people know, people discuss, people do, people check.” The establishment
and implementation of this statute as a unique initiative within Vietnam, becoming
the basis for solid democratic development to new levels, contributing positively
to the control of corruption from the ground up.

Secondly, in economics, Vietnam has built a multi-sector economy,
encouraged workers to work productively, enabled people to own and manage
land, produce and consume goods as well as products based on respecting and
operating by law. Taking advantage of its latecomer position in the process
of globalization, Vietnam has benefited from (1) going through participation
in the low and medium levels of global economic restructuring with labor-
intensive industries; (2) capitalizing on abundance of raw materials, requiring
little capital investment; and, (3) using advanced average technology to create
indispensable goods and services in the global market in search of opportunities
to receive these international capital flows, new technologies and modern
management skills. With its geo-economic position at the heart of one of the
world’s most dynamic economic regions, Vietnam has been active and proactive
in international integration to conduct industrialization, modernization, promote
internal resources, and at the same time mobilize and use effectively external
resources, creating strength and strong national synergy. Doing so, Vietnam
strive to shorten the process of industrialization towards modernization instead
of following the norms like other countries. Over three decades of renovation,
Vietnam’s economy has initially shifted towards modernization. The economic
structure has shifted towards reducing the agricultural sector and increasing
the service and industrial sectors. Vietnam has gradually formed fully and
synchronously market factors and market types which operate smoothly. The
market of goods and services has developed and perfected in terms of scale,
structure of goods, domestic and foreign markets, commercial infrastructure,
services, management mechanisms, and competition levels. Economic growth has
basically been in harmony with cultural development, human development, social
progress and justice, and protection of natural resources and the environment.

During the first renovation phase from 1986-1990, annual average GDP
growth rate was only 4.4 percent, then twenty-five years later from 1991-2016,
Vietnam has achieved a significant progress with impressive growth figures. The
economic growth rate in the period 1991-2016 averaged nearly 7 percent per
year, of which three years were over 7 percent, four years were over 8 percent and
two years were over 9 percent. The highest year was 1995 reaching 9.54 percent.

The total import-export turnover of the country was from US$ 5,156.4
million in 1991 to nearly US$ 333.06 billion in 2016. Vietnam has become a large
exporter of coffee, rubber, cashew nuts, pepper, and seafood with high ranking
around the world (Vietnamese Ministry of Planning and Investment n.d.).
As of April 20, 2017, there were 612,000 active businesses nationwide, with 20,000 Foreign Direct Investment (FDI) enterprises, including many large corporations (Vietnamese Ministry of Planning and Investment n.d.). Many large-scale Vietnamese brands have affirmed their positions in the global market such as Vinamilk, Viettel, Vingroup, Sabeco, Financing Promoting Technology (FPT), Masan Consumer, Vietnam Airlines, Hoa Phat, Petrolimex, and many others.

From an agricultural country of the low-income group, with low growth rate, GDP per capita only reached US$ 188 in 1991, Vietnam has joined the group of low-middle income countries in 2011 and until 2016, per capita income reached US$ 2,215, which was 11.78 times higher than in 1991. Inflation has been sharply reduced from 774.7 percent in 1986 to 12 percent in 1995 and has remained low, in single digits, since then.

Vietnam continues to (1) have renovations in economic growth and restructuring; (2) promote industrialization and modernization; (3) take initiative in international economic integration in association with the development of knowledgeable economy; (4) improve institutions and develop a socialist-oriented market economy; (5) proactively participate in a higher ladder in the global value chain and production system; (6) improve the position and competitiveness of each business and each economic sector in the global market; (7) proactively prevent and minimize the negative impacts of the international integration process towards the national economy at the same time; and, (8) build an independent and autonomous economy.

Thirdly, in social aspect, currently in Vietnam basic social security is ensured and includes, especially, poverty reduction, job creation, development of social insurance and policy systems, preferential treatment for people with meritorious services, social assistance, universal health insurance policies to create favourable conditions for people to enjoy culture, health and education. The international-standard poverty rate in Vietnam has dropped sharply and continuously, from 58.1 percent in 1993 to 28.9 percent in 2002, 14.2 percent in 2010, 6.9 percent by
the end of 2017, and only 5.35 percent in 2018.

Fourthly, in international relations, since the 6th Party Congress in 1986, the Communist Party of Vietnam advocated expanding international cooperation and enhancing attraction of foreign investment. During the 6th through 11th Party Congresses, Communist Party of Vietnam continued to advocate expanding and diversifying foreign relations. At the 7th Party Congress, the Party advocated to implement consistently an independent, autonomous, peaceful, cooperative, and developed foreign policy which included aims toward multilateralism, diversification in foreign relations proactive and active international integration as well as maintaining friendly, trusted partners and being a responsible member of international community. Such initiatives also included expanding and bringing forward in-depth foreign relations, taking advantage of opportunities, overcoming challenges, effectively implementing international integration in new conditions, and continuing to improve the position and reputation of the country in the international arena.

Beginning with ideas of “wanting to be friend” to “being willing to be friends” and now Vietnam’s foreign partner relations can be more accurately described as “being a friend, a reliable partner, and responsible member” of the international community. Vietnam’s developmental path could be outlined as starting from “breaking the siege, embargo” posture to “integrate into the regional and world economy” and, lastly, to achieving “proactive and active international integration” in a comprehensive way. After more than thirty years of implementing their renovation policy, Vietnam has won great achievements with historical significance and international relations with profound changes.

Some remarkable milestones of Vietnam’s foreign relations and international integration activities over the past three decades includes (1) normalizing relations with China in 1991 and with the United States in 1995; (2) becoming a member state of the Association of Southeast Asian Nations (ASEAN) in 1995; (3) joining the Asia-Pacific Economic Cooperation Forum (APEC) in 1998; (4) becoming a member of the World Trade Organization in 2006; and, (5) signing the Vietnam-European Union Free Trade Agreement.

The process of renovation is also a journey of international economic integration extending on many levels, diversified forms, according to the principles and standards of global market. Vietnam has strengthened cooperation and strategic dialogue with many partners such as upgrading bilateral relations with some countries to formal strategic partnerships and comprehensive cooperation partnerships as well as bringing more substantive, in-depth, and effective cooperation to the forefront with partners.

Vietnam has actively and responsibly participated in regional and international organizations and forums, especially the United Nations (UN). Such examples include Vietnam’s assistance in building the ASEAN Community and improving more fully the domestic market as per commitments as well as
persevering with ASEAN to promote full implementation of the Declaration on the Conduct of South China Sea and proceed to develop a Code of Conduct on South China Sea.

At forums such as the Asian-Europe Meeting (ASEM), APEC, and the UN, Vietnam’s voice is heard and respected, raising suggestions as well as initiatives. Vietnam has also been elected to many important positions such as the non-permanent member of the UN Security Council (term 2008-2010); member of the UN Economic and Social Council (term 1998-2000, 2016-2018); a member of the Executive Council of the United Nations Educational, Scientific and Cultural Organization (terms of 1978-1983, 2001-2005, 2009-2013 and 2015-2019); and, ASEAN General Secretary (term 2013-2017).

Vietnam has established relations with 185 countries out of the UN’s 193 countries; promoted economic, trade and investment relations with 224 markets in total across all continents; participated in seventy international organizations; cooperated with many countries creating credibility, taking advantage of resources to develop the country and support from international friends to defend the sovereignty of territorial integrity of the country.

Challenges on the Path of Vietnam’s Renovation

Alongside its achievements, Vietnam also faces many difficulties and challenges. In analysing the challenges Vietnam has faced during its renovation process, the Party has put forward eight major relations: (1) among renovation, stability and development; (2) between economic renovation and political renovation; (3) between market economy and socialist orientation; (4) between developing production forces and building, gradually improving socialist production relations; (5) between economic growth and cultural development, implementation of progress and social justice; (6) between building socialism and protecting the socialist country; (7) among independence, autonomy and international integration; and, (8) among the Party leadership, the State management and the people ownership. However, the bottom line of reasoning can be found in the theoretical thinking. If the beginning of renovation is the simple matter of accurately identifying the relationship between the production one and the production force, then now the goal should be to find the connection between infrastructure and superstructure, which elaborates the one between economy and politics.

However, if we look at the current situation, we can see that Vietnam is still facing limitations and challenges. Firstly, during more than thirty years of renovation, the economic growth rates are quite good, but its development is still not up to expectation and not sustainable. Quality, efficiency, labour productivity and competitiveness of the economy are still low. The socialist-oriented market
economy institution has been slow to reach completion; the system of market formation and development has not been synchronous; human resources quality is still limited; non-synchronized and non-modern infrastructure is hindering the development. Creating a foundation to become a modern and industrialized country is still slow and difficult to achieve. While building up a socialist-oriented market economy, Vietnam has not timely rectified state-owned corporations and companies that have made losses, the equitization of state-owned enterprises’ divestments has been slow, thus adversely affecting the development of the country and the economy. In fact, Vietnam has not fully created conditions for all economic sectors in the country to develop evenly. There is still the psychological discrimination between economic sectors, especially between the public and the private enterprises.

Secondly, in terms of cultural development, there are many limitations in solving social problems and environmental protection which affect in-country sustainable development. Many pressing issues have come to the forefront, especially social issues and social development management, which have not been effectively perceived and resolved. Social morality has also shown some degrading aspects; harmful and hybrid cultural products has negatively impacted the spiritual life of the society; the market economy provides the advantage of promoting production but also lays a foundation that supports many bad habits, especially individualism, the cult of materiality, and the lack of spiritual values; resources have been exploited indiscriminately, ecological environment is polluted, global climate change is increasingly affecting and causing serious consequences. In some areas, people have not fully and equitably inherited the renovation achievements. In terms of education and training, after the reunification of the country, Vietnam encountered difficulties in reorganizing the education system to obtain a truly superior new system. It can be said that Vietnam has not had a clear educational philosophy, and such efforts are not really considered the country’s top national policy. The matter of training high quality human resources for development to be able to integrate globally has not provided the desired outcome.

Thirdly, in terms of politics, Political reform is still slow, not synchronized with economic reform, especially in terms of organization, institutions, mechanisms and policies. The political system is still cumbersome and ineffective with operational efficiency remaining low and not on par with tasks. The payroll of the political system is increasing, but the service quality is low. The construction and improvement of the socialist rule-of-law state has made great progress but there are many residual limitations. The principle of controlling state power is still inadequate. The number of legal documents is increasing but the legal effect is not high, and the promotion of democracy does not go along with the discipline and law. The effectiveness and efficiency of state management are still limited; and, administrative reforms are still slow and judicial reforms are not
Fourthly, there have not been effective solutions to prevent the recession in political ideology, morality, and lifestyle of officials and party members; corruption, waste, bureaucracy and social negativity are still serious issues in Vietnam. Theoretical thinking, personnel organization, inspection and supervision, and public affairs still have many systematic shortcomings. The Party's leadership for the State, and the mass organizations has reformed slowly. However, the leadership and fighting capacity of many party organizations is still low and the management of party members is not strict, fostering an unclear responsibility regime, especially for the head positions.

Suggestions from “Doi Moi” in Vietnam

“Doi Moi” was institutionalized at the starting point of 6th Congress in December 1986 as a result of a brave and important decision, which overcame the difficulties and challenges of then Vietnam. After more than thirty years of renovation, Vietnam has gained many achievements but also faced several challenges as mentioned above. Since then, the situation has changed relatively and although the context of each country is different, we would like to share some suggestions in the following aspects.

First, despite many difficulties and challenges, our gains over the past thirty years of renovation have far outweighed our losses. At present, the world context is greatly different than the time Vietnam started “Doi Moi” in the sense that ideological confrontation is no longer the focus. Instead all nations have pay focused attention to their own benefits. The experience of Vietnam shows that if changes had not been made, the country could not have developed to the point of today. The continual changes should come from the interests of the country, of “People” to boldly conduct renovation.

Second, determining areas, scales and steps of the reform should be based on specific domestic and international conditions, and ensure to maintain the principles to avoid collapse. Third, as reform implements, a new mindset of socialism is needed at the general level of reasoning to build a proper model which is based on the specific conditions of the country. Fourth, in the process of reform, technical difficulties will always arise; therefore, solutions to these certain problems are necessary. There must be a serious summary of the theory to handle problems voluntarily and not far from the principle issues such as ensuring the interests of the country, people's interests, socialist orientation. Fifth, in the process of reform, expanding democracy should be in parallel with effectively controlling power to minimize bad habits which do not exist in the current social management but develop strongly in the transition process. Sixth, for international relations, it is necessary to eliminate hostile thinking to have honest
cooperation with partners based on the interests of the parties. Seventh, in the process of reform, the unification of the country as a common interest and desire of the people. Thus, this will be an issue of great concern and will require taking appropriate steps based on the specific context of the country and international communities.

Therefore, it can be said that, although, at present, Vietnam still has a modest development rank compared to other countries in the world and faces many challenges to overcome, Vietnam was, has been, and will continue to achieve sustainable development. That is the belief that Vietnam has gained from the renovation process itself. Life is always moving and there will be no country that can take and attempt to replicate the exact examples of other countries to develop their country. However, Vietnam’s suggestions in the renovation process may also provide some useful experiences for others with similar circumstances when it comes to renovation to develop their countries.

References


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Submitted: September 2, 2019; Revised: December 26, 2019; Accepted: December 28, 2019