

**POLITICAL ECONOMY OF VIETNAM:
MARKET REFORM, GROWTH, AND THE STATE**

Joshua M. Steinfeld and Khi V. THAI*

TABLE OF CONTENTS

I. INTRODUCTION	1	R
II. POLITICS AND RESISTANCE SINCE THE FRENCH INDOCHINA WAR	6	R
III. MOVING TOWARD MARKET ECONOMY	15	R
IV. ECONOMIC RENOVATION	23	R
V. SOCIO-ECONOMIC DEVELOPMENT STRATEGY	34	R
VI. CHALLENGES	43	R
VII. CONCLUSION	68	R

I. INTRODUCTION

The evolution of Vietnam’s political economy is unlike that of any other nation in the world today. No other country has endured so much uncertainty, hostility, occupation, civil war, political transition, or rapid economic change. If the time period from 1842 through 1975 in Vietnam was marked by a struggle for independence, then the period from 1975 to 2013 can be described as a period of maintenance and flourishing of a dynamic capitalist nation. As the world’s 13th largest population with approximately 87.84 million people,¹ the second largest producer of coffee in the world,² fifth largest producer of rice,³ a major producer of crude oil, and durable goods, Vietnam’s economic prowess is well established. Given the tremendous pace at which economic growth had been realized since national independence in 1975, the successes of Viet-

* Joshua M. Steinfeld is a doctoral candidate in the School of Public Administration at Florida Atlantic University in Boca Raton, Florida. Khi V. THAI, Ph.D., is Professor and Director of the School of Public Administration, and Interim Director, School of Criminology and Criminal Justice, at Florida Atlantic University.

1. General Statistics Office of Vietnam, Population and Employment in 2011 http://www.gso.gov.vn/default_en.aspx?tabid=467&idmid=3&ItemID=12941

2. Sylvie Doutriaux, Charles Geisler, and Gerald Shively. “Competing for Coffee Space: Development-Induced Displacement in the Central Highlands of Vietnam,” *Rural Sociology*, 73:4 (2008), p. 528.

3. International Rice Research Institute, 2010 http://irri.org/index.php?option=com_k2&view=item&id=12094&lang=en.

nam's socialist-communist political form of government serve as an example for developing nations around the world. While western nations such as the United States and England experienced a transformation from an agricultural to industrialized economy over the course of more than a century, Vietnam remarkably underwent a full cycle of industrialization and market reform in less than 40 years.

Before market reform was plausible, government reform took place in the midst of French colonization and United States intervention during the First and Second Indochina Wars. When President Diem was assassinated in 1963, conflict between the militant Buddhists and the Saigon government of South Vietnam erupted.⁴ A chain of political reforms and uncertainty prevailed until 1966 when General NGUYEN Van Thieu and Air Marshal NGUYEN Cao Ky came to power and immobilized the Buddhist opposition.

From the beginning of heightened armed conflict in 1955 to Vietnam's independence in 1975, the national economy grew at a remarkably steady rate, which was impressive considering that over 1 million Vietnamese men were killed from 1965-1975. In addition, industrial centers and infrastructure were constantly under attack or closely monitored by invading forces. On April 25, 1976, the first election was held in Vietnam in 30 years, legitimizing the political institutions within the newly formed, autonomous Socialist Republic of Vietnam (SRV).⁵

Economically, the 1976-1980 five-year plan sought to organize the nation's production facilities into agricultural cooperatives that were aimed at correcting food shortages and optimizing the state's resources. The economic reorganization, which involved land redistribution and forced collectivization, disenfranchised and eventually discriminated against the minority ethnic Chinese, called "*Hoa Kieu*," who dominated factors of production under French rule, based on their elite status as compared to the ethnic Vietnamese. During the same period, intermittent foreign investment from China and the Soviet Union served as vital economic stimulus to a country recovering from war. China and the Soviet Union competed for Vietnam's loyalty, and the result was a brief conflict between China and Vietnam where Vietnam invaded Chinese-ruled

4. Mark Moyar, "Political Monks: The Militant Buddhist Movement During the Vietnam War," *Modern Asian Studies*, 38:4 (2004), p. 752.

5. Socialist Republic of Vietnam. 1976. *Inter-Parliamentary Union* http://www.ipu.org/parline-e/reports/arc/VIETNAM_1976.PDF.

POLITICAL ECONOMY OF VIETNAM

3

Cambodia in December 1978 and China retaliated in February 1979.

Dependency on the agricultural sector proved to be a failure as industrial output decreased as a result of several mitigating factors related to Vietnam's closed economic system, where the state controlled all forms of production and commerce. The 1981-1985 five-year plan sought to recognize an economy that consisted of multiple sectors: the state, collective, and individual entities.⁶ Through privatization efforts Vietnam's labor force became incentivized resulting in steady agricultural and industrial growth from 1981-1985. However, the absence of a free market system spurred the onset of inflationary woes, where prices continued to increase because of the government's demand and access to unlimited mediums of exchange.

In December 1986, the Vietnamese Communist Party endorsed economic renovation, known as *doi moi*. Vietnam encouraged foreign direct investment and market reforms were gradually implemented toward a capitalist system. The agricultural sector was decollectivized and a household economy was developed beginning with the Land Law of 1993, when farmers and other producers were given the right to both lease land and make their own business decisions irrespective of state involvement. The state-owned enterprises began downsizing, which paved the way for the "street-food revolution" and the propping up of city merchants and small businesses.⁷ International trade within the region emerged to support the needs of small businesses, especially the influx of second-hand motorcycles from Cambodia.⁸

Several banking reforms were instituted to combat inflation and stimulate economic growth through debt financing activities. Financial markets for securities trading were established, along with regulatory bodies such as the State Securities Commission. Accelerated economic growth left some Vietnamese citizens as beneficiaries, while others found it difficult to consume staple goods given

6. PHAM Xuan Nam, Be Viet DANG, and Geoffrey B. Hainsworth, "Rural Development in Viet Nam: The Search For Sustainable Livelihoods," in Peter Boothroyd and PHAM Xuan Nam, eds., *Socioeconomic Renovation in Viet Nam: The Origin, Evolution, and Impact of Doi Moi*, International Development Research Center, 2000, p. 15.

7. Bill Hayton, *Vietnam: Rising Dragon*, New Haven: Yale University Press, 2010, p. 51.

8. Melanie Beresford and DANG Phong, *Economic Transition in Vietnam: Trade and Aid in the Demise of a Centrally Planned Economy*, Cheltenham, United Kingdom: Edward Elgar, 2000, p. 127.

the increasing prices amidst a roaring economy. The wealth gap exacerbated and several welfare programs were initiated in the 1990's, including efforts to train and educate the workforce, which would enable Vietnam's conscientious transition from agricultural to industrial production.

As heavy industry and manufacturing began to flourish, and Vietnam demonstrated a commitment to openness. Vietnam joined the Association of Southeast Asian Nations (ASEAN), the same year that the United States lifted its trade embargo with Vietnam in 1995. Meanwhile, concerns of environmental protection began to flourish, thereby sparking the establishment of the National Environmental Agency in 1995. Vietnam was rapidly becoming a dynamic social and economic state.

In 1997, the Asian Currency Crisis hit the region and foreign investment decreased by 50% from 1997 to 1998.⁹ In response, Vietnam devalued its currency three times and implemented policies to oversee central banking activities, credit institutions, and circulation of currency. Foreign direct investment began to flow back into Vietnam, and by 1999 the total value of Vietnam's exports had increased five-fold since 1990 while its gross domestic product (GDP) averaged 10% year-over-year increases for the 1990's decade.

The success of *doi moi* had the effect of shifting the state's focus from quantitative growth to sustainable socio-economic development, which was outlined in the 2001-2010 Socio-Economic Strategy Development Plan. The five main objectives of the Strategy were to continue the rapid growth of the economy in order to increase domestic savings rates, increase citizens' accessibility to education and training, enlarge the modern technological capacity of the nation, improve infrastructure, and combat rampant corruption. Public budgeting allocations were made to mimic the main objectives.

Increases in productive capacity quickly led to environmental hazards that threatened the viability of Vietnam's expansive watershed and susceptible coastal zones. Other challenges to Vietnam's socio-economic development rose when the ethnic Vietnamese, or *Kinh*, aggressively migrated to the Dak Lak province in hopes of participating in the coffee rush. The mass migration, which was encouraged by the central government, led to poor treatment of those indigenous to the Central Highlands, the *Ede* population.

9. Gerald TAN, *ASEAN Economic Development and Cooperation* (2nd ed.), Singapore: Times Academic Press, 2000, p. 206.

POLITICAL ECONOMY OF VIETNAM

5

Today, Vietnam faces three major challenges: corruption, the South China maritime dispute, and the growing unhappiness of Vietnamese citizens. Vietnam's swift transition toward privatization and a free market economy introduced a new transactional relationship between business owners and government officials and corruptive practices flourished. Administrative and legal reforms sought to address the abundance of corruption, which posed as a major obstacle to attaining the transparency needed for Vietnam to fruitfully engage the global marketplace. Public policies aimed at creating a rights-based as opposed to rule-based legal system were coupled with an emphasis on academic and cultural understanding through incremental steps toward separating the singular political party from administrative activities. In 2001, the Public Administration Reform (PAR) Master Program was implemented. The same year, the U.S.-Vietnam Bilateral Trade Agreement (BTA) came into being, which served as a "stepping stone" to Vietnamese accession into the World Trade Organization (WTO) in 2007, which effectively opened Vietnam's market economy to the rest of the world.

The South China Sea maritime dispute is a regional conflict with global implications. China's claim over the entire Sea has led the United States as the superpower, and Russia as the supplier, to serve integral naval roles in Vietnam's own steadfast claim to the South China Sea. Taiwan and several ASEAN members have also laid claim to parts of the disputed sea territory, including the Parcel and Spratly Islands. In addition to rights of passage, at the heart of the maritime dispute are the exploration and drilling privileges associated with ownership of the respective continental shelf. Public-private partnerships involving Vietnam or China with foreign state-owned oil producers, have the potential to escalate the conflict.

While a significant amount of government resources are directed towards the maritime dispute, economic conditions in Vietnam have wavered. Foreign investment flows into Vietnam have remained strong but resulted in uncertain monetary policies, while inflation continues to stress consumers. Simultaneously, the Vietnamese population is experiencing drastic increases in non-communicable disease (NCD), such as cardiovascular disease and diabetes, remain largely undiagnosed across the nation. Prevention and awareness have been slowly received, as mass communication in Vietnam remains a source of discontent. Freedom of speech and

democratic characteristics of governance continue to be hotly contested issues in Vietnam.

An appropriate strategy for Vietnam to combat its challenges is likely to emanate from an examination of past achievements and obstacles overcome in the past. Vietnam has demonstrated its ability to not only be resilient, but also excel, given the geopolitical environment at-hand. Through its experiences, conclusions emerge that may lead Vietnam to a prosperous future.

II. POLITICS AND RESISTANCE SINCE THE FRENCH INDOCHINA WAR

The willingness of United States Presidents to try and implement authoritarian policies in attempts to instill western ideology on the eastern hemisphere was evident during the Indochina and Vietnam War. The First Indochina War, or as the Vietnamese call it, the Nine-Year National Resistance, can be divided into four phases, each of which ended with ever-worsening French military defeats and ever-increasing United States interventions.¹⁰ By the end of the French war in Vietnam, the United States was paying 80% of France's financial cost to engage Vietnam.¹¹ The United States was interfering with Vietnam's declaration of independence from French colonialism, and imperialism that dated back to January 5, 1862 under the Treaty of Saigon.

In the August Revolution of 1945, Vietnamese leader HO Chi Minh and his army, the Viet Minh, took over Hanoi in the northern Red River Delta region, effectively weakening the French front. In order to gain support from the newly conquered communist inclined northern territory of Vietnam, HO Chi Minh set up a parliament consisting of both democratic and communist seats under the Democratic Republic of Vietnam government. For many Vietnamese, including conscious anti-communists, the choice now seemed to have narrowed down to a stark one: allow the discredited French to return, or join the Viet Minh.¹² Just after the August Revolution of 1945, HO Chi Minh declared Vietnam's independence from France in an unanswered telegraph to United States

10. NGO Vinh Long, "Vietnam's Revolutionary Tradition," in Marvin E. Gettleman, ed., *Vietnam and America: A Documented History* (2nd ed.), New York: Grove Press, pp. 5, 36.

11. Marvin E. Gettleman, Jane Franklin, Marilyn B. Young, and Bruce H. Franklin, *Vietnam and America: A Documented History* (2nd ed.), New York: Grove Press, 1995, pp. 3, 49.

12. Joes, *War for South Vietnam*, *supra* note 2, pp. 17-18.

POLITICAL ECONOMY OF VIETNAM

7

President Harry S. Truman. French aggression in Vietnam did not go away and in desperation, the Viet Minh accepted support from an unlikely supporter from the north – China.

From 111 B.C. to A.D. 939, Vietnam was ruled by China. Finally, the Vietnamese in the Red River Delta gained their independence and gradually expanded the nation south to the Mekong River Delta. After the victory of MAO Tse-Tung in 1949, the Vietnamese resistance movement began to receive military and other forms of aid from China to help in the fight against the French and then the United States.

Disillusionment with the spread of Chinese policies into Vietnam started in economics by way of agrarian reform.¹³ In northern Vietnam, land reform was the new socio-economic question. There were two opposing agrarian systems at the time: one in the north and center, with small properties, and one in the south, where the farmland consisted of big estates.¹⁴ In 1952, the Chinese enacted their Bolshevik ideology of “land to the tiller” in Vietnam, in which the land of the Mekong River Delta was to be forcefully redistributed to migrants from the Red River Delta. It was at this point that the United States began changing its stance in Vietnam.¹⁵

The totalitarian nature of an agrarian state was widely considered to be a staple of communism. At this time, the United States flip-flopped from a policy of financing bombardment against, to full military support of the Republic of Vietnam against the northern-based Viet Minh. Just a few years prior, the Viet Minh was based in the south of the country, originally a fully democratic government entity. What was originally a democratic political organization led by HO Chi Minh in the southern Mekong River Delta became a communist political organization led by the Chinese in the northern Red River Delta once the Viet Minh moved north and took over Hanoi.¹⁶ The United States had first chosen to support French imperialism rather than democracy in Vietnam. And, when the Viet Minh accepted communism in exchange for Chinese wartime aid,

13. P. J. Honey, *Communism in North Vietnam*, 2nd Printing, Cambridge, MA: The Massachusetts Institute of Technology Press, 1963, p. 12.

14. Pierre Brocheux, *Ho Chi Minh, A Biography*, Claire Duiker, Translation, New York: Cambridge University Press, 2007, p. 152.

15. General VO Nguyen Giap, “Vietnamese Victory: Dien Bien Phu,” in Marvin E. Gettleman, ed., *Vietnam and America: A Documented History*, New York: Grove Press, 1995, p. 54.

16. Joes, *War For South Vietnam*, *supra* note 1, pp. 17-18.

the United States began to support the Republic of Vietnam (South Vietnam), the original territory of the Viet Minh.

From 1955 to 1963, NGO Dinh Diem was the first President of South Vietnam. Following his assassination on November 1, 1963, the South Vietnam political system fell into a state of disarray. The conflict between the Buddhists and the Saigon government began on May 8, 1963, when nine civilians were killed at a Buddhist protest led by monk THICH Tri Quang, who was reporting to the press that the Diem government was oppressing Buddhists.¹⁷ Diem refused to make concessions to the Buddhists and a plot conceived by several senior generals resulted in Diem being put to death.¹⁸ On January 30, 1964, the General NGUYEN Khanh government was established when Khanh overthrew General Minh, who had assumed leadership after Diem's death. In early 1964, the militant Buddhists formed a single association known as the Institute for the Propagation of the Buddhist Faith, making several demands to the Khanh government. Buddhist leader THICH Tri Quang led a coalition meant to represent the three to four million Buddhists of South Vietnam, of a total population of about 15 million, against Khanh's government, which was aligned with the United States' political interests.

On December 19, 1964, Khanh and a group of young generals called the "Young Turks" requested that the High National Council retire all military officials with more than twenty-five years of service because of their lack of talent and sympathy towards the militant Buddhists. The High National Council denied the request and the Young Turks dissolved the Council by arresting its members.¹⁹ United States Ambassador Taylor denounced the dissolution of the High National Council, citing that it was inconsistent with the stability that America wanted from the South Vietnamese government. Khanh asserted that South Vietnam was not an American satellite, and Taylor responded by saying he had lost confidence in Khanh.²⁰

In retaliation, Khanh launched a fierce anti-American propaganda campaign over Vietnamese radio in which he declared that it

17. Moyar, "Political Monks," *supra* note 1, p. 752.

18. Moyar, "Political Monks," *supra* note 2, p. 752.

19. CIA Watch Office to State, December 25, 1964. DDRS. Fiche, 132C; Historical Division of the Joint Secretariat, *The Joint Chiefs of Staff and the War in Vietnam*, Washington, DC: Joint History Office, 1970, p. 5, ch. 15.

20. Memcon, FRUS, December 1964, 1964-1968, Vol. 1, Doc. 454; Saigon to State, December 1964, DDRS, 1979, fiche 206D.

POLITICAL ECONOMY OF VIETNAM

9

was “better to live poor but proud as free citizens of an independent country rather than in ease and shame as slaves of the foreigners and Communists.”²¹ On January 6, 1965, based upon army coercion, political control was turned over to a new government led by TRAN Van Huong.²² Subsequently, Khanh joined THICH Tri Quang and the Buddhist faction in an effort to subvert the government in place.²³ Shortly thereafter, on January 20, 1965, THICH Tri Quang announced a hunger strike until Huong stepped down. THICH Thien Minh, THICH Tri Quang’s closest comrade, added that the Buddhists would soon “call for peace,” which was a form of Communist propaganda aimed at questioning South Vietnam’s will to continue to wage war.²⁴ In Hue, around January 23, 1965, 5,000 demonstrators penetrated the United States Information Service Library. In Da Nang, militant Buddhists THICH Tri Quang and NHA Trang pressured shop and restaurant owners to deny service to Americans.²⁵

On January 27, 1965, Khanh used the heightened conflict between THICH Tri Quang’s militant Buddhists and the United States as a diversion to plan a bloodless coup with the support of General NGUYEN Chanh Thi and Air Marshal NGUYEN Cao Ky against the TRAN Van Huong government. United States Deputy Ambassador U. Alexis Johnson warned Khanh against such action because the United States supported Huong. Khanh pressed forward, but was unable to garner support from either the United States or the militant Buddhists, who instead supported the Armed Forces Council’s decision to order Khanh to leave the country.

Having long been favored by THICH Tri Quang, the militant Buddhist leader still at bay, Dr. PHAN Huy Quat assumed leadership. Quat dispersed his authority across the military, which prevented any single officer from having too much power, thereby stabilizing the political situation to an extent not seen since the Diem regime.²⁶ A new political crisis ensued in Saigon at the end of

21. Saigon to State, December 22, 1964, NA II, RG 59, Central Files, 1964-1966, box 2949.

22. Saigon to State, January 12, 1965, FRUS, 1964-1968, vol. 2, doc. 24; Saigon to State, January 12, 1965, FRUS, 1964-1968, vol. 2, doc. 29.

23. CIA, THICH Tri Quang’s Campaign to Bring Down the TRAN Van Huong Government, January 21, 1965, DDRS, 1976, fiche 24E.

24. Moyar, “Political Monks,” *supra* note 3, p. 774; Saigon to State, January 20, 1965, LBJL, NSF, VNCF, Box 12.

25. Moyar, “Political Monks,” *supra* note 4, p. 774

26. CIA, The Situation in Vietnam, February 26, 1965, DDRS, 1983, fiche, 91; CIA, Individuals and Cliques in South Vietnam, February 25, 1965, LBJL, NSF, VCNF.

May 1965 when Chief of State PHAN Khac Suu blocked an attempt by Quat to replace two incompetent ministers.²⁷ Suu rejected Quat's favoritism towards militant Buddhists and on June 9, 1965, Quat appealed to South Vietnamese generals to mediate the dispute.²⁸ Conversely, the generals were upset with the political ineffectiveness of the militarily decentralized, civilian government under Quat and encouraged him to step down and turn the government over to the military.²⁹ General Thi and Air Marshal Ky became prime minister and executive chairman, respectively, while General Thieu ruled over the committee of generals.

The new leaders immediately instituted a "no breathing" week where civil liberties were suspended and troublemakers ordered shot.³⁰ The population was organized under paramilitary rule by infusing the civil administration with staunch guidance on how to treat the militant Buddhist opposition. General Ky even banished THICH Tri Quang to a mountain retreat, at which time the South Vietnamese government finally ended its showdown with the militant Buddhists. The suppression of militant Buddhists in 1966 made possible a greater degree of political cohesion in South Vietnam.³¹ Finally, the NGUYEN Cao Ky-NGUYEN Van Thieu government lasted from June 9, 1965 until Saigon fell to North Vietnamese forces in 1975.³²

The escalation of the Vietnam War, also known as the Second Indochina War, was an incremental process. After France abandoned its imperialist motives in 1954 when it was beaten badly by North Vietnam in Dien Bien Phu, the Lao Dong political party, led by HO Chi Minh, gained tremendous support from constituents. In fact, millions of peasants were willing to fight for his policies. Meanwhile, the National Liberalization Front was HO Chi Minh's political arm in the South, and mostly consisted of small cells with anywhere from three to ten soldiers. In comparison in the South,

27. Saigon to State, May 25, 1965, FRUS, 1964-1968, Vol. 2, doc. 314; CIA. The Situation in South Vietnam, May 26, 1965, DDRS, 1979, fiche 244A.

28. Pentagon Papers, Vol. 2, 434; CIA. The Situation in South Vietnam, June 9, 1965, LBJL, NSF, VNCF, box 18.

29. Ural Alexis Johnson and Jef Olivarius McAllister, *The Right Hand of Power: The Memoirs of an American Diplomat*, Upper Saddle River, NJ: Prentice Hall, 1994.

30. Moyar, "Political Monks," *supra* note 5, pp. 781-782.

31. Moyar, "Political Monks," *supra* note 6, p. 784.

32. YONG Mun Cheong, The Political Structures of the Independent States. In Nicholas Tarling, ed., *The Cambridge History of Southeast Asia: The Nineteenth and Twentieth Centuries (Volume 2)*, Cambridge, England: Cambridge University Press, 1992, p. 394.

POLITICAL ECONOMY OF VIETNAM

11

scholarship and intellectual pursuits offered better alternatives; bearing arms was not highly regarded.³³ As an indication, a total of twenty-seven political parties and advocacy groups existed in Vietnam by the end of 1969.³⁴

There was some level of national unity in Vietnam as a result of the National Assemblies of 1946, 1960, and 1964. However, the failure to re-elect southern deputies to the fourth National Assembly of 1971 symbolized the division between the North and South. The formation of the Provisional Revolutionary Government (PRG) by the Vietcong regime in the South along with the strength of the Lao Dong party's commitment to the Viet Minh regime in the north effectively foiled any unification efforts.

The United States was intent on stopping any possibility of North Vietnam's Communist dominance spreading to South Vietnam or neighboring countries. On August 2, 1964, three North Vietnamese Navy torpedo boats of the 135th Torpedo Squadron engaged the USS *Maddox*, apparently mistaking it for a South Vietnamese coastal patrol boat that had launched an amphibious raid on the Hon Me and Hon Nieu Islands just a few days before, on July 30, 1964. The *Maddox* and four United States F-8 Crusader fighter jets were launched from the *Ticonderoga* aircraft carrier and attacked the torpedo boats, killing six North Vietnamese sailors and wounding six more. On August 4, 1964, a second incident occurred in the Gulf involving Task Group 72.1 (USS *Maddox* and USS *C. Turner Joy*) where two Democratic Republic of Vietnam (DRV) patrol boats were eventually sunk after the naval destroyers reported radar sightings of three unidentified aircraft and two unidentified naval vessels, presumably belonging to the DRV.³⁵ On August 7, 1964, the United States Congress passed the Gulf of Tonkin Resolution, authorizing President Lyndon B. Johnson to take military action in order to retaliate, enforce, and promote the maintenance of international security in Southeast Asia, providing a legal basis for the United States' involvement in a Vietnam War.³⁶ First moving from a position of simply providing military advice to the regime ruling in the south, to providing supporting troops, and

33. *IBID*

34. *IBID*, p. 395.

35. "Military Pressures Against North Vietnam, February 1964-January 1965," The Pentagon Papers, Gravel Edition, Vol. 3, Section 2, The First Incident, pp. 106-268.

36. U.S. Department of State, Office of the Historian, Milestones: 1961-1968, U.S. Involvement in the Vietnam War: the Gulf of Tonkin and Escalation, 1964 <http://history.state.gov/milestones/1961-1968/gulfoftonkin>.

then gradually increasing the number of troops to the point where the incursion became a war between the United States and northern Vietnam, the United States never formally declared war.³⁷

No retelling of the saga of United States' involvement in Vietnam would be complete without alluding to Tim O'Brien's lyrical chronicle of his own experiences as a combat soldier: "I'd come to this war a quiet thoughtful sort of person, a college grad, Phi Beta Kappa and summa cum laude, but after seven months in the bush I realized that those high civilized trappings had somehow been crushed under the weight of simple daily realities. I'd turn mean inside."³⁸ O'Brien juxtaposed life in the "bush," with his previous life as an academic. Plaudits like Phi Beta Kappa did not matter. After seven months in Vietnam, he realized he was capable of evil and reduced to simplicities like Vietnam's bush.

The Vietnam War extracted a heavy toll from the United States: a body count of 58,220 American soldiers killed and 153,303 wounded. Meanwhile, Vietnam's casualty toll from the First Indochina War and Second Indochina War was 2,744,000 people.³⁹

The war also extracted a heavy economic toll, especially during the most intense period of warfare. In the south, rice paddy output decreased from 5 million tons in 1962 to 4.3 million tons in 1968.⁴⁰ In the north, where industry was more prevalent, cement production, for example, decreased from 594,500 tons in 1964 to only 70,000 tons in 1968.⁴¹ Agriculture in the north was less impacted by the United States bombing since the northern dyke system was not specifically targeted. Additionally, aid from China and the Soviet Union was flowing to northern Vietnam, which amounted to nearly half of its GDP.

Military and other wartime efforts were closely intertwined with economic activity in Vietnam for several reasons. By 1960,

37. Michael Hill, *The Public Policy Process* (5th ed.), Edinburgh Gate, England: 2009, p. 122.

38. Tim O'Brien, *The Things They Carried* (2009 ed.), New York: Houghton Mifflin Harcourt, 1990, p. 190.

39. Anne Leland and Mari-Jana Oboroceanu, Congressional Research Service Report for Congress, Washington, DC: Washington Headquarters Services, Directorate for Information Operations and Reports, February 26, 2010, p. 11.

40. TRAN Van Tho, *Kinh te Viet Nam 1955-2000* [Vietnamese economy 1955-2000], Hanoi: Nha xuất bản Thống kê, 2000, p. 247.

41. TRAN Van Tho, *Kinh te Viet Nam 1955-2000* [Vietnamese economy 1955-2000], Hanoi: Nha xuất bản Thống kê, 2000, pp. 257-258.

POLITICAL ECONOMY OF VIETNAM

13

86% of the rural households belonged to cooperatives.⁴² Disturbances in the supply chain would negatively affect an entire community. Furthermore, United States military personnel consumed a significant proportion of the products and services produced in Vietnam. Nonetheless, United States military involvement was extremely detrimental for Vietnam's short-term and long-term economic environment, especially in the case of Agent Orange.

Vietnam's history extends thousands of years. A fragment, a shard, is represented by the Armageddon inflicted on the people of Vietnam; a mere ten years in the case of Agent Orange, which will considerably and hideously, outlast all prior attacks on the country.⁴³ Agent Orange is an herbicide containing Dioxin, a collective name for 75 different poly-chlorinated dibenzo-p-dioxins and 135 different poly-chlorinated dibenzo furans, known to cause birth defects and severe deterioration of human health. The specific Dioxin contained in Agent Orange was derived from 2,3,7,8 tetrachlorodibenzo-p-dioxin (TCDD), the most toxic.⁴⁴ The scientific properties of TCDD make its destruction last for an infinite amount of time. Dioxins are slow to evaporate, do not dissolve readily in water, and are often found bound to sediment or other organic substances in lakes and rivers several years later.⁴⁵

A discussion between President Roosevelt and White House Chief of Staff Admiral William D. Leahy resulted in the determination that Agent Orange should not be used against the Japanese. Despite this, in 1961 President Kennedy signed two orders allowing Agent Orange to be used in Vietnam: one order to destroy crops, and another order to defoliate the jungle.⁴⁶ The United States dumped 19 million gallons of Agent Orange on Vietnam in attempts to defoliate the jungle, which had provided canopy cover

42. VU Tuan Anh and TRAN Thi Van Anh, *Kinh te ho: lich su va trien vong phat trien [The household economy: history and development potential]*, Hanoi: Nha xuất bản Khoa học Xã hội, 1997, p. 75.

43. Philip Jones Griffiths, *Agent Orange: Collateral Damage in Vietnam*, London: Trolly Ltd., 2003, p. 152.

44. Peter Blumler, Dioxin: Severso, Vietnam, and Everyday Exposure, Lecture, Canterbury, England: University of Kent, 2000, pp. 2, 14 <http://www.econmr.org/data/pool/page/30/dioxin.pdf>.

45. Peter Blumler, Dioxin: Severso, Vietnam, and Everyday Exposure, Lecture, Canterbury, England: University of Kent, 2000, pp. 2, 14 <http://www.econmr.org/data/pool/page/30/dioxin.pdf>.

46. Gary D. Moore, Agent Orange Talking Paper #1. Smiths Creek, MI: Michigan Agent Orange Commission, August 21, 2009, par. 5 <http://www.gmasw.com/aotalk1.htm>.

and hiding places for the Vietnamese. The lethal effects of Dioxin exposure have been passed from generation to generation and led to more than 100,000 birth defects recorded in Vietnam.

Economically, Agent Orange and the war hurt the economy both short and long-term. It is estimated that over 10 million hectares of cultivated land and 5 million hectares of forest were damaged. Meanwhile, in the north for example, all the railways, bridges, industrial centers, main roads, sea and river ports had been destroyed by bombings.⁴⁷ Destruction to Vietnam's infrastructure was especially poignant considering that substantial infrastructure and capital improvement projects were completed from 1955 to 1960, including dozens of new drainage and pumping stations, several hydraulic dams, and major irrigation projects.⁴⁸ For the long term, the social and health cost of birth defects and health related problems attributed to Agent Orange exposure has been tremendous and difficult to put a number on.

Despite United States aggression in Vietnam over the course of three decades, Vietnam's economy managed to grow steadily from 1955-1975. Vietnam's GDP grew at an average annual rate of 1.9% over said period, compared to 2.1% for China, 3.2% for Thailand, 6.2% for Taiwan, 5.2% for South Korea, and 8% for Japan.⁴⁹ The ability for Vietnam to grow, given its agriculturally dominant economy, is impressive considering that there was a shortage of men in an agricultural system reliant on large amounts of manual labor. It is estimated that due to the large number of Vietnamese men killed, between 800,000 to 1,200,000 men from 1965-1975 alone,⁵⁰ women outnumbered men by as much as 20%.⁵¹

47. Kathleen Gough, *Political Economy in Vietnam*, Berkeley: Folklore Institute, 1990, pp. 3-4.

48. General NGUYEN Tien Hung, *Economic Development of Socialist Vietnam, 1955-1980*, New York: Praeger Publishers, 1977, p. 45.

49. Van Tho TRA., "Long-term economic statistics of Vietnam before reunification: 1955-1975," in J.P. Basso, J.D. Giacometti, and K. Odaka, eds., *Quantitative Economic History of Vietnam: 1900-1990*, Tokyo: Hitotsubashi University, 1999. For other countries gross domestic product average annual growth: Nicholas Crafts, *East Asian growth before and after the crisis*, *International Monetary Fund Staff Papers*, No. 46, Washington, DC: International Monetary Fund, 1999.

50. Charles Hirschman, Samuel Preston, and Vu Manh Loi, "Vietnamese Casualties during the American War," *Population and Development Review*, 21:4 (1995), pp. 783-812.

51. Judith Banister, *Vietnam Population Dynamics and Prospects*, Berkeley: University of California- Berkeley, Institute of East Asian Studies, 1993, p. 9.

POLITICAL ECONOMY OF VIETNAM

15

III. MOVING TOWARD MARKET ECONOMY

On April 30, 1975, at 4:03 AM, two United States Marines were killed at Saigon's Tan Son Nhut airport by a rocket attack; the last United States casualties of the war. By dawn, the United States embassy was evacuated and then ransacked by looters. A few hours later, North Vietnamese Army tanks rolled into Saigon ending the war.⁵² For the first time since French colonization began in 1862, Vietnam was unified and independent. The northern-based Democratic Republic of Vietnam merged with the southern-based Republic of Vietnam to form the autonomous Socialist Republic of Vietnam.

The first nation-wide election since the country's inaugural election of January 6, 1946 was held thirty years later on April 25, 1976. The Vietnam Fatherland Front, political party of the north, nominated 308 candidates for 249 northern seats while the National Liberation Front and the Vietnam Alliance of National, Democratic, and Peaceful Forces, a political party of the south, nominated 297 candidates for 243 southern seats. Of the 492 total deputy seats, women occupied 132 seats and men between the ages of 21 to 35 years old occupied 127 seats. The new National Assembly of the SRV commenced on June 24, 1976.⁵³

Political institutions within the SRV adhered to the influence of the Vietnamese Communist Party, which became hierarchically organized based upon Leninist principles of democratic centralism. For example, candidates for both local and national elected government positions required the approval of the Vietnam Fatherland Front, an arm of the Communist Party.⁵⁴ The number of candidates at elections varied; in many cases there was only one candidate on the ballot. Provincial and city administrations interacted in local government matters with authority approximately equal to the central government ministry.⁵⁵

Economic and political activities following the war were largely influenced by Chinese methods. The SRV's 1976-1980 five-year plan, aimed to mimic China's "five-year" increment planning system, sought to reorganize localized agricultural cooperatives in the

52. Public Broadcasting Station, 2013. "Battlefield: Vietnam," *Timeline* <http://www.pbs.org/battlefieldvietnam/timeline/index4.html>.

53. Socialist Republic of Vietnam, 1976, *Inter-Parliamentary Union* http://www.ipu.org/parline-e/reports/arc/VIETNAM_1976.PDF.

54. Adam Fforde and Stefan de Vylder, *From Plan to Market: The Economic Transition in Vietnam*, Boulder, CO: Westview Press, 1996, p. 83.

55. Fforde and Vylder, *From Plan to Market*, *supra* note 1, p. 84.

north into large-scale collective production facilities. The production efforts were compartmentalized by function: each unit controlled a specific aspect of the production process such as soil preparation, seed breeding, harvesting, irrigation, and extermination.⁵⁶

The aggregated production methods instilled by the 1976-1980 five-year plan were much more efficient than those used by the localized cooperatives that were previously in place since 1960, which brought 85.4% of all peasant households and 68% of total farmland into some form of localized cooperative.⁵⁷ While the local cooperatives were not very efficient, the landlord class, which consisted mostly of ethnic Chinese known as Hoa Kieu, were intent on not allowing Vietnamese peasant landowners “to ponder on their own piece of land.”⁵⁸ Less than five years prior, approximately 2.1 million peasants had been distributed land from 1955-1957 as a result of the 1954 liberation of North Vietnam and the “land to the tiller” initiative.⁵⁹ Between 1956 and 1972, 1,884,037 hectares of rice fields were redistributed to approximately 1.3 million households in the south.⁶⁰

Even during French colonization, the Hoa Kieu controlled a significant portion of economic activity and was granted certain privileges under French rule. Comprising Vietnam’s largest minority, the Hoa Kieu population numbered about 1.3 million at war’s

56. PHAM Xuan Nam, Be Viet DANG, and Geoffrey B. Hainsworth, (2000) “Rural Development in Viet Nam: The Search For Sustainable Livelihoods,” in Peter Boothroyd and PHAM Xuan Nam, eds., *Socioeconomic Renovation in Viet Nam: The Origin, Evolution, and Impact of Doi Moi*, International Development Research Center, 2000, p. 13.

57. PHAM Xuan Nam, Be Viet DANG, and Geoffrey B. Hainsworth, (2000) “Rural Development in Viet Nam: The Search For Sustainable Livelihoods,” in Peter Boothroyd and PHAM Xuan Nam, eds., *Socioeconomic Renovation in Viet Nam: The Origin, Evolution, and Impact of Doi Moi*. International Development Research Center, 2000, p. 11.

58. Phong TRAN, *Some Ideas on Capitalism in Northern Countryside Immediately after Land Reform*, Hanoi: Truth Publishing House, 1960.

59. PHAM Xuan Nam, Be Viet DANG, and Geoffrey B. Hainsworth, “Rural Development in Viet Nam: The Search For Sustainable Livelihoods,” in Peter Boothroyd and PHAM Xuan Nam, eds., *Socioeconomic Renovation in Viet Nam: The Origin, Evolution, and Impact of Doi Moi*. International Development Research Center, 2000, p. 10.

60. NGUYEN Thu Sa, “Van de ruong dat o dong bang song Cuu Long [The land problem in the Mekong Delta],” in NGUYEN Quang Vinh, ed., *Mien Nam trong su nghiep doi moi cua ca nuoc [The south in the renovation task of the country]*, Hanoi: Nha xuất bản Khoa học Xã hội, 1990, p. 144.

POLITICAL ECONOMY OF VIETNAM

17

end in 1975.⁶¹ In the north, the Hoa Kieu represented about .5% of the total population, and in the south, 5.5% of the total.⁶² While only representing about 2% of the total population in Vietnam, the Hoa Kieu owned the majority of small businesses, production facilities, and distributorships. Subsequently, the SRV's post-war political and economic actions were geared towards minimizing Hoa Kieu dominance of socio-economic activities.

Immediately after the war, the two Hoa Kieu mass political groups, the Hanoi Hoa Lien Association and the General Association of Overseas Chinese in Vietnam, ceased to exist. As a result, the Hoa Kieu were disenfranchised from Chinese governmental influence that had previously been emitted from the People's Republic of China Overseas Chinese Affairs Commission directly to the Hoa Kieu mass political parties. In the north, the Guomindang party of China communicated directives to Hoa Kieu political parties by means of the Chinese embassy in Hanoi. Meanwhile, the Chinese Communist Party exercised its influence in the south.

Since 1970, the DRV had encouraged the Hoa Kieu to become Vietnamese citizens, but the Hoa Kieu were hesitant to do so for fear of losing the right to return to China, and also to avoid the prospect of the draft since Hoa Kieu could not be drafted in Vietnam or China.⁶³ In conjunction with the SRV's 1976-1980 five-year plan, the Hoa Kieu were increasingly pressured to leave the country or abide by new measures of economic reform. In 1976, Chinese schools in Vietnam were given Vietnamese names and the Chinese language was no longer to be taught in provincial schools. Additionally, Hoa Kieu students were oftentimes discriminated against when it came to university admissions.⁶⁴

According to the 1976-1980 five-year plan, the Socialist Republic of Vietnam had committed to centralizing the economy by means of taking over the commercial and banking sectors in partic-

61. Ronald J. Cima, *Vietnam: A Country Study*, Washington, DC: Government Printing Office, 1981, pp. 93, 102.

62. E. S. Ungar, "The Struggle Over the Chinese Community in Vietnam, 1946-1986," *Pacific Affairs*, 60:4 (1987), p. 598.

63. Charles Benoit, "Vietnam's Boat People," in David W. P. Elliott, ed., *The Third Indochina Conflict*, Boulder, CO: Westview, 1981, p. 144.

64. CHEN Yiz., "Yuenan beifang huaqiao lishi yanbian gaikuang (A survey of the historical changes in the Overseas Chinese of northern Vietnam)," in Guangdong shengzhengxie wenshi ziliao yanjiu weiyuanhuibian (The Guangdong Provincial Consultative Committee for Research on Historical Materials), *Huaqiao cangshang lu* (A record of the vicissitudes of the Overseas Chinese), Guangdong: Guangdong renmin chubanshe, 1984, p. 127.

ular, which were mostly Chinese and Hoa Kieu owned. The Hoa Kieu were given the option of working on the rural agricultural collectives or leaving the country. Even so, Hoa Kieu who desired to leave were forced to submit an application and pay an evacuation fee, usually comprised of gold or other precious metals.⁶⁵

In the north, 265,000 Hoa Kieu crossed the border into China in 1978, mostly from the Quang Ninh province, where the Hoa Kieu community ranked second in population behind the Cholon, making up 22% of the Quang Ninh population prior to 1978.⁶⁶ In the south, Cholon's Chinese population decreased from 72% to 48.9% of the total, leaving approximately 96,822 Hoa.⁶⁷ Mostly due to their proximity to China, the Hoa Kieu in the north were much more segregated from Vietnamese culture, where Hoa social structures were centered on clans. Thus, when clan association heads decided to leave Vietnam, the ancestral ashes of that clan were taken with them.⁶⁸ On the other hand, in the south, the loss of Hoa Kieu was much more damaging to the social and economic fabric, especially in Ho Chi Minh City where the Hoa Kieu population was 3,419,978 people by 1980.⁶⁹ In a pivotal shift, the city's administration, along with other directives across the southern region, started to become more concerned with improving relations between the Vietnamese and the remaining Chinese population.⁷⁰

A major economic and demographic shift was implemented which aimed to reduce Chinese influence on the political economy in Vietnam. In addition to small businesses, the ethnic Chinese controlled the scrap metal, cinnamon, petrol, oil, and other heavy industrial businesses. Without the United States military personnel present, who consumed approximately 30% of products and services in urban areas of southern Vietnam, it was predicted that small business and urban activity would slow considerably. Thus, the SRV's decision to transition from an industrial to agricultural economy was considered to be both politically and economically prudent.

65. Pao-Min CHANG, "The Sino-Vietnamese Dispute Over the Ethnic Chinese," *China Quarterly*, Vol. 90 (1982), pp. 195-196.

66. "The Hoa in Vietnam: Dossier," Hanoi: Foreign Languages Publishing House, 1978, p. 24.

67. Ungar, "Chinese Community in Vietnam," *supra* note 1, p. 611.

68. Ungar, "Chinese Community in Vietnam," *supra* note 2, p. 609.

69. Alain Monnier, "Donnees recentes sur la population du Vietnam," *Population*. Paris: no. 36.

70. Ungar, "Chinese Community in Vietnam," *supra* note 3, p. 611.

POLITICAL ECONOMY OF VIETNAM

19

The 1976-1980 five-year plan set forth other major socio-economic initiatives. New Economic Areas were established on previously undeveloped land where heavy industry was generally thwarted in favor of lighter production facilities such as food processing and textiles. The agricultural and industrial sectors were to be intertwined into a single operational system under central control by the government.

In May 1978, Hanoi introduced a new currency for the entire country, which replaced the different currencies of the two zones, north and south. Meanwhile, citizens' cash reserves above specified legal limits were frozen or confiscated.⁷¹ The harsh form of socialism was the government's attempt to level a playing field that had been imbalanced for so many years, while at the same time looking for a way to most efficiently recover from decades of calamitous war.

In addition to Vietnam's production economy, foreign aid became a core component of economic stability. Until 1977, China had contributed about \$300 million a year in economic aid to Vietnam.⁷² The following year, in May 1978, China withdrew aid from seventy-two projects in Vietnam.⁷³ On July 3, 1978, China cut off its economic aid to Vietnam. In response, on June 28, 1978, Vietnam joined the Council for Mutual Economic Assistance (COMECON),⁷⁴ and the Council pledged a Comprehensive Program of Socialist Economic Integration similar to what had been done in Mongolia and Cuba. Shortly after, on November 3, 1978, a Vietnamese delegation went to Moscow and signed the Friendship and Cooperation Treaty, which carried a twenty-five year validity period.

The Treaty solidified economic and military ties between Vietnam and the Union of Soviet Socialist Republics. Long-term measures towards developing critical sectors of the economy such as science and technology, as well as knowledge and experiential resources, such as the sharing of administrative and management techniques, were guaranteed in the alliance. For example, in 1979, Soviet-assisted enterprises generated 25% of the electrical output, 89% of the extracted coal, 100% of the output of tin, sulfuric acid,

71. Nhan Tri VO, *Vietnam's Economic Policy Since 1975*, Singapore: Institute of Southeast Asian Studies, 1990, p. 90.

72. *IBID*, p. 98.

73. *IBID*, p. 98.

74. Brantly Womack, *China and Vietnam: The Politics of Asymmetry*, Cambridge, England: Cambridge University Press, pp. 191-192.

apatite, superphosphate, and 61% of metal cutting machines.⁷⁵ In addition, 50,000 hectares were dedicated to the production of natural rubber in the province of Song Be, where the development of facilities and infrastructure was achieved using Soviet Assistance.⁷⁶

Not long after signing the Friendship and Cooperation Treaty, the Vietnamese invaded Cambodia on December 25, 1978, in retaliation for the ethnic cleansing of Vietnamese that had taken place in Cambodia. The Soviet Union provided military equipment to Vietnam,⁷⁷ which facilitated the deployment of 140,000 troops in Cambodia and 50,000 troops in Laos before large-scale withdrawal began in 1988.⁷⁸ Vietnam's total active force was estimated to be 1.26 million at the time.

The Chinese, who backed the Khmer Rouge ruling party, eventually sought recourse in February 1979, causing an estimated \$1 billion in destruction of several northern Vietnamese provinces.⁷⁹ With the Soviet Union's support of Vietnam, further conflict would have meant a war of major powers, something that neither the Soviet Union, China, nor Vietnam were anxious to engage in, given the intense conflict of recent years.

Foreign aid subsidized a large portion of industrial activities in Vietnam while the central government invested its own resources predominately in agricultural activities, or the supply of inputs that supported agriculture such as energy, and the construction of infrastructure for the transport of equipment, raw materials, and finished products. Vietnam's state sector, which controlled agriculture but only had a partial interest in much of the heavy industry production, was operating at only 30 to 50% of capacity.

By 1980, the average scale of agricultural cooperatives, in terms of households employed and acreage farmed, had more than doubled as compared to 1975, although per-capita food output in the North decreased from 248 kilograms in 1976 to 215 kilograms in 1980, the lowest level of production documented in Vietnam's his-

75. Tri VO, *Vietnam's Economic Policy Since 1975*, *supra* note 1, p. 99.

76. Tri VO, *Vietnam's Economic Policy Since 1975*, *supra* note 2, p. 100.

77. Douglas Pike, *PAVN: People's Army of Vietnam*, London: Brassey's, 1986; Greg Lockart, *Nation in Arms: The Origins of the People's Army of Vietnam*, Sydney: Asian Studies Association of Australia.

78. David R. Jones, *Soviet Armed Forces Review Annual: 1987-1988*, Stockholm International Peace Research Institute, Gulf Breeze, FL, 1989, pp. 175-176.

79. NGUYEN Xuan Lai, "Economic Development 1976-1985," *Vietnamese Studies*, 71 (1983), p. 33.

tory.⁸⁰ From 1976-1980, Vietnam had to import 5.6 million tons of food, despite agriculture accounting for approximately 50% of the GDP.⁸¹ Rainfall averaged approximately 20 centimeters per year instead of the 40 or more centimeters per year needed for a stronger harvest,⁸² was likely a contributing factor to the insufficiencies of collective farming.

Total output of principal industrial products such as coal, cement, steel, cloth, chemical fertilizers, and paper also decreased from 1976-1980, from 5.7 million tons to 5.2 million tons, 743.7 thousand tons to 636.6 thousand tons, 63.8 thousand tons to 63.5 thousand tons, 218 million meters to 174.4 million meters, 434.8 thousand tons to 361.7 thousand tons, and 75 thousand tons to 48.3 thousand tons, respectively. Electricity output went from 3.06 billion kilowatts to 3.65 billion kilowatts over the five-year period becoming one of the few industrial products to increase.⁸³

Economic dependency on agriculture during the post-war period from 1975-1980 was widely viewed as a failed initiative, and a transitional economic model was implemented.⁸⁴ Expressions such as “those who work outside eat outside” (*lam ngoai an ngoai*), described the economic sentiment of poor farmers. Another common phrase was “the outside foot is longer than the inside foot” (*chan ngoai dai hon chan trong*), alluding to the notion that external markets would assign higher values to products that were being produced and consumed within a centrally controlled economy.⁸⁵

From 1981-1985, a third five-year plan was enacted, which entailed a gradual move toward market systems. During the fourth

80. PHAM Xuan Nam, Be Viet DANG, and Geoffrey B. Hainsworth, “Rural Development in Viet Nam: The Search For Sustainable Livelihoods,” in Peter Boothroyd and PHAM Xuan Nam, eds., *Socioeconomic Renovation in Viet Nam: The Origin, Evolution, and Impact of Doi Moi*. International Development Research Center, 2000, p. 13.

81. PHAM Xuan Nam, Be Viet DANG, and Geoffrey B. Hainsworth, “Rural Development in Viet Nam: The Search For Sustainable Livelihoods,” in Peter Boothroyd and PHAM Xuan Nam, eds., *Socioeconomic Renovation in Viet Nam: The Origin, Evolution, and Impact of Doi Moi*. International Development Research Center, 2000, p. 14.

82. Netherlands Climate Assistance Programme, Climate change and climate variability in Vietnam and Thua Thien Hue province: Historical trends and future projections, Dutch Ministry of Foreign Affairs/ Directorate General for International Cooperation, Hanoi, April 2008, pp. 62-63.

83. Nien Giam Thong Ke 1982. (Statistical Yearbook 1982), pp. 187-189; *Vietnam Courier*, January 1977, Hanoi: Tong cuc Thong ke, 1982, pp. 6-7.

84. Fforde and Vylder, *From Plan to Market*, *supra* note 2, p. 59.

85. Fforde and Vylder, *From Plan to Market*, *supra* note 3, pp. 3, 23.

convocation in September 1979 for the Sixth Plenum of the Vietnam Communist Party Central Committee, the decision was made to recognize an economy that consisted of multiple sectors: state, collective, and individual entities. Additionally, Instruction 100 was initiated on January 13, 1981, which made contracts allowable in order to promote free circulation and exchange of goods.⁸⁶

For the first time, the government allowed state-owned enterprises to procure raw materials partially using open and international markets. A three part plan production system was put into place. Under plan A, a state enterprise uses materials for inputs that were supplied by the state in order to meet the state's production target. Of the profit, 50% was kept by the enterprise and 50% was paid to the state.⁸⁷ With plan B, the enterprise procured materials from sources outside the government supervisory agency but marketed products at prices that were mutually agreed to with the state. Of the profit, plan B enterprises kept 60%, paying 40% of the profits to the state.⁸⁸ In plan C, an enterprise could sell secondary items to 'market' participants at prices negotiated between the buyer and seller in which the enterprise was only forced to pay the government 10% of the profit.⁸⁹ Assuming enterprises fulfilled production obligations to the state then firms could typically engage in plan B and plan C production systems.⁹⁰

86. PHAM Xuan Nam, Be Viet DANG, and Geoffrey B. Hainsworth, (2000) "Rural Development in Viet Nam: The Search For Sustainable Livelihoods," in Peter Boothroyd and PHAM Xuan Nam, eds., *Socioeconomic Renovation in Viet Nam: The Origin, Evolution, and Impact of Doi Moi*, International Development Research Center, 2000, p. 15.

87. Hy V. LUONG, "Postwar Vietnamese Society: An Overview of Transformational Dynamics," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 9.

88. Hy V. LUONG, "Postwar Vietnamese Society: An Overview of Transformational Dynamics," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 9.

89. Hy V. LUONG, "Postwar Vietnamese Society: An Overview of Transformational Dynamics," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 9.

90. Hy Van LUONG, "The Political Economy of Vietnamese Reforms: A Microscopic Perspective from Two Ceramics Manufacturing Centers," in William Turley and Mark Selden, eds., *Reinventing Vietnamese Socialism: Doi Moi in Comparative Perspective*, Boulder, CO: Westview, 1993, pp. 119-148.

POLITICAL ECONOMY OF VIETNAM

23

From 1981-1985, agricultural production increased at an annual average of 6% and industrial growth was approximately 8%. Annually, the GDP grew greater than 6% during the period.⁹¹ Meanwhile, in southern Vietnam, the number of organized labor teams and cooperatives increased from 3,732 and 173 in 1980 to 35,853 and 622 from 1980 to 1985.⁹² At a glance, the 1981-1985 five-year plan was economically successful. The proportion of the working population as a percentage of the total population increased from 36.9% in 1979 to 42.8% in 1984, and finally 44.9% in 1989.⁹³ Meanwhile, Vietnam's population grew over the period from about 49.1 million in 1976 to about 66 million by the late 1980's.⁹⁴ However, annual hyperinflation between 50% and 100% persisted from 1981-1985. Despite salary increases to compensate for inflationary woes, the purchasing power of state employees' salaries decreased by over 50% during that time.⁹⁵

IV. ECONOMIC RENOVATION

In December 1986, the Vietnamese Communist Party endorsed economic renovation, *doi moi*, at the Sixth Party Congressional meeting, in an attempt to shift away from the command-and-control economic model to a market system economy. The positive effects of efforts made during recent years toward privatization were paramount. By 1987, output produced by local industrial enterprises had doubled since 1980, while output from centrally managed enterprises rose only 64%.⁹⁶ Inflation was reduced from 308% per annum in 1988 to 36% in 1990.⁹⁷ Employment in the state sector decreased from 3.86 million total employees in 1985 (approximately

91. Tho van TRAN, *Kinh te Viet Nam 1955-2000 (Vietnamese Economy 1955-2000)*, Hanoi: Nha xuất bản Thống kê, 2000, p. 293.

92. CHU van Lam, *Hop tac hoa nong nghiep Viet Nam: Lich su-van de-trien vong, (Agricultural cooperativization in Vietnam: History, problems, and prospects)*, Hanoi: Nha xuất bản Khoa học Xã hội, 1992, p. 48; LAM Thanh Liem, *Chinh sach cai cach ruong dat Viet Nam (1954-1994). (Land Reform Policies in Vietnam (1954-1994)*. Paris: Nam A., 1995, pp. 136-137.

93. Fforde and Vylder, *From Plan to Market*, *supra* note 4, p. 105.

94. Fforde and Vylder, *From Plan to Market*, *supra* note 5, p. 80.

95. Van TRAN, *Vietnamese Economy 1955-2000*, *supra* note 1, pp. 242, 273.

96. Vietnam, General Statistical Office. *Nien giam thong ke 1987 [Statistical Yearbook 1987]*, Hanoi: Tong cuc Thong ke, 1989.

97. World Bank, *Vietnam: Public Sector Management and Private Sector Incentives Economic Report*, Hanoi: The World Bank, 1994, p. 131.

15% of total labor force) to 2.92 million in 1993 (about 9% of total labor force).⁹⁸

The first major reform of *doi moi* was the Foreign Investment Law that passed in December 1987, allowing for 100% foreign ownership of entities and profit repatriation.⁹⁹ At the time, there was very little foreign investment and technology severely lagged behind the advancements of other nations in the region. Furthermore, visits by Vietnamese nationals to market economies were rare and there were few foreigners from market economies working in Vietnam.¹⁰⁰ The Law also provided various tax exemptions and concessions for investments in high priority areas such as exports, consumer goods, technology transfer, and raw materials processing.¹⁰¹

The impetus for foreign investors was the inexpensive labor in Vietnam. For example, in 1994, the hourly manufacturing labor cost in Vietnam was \$.14 per hour, assuming a 48-hour week, much cheaper than other newly industrialized countries such as Taiwan, Singapore, South Korea, and Malaysia where labor costs were approaching \$5.00 per hour.¹⁰² Between 1988 and 1996, projects funded by foreign investment increased in proportion from 0% to 27% of the total gross value of industrial output in Vietnam.¹⁰³

By 1993, 57% of the investment capital was devoted to Ho Chi Minh City and its adjacent provinces; another 30% went to Hanoi and Haiphong.¹⁰⁴ Subsequently, wealth inequality between urban and rural areas was exacerbated. In 1992, the Northern Highlands population made up 17.3% of Vietnam's total population but the GDP of this region was only 12.7% of the total, as compared to the

98. Vietnam, General Statistical Office. *Niem giam thong ke 1994* [Statistical Yearbook 1994], Hanoi: Nha xuất bản Thống kê.

99. Melanie Beresford, "Economic Transition, Uneven Development, and the Impact of Reform on Regional Inequality," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*. Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 62.

100. Raymond Mallon, "Vietnam: Image and Reality," in John Heath, ed., *Revitalising Socialist Enterprise*, London: Routledge, 1993.

101. Melanie Beresford, "Economic Transition, Uneven Development, and the Impact of Reform on Regional Inequality," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 62.

102. TAN, *ASEAN Economic Development*, *supra* note 1, p. 205.

103. Vietnam, General Statistical Office. *Niem giam thong ke 1997* [Statistical Yearbook 1997], Hanoi: Nha xuất bản Thống kê, 1998.

104. Vietnam General Statistical Office, *Niem giam thong ke 1994* [Statistical Yearbook 1994], Hanoi: Nha xuất bản Thống kê, 1995.

POLITICAL ECONOMY OF VIETNAM

25

Southeast region where 12.3% of the population generated 27.1% of GDP.¹⁰⁵

The SRV sought to disaggregate from the agricultural sector that had been disenfranchising rural peasants for generations. In March 1988, Resolution 10 of the Vietnamese Politburo sought to decollectivize the agricultural sector. Accordingly, land was distributed to households for periods of fifteen years, (up to fifty years for perennial crops), and households were given authority over decisions related to production and investment.¹⁰⁶

Agricultural output began to increase precipitously as the morale of farmers increased drastically due to land rent and the expanded freedoms that farmers began to have in terms of choosing production methods and other business decision making. Furthermore, the government's required share of outputs and profits decreased considerably. Approximately five years after Resolution 10, the Land Law of 1993 ensured the farmers' rights to lease land up to a period of 75 years, even though private ownership of land was still forbidden. In early 1994, the General Department of Land Administration (GDLA) was established by merging the General Department of Land Management and the National Department of Surveying and Mapping. The GDLA at the central government level, the Department of Land Administration (DLA) at the provincial level, and the Bureau of Land Administration (BLA) at the district level were land administration bodies dedicated to implementing a cadastral system including land register, cadastral mapping, land tenure certificate issuance, and an updated land records system.¹⁰⁷

In 1997, the GDLA signed an agreement with the Sweden International Development Agency (SIDA) named the Vietnam-Sweden Cooperation Program on Land Administration Reform (CPLAR), which would be carried out in two phases from 1997 to

105. World Bank, *Vietnam: Poverty Assessment and Analysis*, Washington, DC: World Bank, 1995, pp. 160, 165.

106. Melanie Beresford, "Economic Transition, Uneven Development, and the Impact of Reform on Regional Inequality," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 62.

107. DANG Hung Vo & Gosta Palmkvist, *Sweden-Vietnam Cooperation on Land Administration Reform in Vietnam*, Hanoi: General Department of Land Administration, 2012, p. 3.

2001 and from 2002 to 2007.¹⁰⁸ Major obstacles to the new cadastral system involved land classification, land assessment, and land valuation. It was difficult to determine how to transfer land holdings from the control of the central government, where households rent land from the government, to a land administration system, where citizens enjoy the rights, privileges, and responsibilities of land ownership, thereby plaguing Vietnam's real estate market with uncertainty.

Meanwhile, in urban areas that were less influenced by land reform movements, beginning in 1989, state-owned enterprises and the military laid-off approximately 1.5 million people, paving the way for the street-food revolution within the cities. Women took control of the means of production—including a charcoal burner, large pot, wooden (later plastic) stools, and began supporting their families by selling tea, *pho* noodle soup, *bun cha* mini kebabs on noodles, *lau* stew, and other traditional Vietnamese dishes.¹⁰⁹ Other merchants such as vegetable sellers, clothing shops, pineapple peelers, barbers, and bicycle repairers also set up shop.¹¹⁰ Previously, these types of open markets of trade were strictly forbidden. In sum, an estimated 350,000 small businesses opened up in the period from 1987-1992.¹¹¹

International trade resulted from the development of these urban market centers. Thousands of automobiles and second-hand motorcycles arrived in Vietnam each month from Cambodia. A car in good condition could be bought in Cambodia for \$2000-\$3000 and sold in Vietnam for \$6000-\$7000. Second-hand motorcycles were less lucrative; they were typically bought in Cambodia for about \$200-\$300 and sold in Vietnam for \$400-\$500.¹¹² With the newly emerging open markets in urban areas, corruption and government disobedience became commonplace. From January to May 1989, the southwestern provinces alone imported an estimated

108. DANG Hung Vo & Gosta Palmkvist, *Sweden-Vietnam Cooperation on Land Administration Reform in Vietnam*, Hanoi: General Department of Land Administration, 2012, pp. 5-6.

109. Hayton, *Rising Dragon*, *supra* note 1, p. 51.

110. Hayton, *Rising Dragon*, *supra* note 2, p. 51.

111. NGUYEN Chi Vu, In "Murray Hiebert, Red Capitalists: Private Enterprise Flourishes Despite Hurdles," *Far Eastern Economic Review*, 155:7, February 20, 1992, p. 51.

112. Melanie Beresford and DANG Phong, *Economic Transition in Vietnam: Trade and Aid in the Demise of a Centrally Planned Economy*, Cheltenham, United Kingdom: Edward Elgar, 2000, p. 127.

15,000 second-hand motorcycles and 300 automobiles from Cambodia without permits.¹¹³

Despite the brief conflict between Vietnam and China in 1979, the two countries officially reestablished trade with each other shortly thereafter. Vietnamese Foreign Minister NGUYEN Co Thach stated: “the cannonballs were replaced by apples crossing the frontier.”¹¹⁴ Trade with China greatly improved Vietnam’s system of procurement as competition from Chinese producers resulted in higher quality goods for the Vietnamese peasantry and working class.¹¹⁵ As a result of the expanded markets, sewing machines, traditionally known as luxury goods, could be purchased using the income from 2 kilograms of turtles, 5 kilograms of eels, or 10 kilograms of snails or frogs.¹¹⁶

As openness and other measures unfolded, turning Vietnam into a market economy during the 1981-1985 and 1986-1990 Five-Year Plans, the purchasing power of the *dong* was rapidly declining. For example, the inflation rate was 231.8% in 1987 and 393.8% in 1988.¹¹⁷ Hyperinflation in Vietnam posed a threat of decreasing foreign investment interest and reducing the standard of living for residents. In the first case, foreign investment interest could subside if production costs in Vietnam rose too high as a result of the hyperinflation. Secondly, the people’s standard of living could sharply decline as prices of goods and services increased at a greater rate than wages and savings.

Several financial initiatives were put into place in order to tame inflation and support the dynamic, international economy that had emerged in what was, until recently, an economic sector centered on agricultural factors of production and output. In 1988, the mono-tier banking system was split into a two-tier financial system. Initially, the state bank operated through two specialized institutions: the Bank for Investment and Development and the Bank for Foreign Trade. Banking reform created a two-tier financial system

113. DANG Phong, *Mo cua va van de bao ve san xuat trong nuoc* [The open door and the problem of protecting domestic production], *Nhan Dan* 22 September, 1989.

114. Beresford and Dang, *Demise of a Centrally Planned Economy*, *supra* note 1, p. 131.

115. DANG Phong, “Aspects of Agricultural Economy and Rural Life,” in Benedict J. Tria Kerkvliet and Doug J. Porter, (eds.), *Vietnam’s Rural Transformation*, Boulder, CO: Westview Press, 1995, p. 175.

116. Beresford and Dang, *Demise of a Centrally Planned Economy*, *supra* note 2, p. 139.

117. International Monetary Fund. *Economic Review – Vietnam*. Washington, DC, 1994.

consisting of four commercial banks: Bank of Foreign Trade, Vietnam Bank for Industry and Trade, Bank for Investment and Development of Vietnam, and Bank for Agriculture. Simultaneously, foreign banks, which had not been allowed since the Chinese-owned banks existed prior to the establishment of the SRV, were given the freedom to operate in Vietnam; all banks under the Vietnamese central authority were nationalized. Shortly thereafter, government bonds were issued further stimulating industrial growth. Debt financing as a percentage of GDP increased steadily from 10% in 1989, to 17% in 1992, and to 27.1% in 1995.¹¹⁸

In addition to debt instruments, the Finance Ministry engaged in other financial engineering. For example, in June 1992, the Ministry of Finance put the Legamex garment factory and six other firms up for sale; these were the first state-owned enterprises to offer ownership shares to private investors including foreigners. An additional nine state-owned companies were offered for sale the same year. At the time, the 12,000 state-owned companies held 75% of the nation's assets, 30% of the labor force, and 86% of bank credit.¹¹⁹ Despite the state's goal to promote the household sector in rural areas and small businesses in the urban centers, the state-owned industrial sector's share of the GDP rose from 36% in 1991 to 46% in 1994.¹²⁰ The SRV was in the midst of adopting a capitalist system.

The central government had been planning a stock market since 1991. Mergers and acquisitions between Vietnam's more than 5,000 state-run enterprises were becoming commonplace and efforts toward government business divestiture and privatization were thought to be best achieved through capital equity markets. Finally, on November 28, 1996, the State Securities Commission, established under Decree 75/CP, listed two companies, Refrigeration Electrical Engineering Joint Stock Corporation (REE) and Saigon Cable and Telecommunication Material Joint Stock Company (SSC). At first, only stocks and bonds equitized by state-owned enterprises and commercial banks would be listed. Fixed maturity bills, debt certificates, treasury bills issued by the Ministry of Finance, and medium and long-term bills issued by the government

118. World Bank, 1995. Vietnam – Economic Report on Industrialization and Industrial Policy. Washington, DC.

119. Murray Hiebert, "Economies: Fateful Experiment," *Far Eastern Economic Review*, August 20, 1992, p. 50.

120. A. Schwartz, "No Respect: Vietnam's Private Sector Plays On An Uneven Playing Field," *Far Eastern Economic Review*, July 6, 1995, p. 68.

POLITICAL ECONOMY OF VIETNAM

29

for major public works projects were all floated in transactional markets.¹²¹

In addition to financial stabilization and economic reform toward openness, significant political movement was taking place such as those in the Than Hoa province during 1989, for example, where citizen demonstrations were common. In some cases, demonstrators threw stones into office windows, shouted at bureaucratic officials, and even took policemen hostage in exchange for liberalized policy concessions.¹²² The same year, the Club of Former Resistance Fighters (Cau Lac Bo Nhung Nguoi Khang Chien Cu) in Ho Chi Minh City published a magazine detesting prohibitions against private media companies. In response, the central government blocked the groups' access to printing presses and mimeograph machines. Finally, in early 1990, the Club's members were detained and the leader, Nguyen Ho, was placed under house arrest.¹²³

The most significant political advancement of *doi moi* took place when the Constitution was ratified in 1992. By examining the SRV's Constitution, which was built upon those of 1946, 1959, and 1980, and was later amended on December 25, 2001, it officially became clear to both the Vietnamese and observers abroad that Vietnam consists of a state grounded in its dynamic economic system. For example, Article 16 states:¹²⁴

The economic policies of the State are to build a strong country with prosperous life for its people, and aimed at ever better satisfying the material and spiritual needs of the people by bringing into full play all productive capacities, and all the potentials of the various economic sectors comprising the State, collective, individual, small-holder, private capitalist, State capitalist, and the economy with foreign owned capital under different forms; stepping up

121. Cindy Nguyen, "The Vietnamese Stock Market: Viability in Southeast Asia and Appeal Around the World," *Loyola of Los Angeles International and Comparative Law Review*, 21:4 (1999), pp. 613-614.

122. Benedict J. Tria Kerkvliet, "Authorities and the People: An Analysis of State-Society Relations in Vietnam," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 34.

123. Russell Hianh-Khng Heng, "Media in Vietnam and the Structure of its Management," in David Marr, ed., *The Mass Media in Vietnam. Canberra, Australia: Department of Political and Social Change*, Australia National University, 1998, pp. 27-53.

124. Social Republic of Vietnam's Constitution, Amended December 15, 2001, Article 16.

the construction of the material and technical basis, expanding economic, scientific, and technical cooperation and exchanges with the international market.

Furthermore, Articles 15 through 29 are dedicated to providing economic freedoms that had been absent throughout the state's history. In Article 21:¹²⁵

Individual economic entities, small-holders and the private capitalist economic sector are allowed to choose their forms of production and business, have the right to set up business without any limitations as to their scale of activities in branches and trades which are beneficial to the well-being of the nation and its people. The development of household economy is encouraged.

Economic reforms were not the only mainstay of the Constitution. Despite Vietnam's self-declared government classification as "socialist" and "communist," the bureaucracy and state enterprise wholeheartedly declares its commitment to the people of the country. Article 2 of the Constitution declares: "The State of the Socialist Republic of Vietnam is a State of the people, by the people, for the people. All State power belongs to the people whose foundation is the alliance between the working class and the peasantry and the intelligentsia."¹²⁶ The large wealth disparity among the country's populous indicates that the "alliance" between the working class and intelligentsia is fragmented. To reduce the economic gap between urban and rural areas, several welfare programs were instituted in order to address the wealth disparity and to garner support for the newly constitutionalized state.

The SRV instituted an income transfer process where the central government increased the budget share allocation to the Northern Highlands region from 7.8% in 1992 to 12.8% in 1998, which was part of a government program to target Vietnam's 1,000 poorest communities.¹²⁷ While the results of the program did not drastically affect the GDP of the Northern Highlands and Central

125. Social Republic of Vietnam's Constitution, Amended December 15, 2001, Article 21.

126. Social Republic of Vietnam's Constitution, Amended December 15, 2001, Article 2.

127. Hy V. LUONG, "Wealth, Power, and Inequality: Global Market, the State, and Local Sociocultural Dynamics," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 92.

Highlands regions, the government's capital investment in infrastructure helped support other social programs that were being implemented at the time.

State educational and healthcare outlays made by the government increased dramatically, 10.9% to 17.4% of public expenditures, and 5.8% to 8.5%, respectively, from 1992 to 1998.¹²⁸ Knowing that poor communities had limited access to upper secondary and postsecondary education, state investment in education was consciously directed towards primary education and lower secondary education. From 1993 to 1998, state subsidies of primary education expenses increased from 45% to 61% and from 34% to 42% for lower secondary education. Over the same period, state coverage of upper secondary education expenses declined from 40% to 33%. Higher and vocational education subsidies declined from 71% of user coverage to 46% from 1993 to 1998.¹²⁹

Despite the welfare programs, the wealth disparity continued to worsen in 1998 when the Northern Highlands region consisted of 17.2% of Vietnam's total population, but produced only 11.5% of the nation's GDP. Concurrently, the much wealthier southeast region's population gradually increased to 13.2% of the nation's total population and raised the area's market value to 31.5% of Vietnam's GDP.¹³⁰

Overall, the welfare programs can be viewed as successfully reducing the standard of living gap, especially the disparities that were evident between urban and rural areas. The cumulative welfare programs managed to decrease the proportion of Vietnamese living in poverty from 58% in 1993 to 37.4% in 1998.¹³¹ Meanwhile, adult literacy drastically increased from 1990-1998, especially in rural areas. The number of literates nearly tripled in the North Central Coast and South Central Coast areas, from 551,414 people in 1990 to 1,400,106 people in 1998 and from 682,385 in 1990 to 1,667,234 people in 1998, respectively. And in the Red River Delta and north East regions, the number of literates nearly doubled from

128. Vietnam and International Donor Group, *Vietnam: Managing Public Resources Better*, 2 Volumes. Hanoi: Vietnam Development Information Center, 2000, pp. 98, 99, 128.

129. Vietnam and International Donor Group, *Vietnam: Managing Public Resources Better*, 2 Volumes. Hanoi: Vietnam Development Information Center, 2000, p. 144.

130. World Bank, *Vietnam: Poverty Assessment and Analysis*. Washington, DC: World Bank, 1995, pp. 160, 165.

131. Vietnam, Government Statistical Office, in *Investment Policy Review of Viet Nam*, United Nations Conference on Trade and Development, New York and Geneva, United Nations Centre on Transnational Corporations, 2008, p. 4.

2,520,406 people in 1990 to 3,977,721 in 1998 and from 700,312 people in 1990 to 1,650,243 people in 1998, respectively. Even the highly literate Mekong River Delta, where 4,114,205, or about 90% of the population were literate in 1990, improved its number of literates to 4,750,602 people in 1998.¹³²

As the workforce became more educated and the agricultural sector was de-collectivized, economic transition occurred between sectors. The agricultural sector's percentage of GDP decreased from 46.5% in 1980 to 28% in 1995 while industry's contribution to GDP increased from 11.6% to 30%, respectively.¹³³ Furthermore, the development of skilled and knowledgeable workers enabled a private service sector to become established, performing services that were previously completed by the state sector. The agricultural sector also greatly benefited from the series of reforms that were taking place. For example, rice production increased substantially as a result of the economic renovation. Vietnam had gone from a food shortage where even rice needed to be imported, to the world's third largest exporter of rice within four years (1986 to 1990).

The successes of privatization and foreign investment meant that heavy industry began to flourish. With increased production, environmental concerns began to loom. Many Vietnamese assimilate with traditional culture in which people live in harmony with nature.¹³⁴ On the other hand, attempts to reduce high poverty rates have also led to the belief that a Vietnamese local would rather look at a power generator than a patch of trees. In any case, with the help of international support and influence, the negative externalities of a developing nation were starting to be addressed.

In 1990, the United Nations Development Program, the International Union for the Conservation of Nature, and the Swedish International Development Agency organized a conference in Hanoi. From the information and support garnered at the conference, Vietnamese conference attendees devised a National Program on the Environment and Sustainable Development: Framework for Action, and submitted the proposal to the Council of Ministries (to-

132. United Nations Educational, Scientific, and Cultural Organization (UNESCO), *The EFA 2000 Assessment: Country Reports, Vietnam*.

133. World Bank, *World Development Indicators 1997. Department of Statistics, Brunei Darussalam Statistical Yearbook*, 1995.

134. LE Trong Cuc, "Vietnam: Traditional Concepts of Human Relations with the Environment," *Asian Geographer*, 18:1-2 (1999), pp. 67-74.

day Office of Government).¹³⁵ In 1991 the National Research Program on Environmental Protection was launched and by 1992 the government accepted the Framework for Action proposal.

The Ministry of Science, Technology, and Environment was created in 1993 and serves to enforce environmental provisions related to environmental regulatory activities. On January 10, 1994, the Law on Environmental Protection was formally enacted, which set forth requirements such as environmental impact assessments of industrial plants, levying of environmental taxes, establishment of environmental standards, and related inspections.¹³⁶ Furthering Vietnam's environmental sustainability efforts, the National Environmental Agency was established in 1995. The environmental protections instilled by the SRV are quite extraordinary considering that only twenty years prior the nation was facing longstanding occupation. While the government was still combating comparatively high rates of poverty and low per capita household income, the government was willing to prioritize for the long-term and the viability of the surrounding region.

Vietnam's progress as a result of movement towards a market economy during the 1981-1985 Five-Year Plan and *doi moi* that followed was phenomenal. While emphasis on the central government's state-enterprise apparatus was effectively decreased, the state's generation of revenues increased, indicating that the government became more efficient while the business private sector was also flourishing. Additionally, major demographic shifts took place; since the beginning of the French Indochina war, millions had left and entered the country.

Vietnam's global outreach expanded both economically from *doi moi*, and geopolitically from the standpoint that many Vietnamese had so quickly become established in other countries, further enhancing international trade. Vietnam was truly becoming a dynamic economy, and in July 1995, Vietnam joined the Association of Southeast Asian Nations (ASEAN). Also in 1995, the

135. Michael DiGregorio, A. Terry Rambo, & Masayuki Yanagisawa, "Clean, Green, and Beautiful: Environment and Development under the Renovation Economy," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, p. 194.

136. Michael DiGregorio, A. Terry Rambo, & Masayuki Yanagisawa, "Clean, Green, and Beautiful: Environment and Development under the Renovation Economy," in Hy V. LUONG, ed., *Postwar Vietnam: Dynamics of a Transforming Society*, Boulder, CO: Rowman & Littlefield Publishers, Singapore: Institute of Southeast Asian Studies, 2003, p. 195.

United States lifted its trade embargo with Vietnam and officially recognized the sovereign country. Trade between the United States and Vietnam developed quickly as some United States producers shifted business to Vietnam from other more expensive Asian countries. Simultaneously, Vietnam submitted an application to the World Trade Organization (WTO).

Global confidence in the region subsided when the Asian Currency Crisis of 1997 hit. Foreign investment in Vietnam decreased from approximately \$3 billion to \$1.5 billion from 1997 to 1998 and export growth fell by 50%, despite the fact that Vietnam was relatively unaffected by the crisis.¹³⁷ Vietnam's conservative financial policies, in which the use of aggressive financial and monetary policies were limited, kept Vietnam's currency and monetary system largely independent from surrounding nations in the region who were severely impacted. Nonetheless, Vietnam was forced to devalue its currency three times from 1997-1998, in response to the shortage of United States dollars in the country that served as a medium of exchange in the import and export businesses.

V. SOCIO-ECONOMIC DEVELOPMENT STRATEGY

On December 26, 1997, President TRAN Duc Luong signed Law No. 01/1997/QH10, establishing the State Bank of Vietnam. The functions of the State Bank are to act as the central bank, the bank of credit institutions, control circulation of currency, and formulate monetary policy.¹³⁸ In addition, according to Article 5, Duties and powers of the State Bank, Section 1.a. stipulates "The State Bank shall have the following duties and powers: To be involved in developing strategy and planning for the socio-economic development of the State."¹³⁹

The period, which spanned through the 1990's, demonstrated quantitative and productive growth in Vietnam. The Socio-Economic Development Strategy Plan of 1991-2000 was successful in achieving rapid economic growth. For example, the total value of Vietnamese exports increased from \$2.4 billion in 1990 to \$11.5 billion in 1999. Meanwhile, the total value of imports also increased substantially, from \$2.75 billion in 1990 to \$11.74 billion in 1999.¹⁴⁰

137. Tan, *ASEAN Economic Development*, *supra* note 2, p. 206.

138. Law No. 01/1997/QH10 on State Bank of Vietnam, Articles 1-3.

139. Law No. 01/1997/QH10 on State Bank of Vietnam, Article 5, Section 1.a.

140. General Statistics Office, Vietnam. Total values of exports and imports, 1990-2001, in Brian Van Arkadie & Raymond Mallon, eds., *Vietnam: A Transition Tiger?* Asia Pacific Press at The Australian National University, p. 271.

Not only had the market value of Vietnam's international economic activity increased nearly five-fold during the 1990's, but Vietnam's trading activity remained in balance, with exports equaling imports.

Furthermore, Vietnam's GDP increased tremendously in all three major economic sectors. Agriculture, forestry, and fishing's contribution to the GDP increased from 12 VND billion in 1990 to about 61 VND billion in 1999 while industry and construction's contribution to the GDP increased from 6.6 VND billion to 88 VND billion and the services industry increased from 10.8 VND billion to 107.3 VND billion from 1990 to 1999, in constant Vietnamese Dong prices.¹⁴¹ After ten years of the Socio-Economic Strategy of 1991-2000, which entailed the Five-Year Plans of 1991-1995 and 1996-2000, Vietnam's GDP had more than doubled (2.07 times), and domestic savings in 2000 accounted for 27% of the GDP.¹⁴² Meanwhile, publicly guaranteed debt issued by the Government of Vietnam was only 32.7% of GDP in 2000, well below the 50% threshold.¹⁴³ Households' ability to save money while providing levels of consumption that would keep the economy expanding is an indicator of Vietnam's organic growth and the success of *doi moi*.

There were several deficiencies that remained after the 1991-2000 Socio-Economic Strategy expired. From an economic standpoint, efficiency and competitiveness were still considered by the government to be inadequate. Foreign direct investments had only slowly recovered after the Asian Currency Crisis. Additionally, the investment and business environment was laden with obstacles. From a social standpoint, the quality of training and education was poor. There were also several unsettled viewpoint issues such as the role of the state and the market, and administrative reforms aimed at raising the capacity of the public sector as well as reducing corruption.¹⁴⁴

141. General Statistics Office, Vietnam. Total values of exports and imports, 1990-2001, in Brian Van Arkadie & Raymond Mallon, eds., *Vietnam: A Transition Tiger?* Asia Pacific Press at The Australian National University, p. 268.

142. Worldbank, Strategy for Socio-Economic Development 2001-2010, Presented by the Central Committee, Eighth Tenure, to the Ninth National Congress [http://site/resources.worldbank.org/intvietnam/resources/socio_economic_dev.pdf](http://site.resources.worldbank.org/intvietnam/resources/socio_economic_dev.pdf)

143. International Monetary Fund, *Staff Report for the 2012 Article IV Consultation-Debt Sustainability Analysis*, Approved by Masahiko TAKEDA and Dhaneshwar Ghura (IMF) and Sudhir Shetty and Jeffrey Lewis (IDA). April 27, 2012, p. 3.

144. Socialist Republic of Vietnam, Government Web Portal, Strategy for Socio-Economic Development 2001-2010, *Evaluation of the Implementation of the 1991-2000*

After a long period of accelerated economic growth and renovation under *doi moi*, the state's focus shifted from quantitative growth to achieving quality of development. The Socio-Economic Development Strategy Plan for 2001-2010 entailed five specific goals. First, to double the GDP while having exports increase at more than double the rate of GDP growth and additionally, to make a concerted effort to increase the domestic savings rates and foreign exchange reserves while keeping budget deficits and inflation within safe limits. Secondly, to reduce poverty, reduce unemployment in urban areas to below 5%, increase trained labor to 40% of the workforce, and increase the average life expectancy to 71 years of age. Third, improve the scientific and technological capacities of the collective nation, placing an emphasis on modern technologies such as information, biotechnology, new materials, and automation over the next decade. Fourth, further develop infrastructure and communication systems. Finally, the plan sought to renew and redevelop state and private sectors.¹⁴⁵ Underlying the five specific goals of the 2001-2010 Socio-Economic Strategy Development Plan were the overall goals of becoming a modern-oriented industrialized country by 2020, development of human resources and social capital, and raising the status of the country in the international arena.¹⁴⁶

The Socio-Economic Strategy Development Plan of 2001-2010 continued the implementation of central planning, this time focusing on qualitative areas such as human resources in addition to solely quantitative considerations involving production and total output. For example, beginning in 2004, human resource development programs were implemented that sought to provide linkage between the new emphasis on education and the productive sector, which dominated the socio-economic development plan of 1991-2000. More specifically, Vietnam dedicated the equivalent of \$20.7 million to train gifted students in the areas of management, technology, and business in conjunction with an additional scholarship pro-

Socio-Economic Strategy <http://www.chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails?categoryid=29&articleid=3065>. July 11, 2006.

145. Socialist Republic of Vietnam, Government Web Portal, Strategy for Socio-Economic Development 2001-2010, *Strategic Goals* <http://www.chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails?categoryid=29&articleid=3065>. July 11, 2006.

146. Socialist Republic of Vietnam, Government Web Portal, Strategy for Socio-Economic Development 2001-2010. *Strategic Goals* <http://www.chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails?categoryid=29&articleid=3065>. July 11, 2006.

gram valued at approximately \$40 million.¹⁴⁷ Top graduates aged 22-30 years old who studied business management, economics, or law were eligible to enroll in postgraduate programs and would be placed as middle managers upon entering the workforce.¹⁴⁸

In addition, the state government encouraged universities, vocational schools, and companies to invest in education and training through special tax reductions and fiscal incentives.¹⁴⁹ In 2000, about 15% of the state budget was allocated to education, as compared to 8% in 1990.¹⁵⁰ Also, education institutions set up with either 100% foreign-owned capital or as joint ventures with Vietnamese investors were encouraged. As a result of the emphasis on education, the number of higher educated students increased from 1.18% of the total population in 2000 to 1.69% of the total by 2005,¹⁵¹ a substantial 30% increase over the period.

Gearing education and training programs towards producing managerial and vocational talent aligned with the countless emphases during the 1980's and 1990's of minimizing economic reliance on the agricultural sector in favor of industry and manufacturing. Regardless, Vietnam's agricultural output continues to be a key driver of growth and prosperity. Since 2000, Vietnam has been the world's second largest producer of coffee,¹⁵² and the single largest exporter of the Robusta variety, due to the approximately 500,000 hectares of Robusta coffee trees that were planted in the previous decade.¹⁵³ While some Arabica coffee is about 1-2% of total coffee production, the fungus *Hemileia vastatrix*, which causes coffee rust, re-

147. Ames Gross and Rachel Weintraub, *Vietnam Human Resources Update*, Wisconsin: Pacific Bridge, 2005.

148. NGUYEN Ngoc Thang & TRUONG Quang, "International Briefing 18: Training and Development in Vietnam," *International Journal of Training and Development*, 11:2 (2007), p.142.

149. Nguyen and Truong, "Training and Development in Vietnam," *supra* note 1, p.141.

150. Ministry of Education and Training, *The Vietnam Educational System*, 2003 <http://edu.net.vn/data/doc/hethonggiaoduc>.

151. General Office of Statistics, *Education, Health, Culture, and Living Standards Report*, Hanoi: Statistics House, 2005.

152. Doutriaux, Geisler, and Shively, "Competing for Coffee in the Central Highlands of Vietnam," *supra* note 1, p. 528.

153. Pasquale Giungato, Elvira Nardone, and Luigi Notarnicola, "Environmental and Socio-Economic Effects of Intensive Agriculture: The Vietnam Case," *Journal of Commodity Science, Technology, and Quality*, 47:1-IV (2008), p. 136.

duced Arabica output in southern Vietnam from 64.5% of the total coffee crop yield only 1.7% of the total in 1957.¹⁵⁴

Coffee production is mostly concentrated in the Dak Lak province of the highlands region, where the tropical climate is also favorable to the production of rubber, black pepper, fruit trees, cocoa, hybrid maize, beans, and cotton. It is Dak Lak's thick basalt soil and two growing seasons that are particularly favorable to *Robusta* coffee.¹⁵⁵ The 500 to 700 meter altitude in the Central Highlands also allows for high temperature differentials between day and night, which is highly conducive to coffee production.¹⁵⁶ Accordingly, the 2001-2010 Socio-Economic Strategy Development Plan included an initiative to relocate up to 260,000 people into the coffee-producing province of Dak Lak in order to capitalize on the booming coffee export business.¹⁵⁷

The growth of coffee production in the highlands region of western Vietnam, which accounted for 60% of coffee production in Vietnam, resulted in social conflict. The population of ethnic majority Vietnamese, the *Kinh*, who moved to the highlands from coastal zones, now surpassed the population of the *Ede*, Vietnamese indigenous to the highlands.¹⁵⁸ Since 1975, it is estimated that between four and five million people migrated to the Central Highlands. Population density exploded in the region from three people per square kilometer in 1940 to seventy-seven people per square kilometer in 1997.¹⁵⁹ In 2002, the population growth rate of the Dak Lak province was 6.18% per annum, the highest in Vietnam.¹⁶⁰ Rapid population and coffee production growth tended to benefit the *Kinh* at the expense of the *Ede*. First of all, the accelerated production systems implemented replaced fallowing with new ap-

154. Roger Teulieries, *La Culture du Cafeier au Sud Vietnam*, Bordeaux, France, 1961, p. 86.

155. Doutriaux, Geisler, and Shively, "Competing for Coffee in the Central Highlands of Vietnam," *supra* note 2, p. 543.

156. DO T. Nhan, Orientations of Vietnam Coffee Industry, Speech given at the International Coffee Conference, London, May 17-19, 2001.

157. Asian Indigenous and Tribal Peoples Network (AITPN), Persecution of Indigenous Hill Peoples of Vietnam, Briefing Paper, Indigenous Issues- 01, New Delhi: AITPN.

158. Doutriaux, Geisler, and Shively, "Competing for Coffee in the Central Highlands of Vietnam," *supra* note 3, p. 529.

159. Frederic Fortunel, *Le Café au Vietnam: de la Colonisation a l'Essor d'un Grand Producteur Mondial*, Paris: L'Harmattan, 2000.

160. Oxfam, *The Impact of the Global Coffee Trade on Dak Lak Province, Vietnam: Analysis and Policy Recommendations*, Oxfam Great Britain, Oxfam Hong Kong: Information Centre for Agricultural and Rural Development, 2002.

proaches to soil fertility that required capital, chemical inputs, or additional labor. These requirements created ecological side effects for communities, such as the *Ede*, who depended on native agroforestry in times of drought or other natural calamity.¹⁶¹ The new coffee production methods resulted in severe bio-depletion and forest clearing that negatively affected the native *Ede* who were accustomed to yielding non-coffee based benefits of the natural habitat.

Meanwhile, land laws were instituted that disadvantaged the *Ede*'s longhouse extended family living household. "Red Books" were issued to family households as certificates of land ownership, but the government-stipulated allocation of land was not adjusted to account for the extended family households of the *Ede* population. An arbitrary amount of land was granted to each *Ede* longhouse without considering how many nuclear families were contained within each household.¹⁶²

Food shortages resulted as *Ede* longhouses found it increasingly difficult to produce profits that could sustain large extended households. The competition for coffee space crowded out rice cultivation, hunting, and gathering; thus food had to be purchased rather than grown, and longhouses with minimal profits could not feed extended families. Subsequently, declining coffee prices from 1999 to 2001 resulted in substantial poverty amongst coffee growing communities. In 1999 farmers could sell coffee for \$1.40 per kilo as opposed to around 40 cents by 2001. The coffee farmers' response to decreasing production prices varied amongst the *Ede* and the *Kinh* ethnic groups. The *Kinh* migrants were more likely to change crops, borrow capital, or seek off-farm employment than the *Ede*, reflecting the *Ede*'s low agricultural capacity and lack of opportunity within economic networks that were dominated by the *Kinh*.¹⁶³

The coffee rush in Vietnam also had other negative externalities. In the late 1980's and early 1990's, nominal prices of fertilizer dropped by about 50% as Vietnam opened its doors to the global economy. Domestically produced organic fertilizers were abandoned for the much less expensive imported chemical fertilizers,

161. Peter Vandergeest, "Land of Some Tillers: Development-Induced Displacement in Laos," *International Social Science Journal*, 55 (2003), pp. 47-56.

162. Doutriaux, Geisler, and Shively, "Competing for Coffee in the Central Highlands of Vietnam," *supra* note 4, p. 539.

163. DANG Thanh Ha & Gerald Shively, "Coffee Boom, Coffee Bust and Smallholder Response in Vietnam's Central Highlands," *Review of Development Economics*, 12:2 (2008), pp. 312-326.

contributing to environmental degradation.¹⁶⁴ In addition to agricultural byproducts, pollution from heavy industry continues to be an ongoing threat to sustainable socio-economic development in Vietnam. From 1991 to 2003 industry increased from 23.8% of the GDP to 39.9% and manufacturing increased from 13.1% to 20.7%.¹⁶⁵

Just as management of social issues such as equality and equity gradually came to be the focus of the coffee trade in Vietnam, rather than output considerations that had been the main concern since *doi moi*, the Socio-Economic Development Plan of 2001-2010 coincided with formulation of the National Strategy for Environmental Protection: 2001-2010. At the forefront of the national environmental strategy was the sustainability of coastal zones that produce substantial economic activity.

The port cities of Da Nang, Qui Nhon, and Nha Trang are shipping epicenters of the Southeast Asia region and the beach resorts of Da Nang and Nha Trang are among the most popular tourist destinations. The tourism industry has shown dramatic growth. In 1990, about 250,000 foreign tourists travelled to Vietnam, increasing to 1.716 million by 1997.¹⁶⁶ Additionally, domestic tourism surged dramatically, from 2.7 million people in 1993 to 9 million in 1999. Meanwhile, 80% of the tourists travel to coastal areas.¹⁶⁷ In 2011 and 2012, there were 6.01 million and 6.85 million international visitors.¹⁶⁸

Integrated Coastal Zone Management (ICZM) plans were put into place to manage the socio-economic issues related to the growing industry, tourism, and population of the 3,440 kilometers of coastline that extends from the Chinese border in the north to Cambodia in the south along the Gulf of Thailand. From September 2000 through August 2003, the ICZM Project was managed by the

164. Giungato, Nardone, and Notarnicola, "Environmental and Socio-Economic Effects of Agriculture in Vietnam," *supra* note 1, p. 138.

165. VO Tri Thanh, "Economic Reforms in Vietnam: What Lessons can be Learnt?" in Janos Kornai and Yingyi QIAN, eds., *Market and Socialism: In the Light of the Experiences of China and Vietnam*, 2009, p. 197.

166. VO Si Tuan, *Coastal and Marine Conservation in Vietnam*, in Proceedings of the European-Asia Workshop on investigation and management of Mediterranean and South China Sea Coastal Zone, Hong Kong, November 9-11, 1998, pp. 37-44.

167. Nagothu Udaya Sekhar, "Integrated Coastal Zone Management in Vietnam: Present Potentials and Future Challenges," *Ocean & Coastal Management*, 48 (2005), p. 817.

168. Government of Vietnam, *Ministry of Culture, Sport, & Tourism*. International Visitors.

Ministry of Natural Resources and Environment and coordinated via the Vietnam Environmental Protection Agency (VEPA), created in 1993.

The pilot project was a partnership with The Netherlands that provided help in the form of technical assistance and knowhow. The Netherlands has long been known for its success in environmental policy, especially when it comes to opening communication channels for deliberation between stakeholders and interest groups to take place. The Dutch New Environmental Policy Plans, first adopted in 1989, created a multiple time-frame planning process that stressed local, regional, fluvial, continental, and global problem solving while stressing consultation and cooperation with government ministries at all levels, industry groups, and other interested stakeholders.¹⁶⁹

The ICZM aimed to instill a similar approach in Vietnam. By means of the Strategy Action Plan (SAPICZM), forums were created to provide interaction between ministries and provincial authorities through workshops, seminars, scientific meetings, and other consultative activities. Project offices were set up at the pilot study locations; the first was in Danang city.¹⁷⁰ Although it is still early to evaluate the success of the ICZM initiative, the program stimulated environmental interest among national leaders and helped spur the development of management frameworks to guide future processes.¹⁷¹

Several problematic environmental areas remain as threats to the current budgetary and political scene in Vietnam. Just north of Danang, the Tam Giang-Cau Hai (TGCH) lagoon complex is located along the coast of the Thua Thien Hue (TTH) province in Vietnam. The TGCH lagoon is 219.18 square kilometers and is the largest lagoon system in Southeast Asia. There are several critical issues related to the sustainability of the lagoon system and the commerce inherent to it. And, just as economically driven migration resulted in conflicts between the *Hoa* and the state, and the *Ede* and the *Kinh*, economic consequences from environmental damage to lagoon systems and delta watersheds could yield similar results.

169. Daniel J. Fiorino, *The New Environmental Regulation*, Cambridge, MA: The MIT Press, 2006, p. 180.

170. Sekhar, "Integrated Coastal Zone Management in Vietnam," *supra* note 1, p. 822.

171. Sekhar, "Integrated Coastal Zone Management in Vietnam," *supra* note 2, p. 822.

In the TGCH lagoon alone, aquaculture, capture fisheries, agricultural production, and sea-grass collection yielded a total benefit to local populations of 35.4 billion dong, 23.9 billion dong, 19.1 billion dong, and 3.1 billion dong, respectively, for the year 2005.¹⁷² Other mineral rich environmental areas have been found to contribute a similarly significant economic impact. For example, the Can Gio mangrove forest in Ho Chi Minh City has a total use value of about 95 billion VND per annum.¹⁷³ In the Camau province of the Mekong River Delta, wetlands areas supporting fisheries, aquaculture, timber, wood for fuel, and medical plants are estimated to generate 7.5 million dong/hectare per annum.¹⁷⁴

The same economic benefits that are reaped from the wetlands and coastlands natural resource areas continue to threaten the viability of these precious domains. Over the past 50 years, about 70% of the mangrove forests in Vietnam have been destroyed (from 408,500 hectares in 1943 reduced to 110,700 hectares in 2000).¹⁷⁵ There is still a substantial amount of land to be protected; the vast majority of the Mekong River Delta can be classified as wetlands, for example. The problems involve industrial developments and related infrastructure systems that have been planned poorly or were not designed to be ecofriendly.

For instance, the Tram Chim National Park is composed of 9,000 hectares of wetlands in the Dong Thap province and is enclosed by 53 kilometers of dykes and canals. The dyke and canal system was built in 1985 to restore the wetland ecological systems destroyed during the Second Indochina War. Then in 2001, the dykes were raised to four meters above ground level in order to improve tourist and maintenance accessibility. However, the higher dykes have impeded water exchange resulting in dwindled fish mi-

172. TRAN Huu Tuan, MAI Van Xuan, DO Nam, and Stale Navrud, "Valuing Direct Use Values of Wetlands: A Case Study of Tam Giang-Cau Hai Lagoon Wetland in Vietnam," *Ocean & Coastal Management*, 52 (2009), p. 109.

173. VEPA/IUCN, Economic Valuation of Can Gio Mangrove Forest in Ho Chi Minh City, Project funded by the Netherlands, carried out by Vietnam Environmental Protection Agency and International Union for Conservation of Nature, 2000.

174. Thang Nam DO & Jeff Bennett, An Economic Valuation of Wetlands in Vietnam's Mekong Delta: A Case Study of Direct Use Values in Camau Province, Asia Pacific School of Economics and Government, Australian National University, Occasional Paper No. 8, June, 2005. ISSN 1447-6975.

175. Vietnam Ministry of Natural Resources and Environment, *Cac khia canh ve dieu kien tu nhien dat ngap nuoc o Vietnam (Issues of Natural Conditions of wetlands in Vietnam)*, Hanoi: 2002, p. 32.

gration throughout the tributaries of the Mekong River Delta.¹⁷⁶ In response to irrigation and watershed issues, the central government issued Decision 186 in 2006, stating that the hydrology of special forests or wetlands must be managed according to the needs of respective ecosystems.¹⁷⁷

In other cases, commercial activities present direct tradeoff scenarios between economic output and conservation. The leading economic activities causing wetland degradation are increases in aquaculture, notably shrimp farming, conversion of mangroves to rice fields, fuel wood collection and building construction.¹⁷⁸ Air pollution is also becoming an issue with the increase in automobiles that have been introduced into the economy in place of bicycles.

The production of Vietnam's two cash crops, rice and coffee, present serious obstacles to the nation's socio-economic viability due to the environmental degradation caused by their cultivation. Significant efforts have been made by the government to address environmental concerns. A dramatic change in citizens' perceptions has also taken place—which is a beginning. In 2007, households in Hanoi were willing to contribute the dong equivalent of \$2.50 per household in Hanoi and \$.90 per household in Ho Chi Minh City in order to make needed wetlands improvement in the Mekong River Delta.¹⁷⁹ The protection efforts face numerous obstacles, not all of which are related to industrial expansion. The topography of Vietnam is 80% hills and mountains, draining into low lying, highly populated coastal economic centers. Thus, special considerations need to be made to ensure that byproducts of agriculture, manufacturing, and other industry do not become systemically damaging.

VI. CHALLENGES

Perhaps Vietnam's greatest challenge in its attempts to achieve the objectives stated in the Socio-Economic Strategy Development Plan of 2001-2010 has been to curtail corruption in markets, law,

176. Martin van der Schans & NGUYEN Huu Thien, "Mekong Delta: Tram Chim National Park: The Ecosystem Approach Methodology," in Gill Shepherd, ed., *The Ecosystem Approach: Learning from Experience*, 2008, p. 77.

177. Martin van der Schans & NGUYEN Huu Thien, "Mekong Delta: Tram Chim National Park: The Ecosystem Approach Methodology," in Gill Shepherd, ed., *The Ecosystem Approach: Learning from Experience*, 2008, p. 81.

178. World Bank, *Vietnam Environmental Monitor*, 2002, Hanoi, pp. 18-19.

179. Thang Nam DO & Jeff Bennett, Willingness to Pay for Wetland Improvement in Vietnam's Mekong River Delta, Australian Agricultural and Resource Economics Society, 51st Annual Conference, February, 2007, p. 22.

and government. The opening of markets to new entrants such as foreign investors, household businesses, and large non-state-owned enterprises yielded several opportunities for corruption to promulgate in Vietnam. Corruption is considered extremely problematic because of the associated efficiency losses in the allocation of resources involved in the distortion and uncertain nature of “corruption taxes.”¹⁸⁰

Vietnam’s transition toward freer market capitalism since *doi moi* induced swift movements toward privatization creating a new intermediary transactional relationship between business owners and government officials thereby opening the window for corruptive practices to flourish. For example, as of 2007, only 15% of firms reported the state sector as a customer and only 8% of firms were predominately supplied by a state-owned enterprise.¹⁸¹ In comparison, in 2000 approximately 25% of all firms reported the state sector as its primary customer base and as recently as 1990 nearly half of all firms looked to the government for its primary customer account. On the other hand, the number of household, or private sector, enterprises increased from 26% in 1990 to 57% in 2000.¹⁸² The rapid transformation of the business environment and marketplace created repositioning among firms and customers, welcoming the onset of corruption and questionable administrative practices.

Administrative reforms meant to address prevalent corruption began to take center stage in Vietnam, especially after the fall of Tamexco, Epcoc, and Minh Phung in the late 1990’s. In 1996, the Tan Binh Production Service Trading and Export Company, known as Tamexco, was exposed for corruptive practices. The Head of the Notary Office No. 1 in Ba Ria-Vung Tau, LE Duc Canh, was discovered to have artificially inflated land values of Tamexco real estate holdings so that Tamexco could borrow more money from banks using land as collateral.¹⁸³ LE Duc Canh was charged with taking bribes and exploiting his public position for personal gain. Meanwhile, Tamexco Director PHAM Huy Phuoc and Binh Gia

180. Raymond Fisman & Jakob Svenson, “Are Corruption and Taxation Really Harmful to Growth? Firm Level Evidence,” *Journal of Development Economics*, 83 (2007), pp. 63-75.

181. John Rand and Finn Tarp, “Firm-Level Corruption in Vietnam,” *Economic Development and Cultural Change*, 60:3 (2012), p. 578.

182. Henrik Hansen, John Rand, and Finn Tarp, “Enterprise Growth and Survival in Vietnam: Does Government Support Matter?” *The Journal of Development Studies*, 45:7 (2009), p. 1057.

183. Martin Gainsborough, *Changing Political Economy of Vietnam: The Case of Ho Chi Minh City*, New York: RoutledgeCurzon, 2003, p. 84.

Limited Company Director TRAN Quang Vinh, an accomplice, were accused of bribery and fraud.

On January 7, 1998, PHAM Huy Phuoc, TRAN Quang Vinh, and LE Duc Canh were executed by firing squad after being found guilty of fraud and corruption.¹⁸⁴ Dozens of other key figures were found guilty of corruption related to fraudulent practices involving Tamexco including PHAM Van Hoa, Deputy Party Secretary of the Tan Binh District; NGUYEN Thi Minh Tam, Deputy Party Secretary of the Tan Binh District; and PHAM Minh Duc, Head City Party Financial Management Committee; and NGUYEN Van De, General Director of Vietcombank.¹⁸⁵

The use of the death penalty to punish corruption insinuates that corruption is not tolerated in Vietnam. However, statistical data indicates that corruption is often accepted as a normal and regular practice in market activities. In fact, the Investment Climate Assessment survey taken in 2005 for Vietnam indicated that two-thirds of firms make informal payments to economic participants as a regular cost of doing business. The survey also found that 79% of surveyed firms gave gifts at meetings with tax officials and 40% of firms paid bribes to win government contracts.¹⁸⁶

Other examples of corruption include the black markets that emerged in response to new laws and policies. For example, when the value-added tax was introduced in January 1999, a black market for value-added tax invoices formed in Ho Chi Minh City. Companies were selling goods below market price by not including a value-added tax on the transaction. Then, companies would purchase invoices on the black market to legalize the sale to the government. It was the governmental tax department that was selling the invoices to begin with.¹⁸⁷

Corruption in financial markets is also a major concern in Vietnam, especially as the capital market system gradually evolves towards free enterprise. Foreign currency exchange black markets formed in response to the heightened demand for US dollars (USD) that stemmed from the Asian Currency Crisis. Banks were holding onto dollars instead of selling them to businesses that needed to make payments to foreign counter parties in order to fulfill letters of credit. And, devaluation of the Dong and other sur-

184. *IBID*, p. 87.

185. *IBID*, p. 83.

186. Rand and Tarp, "Firm-Level Corruption in Vietnam," *supra* note 1, p. 572.

187. Gainsborough, *Changing Political Economy of Vietnam*, *supra* note 1, p. 35.

rounding nations' currencies created widespread demand for the USD as a store of value. Meanwhile, businesses were no longer depositing revenues denominated in USD at banks, which exacerbated the banking system's shortage of dollars. Hence, businesses that could not access USDs at banks looked to the black market to exchange Dong for dollars.

The central government implemented several economic policies in order to promote liquidity in the state's banking system and minimize the private sector's reliance on foreign exchange black markets. Decree 37 of February 1998 sought to devalue the Dong by 5.6% and stipulated that companies holding onto USDs were required to exchange them at banks for Dong that could be used for domestic transactions.¹⁸⁸ By preeminently devaluing the Dong, a significant amount of the uncertainty related to currency valuation and inflation was eliminated. As a result, spreads between the black market price of dollars and the banks' rates narrowed significantly,¹⁸⁹ limiting the profits that could be realized through foreign exchange black markets.

The legal standards and norms of corruptive practices in Vietnam are both complex and ambivalent. Without a fully functioning norm-based legal system, connections between political and bureaucratic factions may be considered necessary to provide certainty in an environment laden with administrative discretion and unclear rules.¹⁹⁰ Prior to gaining national independence in 1975, Vietnam had been surviving under a form of legal plurality, where Chinese, French, and American laws, doctrines, and sanctions, governed civil activity. From the post-war period to the onset of *doi moi*, collective organizational methods were institutionalized in a failed effort to increase production and resource allocation to Vietnam's citizenry. Abrupt centralization amidst a historically divided nation presented several barriers between cultural groups. In the late 1980's and into the 1990's, fence breaking (*vuot rao*) was adopted as a pragmatic response to reducing transactional risk given a socialist political economic structure.¹⁹¹ The transformation from central planning to market licensing diminished the power of

188. Gainsborough, *Changing Political Economy of Vietnam*, *supra* note 2, p. 73.

189. Gainsborough, *Changing Political Economy of Vietnam*, *supra* note 3, p. 73.

190. HOANG Kim Giao & NGUYEN Doc Thang, "A Profile of Vietnamese Owners of Private Enterprises," *Vietnam Investment Review*, 4:27 (1995), pp. 29-30.

191. John Gillespie, "Law and Development in 'The Market Place: An East Asian Perspective,'" in Kanishka Jayasuriya, ed., *Law, Capitalism, and Power in Asia: The Rule of Law and Legal Institutions*, 1999, p. 117.

the central government and redistributed authority to middle-ranking local and provincial public officials, exacerbating bureaucratic inertia, obfuscation, and corruption.¹⁹²

The lines of a command and control centrally planned economy were dissolving, thereby enabling autonomous bureaucracies to display extreme bureaucratic discretion. The market economy behavior during the 1990's was polarized between binary alternatives: lawful-licensed and unlawful-unlicensed.¹⁹³ Licensed activities were increasingly entrenched by *nha nuoc phap quyen* (state legal rights), whereby licensure could be overtly used to proscribe market outcomes. Vietnam's economic reliance on foreign direct investment in addition to the emergence of a household economic sector disabled the viability of a lopsided statutory framework.

Socialist law provides bureaucrats with directives and guidance for administration of a rigid, uniform institutional framework. Policies aimed at creating a rights-based instead of rules-based legal system to combat corruption were not being coupled with academic and cultural understanding.¹⁹⁴ The Civil Code of 1995 sought to address Vietnam's movement toward increased political, economic, and personal freedoms when engaging in civil relations. More specifically, Article 7 stipulates the right to voluntarily undertake agreements without being hindered by another party. Furthermore, Article 4 states that favorable conditions must be created for ethnic minorities and civil rights promoted for the young, elderly, and disabled. The government's introduction of a rights-based civil code supported the privatization that was rapidly taking place and coincided with the normalization of United States-Vietnam political relations in 1995, after the United States trade embargo was lifted in 1994.

In a socialist republic, the collective interest is materially held as a high priority. Despite the personal liberties guaranteed in the Civil Code of 1995, Article 2 specifies that establishment and per-

192. NGUYEN Nien, Administrative Reform in Vietnam, Unpublished Research Paper No. 4, Canberra: Australian International Legal Cooperation Program, 1996, pp. 5-10.

193. John Gillespie, "Law and Development in 'The Market Place: An East Asian Perspective,'" in Kanishka Jayasuriya, ed., *Law, Capitalism, and Power in Asia: The Rule of Law and Legal Institutions*, 1999, p. 118.

194. Mark Sidel, "Law Reform in Vietnam: The Complex Transition from Socialism and Soviet Models in Legal Scholarship and Timing," *UCLA Pacific Basin Law Journal*, 11 (1993), pp. 223-228.

formance of civil rights must not infringe upon State interests.¹⁹⁵ Civil reforms have cast the state as a defender, or even creator, of capital markets, serving as a destabilizing role for the communist party that has devoted considerable resources to disrupting and destroying markets in the past.¹⁹⁶

Governmental efforts to pinpoint the cause of widespread corruption have been geared towards attaining separation between politics and public administration. One way of doing so is to form a bureaucratic meritocracy, where a lack thereof has been the largest impediment to the emergence of neo-liberal institutional development in Vietnam.¹⁹⁷ The ruling Communist Party of Vietnam provided a cooperative network for political action but the absence of an administrative apparatus that legitimized dissident voices caused for spoils and inefficiencies to aggravate market activities.

The Public Administration Reform (PAR) Master Program of 2001-2010 provides a legal framework for Vietnam's contiguous market reform with the implementation of a robust public administrative system operating according to rule-of-law.¹⁹⁸ PAR supported the New Enterprise Law of 2000, enveloping some level of accountability in the booming private sector. From 2000 to 2004, over 90,000 private enterprises were registered with the government.¹⁹⁹ Over the same period, reform of state-owned enterprises and the banking sector was planned. From 2003 to 2005, 945 state-owned enterprises were restructured to create more fluid administrative arrangements and to rebalance a playing field traditionally seen as being uneven.²⁰⁰

On December 10, 2001, the United States-Vietnam Bilateral Trade Agreement (BTA) came into being, opening up the United

195. Socialist Republic of Vietnam, *The Civil Code of the Socialist Republic of Vietnam*, Ninth Legislature, 8th Session, October 3-28, 1995. Part One, ch. I.

196. DO Nguyen Phuong, On the Phenomenon of Social Stratification in Our Country at Present, *Tap Chi Cong San* (Communist Review) May, 1994.

197. NGUYEN Duy Gia, Training and Developing the State Administrative Personnel, International Colloquium on Public Administration Reform. Hanoi: UNDP, September 24-26, 1996, pp. 7-12.

198. Government of Vietnam, United Nations Development Programme. Public Administration Reform <http://undp.org.vn/what-we-do/focus-areas/democratic-governance/public-administration-reform>.

199. VO Tri Thanh, "Economic Reforms in Vietnam: What Lessons can be Learnt?" in Janos Kornai & Yingyi QIAN, eds., *Market and Socialism: In the Light of Experiences of China and Vietnam*, 2009, p. 188.

200. VO Tri Thanh, "Economic Reforms in Vietnam: What Lessons can be Learnt?" in Janos Kornai & Yingyi QIAN, eds., *Market and Socialism: In the Light of Experiences of China and Vietnam*, 2009, p. 188.

States market to Vietnamese exporters. The BTA was a “stepping-stone” towards Vietnamese accession into the WTO, which was achieved on January 11, 2007.²⁰¹ Trading rights, tariffs, quantity restrictions, intellectual property rights, investment measures, and transparency were included in the BTA, conforming to WTO norms.

In 2005, the National Anti-Corruption Committee was established to oversee the investigation of complaints, symbolize the government’s commitment to address corruption seriously, and emphasize media attention on the issue of corruption.²⁰² Widespread corruption was still taking place across the country in a variety of forms. On a larger-scale, enterprise firms pay bribes to government officials in exchange for government contracts. On a smaller-scale, bribes are regularly paid to police offices and clerical offices. Lacking organic solutions, the Communist Party of Vietnam and the Government of Vietnam looked to the United Nations Development Program (UNDP) for assistance in development of anti-corruption strategies.²⁰³

The efforts of the National Anti-Corruption Committee of 2005 and the partnership with the UNDP have been successful in reducing corruption in Vietnam. As a direct result of the Anti-Corruption Committee, the number of enterprises in Vietnam that were inspected increased from 45% in 2005 to 56% in 2007.²⁰⁴ And, the number of firms that reported making an informal payment or bribe decreased from 37% in 2005 to 23% in 2007.²⁰⁵

Most importantly, public awareness regarding ethical behavior has been raised. Individuals and firms found guilty of corruption have attracted media attention, serving to educate market participants that corruptive practices do not need to be a way of business. The discourse transpiring from anti-corruption laws represents a cultural shift: the Vietnamese people began to realize that political

201. Stephen Parker, “Vietnam’s Road to International Economic Integration with a Socialist Orientation: Are WTO Accession and Market Socialism Compatible?” in Eds., Janos Kornai & Yingyi QIAN, eds., *Market and Socialism: In the Light of Experiences of China and Vietnam*, 2009, p. 200.

202. Rand and Tarp, “Firm-Level Corruption in Vietnam,” *supra* note 2, p. 571.

203. John Gillespie, “The Political-Legal Culture of Anti-Corruption Reforms in Vietnam,” in Timothy Lindsey & Howard Dick, eds., *Corruption in Asia: Rethinking the Governance Paradigm*, 2002, p. 167.

204. Rand and Tarp, “Firm-Level Corruption in Vietnam,” *supra* note 3, p. 574.

205. Rand and Tarp, “Firm-Level Corruption in Vietnam,” *supra* note 4, p. 574.

and social matrices shape the capacity to support behavioral change.²⁰⁶

One such social matrix is the Governance and Public Administration Performance Index that examines citizens' interactions with the government at three levels: local, provincial, and national.²⁰⁷ In 2010, the Performance Index was administered in 30 of the nation's 63 provinces, with 5,568 randomly selected participants.²⁰⁸ Based on the results, public policy action plans are developed and implemented according to the needs of each province.

Of course, the continuous challenge to tackling corruption in Vietnam has to do with its one-party system, where graft looms as a threat to a bustling market capitalist system. Not surprisingly, the Vietnam Fatherland Front, a mass-political organization of the socialist republic, sponsored the Performance Index research program. The government did employ the UNDP for policy and advisory consulting services demonstrating the government's willingness to surrender socialist mechanisms in favor of the opportunity to participate in markets, representative of the capitalist nation that Vietnam has become.

The second major challenge for Vietnam is to mitigate the maritime dispute over the South China Sea, or East Sea (*Bien Dong*) as it is referred to in Vietnam, which has been an ongoing conflict among Asian countries in the Southeast region. Vital resources and surplus value enjoyed from exporting consumable goods such as coffee, rice, fish, and oil are being directed towards patrol of the waterways and national defense with the expectation that a conflict may ensue in the near future. The South China Sea covers an area of 800,000 square kilometers and extends over 1800 miles from Sumatra to Taiwan, linking the Indian and Pacific Oceans, and also helps to form the Straits of Malacca, Lombok, and Sunda.²⁰⁹ In ad-

206. John Gillespie, "The Political-Legal Culture of Anti-Corruption in Vietnam," in Timothy Lindsay & Howard Dick, eds., *Corruption in Asia: Rethinking the Governance Paradigm*, p. 195.

207. United Nations Development Programme, Viet Nam: Citizens' Experiences Helping to Shape Anti-Corruption Policy, December 9, 2011 <http://www.undp.org/content/undp/en/home/presscenter/articles/2011/12/09/viet-nam-citizens-experiences-helping-to-shape-anti-corruption-policy/>.

208. United Nations Development Programme, Viet Nam: Citizens' Experiences Helping to Shape Anti-Corruption Policy, December 9, 2011 <http://www.undp.org/content/undp/en/home/presscenter/articles/2011/12/09/viet-nam-citizens-experiences-helping-to-shape-anti-corruption-policy/>.

209. Ji Guoxing, "Maritime Jurisdiction and Maritime Security Cooperation in South China Sea," in TRAN Truong Thuy, ed., *The South China Sea: Cooperation for Re-*

dition to the navigational rights of the Sea, the maritime dispute extends to the occupation of island archipelagos and mineral rights. For example, both China and Vietnam claim the Paracel Islands. Meanwhile, China, Taiwan, and Vietnam, each claim the Spratly Islands, which is considered the most contested land on Earth, in its entirety.²¹⁰ The Philippines, Malaysia, and Brunei partially claim interest in the Spratly's, which is occupied by all claimants except Brunei. Additionally, the Scarborough Shoal is claimed by China, Taiwan, and the Philippines.²¹¹

Historically, it is unclear which countries have rights to the Paracel and Spratly Islands. For example, China has claimed the islands for more than 2000 years while Vietnam has presented evidence indicating 16th century ownership of the Paracel and Spratly Islands as shown on a Portuguese nautical map that depicts the Paracel and Spratly Islands as a continuous archipelago just off the Vietnamese coastline.²¹² It is possible that the clustering of the Islands and over-exaggerated proximity to mainland Vietnam could have been the result of negligence to the northerly situated Spratly Islands, rather than an implied association between Vietnam and the Spratly Islands.

Vietnamese maps of the 17th century note that “there was a long sandbank in the middle of the sea that is called *Bai Cat Vang* (Golden Sand),” and that “during the last month of every winter, the Nguyen rulers send 18 boats there to collect goods, mainly jewelries, money, guns, and ammunition,”²¹³ indicating that the Paracel Islands belonged to Vietnam at the time. During the 18th century, several books of maps were published in Vietnam that served to uphold Vietnam’s earlier claim of the Paracel and Spratly Is-

gional Security and Development, Proceedings of the International Workshop, organized by Diplomatic Academy of Vietnam and Vietnam Lawyers Association, November 26-27, 2009, p. 31.

210. Daniel J. Dzurek, *The Spratly Islands Dispute: Who’s on First?* Maritime Briefing, 2:1, International Boundaries Research Unit, 1996, p. 1.

211. Ronald O’Rourke, April 9, 2013. *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress*. Congressional Research Service. p. 1.

212. Historical Documents on Vietnam’s Sovereignty over Paracel and Spratly Islands, *VietnamNet Bridge* <http://english.vietnamnet.vn/en/special-report/9787/historical-documents-on-vietnam-s-sovereignty-over-paracel-and-spratly-islands.html>.

213. DO Ba, Toan Tap Thien Nam Tu Chi Lo Do Thu (The Handbook of the South’s Road Map), Maps of Quang Ngai Prefecture in Quang Nam.

lands.²¹⁴ One contemporary argument holds that treating the Paracel and Spratly Islands, *Bai Cat Vang*, as a singular entity is unrealistic, given their 400 kilometers distance apart.²¹⁵

In 1946, during World War II, the Republic of China's Kuomintang took control of the Paracel and Spratly Islands and issued a map hi-lighting the "eleven-dash line," later revised to the "nine-dash line," whereby China's territorial claim was drawn to include virtually all areas of the South China Sea except those immediately partitioning against other nations. On September 7, 1951, Vietnam declared ownership over the Paracel and Spratly Islands,²¹⁶ which had belonged to the French colony in 1933 before being relinquished to Japan on March 30, 1939.²¹⁷ Thereupon, on September 8, 1951, the Treaty of San Francisco, annulling Japan of all claims to the South China Sea Islands as a result of the defeat of its empire, left Vietnam and China as the only two remaining regional powers competing for the South China Sea, resulting in uneasy maritime relations between Vietnam and China.

On January 19, 1974, the Chinese Navy sank one Vietnamese frigate, capturing 49 men on board, and occupying the Paracel Islands by seizing military installations that were previously sustained by South Vietnamese forces, while simultaneously laying claim to the Spratly Islands.²¹⁸ Chinese ships were hit numerous times but the extent of the damage is disputed. On June 11, 1978, the Philippines officially entered the mix through Decree No. 1596, setting forth their claim over all of Spratly Islands, including Itu Aba, the largest island of the archipelago which Taiwan had previously laid claim to, as well as to several islands that Vietnam was claiming.²¹⁹

Another naval battle erupted near the Spratly Islands in March 1988 where Chinese forces sank three Vietnamese supply ships, kill-

214. Duke BUI The Dat, *Giap Ngo Binh Nam Do* (The Map for the Pacification of the South in the Giap Ngo Year), 1774; LE Quy Don, *Phu Bien Tap Luc* (Miscellany on the Pacification at the Frontier), 1776.

215. Daniel J. Dzurek, *The Spratly Islands Dispute: Who's on First?* Maritime Briefing, 2:1, International Boundaries Research Unit, 1996, p. 8.

216. Dieter Heinzig, *Disputed Islands in the South China Sea: Paracels, Spratlys, Pratas, Macclesfield Bank*. Harrassowitz, Wiesbaden, Germany, 1976.

217. Hanns J. Buchholz, *Law of the Sea Zones in the Pacific Ocean*, Singapore: Institute of Southeast Asian Studies, 1987, p. 44.

218. Jae-Hyung LEE, *China and the Asia-Pacific Region: Geostrategic Relations and a Naval Dimension*. Lincoln, NE: iUniverse, 2003, p. 74.

219. *IBID*, p. 45.

ing 72 Vietnamese sailors and taking 9 as prisoners.²²⁰ Then, on February 8, 1995, Filipino fishermen discovered that China had swiftly built wooden structures and were flying a Chinese flag on Mischief Reef,²²¹ a large reef of the Spratly Islands roughly 200 kilometers from the Philippine island of Palawan. President Fidel V. Ramos of the Philippines sent warships and fighter planes to the area of Mischief Reef but the conflict quickly deescalated.²²² Again, tempers flared between China and the Philippines in early 1999, shortly after China completed construction of a five-story fortified cement building alongside the three wooden octagonal structures that were previously erected on Mischief Reef in February 1995.²²³

The Paracel and Spratly Islands of the South China Sea, despite being less than 8 and 4 square kilometers of land area respectively, provide several concessions to the claimant. First, the Islands provide a piece of dry land to taxi aircraft, both military and civilian. A landing strip has been constructed by the Philippines on the 6.2-hectare island Pulau Layang and on the 37.2-hectare Thitu Island of the Spratly Islands.²²⁴ China manages Taiping Island Airport on Itu Ban and Vietnam controls an airport on the island of Truong Sa Lon.²²⁵ China's Yongxing Island, known as Woody Island to Westerners and Dao Phu Lam in Vietnamese, contains the only airport in the Paracel Islands.

Next, the small above-water landmasses of the Islands are connected to mineral-rich coral reefs spread out over an extremely large area of the sea. For example, the Reed Bank is a submerged atoll northeast of the Spratly Islands and Macclesfield Bank is a

220. Michael Richardson, "Spratly's Increasing Cause for Concern," *Asia-Pacific Defence Reporter*, 19, October-November 1992, p. 35.

221. Lt. Col. Stanley E. Meyer, *Incident at Mischief Reef: Implications for the Philippines, China, and the United States*, Carlisle Barracks, PA: U.S. Army War College, 1996, p. 1.

222. Philip Shenon, "Manila Sees China Threat On Coral Reef," *New York Times*, February 19, 1995 <http://www.nytimes.com/1995/02/19/world/manila-sees-china-threat-on-coral-reef.html>.

223. Christopher C. Joyner, "The Spratly Islands Dispute in the South China Sea: Problems, Policies, and Prospects for Diplomatic Accommodation," in Ranjeet K. SINGH, ed., *Investigating Confidence-Building Measures in the Asia-Pacific Region*, Washington, DC: The Henry L. Stimson Center, May 14, 1999, p. 54.

224. Dallen J. Timothy, "Tourism, War, and Political Instability: Territorial and Religious Perspectives," in Richard Butler & Wantanee Suntikul, eds., *Tourism and War*, New York: Routledge, 2013, p. 16.

225. "Vietnam Rebuilds Spratly Airport," *BBC News*, May 14, 2004 <http://news.bbc.co.uk/2/hi/asia-pacific/3714627.stm>.

continuum of submerged shoals and reefs between the Paracel Islands and Scarborough Shoal.²²⁶ As difficult as it may be to set jurisdiction over areas of land that are submerged and may extend below the sea bottom, classifying the geographic masses is equally taxing, considering that Macclesfield Bank, despite being submerged in water below sea level, is referred to as the Zhongsha Islands by China.²²⁷

Fourth, and most significantly, ownership of the Paracel and Spratly Islands constitutes the establishment of economic zones, extending up to 200 miles beyond a nation's coast, giving nearly all of the mineral exploration and excavation rights of the South China Sea to the Islands' sovereignty, considering that the approximately 750 reefs, islets, atolls, cays, and islands of the Spratly Islands alone, span a sea area of greater than 425,000 square kilometers, with the 30 islets, sandbanks, and reefs of the Paracel Islands covering an additional 15,000 square kilometers of the ocean surface. According to the United Nations Convention on the Law of the Sea (UNCLOS), a nation has the right under international law to regulate foreign military and commercial activities of the sea within 200 nautical miles of its coast and all respective activities of the continental shelf within 350 nautical miles of its coast; this is also known as an Exclusive Economic Zone (EEZ).

Aside from the difficulties in deciding who owns which coastlines, there is the issue of deciding when "natural prolongation" of a continental shelf ends and how to rule in the case of overlapping sea zones due to concave coastlines.²²⁸ An EEZ is different from areas of bona-fide national sovereignty such as a territorial seas that extend 12 nautical miles from a nation's coastline and contiguous zones extending 24 nautical miles from the coastline that provides a nation authority over customs, culture, immigration, and sanitary

226. Ronald O'Rourke, April 9, 2013. Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress, Congressional Research Service. p. 3.

227. Ronald O'Rourke, April 9, 2013. Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress, Congressional Research Service. p. 3.

228. Geoffrey Till, "South China Sea: Just Waiting for the Breeze?" in TRAN Truong Thuy, ed., *The South China Sea: Cooperation for Regional Security and Development*, Proceedings of the International Workshop, organized by Diplomatic Academy of Vietnam and Vietnam Lawyers Association, November 26-27, 2009, p. 17.

laws.²²⁹ China's claim over the four major archipelagos in the nautical region, including the Senkaku Islands in the East China Sea that are currently being claimed by China, Japan, and Taiwan, geographically extends China's EEZ to an area covering nearly the entire South and East China Seas.

Oil exploration and drilling rights have been the source of much conflict in the South China Sea, especially with China being the world's second largest consumer and net importer of oil in the world and Vietnam's standing as Asia-Pacific's third largest producer.²³⁰ As an example, on October 31, 2011, about two months after Exxon Mobil Corporation was granted a license from the Vietnamese government to explore blocks 117, 118, and 119 and made a significant discovery off the Da Nang coast,²³¹ Chinese Foreign Ministry spokesman HONG Lei offered the following contention at a briefing: "China has the indisputable sovereignty over the Spratly Islands and adjacent waters."²³² Meanwhile, in July 2012, China National Offshore Oil Corporation (CNOOC) invited bids for a batch of oil exploration blocks that Vietnam had already licensed to Oil & Natural Gas Corporation, Gazprom OAO, and Exxon Mobil for exploration and extraction purposes.²³³

Previously, there had been some positive attempts to curtail jurisdictional disputes over oil. In October 2008, a strategic cooperative agreement was signed between CNOOC and PetroVietnam.²³⁴ Additionally, ASEAN member-states proactively involved Chinese and other non-ASEAN energy companies in cooperative mineral exploration and drilling in less disputed areas of

229. U.S. Maritime Limits and Boundaries, Office of Coast Survey, National Oceanic and Atmospheric Administration, United States Department of Commerce <http://www.nauticalcharts.noaa.gov/csdl/mbound.htm>.

230. U.S. Energy Information Administration, Independent Statistics & Analysis <http://www.eia.gov/countries/country-date.cfm?fips=CH>.

231. Ben Bland, Leslie Hook, and Sheila McNulty, "U.S. Gas Find Off Vietnam Adds to China Tension," *Financial Times*, October 26, 2011 <http://www.ft.com/intl/cms/s/0/e5674186-ffe5-11e0-ba79-00144feabdc0.html#axzz2xeeinafv>.

232. Sui-Lee WEE and Ed Lane, "China Again Warns Foreign Oil Firms on South China Sea Exploration," *Reuters*, Beijing, October 31, 2011 <http://in.reuters.com/article/2011/10/31/idindia-60218620111031>.

233. Simon Hall, "Vietnam to Push Ahead With Offshore Exploration," *Wall Street Journal*, April 4, 2013 <http://online.wsj.com/article/SB10001424127887323646604578402153203245638.html>

234. Mingjiang LI, "China and Maritime Cooperation in East Asia: Recent Developments and Future Prospects," *Journal of Contemporary China*, 19:64 (2010), p. 302.

the South China Sea.²³⁵ Cooperative efforts have the potential to be quashed by the complexity of stakeholder interests. For example, Vietnam's largest oil producing company Vietsovpetro (VSP), a long-standing joint venture between PetroVietnam and Zarubezhneft of Russia, continues to operate the Bach Ho, Rong, and Rong Southeast oilfields, with a secured partnership through the year 2031. Other state-run oil companies that have partnered with Vietnam in oil production activities include Korea National Oil Corporation (KNOC), Oil and Natural Gas Corporation Limited of India (ONGC), and Petronas of Malaysia, among other companies that are publicly held such as Nippon of Japan, PTTEP of Thailand, and British Petroleum.²³⁶

On May 26, 2011, two Chinese maritime surveillance vessels severed the exploration cables of a Vietnamese oil ship, *Binh Minh*, that was searching for oil and gas deposits within Vietnam's EEZ approximately 120 kilometers off the southern Vietnamese coast.²³⁷ In response, JIANG Yu, a Chinese Foreign Ministry spokeswoman, declared that China had engaged in "completely normal marine enforcement and surveillance activities in China's jurisdictional area."²³⁸ Soon thereafter, on June 9, 2011, a Chinese fishing boat rammed the survey cables of a second Vietnamese exploration vessel.²³⁹

The fishing industries of China and ASEAN nations have also been held at bay as a result of the maritime dispute. For instance, the Paracel Islands are equidistant from Chinese and Vietnamese coastlines, and are known as *Xisha* in Chinese and *Hoang Sa* in Vietnamese. Since 1974, the Paracel Islands have been under Chinese control. In 1999, China officially imposed an annual fishing ban in the South China Sea, covering the area surrounding the

235. Leszek Buszynski and Iskandar Sazlan, "Maritime Claims and Energy Cooperation in the South China Sea," *Journal of Contemporary Southeast Asia*, 29:1 (2007), pp. 143-171.

236. Energy Information Administration, Vietnam, *Sector Organization*, May 9, 2012 <http://www.eia.gov/cabs/vietnam/pdf.pdf>.

237. Alex Watts, "Tensions Rise As Vietnam Accuses China of Sabotage," *The Sydney Morning Herald*, June 2, 2011 <http://www.smh.com.au/world/tensions-rise-as-vietnam-accuses-china-of-sabotage-20110601-1fgno.html>.

238. "China Reprimands Vietnam Over Offshore Oil Exploration," *Reuters*, May 28, 2011 <http://af.reuters.com/article/energyoilnews/idaf13e7gs07e20110528>.

239. Leszek Buszynski, "The South China Sea: Oil, Maritime Claims, and U.S.-China Strategic Rivalry," *The Washington Quarterly*, (Spring 2012), p. 141.

Paracel Islands,²⁴⁰ from June to July, and extending the ban in 2009 to cover the period from May 16 to August 1.²⁴¹ To enforce the fishing ban and its EEZ in general, China announced plans to increase the size of maritime surveillance forces to 16 aircraft and 350 vessels by 2015.²⁴²

The political party in Hanoi accused China of detaining hundreds of fishermen around the area and impounding their boats. In fact, the Vietnamese claim that 63 fishing boats containing 725 crewmembers have been seized by China in the South China Sea since 2005,²⁴³ and have been required to pay extraordinary fees to be released.²⁴⁴ In an escalation of conflict, Chinese vessels targeted several Vietnamese fishing boats through use of explicit force. On March 20, 2013, near the Paracel Islands, China allegedly attacked a Vietnamese fishing boat, burning down its cabin.²⁴⁵ Two months later, on May 20, 2013, about 27 nautical miles off the Quang Ngai Province's Tri Ton Island of the Paracel Islands, 18 Chinese vessels surrounded a Vietnamese fishing boat.²⁴⁶

The outreach of the South China Sea maritime dispute extends beyond that of Asian nations. The United States became increasingly involved in the territorial dispute when Bill Clinton was the first United States President to visit a united Vietnam in November 2000.²⁴⁷ United States' involvement in the South China Sea maritime dispute is mostly geared towards China's declaration over jurisdiction of all islands of the Sea, which severely limits foreign nations such as the United States from achieving safe navigational mobility in the Southeast Asia region. China argues that military activities within their EEZ, such as the United States' Sensitive Re-

240. "Unilateral Fishing Ban Likely to Fuel Tension," *South China Morning Post*, May 17, 2010.

241. *Ibid*, p. 143.

242. WANG Qian, "Maritime Forces to be Beefed Up Amid Disputes," *China Daily*, June 17, 2011 http://www.chinadaily.com.cn/china/2011-06/17/content_12718632.htm.

243. Seth Mydans, "U.S. and Vietnam Build Ties With an Eye on China," *The New York Times*, October 12, 2010 <http://www.nytimes.com/2010/10/13/world/asia/13vietnam.html>.

244. Buszynski, "Oil, Maritime Claims, and Strategic Rivalry in South China Sea," *supra* note 1, 143.

245. Jeremy Page, "Hanoi Says Chinese Shot At Boat," *Wall Street Journal* <http://online.wsj.com/article/sb10001424127887324789504578383820145232386.html>

246. "Vietnam Condemns China for Attack on Fishermen Off Paracels," *Thanh Nien News*, May 28, 2013 <http://www.thanhniennews.com/index/pages/20130525-vietnam-boat-reports-of-attack-by-china-boat.aspx>.

247. Buszynski, "Oil, Maritime Claims, and Strategic Rivalry in South China Sea," *supra* note 2, p. 149.

connaissance Operations (SRO) and Special Mission Ships (SMS), violate the “peaceful purposes” provisions of UNCLOS Articles 88, 141, and 301.²⁴⁸ Conversely, the United States argues that intelligence collection and military marine data collection may be conducted without coastal state notice or consent under UNCLOS Articles 56, 58, and 86.²⁴⁹ UNCLOS Article 19 also stipulates that foreign vessels may not commit “any act aimed at collecting information to the prejudice of the defense or security of the coastal state.”²⁵⁰

Despite the Military Maritime Consultative Agreement (MMCA), signed by China and the United States in January 1998,²⁵¹ there have been numerous incidents between the United States and China where it is evident that the implications of the South China Sea and East China Sea maritime dispute extends beyond Asian countries. First, on March 23, 2001, and later in September of 2002,²⁵² the hydrographic survey ship USNS *Bowditch* was conducting routine military survey operations within China’s EEZ of the Yellow Sea, when it was confronted by a Chinese Jianheu III-class frigate and instructed to leave the EEZ. The unarmed *Bowditch* vacated the area and days later returned to the EEZ with an armed United States escort.²⁵³ Then, on April 1, 2001, a People’s Liberation Army (PLA) naval F-8 fighter jet collided with a United States Navy EP-3 electronic surveillance aircraft that was flying 65 miles southeast of China’s Hainan Island in the South China Sea.²⁵⁴ The United States’ crew made an emergency landing on the PLA’s

248. Pete Pedrozo, “The U.S.-China Incidents at Sea Agreement: A Recipe for Disaster,” *Journal of National Security Law & Policy*, 6:207 (2012), p. 218.

249. *Ibid.*

250. *Ibid.*

251. Pete Pedrozo, “The U.S.-China Incidents at Sea Agreement: A Recipe for Disaster.” *Journal of National Security Law & Policy*, 6:207 (2012), p. 208; Agreement on Establishing a Consultation Mechanism To Strengthen Military Maritime Safety, U.S.-China, T.I.A.S. No. 12,924, January 19, 1998.

252. Erik Eckholm, “China Complains About U.S. Surveillance Ship,” *The New York Times*, September 27, 2002, <http://www.nytimes.com/2002/09/27/world/china-complains-about-us-surveillance-ship.html>.

253. Raul Pedrozo, “Close Encounters at Sea: The USNS *Impeccable* Incident,” *Naval War College Review*, 62:3 (Summer 2009), p. 101.

254. Ronald O’Rourke, April 9, 2013. Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress. Congressional Research Service. p. 4.

POLITICAL ECONOMY OF VIETNAM

59

Lingshui airfield on Hainan Island and the 24 crewmembers were detained for 11 days.²⁵⁵

United States' involvement in the South China Sea maritime dispute was again exacerbated in March of 2009.²⁵⁶ On March 4, a Chinese Bureau of Fisheries Patrol vessel illuminated the USNS *Victorious*, including its bridge crew, several times when the *Victorious* was conducting military operations in the Yellow Sea, about 125 nautical miles from China's coast. On March 5, a Chinese Y-12 maritime surveillance aircraft conducted 12 fly-bys of *Victorious* at a low altitude of about 400 feet and a range of 500 yards, and a Chinese frigate proceeded to cross the bow of the USNS *Impeccable* at a range of approximately 100 yards, followed by 11 fly-bys of the *Impeccable* at an altitude of 600 feet and a range of around 200 feet. On March 7, a Chinese intelligence collection ship (AGI) threatened that there would be consequences if the USNS *Impeccable* did not leave the area.

The build-up reached a climax when, on March 8, 2009, approximately 75 miles from Hainan Island in the South China Sea, five Chinese vessels, an AGI, a Fisheries Law Enforcement Command patrol vessel (FLEC), a State Oceanographic Administration patrol vessel (SOA), and two small Chinese-flagged trawlers, shadowed and aggressively maneuvered dangerously close to the USNS *Impeccable*. The Chinese vessels surrounded the USNS *Impeccable* and waved Chinese flags as an indication that the *Impeccable* must leave the area. The *Impeccable* sprayed fire hoses at one of the Chinese vessels. In response, two of the People's Republic of China vessels closed in on the *Impeccable*, forcing it to conduct an emergency "all stop" in order to avoid collision. Pieces of wood were also dropped in the *Impeccable's* immediate path.²⁵⁷

Such adversarial conduct between the United States and China led to a common bond between the Vietnamese and the United States' naval interests. In August 2010, the USS *George Washington* cruised along the Vietnamese coastline while hosting on-board vis-

255. Shirley A. Kan, Coordinator, China-U.S. Aircraft Collision Incident of April 2001: Assessments and Policy Implications. Congressional Research Service, Report for Congress, *Summary*, Order Code RL30946, October 10, 2001.

256. Jonathan G. Odom, "The True 'Lies' of The Impeccable Incident: What Really Happened, Who Disregarded International Law, and Why Every Nation (Outside of China) Should be Concerned," *Michigan State Journal of International Law*, 18:3 (2010), p. 414.

257. Pentagon Statement, *supra* note 2; Press Release, Jim Garamone, Armed Forces Press Service, Chinese Vessels Shadow, Harass Unarmed U.S. Surveillance Ship, March 9, 2009.

its from Vietnamese military officials.²⁵⁸ A year later, on August 23, 2011, the USNS *Richard E. Byrd* embarked from Cam Ranh Bay in southern Vietnam after seven-days of undergoing repairs and restocking at the shipyard, the first time a United States Navy vessel called at a Vietnamese port in over three decades. The two countries' navies also held joint noncombat-training exercises in July 2011.²⁵⁹

It is rather inconceivable to believe that Vietnam would become aggressive towards China, even if supported by United States' might, especially given the two neighboring countries' bilateral trade accounts amounted to \$21.1 billion in 2009 and \$25.4 billion in 2010.²⁶⁰ Despite the constant flaring up of tensions between Vietnam and China over jurisdiction of the South China Sea, considerable efforts have been made to dampen tensions. Beginning in 2002, China and the 10 members states of ASEAN agreed to resolve their territorial and jurisdictional disputes using peaceful means when they signed a non-binding Declaration on the Conduct (DOC) of Parties in the South China Sea in which the 11 participating nations reaffirmed their commitment to the Charter of the United Nations, the 1982 United Nations Convention on the Law of the Sea, the Treaty of Amity and Cooperation in Southeast Asia, and the Five Principles of Peaceful Coexistence.²⁶¹

More recently, from September 5-9, 2011, China's foreign policy coordinator, State Councilor DAI Bingguo, visited Hanoi for the fifth meeting of the China-Vietnam Steering Committee on Cooperation where he issued a statement that "both sides agreed to boost coordination in regional affairs and to promote China-ASEAN relations. . .to properly handle their dispute over the South China Sea through deep consultation to maintain friendly relations

258. Margie Mason, "Former Enemies U.S., Vietnam Now Military Mates," *Associated Press*, August 8, 2010 http://www.usatoday.com/news/topstories/2010-08-071453818316_x.htm.

259. James Hookway, "Old U.S. Foe Proves Useful in Asia," *Wall Street Journal*, November 18, 2011 <http://online.wsj.com/article/sb10001424052970203611404577043902785729334.html>.

260. Ning ZHANG, "Research on Trading Relations between China and Vietnam," *Journal of Engineering*, 1:2 (2012), p. 30.

261. ASEAN, *Declaration on the Conduct of Parties in the South China Sea* <http://www.asean.org/asean/external-relations/china/item/declaration-on-the-conduct-of-parties-in-the-south-china-sea>.

POLITICAL ECONOMY OF VIETNAM

61

between the two countries.”²⁶² The following month, on October 11, 2011 the Chairman of the Standing Committee of China’s National People’s Congress (NPC) met with the General Secretary of the Communist Party of Vietnam Central Committee NGUYEN Phu Trong in Beijing to vow for equality, mutual respect, and common development between the two nations.²⁶³ Furthermore, on October 15, 2011, China and Vietnam agreed to increase contacts between high-ranking officers and established a hotline between the defense ministries in order to reaffirm their political will to negotiate maritime issues through friendly consultations, including the desire to achieve steady progress towards demarcating the Beibu Gulf. Additionally, China and Vietnam agreed to participate in joint patrols along the coastlines, the Gulf of Tonkin, and to discuss joint development of the nautical region.²⁶⁴

Amidst the numerous acts of political gesturing, both positive and negative, between Vietnam and China, Vietnam has become intent on developing a modern submarine fleet by 2017 in order to compete with the impressive naval fleet China rolled out between 1996 and 2006, consisting of 30 submarines.²⁶⁵ Also, China has shown progress in the development of sea mine laying and mine-sweeping technologies to combat the expected Vietnamese naval threat.²⁶⁶ In December 2009, a formal contract was executed between the Vietnamese Ministry of National Defense and Rosoboronexport, a Russian arms exporter, for Vietnam’s purchase of six Project 636M kilo-class, Varshavyanka non-nuclear fast attack submarines (SSK) for \$300-\$350 million per unit including maintenance and crew training, later revised to \$500 million per unit; the

262. “China, Vietnam Agree to Boost Forward-Looking Bilateral Relations,” *Xinhua*, September 6, 2011 http://news.xinhuanet.com/english2010/china/2011-09/06/c_131106560.htm.

263. “China Vows to Properly Handle Problems in Relations with Vietnam,” *Xinhua*, October 11, 2011 http://news.xinhuanet.com/english2010/china/2011-10/11/c_131185528.htm.

264. Melanie Lee and Sanjeev Miglani, “China and Vietnam to Strengthen Ties: Report,” *Reuters*, October 15, 2011 <http://www.reuters.com/article/2011/10/15/us-china-vietnam-idustre79eoir20111015>.

265. Ronald O’Rourke, China Naval Modernization: Implications for U.S. Navy Capabilities, Background and Issues for Congress. *Congressional Research Service*, Report to Congress, Order Code RL33153, Washington, DC, October 8, 2008, p. 12.

266. Andrew S. Erickson, Lyle J. Goldstein, and William S. Murray, “Chinese Mine Warfare: A PLA Navy ‘Assassin’s Mace’ Capability,” *Naval War College China Maritime Studies*, 3 (June 2009), pp. 1-94.

signing was witnessed by President Vladimir Putin and Prime Minister NGUYEN Tan Dung.²⁶⁷

From May 12-15, 2013, Dung visited the Russian seaport of Kaliningrad to inspect the testing progress of the first completed submarine, the *Hanoi*, built at Russia's Admiralteiskie Verfi shipyard in St. Petersburg.²⁶⁸ Thereupon, from June 19 to the 21 of 2013, Vietnam's President TRUONG Tan Sang spent three days in China amid heightening conflict over the South China Sea.²⁶⁹ Additional attempts of diplomacy came just after an anti-China protest took place in Hanoi on June 3, 2013, where over a dozen Vietnamese demonstrators were taken away in buses by police.²⁷⁰

The third major challenge Vietnam faces is rectifying the growing levels of unhappiness being reported and experienced by its citizens. The main predicaments involve quagmires in the areas of health, the economy, and governance. In addition to post traumatic stress disorder (PTSD) and birth complications that are attributed to exposure to Agent Orange during the Vietnam War, which is now considered by the United States' Department of Veterans Affairs to also be a possible cause of Type 2 diabetes,²⁷¹ the urbanization of Vietnam has led to poor lifestyle choices of citizens, who then suffer from non-communicable disease (NCD) epidemics. Meanwhile, a stagnant economy has hurt businesses and strained the government's vital resources. To make matters worse, citizens are increasingly becoming resistant to the SRV's limitations on freedom of speech and other characteristics of democracy restricted by the Vietnamese government.

In the 1990s, diabetes was prevalent in about 1% to 2% of the population in the major cities of Hanoi, Hue, and Ho Chi Minh City, but had reached a proportion of 4%-5% of the population by

267. Carlyle A. Thayer, "Russian Subs in Vietnam," *U.S. Naval Institute*, August 20, 2012 <http://news.usni.org/2012/08/20/russian-subs-vietnam>.

268. "Vietnam P.M. Inspects First Russian-built Submarine," *Thanh Nien News*, May 14, 2013 <http://www.thanhniennews.com/index/pages/20130514-vietnam-pm-inspects-first-russian-built-submarine.aspx>.

269. Rajaram Panda, Vietnam and China: Patching Up? Institute of Peace and Conflict Studies, Southeast Asia Article #4005, June 24, 2013 <http://www.ipcs.org/article/southeast-asia/vietnam-and-china-patching-up-4005.html>.

270. "Rare Protest in Vietnam Raises a Call to Curb China," *New York Times*, June 3, 2013 http://www.nytimes.com/2013/06/03/world/asia/rare-protest-in-vietnam-raises-call-to-curb-china.html?_r=0.

271. Agent Orange and Type 2 Diabetes, American Diabetes Association <http://www.diabetes.org/living-with-diabetes/complications/agent-orange-and-type-2-diabetes.html>.

2002. As of 2008, nearly 7% of adults aged between 30-69 had diabetes.²⁷² The advancement of diabetes care in Vietnam was delayed and only recently has become a national priority, beginning with the National Diabetes Program administered by Vietnam's Ministry of Health and the World Health Organization for the Western Pacific from February 2004 through December 2010. Even the health of young children, aged 6 to 11, have been increasingly at risk, with childhood obesity in Ho Chi Minh City having increased from 12.2% in 1997 to 38.5% in 2012; while 42.9% of children under 5 years-old are underweight or stunted.²⁷³ Although, many of the diabetic patients have been examined to be of normal body composition, indicating that only minor changes in modes of transportation and diet, from active lifestyles with simple diets in rural areas to more sedentary lifestyles and less nutritious diets in urban centers, may be enough to create the onset of diabetes.²⁷⁴

While only 12% of the Vietnamese are considered overweight or obese and 29% do not have sufficient physical activity, 80.4% have low fruit and vegetable consumption, 30% have high cholesterol, and 56.5% of Vietnamese men smoke.²⁷⁵ In addition to a diabetes epidemic, cardiovascular disease, and several other NCDs have led to an overwhelming death toll. From 1986 to 1997, NCD deaths in Vietnam rose from 42% of all deaths to 62%;²⁷⁶ the rate of NCD deaths in Vietnam finally tapered in 2009 at 63.3%.²⁷⁷ Thus, both lifestyle and environmental factors are currently being studied to uncover rampant sources of NCD.

By 2028, it is expected that 2.5 million Vietnamese will have diabetes and another 1.9 million will be at high risk to contract the

272. PHUNG Thi Thu Phuong, Managing the Burden of Diabetes in Vietnam. World Health Organization, Western Pacific Region, November 14, 2012 http://www.wpro.who.int/vietnam/mediacentre/features/feature_world_diabetes_day_2012_vietnam/en/index.html.

273. "HCM City Looks to Combat Rising Child Obesity," *Vietnam News*, April 6, 2013 <http://vietnamnews.vn/society/237870/hcm-city-looks-to-combat-rising-child-obesity.html>.

274. TRAN Quang Khanh, In Thomas Fuller, "Diabetes Is the Price Vietnam Pays for Progress," *New York Times*, June 4, 2013 <http://www.nytimes.com/2013/06/05/world/asia/diabetes-is-the-price-vietnam-pays-for-progress.html?pagewanted=all>.

275. Regional Meeting on National Multisectoral Plans for NCD Prevention and Control. Meeting Report, World Health Organization, Western Pacific Region, Kuala Lumpur, Malaysia, June 11-14, 2012, p. 6.

276. Vietnam Ministry of Health, Vietnam Health Statistics Yearbook 1997, Hanoi.

277. Regional Meeting on National Multisectoral Plans for NCD Prevention and Control. Meeting Report, World Health Organization, Western Pacific Region, Kuala Lumpur, Malaysia, June 11-14, 2012, p. 6.

disease, a stark increase from 1.3 million people diagnosed with diabetes and 1.1 million at risk as of 2008.²⁷⁸ NGUYEN Thi Lam of Vietnam's National Nutrition Institute indicates that 90% of the Vietnamese people with diabetes suffer from Type 2, which is typically preventable or managed through lifestyle choices. She fears earlier estimates of the epidemic may be modest, citing that 7 to 8 million people could be suffering from the disease by 2025.²⁷⁹ The growing concern over diabetes in Vietnam has triggered a concerted effort by domestic and foreign governments to curtail the epidemic.

In 2001, the Center for Disease Control opened its first Vietnam-based office in Hanoi.²⁸⁰ Thereupon, the Prime Minister's Decision No. 35/2001/QD-TTg on Ratification of National Strategy for People's Health Care 2001-2010, No. 77/2002/QD-TTg on Ratification of Program for Prevention and Control of Certain Non-Communicable Diseases 2002-2010, and Government Resolution No. 12/2000/NQ-CP on National Tobacco Control Policy 2000-2010 have included health conscious initiatives spelled out by the central government to reduce diabetes as well as cardiovascular disease,²⁸¹ often through support of civil service organizations (CSO).

One aspect of government initiatives has been to develop community-based approaches that improve control and the treatment quality of diabetes, such as the National Hospital of Endocrinology in Hanoi's and World Diabetes Foundation's co-sponsored project during 2006 that aimed to raise awareness and screen residents of the Thanh Hoa and Thai Binh provinces, with the goal to reduce undiagnosed diabetes to less than 60%, from over 80% in 2002.²⁸² In July 2012, the Vietnam Diabetes Care Program (VDCP) was launched, a collaboration between Vietnam's Ministry of Health and Denmark's Novo Nordisk Vietnam, a Danish healthcare com-

278. IDF Grant Supports Diabetes Screening and Prevention Program in Vietnam. *International Diabetes Federation* <http://www.idf.org/node/1431>.

279. NGUYEN Thi Lam, Over 6% of Vietnam Population Suffer from Diabetes. *Vietnam Union of Friendship Organizations*, Hanoi, May 13, 2013 <http://www.ngocen-tre.org.vn/news/over-6-vietnam-population-suffer-diabetes>.

280. Centers for Disease Control and Prevention. *CDC in Vietnam* <http://www.cdc.gov/globalhealth/countries/vietnam/>.

281. HOANG Van Minh, *Epidemiology of Cardiovascular Disease in Rural Vietnam*, Umea University Medical Dissertation No. 1018, Umea, Sweden, 2006, p. 10 <http://umu.diva-portal.org/smash/get/diva2:144495/FULLTEXT01>.

282. Clive S. Cockram, TA Van Binh, and Gauden Galea, "Diabetes Prevention and Control in Vietnam: A Demonstration Project in Two Provinces," *Practical Diabetes International*, 23:8 (October 2006), p. 362.

pany and provider of diabetes care.²⁸³ Also, Ho Chi Minh City's Nutrition Program for 2013-2015 has been launched where the city plans to spend VND42.75 billion to prevent malnutrition, obesity, and vitamin deficiencies.²⁸⁴

Just as Vietnam faces numerous public health challenges, the economy has become stagnant and now the financial health of the country is also in question. In some respects, Vietnam's ability to successfully grow its economy over the past decades has created a situation where, on a global scale, Vietnam is a haven for foreign investors. As an example, the United States GDP growth slowed to 1.8% in the first quarter of 2013, modestly up from .4% in the fourth quarter of 2012 while the GDP growth in Vietnam expanded 4.89% year-over-year from the first quarter of 2012 to the first quarter of 2013, although much of the increase in the GDP figure can be attributed to inflation, which stood at 6.64% in March 2013.²⁸⁵

Foreign investors who do not heavily rely on domestic purchases of goods and services are able to enjoy the benefits of increasing prices through revenues. In order to keep up with inflation, interest rates on deposits are accordingly high, with a one-year certificate of deposit on a minimum of VND10 million yielding about 6.81%.²⁸⁶ The high interest rates yielded in depository accounts attract foreign companies to keep profits in Vietnam or to purchase Vietnamese dong bonds, yielding 8.8375% on the 10-year debt instrument and 8.9375% on the 15-year.²⁸⁷ In fact, the State Bank of Vietnam (SBV) initially sought to reduce liquidity, as foreign capital inflows were overwhelming. Over several days, the SBV purchased in excess of \$500 million USD in order to monetize

283. Embassy of Denmark in Vietnam, Ministry of Foreign Affairs of Denmark. Press Release: New Public-Private Partnership to Improve Diabetes Care in Vietnam. July 11, 2012 <http://vietnam.um.dk/da/om-os/nyheder-fra-ambassaden/newsdisplaypage/?newsid=f1351ec8-af83-44a1-b570-c167d12528cd>.

284. "HCM City Looks to Combat Rising Child Obesity," *Vietnam News*, April 6, 2013 <http://vietnamnews.vn/society/237870/hcm-city-looks-to-combat-rising-child-obesity.html>.

285. "Vietnam GDP Growth Slows in First Quarter as Banks Struggle," *Bloomberg News*, March 27, 2013 <http://www.bloomberg.com/news/2013-03-27/vietnam-economic-growth-slows-in-first-quarter-as-banks-struggle.html>.

286. HSBC Bank Vietnam <http://vietnam.deposits.org/providers/hsbc-vietnam.html>.

287. HO Binh Minh and Martin Petty, "Vietnam Bond Yields Hit Record Lows, Market Grows Fast," *Reuters*, June 5, 2013 <http://www.reuters.com/article/2013/06/05/vietnam-bonds-yields-idUSL3N0EH14V20130605>.

the deposits and curb inflationary pressure.²⁸⁸ Then, as the economy slowed in the past year, Vietnam withdrew approximately 90% of its cash from foreign currency investments,²⁸⁹ and the State Treasury and Vietnam Bank for Social Policies plan to auction an additional 3 trillion dong or about \$143 million USD.²⁹⁰

Foreign investors continue to enjoy comparatively high growth rates while Vietnamese citizens find it challenging to keep up with price increases amid an economic slowdown; the consumer price index rose by 9.21% from 2011 to 2012.²⁹¹ Corporations are experiencing similar fiscal challenges. The SBV has committed to satisfying financial conglomerates and other large enterprises' short-term liquidity needs. A slew of bad debt prompted Deputy Prime Minister VU Van Ninh and Central Bank Governor NGUYEN Van Binh to chair a panel for the restructuring of banks by 2015.²⁹²

A third source of unhappiness for the Vietnamese is the lack of democratic freedoms granted to citizens. NGUYEN Phuoc Tuong, a former advisor to two prime ministers from 1991 to 2006, recently described the Vietnamese government by saying that the "system is the totalitarian rule of one party."²⁹³ In June 2013, notorious worldwide web blogger PHAM Viet Dao was arrested for criticizing the government, the 38th blogger arrested during the year, a figure similar to that of 2012.²⁹⁴ Considering that Vietnamese Internet subscriptions increased from 200,000 in 2000 to 8 million in 2010, and

288. Central Bank to Issue Bonds to Check Inflation. Press and Information Department, Vietnam Ministry of Foreign Affairs, July 1, 2013 <http://www.vietnamembassy-brunei.org/vnemb.vn/tinkhac/ns070815155319>.

289. Central Bank to Issue Bonds to Check Inflation. Press and Information Department, Vietnam Ministry of Foreign Affairs, July 1, 2013 <http://www.vietnamembassy-brunei.org/vnemb.vn/tinkhac/ns070815155319>.

290. HO Binh Minh and Martin Petty, "Vietnam Bond Yields Hit Record Lows, Market Grows Fast," *Reuters*, June 5, 2013 <http://www.reuters.com/article/2013/06/05/vietnam-bonds-yields-idUSL3N0EH14V20130605>.

291. Vietnam General Statistics Office, *Monthly Statistical Information, Social-economic situation in 2012* <http://www.gso.gov.vn/default.aspx?tabid=622&ItemID=13501>.

292. Jason Folmanis, Diep Ngoc PHAM, and Ailing TAN, "Vietnam GDP Growth Slows in First Quarter as Banks Struggle," *Bloomberg News*, March 27, 2013 <http://www.bloomberg.com/news/2013-03-27/vietnam-economic-growth-slows-in-first-quarter-as-banks-struggle.html>.

293. Thomas Fuller, In "Hard Times, Open Dissent and Repression Rise in Vietnam," *New York Times*, April 23, 2013 <http://www.nytimes.com/2013/04/24/world/asia/vietnam-clings-to-single-party-rule-as-dissent-rises-sharply.html>.

294. "Vietnam Government Critic Arrested," *New York Times*, June 14, 2013 <http://www.nytimes.com/2013/06/15/world/asia/vietnam-government-critic-arrested.html>.

POLITICAL ECONOMY OF VIETNAM

67

are projected to double by 2020,²⁹⁵ freedom of speech and press on the Internet may serve as a relevant generalizable proxy.

Granted, the SRV has taken several steps to open forums for political discourse. On January 2, 2013, in accordance with Resolution 38/2012/QH13 adopted by the National Assembly on November 23, 2012, draft revisions to the 1992 Constitution were made available for public comment; from at home and abroad, 26 million suggestions were submitted. Two months later, in March 2013, Vietnam hosted Amnesty International for the first time since the end of the Vietnam War. Included was a meeting with two dissidents, PHAM Hong Son and NGUYEN Van Dai, representatives of the main evangelical churches, and Cardinal Jean-Baptiste PHAM Minh Man, the Roman Catholic Archbishop of Ho Chi Minh City.²⁹⁶

On June 3, 2013, the National Assembly held a live television debate featuring draft amendments to the 1992 Constitution, and decided that Article 54, involving the orientation of economic sectors, would remain unchanged given their preference to a socialist-oriented economy that aims to ensure members of society enjoy economic benefits in a more equal manner.²⁹⁷ There are numerous other amendments that have been focused on in the public realm. On January 22, 2013, Minister of Justice NGUYEN Dinh Loc and 72 other politicians and intellectuals, announced Petition 72 on the Internet calling for the repeal of Article 4, stipulating that the Communist Party has the highest position of leadership, in an attempt to achieve a multiparty system of government. Other aspects of the petition included requests to submit an application to the United Nations Universal Declaration of Human Rights and calls for a modification in the government's structure to include a system of checks and balances.²⁹⁸

295. Anne Nelson, "Vietnam Fighting a Losing Battle Against Free Speech Online," *Public Broadcasting Station*, January 6, 2011 <http://www.pbs.org/mediashift/2011/01/vietnam-fighting-a-losing-battle-against-free-speech-online006>.

296. Gerry Mullany, "Vietnam Allows Visit by Amnesty International," *New York Times*, March 6, 2013 <http://www.nytimes.com/2013/03/07/world/asia/vietnam-allows-amnesty-international-visit.html>.

297. "NA Debates Revised Constitution," *Vietnam News Agency*, March 6, 2013 <http://en.vietnamplus.vn/Home/NA-debates-revised-Constitution/20136/35151.vnplus>.

298. YOSHIHARU Tsuboi, "Intellectuals, Others Propose Multi-party System in Vietnamese Constitutional Reforms," *The Asahi Shimbun*, April 29, 2013 http://ajw.asahi.com/article/forum/politics_and_economy/AJ201304290010.

VII. CONCLUSION

In the fall of 1945, after reporting on numerous meetings held by interest groups throughout rural and urban Vietnam, journalist NGUYEN Bach Khoa concluded: “The first impression- and also the last impression- that I had was that from the August uprising to the present, the Vietnamese masses have just begun to learn. . .to speak. Indeed, under French domination, the Vietnamese masses never ‘spoke’ at all.”²⁹⁹ Vietnam’s political tendencies after transitioning from a colonized, occupied state that was continually under duress of civil war and cultural conflict to an independent nation upon an unwavering defense against the world’s superpower may be explained by the historical landscape. In Vietcong Colonel General TRAN Van Tra’s own words during his service of the early 1970’s:³⁰⁰

I was about to return to the green jungle [from Hanoi], where the battlefield was on fire with fighting, back to my combat units. I was eager and happy to get back. . .maybe it was because I yearned all my life for independence and freedom and had pledged to bear arms and fight until the final objective was reached. . .Everything was for the revolution. One for all, all for one.

The Vietnamese embraced the Marxist-Leninist ideals of a socialist-communist political form of governance; a system viewed by freedom fighters and civilians as liberating considering the lack of freedoms guaranteed to ethnic-Vietnamese as a consequence of foreign aggression and occupation.

While Vietnam may be a one-party state, it is not a dictatorship. Once policy is agreed upon, it is unanimously defended.³⁰¹ However, the political process is not unlike a democracy. Making policy in Vietnam involves all the alliance building, plotting, and antagonism expected in democratic societies. The political setting is complex and fluid, loyalties and allegiances change. Reformers, conservers, and advocacy coalitions hope to receive the benefits of

299. In Shawn Frederick McHale, *Print and Power: Confucianism, Communism, and Buddhism in the Making of Modern Vietnam*, Hawaii: University of Hawaii Press, 2004, p. 39.

300. TRAN Van Tra, “Comradeship,” in David Chanoff & DOAN Van Toai, eds., *Vietnam: A Portrait of its People At War*, London: Tauris Parke, 2009, pp. 172-173.

301. Hayton, *Rising Dragon*, *supra* note 3, p. 110.

patronage.³⁰² However, the competing factions' ideological differences have not yet crystallized into coherent positions across issues.³⁰³

Over time, economic reformers gained esteem through successes associated with *doi moi* and the Socio-Economic Development Strategy Plans. The market reform implemented in the Five-Year Plans of 1986-1990 and 1991-1995 was based on a strategy of endogenous growth. Collectivization during the late 1970's sought to optimize labor processes and distribution of capital in order to increase total output. Central planning of Vietnam's fertile grounds proved to be deficient in sustaining inhabitants due to food shortages while reliance on imports further strained the production efficiency frontier. Economic renovation reduced emphasis on the agricultural sector and incremental adoption of neo-liberal approaches to commerce enabled the inclusion of market intangibles that were previously considered external to the creation of surplus value.

The advent of a three-sector economy served to privatize, and provide opportunity, for new business activities. The endogenous growth model produced multiple equilibriums that allowed for discrete jumps within the stationary state and accumulation regime of yesteryear.³⁰⁴ Despite perceived strict government oversight, economic growth was loosely guided. Cultural disparity between ethnic Chinese and Vietnamese, as well as divisions between urban and rural communities, contributed to a lack of coherence.

The Socio-Economic Development Strategy Plan of 2001-2010 built on the growth model through investments in sectors with large potential for spillovers, such as areas related to human resources, education, and training. And, while economic expansion boomed amid the cultivation of a major cash crop (coffee) deteriorating environmental conditions caused Vietnam's economic initiatives to shift from productivity to sustainability, given the still significant agricultural sector. Despite heavy foreign direct investment inflows during the 1980's and early 1990's from China and particularly the Soviet Union, it was not until Vietnam opened its doors to the rest of the world that socio-economic objectives could be fully realized.

302. Martin Gainsborough, "From Patronage to 'Outcomes:' Vietnam's Communist Party Congresses Reconsidered," *Journal of Vietnamese Studies*, 21, (2007), pp. 3-26.

303. Hayton, *Rising Dragon*, *supra* note 4, p. 110.

304. Juhana Vartiainen, "The Economics of Successful State Intervention in Industrial Transformation," in Meredith Woo-Cumings, (ed.), *The Developmental State*, Ithaca, New York: Cornell University, 1999, p. 206.

Vietnam's accession into the WTO and ASEAN solidified advancement from *doi moi*, or production economics, to socio-economics. On one hand, membership into the WTO stimulated global investment and trade activities with western powers such as the United States, but also guaranteed enforcement of recourse through sanctions in transactions involving member WTO nations within the Asia-Pacific, which the Asia-Pacific Economic Cooperation (APEC) failed to accomplish.³⁰⁵ On the other hand, ASEAN introduced new ideologies and methods of organization that Vietnam was previously unaccustomed to: voluntarism and consensus rather than central planning and authoritarian rule.

Hierarchical systems had been long established by the Vietnamese through Confucianism. Renowned scholar and Prime Minister of Japanese-controlled Vietnam from March to August 1945, TRAN Trong Kim, attributes Vietnam's hierarchical, though reformative disposition to discrepancies between old and new: "If those in authority are noted for their talent and ethics, people will abide by hierarchical rules without complaint. When such persons fail to elicit admiration from the people. . .the more people will resent them and find such efforts unjustified. At present, when differences between the old and new are still unclear, many suspect that the old hinders progress and should be abolished and that new learning should be adopted."³⁰⁶ Vietnam's adoption of new methodologies, often those devised and exercised by other societies, insinuates political economic progression transcribed through influence by trending practices.

For example, upon gaining independence, Vietnam's cooperative farming and closed market system aimed to mimic Soviet styles of economy. Despite failure to generate increases in output year-over-year, which could have actually been the result of uncontrollable factors such as weather, the SRV achieved the highest degrees of structural organization. Next, open market systems, international trade, and entrepreneurialism became fashionable given western prosperity and the SRV was inclined to economic reform. Shortly thereafter, Vietnam established itself as a developing nation experiencing accelerated growth as a global giant in the exportation of commodities. Finally, issues of corruption, sustainability, and happi-

305. Mark Beeson, *Institutions of the Asia-Pacific: ASEAN, APEC, and Beyond*. London: Taylor & Francis Group, 2009, p. 50.

306. TRAN Trong Kim, "Confucianism," in George E. Dutton, Jayne S. Werner, and John K. Whitmore, eds., *Sources of Vietnamese Tradition*, New York: Columbia University Press, 2012, p. 415.

ness became dominant western mantras that were accepted as public challenges in Vietnam. In response, the SRV set forth the Socio-Economic Strategy Plan of 2001-2010; the results have been positive in terms of garnering support for political and civil reform.

The South China Sea maritime dispute will largely dictate political economic conditions moving forward. The territorial conflict has the potential to implicate claimants of the Sea and its islands, which include both ASEAN and non-ASEAN countries, in addition to western and eastern allies. As stakeholders struggle to exercise geopolitical influence, institutional systems will likely follow suit. Meanwhile, joint ventures in the South China Sea energy space have the potential to create utilities of scale for cooperative nations, which could greatly benefit both economic and environmental initiatives. As for unhappiness of Vietnam's citizens, reallocation of vital resources toward military expenditure has created a shortage of public services, while the public's thirst continues to yearn for expanding democratic freedoms.

A voluntary and consensus approach is effective only when nations choose to oblige; the result will be largely reflective of the outcomes inherent to the South China Sea maritime dispute. Vietnam's approach to combating major challenges is also indicative of both the governments and citizens' willingness to not only comply, but also to make initial sacrifices without initially knowing the potential consequences. Vietnam has proven to be successful in following trends, building capacity and improving the majority of citizens' living standards over time. Also, considering the advent of CSO's in Vietnam, which was a movement partially trail-blazed by international imperatives such as the ASEAN community project,³⁰⁷ a new sector is conscientiously addressing issues of public health, awareness, and freedom.

For Vietnam to overcome its major challenges, it can no longer be a trend follower. New ideas must be adapted to mesh with old traditions, without excessive intrusion of newly popular methods that have the potential to alter Vietnam's natural richness and deter society from reaching its own full potential. At the same time, citizens look to public nodes of authority for guidance. Each year at Tết, the lunar year, the following slogan appears on billboards: "*Mung Dang, Mung Xuan; Greet the Party, Greet Spring.*" Just as

307. Helen E. S. Nesadurai, "The ASEAN People's Forum (APF) As Authentic Social Forum: Regional Civil Society Networking for An Alternative Regionalism," in Mark Beeson and Richard Stubbs, (eds.), *Routledge Handbook of Asian Regionalism*, London: Taylor & Francis, 2012, p. 169.

sure as spring will come, the SRV's influence is cemented into national life, illustrating Vietnam's political economy is not yet exemplary.