

# Communist Party Congress in Vietnam pledges more pro-market measures

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The 10th Congress of the Communist Party of Vietnam (CPV), held in Hanoi in April, signalled a further intensification of its *doi moi* (renewal) program of market reforms aimed at integrating Vietnam into the world capitalist economy and attracting foreign investment.

The CPV congress for the first time formally endorsed the participation of its 3.1 million members in private business ventures. While this decision simply legalised an already existing and widespread practice, it made clear that the ruling regime is seeking to accommodate itself to the country's emerging capitalist class.

Not only will CPV members be able to engage in private enterprises of any size, but the party will be open to the layers of entrepreneurs, executives and speculators that have been spawned by the pro-market policies initiated in 1986. Foreign investment, as well as \$US3.8 billion in remittances from Vietnamese living abroad, is helping to fuel a growing private sector.

The congress re-elected Nong Duc Manh to the powerful post of party general secretary. First installed at the 9th Congress in 2001, Manh has been associated with policy changes aimed at boosting the inflow of foreign capital, following a dramatic drop in investments after the Asian economic crisis of 1997-1998.

However, the congress failed to deliver several key demands of foreign investors. In particular, international financial commentators have expressed dissatisfaction with the new unified investment law, announced prior to the congress and due to take effect from July 1. For the first time, the law will set the same approval requirements for both Vietnamese and foreign investors.

Foreign investors have been complaining for some time about the complex procedures involved in obtaining government approval. But their demand for a "level playing field" has been met by imposing more stringent requirements on local companies rather than loosening those on foreign businesses. In effect, the new law will tighten government supervision of all private corporations.

The London-based *Financial Times* on April 20 cited a

foreign lawyer as saying that the new law was a "deterrent" to foreign investment. "You have more bureaucracy, more corruption, and the problems that go along with it," he said.

A Swedish study cited in the newspaper pointed to the obstacles facing foreign investors. "[S]tate officials also use their positions in state-owned companies, ministries and government agencies to plunder state assets by buying land and other assets at cheap prices, taking kickbacks on project contracts, throwing lucrative contracts to family companies and embezzling money."

Other grievances include the country's labour laws which make it costly for foreign firms to sack workers and require a special exemption if foreign employees exceed 3 percent of staff. Foreign personnel managers also allege that state control over the country's education and technical training schools is leading to a lack of suitable middle level managerial staff.

Foreign capital wants a further dismantling of the state sector. The *Financial Times* on April 24 highlighted the state sector's "preferential access" to scarce investment funds. Harvard University academic Tom Vallely explained that two economies were operating in Vietnam. "One is the state economy, and one is the more modern globalised economy. But there is tension between the central planning system and the more modern global economy," he said.

The CPV regime is obviously preparing to meet the demands of investors. The official congress communiqué praised its unity and work, set 2020 as the date for Vietnam to reach the status of a modern industrial state, targeted annual GDP growth rates of 7.5-8 percent over the next five years, pledged an enhanced "renewal" effort along capitalist lines and promised a stepped-up fight against party and state corruption.

The communiqué concluded with an absurd declaration that the party's "ultimate goal" was a society without exploitation based on socialism and communism. The CPV was never based on genuine socialism but rather on the nationalist program of Stalinism, that is "socialism in one country". The CPV has always adhered to the reactionary

“two-stage” theory that deferred any struggle for socialism to the indefinite future, after a protracted capitalist development.

Following the defeat of the US puppet regime in South Vietnam in 1975, the CPV did not establish socialism, but a highly regulated and insulated economy modelled on the Stalinist regimes in the former Soviet Union and China and presided over by a police state. In the 1980s and 1990s, the expansion of globalised production undermined all forms of national economic regulation, including in Vietnam, which embraced *doi moi* as the means to integrate the country into world capitalism.

The result has had devastating consequences for workers and poor farmers. Since 1986 around 2,500 state enterprises have been privatised and at least 1,700 are due to follow by 2010, throwing their workforces into the ranks of the unemployed.

This hardship will inevitably intensify. The state bureaucracy intends to retain control of only about 1,000 firms, but foreign investors regard even this as an obstacle.

The *Financial Times* complained: “[D]espite the country’s increased integration into the global economy, Vietnam’s leaders still want the state sector to dominate and are pouring resources into state companies such as Vinashin, the shipbuilder, which was granted the entire proceeds of (Vietnam’s maiden 2005 sovereign) bond. State investment grew 11 percent in 2004, accounting for 55 percent of total new investment.”

The maintenance of state-owned enterprises reflects two concerns. Firstly, the privileges and position of a layer of the ruling bureaucracy are directly bound up with these firms. Secondly, the government fears that a new round of restructuring and privatisation will compound already high levels of unemployment and lead to social unrest. At the same time, however, the regime confronts the constant threat that investors will go elsewhere if their demands are not met.

In the 1990s, Vietnam was able to offer a cheap, well-educated labour force, disciplined by an authoritarian state apparatus. It attracted significant foreign direct investment (FDI). By 1996, the annual FDI reached \$US8.6 billion and the highest, as a percentage of GDP, of any country in the world. The bulk of investment went into garments and footwear, construction, tourism and oil and gas production.

The high levels of FDI had a significant impact on the economy. According to one study (“Foreign Direct Investment in Vietnam: an Overview”, N.J.Freeman, September 2002), by the late 1990s, while firms based on foreign investment accounted for only 1 percent of the total workforce, they contributed to 27 percent of non-oil exports, 13 percent of GDP and 25 percent of government tax revenues.

The annual FDI inflow declined sharply to \$US1.47 billion by 1999 following the Asian economic crisis and continued to slide. The elevation of Nong Duc Manh to CPV general secretary in 2001 was associated with a series of concessions to foreign investors aimed at arresting this trend. By 2004, foreign investment grew to \$US2 billion and, in the first nine months of 2005, it had already exceeded \$US2.45 billion.

Vietnam, however, faces competition with China, which has rapidly become the world’s main cheap labour platform. The end of the Multi Fibre Agreement and its guaranteed export quotas in January 2005 has resulted in the relocation of clothing, textile and footwear investment to China. Vietnam may have cheaper labour costs but cannot compete with China’s more developed infrastructure and economies of scale.

In 2004, dwindling crude oil exports, along with the clothing, textiles and footwear sectors, constituted 48 percent of exports. But Vietnam is still outside the World Trade Organisation, which means that its exports in these areas are vulnerable to possible European and US import restrictions.

The Vietnamese regime has responded by attempting to attract hi-tech investment. Intel has announced the construction of a \$US303 million microchip assembly plant in Ho Chi Minh City. But the international financial press and investment managers continue to warn that more pro-market changes are required if higher levels of funds are to be attracted.

At the same time, there is growing unrest among workers for better wages and conditions. According to the New America Media web site, 60,000 workers were involved in protests that began in foreign-owned companies in January. The Vietnamese web site *Tieng Dan Keu* (People’s Voice) listed their demands, which included the right to form unions and to strike, for decent wages and to bring the “capitalist conglomerates” under the control of “poor people”. Wages currently average \$US2 a day.

The policies decided at the latest CPV Congress will only deepen the social gulf between the ruling cliques and emerging capitalist elites, on the one hand, and the vast gulf of impoverished workers and small farmers on the other. To preserve its privileged position, the CPV leadership will not hesitate to crack down on social unrest, using the most ruthless measures.



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