

## INSTITUTE OF CURRENT WORLD AFFAIRS

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What if communism began to crumble soon after the fall of Saigon?

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Dear Peter,

Hanoi economist Dang Phong is a frail-looking man who laughs like an old Zen master and has the drinking and smoking habits of a Left Bank author from the 50's. If he wrote textbooks instead of editing the Hanoi-based Market and Price review, a publication of the Government Price Committee, economy would rhyme. "The Russian soul lives in me," says Phong to explain his lyrical ways. Now in his 50's, Phong speaks not only fluent Russian, but also fluent French and has begun to study English. As a young man, Phong entered Saigon with the People's Army. He was a reporter then. "I was impressed by the logistics of the Americans in the South," he recalls. "And I never forgot the heroism of their young men."

Today, Phong is a long way from the war. He sits on my left in a drab classroom of Macquarie University in Sydney. I am whispering in his ear the French translation of the economic discussion taking place in English between about 15 scholars and students doing research on contemporary Vietnam. As the General Secretary of the Association for the Study of Vietnam's Economic History, Phong is the distinguished guest of the workshop. In his over-large white shirt and his badly cut gray-streaked hair, he is a study in contrast with the new generation of well-groomed Vietnamese power brokers who have begun to appear at international conferences. But the man knows how to drop a bomb. "You could easily argue that the reforms began in 1976," he says. "It was a case of internal pressure, of corruption of orthodox Marxism, but we denied it."

Phong remembers the day he noticed an "informal market" developing within the centrally-planned economy of the communist capital. It was not in 1986, the year the Communist Party adopted *doi moi*, its renovation policy. It was not in 1981 either, another year often used to mark the beginning of reform. [That year the Party adopted a new contract system giving more freedom to farmers].

Phong noticed the change in 1976. During that year, directors of state-owned enterprises began to buy 2000 light bulbs instead of

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Since 1925 the Institute of Current World Affairs (the Crane-Rogers Foundation) has provided long-term fellowships to enable outstanding young adults to live outside the United States and write about international areas and issues. Endowed by the late Charles R. Crane, the Institute is also supported by contributions from like-minded individuals and foundations.

the 200 they needed, selling the leftovers on the black market or using them as perks for their employees. Northern cadres personally took copper from the Soviet Union and brought it South to be transformed. "Before 1975, we only had a minuscule hidden economy," says Phong. "It blossomed in 1976."

Did communism begin to erode then in the northern part of the country that had lived under a Marxist government since the late 1940's? Was it the beginning of the grass-root changes that would lead, in 1986, to the Communist Party policy of *doi moi*? Scholars from the World Bank and from the International Monetary Fund have been using 1986 as the threshold of change. Others have used 1981. Some have even pointed to 1979, emphasizing the importance of the new powers given then to state-owned enterprises during that year.

In all cases, Western economists have expressed wonder at Vietnam's success at economic reform. According to the "accepted wisdom", Vietnam turned its economy around in a few years, through some kind of "shock therapy". "Even China has more characteristics left of the old model of planned economy than Vietnam does," says Melanie Beresford, a professor of Economics at Macquarie University.

Beresford is one of three professors involved in the "Vietnam Project", a research group challenging the accepted wisdom. The group is looking for a "transitional model" somewhere in the 1975-1985 period. "Considering the refusal of South Vietnam to be collectivized, should we not date the process of reform even further back than 1979?" asks Beresford.

Western-dominated scholarship calls the 1945-75 period in Northern Vietnam a "command economy": the party gave directive, the people obeyed. "That's what the literature leads me to believe," says Beresford. "But was it really like that?"

Scholars now wonder if Vietnam was not too decentralized then to respond to a top-down system. Lower levels of government had a lot of influence in decision-making. Decisions made in the capital were implemented differently once they reached the villages. Is it right then to talk of a planned economy? Some scholars say no. Other say yes. "Vietnam had a plan," insists professor David Marr, one of the three scholars behind the Australian research project. "They built steel plants and waged two successful wars."

In this room full of professors and Ph.D. candidates, concepts fly over the table like paper planes. Speakers come from as diverse fields as geography, religion, anthropology, history and economy. Australian universities probably have the largest number of Ph.D. students doing research on contemporary Vietnam. The students are Australians as well as Americans, Swiss, Canadians or British. Most have spent a few years living and working in Vietnam.

Some believe the reforms came about as a result of what was taking place at the grass root level. Others, like professor Carlyle Thayer, author of The People's Army under Doi Moi (1), argue in

(1). Thayer, Carlyle, The People's Army under Doi Moi. Pacific Strategic Papers, Institute of Southeast Asian Studies, 1994.

a more historical context. "In the late 70's successive natural disasters struck Vietnam," he says. The average calorie intake in the country was below the United Nations' standards, there was a massive exodus of boat people and a national state of conscription to fight a war with Cambodia. (Close to 180,000 Vietnamese men died in Cambodia, according to Vietnamese sources.)

"In the late 70's, the country was in a prolonged crisis," adds Beresford. South Vietnam was resisting collectivization, unification was putting a lot of stress on an already-weakened northern society stretching itself thin to bring to the South some form of socialist organization. "I suggest the system was not strong enough to cope with reunification," says Beresford. Reforms may have begun right then.

Proving that is difficult. Vietnamese statistics are unreliable. "After 1976, goods stopped having only one price, we saw four or five different level of prices," admits Phong. "The official price for a twenty-ton Japanese truck was 500,000 dong, but the best I could buy with that money was an old motorcycle. You have to be very careful when you tally numbers found in Vietnamese books."

When British researcher Adam Fforde went to Vietnam in late 1979 to begin his Ph.D, not only were there almost no English speakers in Hanoi but information of any kind was very limited. Interested in Third World Socialism, Fforde studied Vietnam's first Five-Year Plan and buried himself in reports about cooperatives. According to him, signs of change could be found in those reports. Many cooperatives were not functioning well; some were beginning to retain resources and use them for different purposes. "Thus capital emerged within the socialist sector," argues Fforde. But not everyone agrees. According to Professor David Marr, those phenomena are closer to what "fixers" do in wartime than to the emergence of capitalism.

Phong sees 1989 as "the most important year toward market economy," the moment when "what was hidden became visible." In March of that year, interest rates were changed and a new principle was adopted: interest rates were to be higher than inflation. State-owned enterprises could not get free credit anymore. "There were screams all over the country," recalls Phong.

That same year, a decree of the Politburo liberalized the circulation of fertilizer, cereals and consumer goods. Even machinery and tools could circulate freely. "That second kick really forced in the market economy," says Phong. A third kick came when a decree opened the borders between China and Vietnam. The market was flooded with Chinese products and the state-owned enterprises had to adjust.

North-Vietnamese economists had proposed such strategies as early as the 70's but they had been disciplined. "The theoretical barriers were impossible to overcome before the 6th Party Congress," recalls Phong. "The ideology was very strong. Because of the belief that small commodity production gave rise to capitalism and exploitation of the weakest by the strongest we could not even allow tailors or noodle shops."

The numerous problems the country encountered in 1979 - with the war in Cambodia and the abrupt halt of foreign aid - "weakened the theoretical forces", says Phong. Changes became possible. The early 80's were a "period of hesitation." But after a while, with no other solution to offer, the Party finally came to its historic decision to head for a "socialist market economy."

Today, according to Phong, the state-owned sector and the private sector should not be regarded as two separate blocks. "The free market fills in the gaps left by the planned economy, at the same time it is fed by the planned economy," he argues.

In 1991, a government decree allowed state-owned enterprises to use state credits for three purposes: first, the state plan; second, joint-venture with other enterprises; third, free market ventures. The theory was that the third component was to be used "only to save the life of the workers" (meaning to save their job or bring their wages up to a subsistence level). Two months after the decree, most directors had turned the order of priority around. Today, according to Phong, most state funds are engaged in free market activities. Trucks, meant to transport coal, ferry rice from Hanoi to Quanh Ninh. Rice is sold on the free market to finance labor union funds. "The state sector is like a cow full of milk for the market economy," says Phong.

Knowing all this, Phong finds it difficult to understand the political stand of some of the Vietnamese living abroad. "For three days they demonstrated outside the conference hall, denouncing me", he says, recalling his visit to California in December 1993. "I am not even a member of the Communist Party."

Last year, with some money offered by a Canadian friend, Phong took a bus from Montreal to go to America, his first visit to a land he had long dreamt of. "I felt like the first man on the moon," he recalls, leaning back on his chair and looking out the window, over the forested part of MacQuarie campus. "There was a blizzard, and I had no warm clothes, but I got off the bus and took a photograph. I was in Burlington but I took a photo anyhow. My first photo of America: Burlington in a blizzard." Later on, Phong says he was disappointed by New York. "I had thought of it as a shining, glorious city. It was dirty and sad."

We are having lunch at the Macquarie Faculty Club and between anecdotes on his trip, Phong talks about the changes in Vietnam. "There is a study to be done about the names," he says, smiling. Thirty or forty years ago Vietnamese newborn were given names such as: Thanh (victory), Manh (force) or Chien (battle). Today, popular children names are Tre (bamboo) or Quynh, a flower that blossoms in the dark. Vietnam's economy may be not be easy to classify. The State's ideology may be even muddier. "But the names tell us something," says Phong. "They tell us what people want."



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