

Vietnamese Communist Party opens its arms to the capitalist elite

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The 11th congress of the ruling Vietnamese Communist Party (VCP), held in Hanoi from January 12 to 19, decided to formally allow private business owners to join its membership. The move was aimed at boosting the country's pro-business image by following similar steps taken by the party's Chinese Stalinist counterpart in 2002.

About 1,377 bureaucratically-selected delegates, representing the interests of the state hierarchy and the grasping corporate elite, were at the congress. They voted for an expansion of a policy, adopted at the 2006 congress, to allow existing VCP members to run private businesses. By now allowing private entrepreneurs to join the VCP, the party is openly embracing the wealthy social layer created by Hanoi's "market reform" policy since 1986.

Like the Chinese Communist Party, the VCP leadership has abandoned its lingering socialist pretences. Nguyen Duc Kien, a party delegate from Soc Trance province, told reporters that the VCP "is not necessarily for the working class only". He explained: "We should appreciate a good businessman who can make money legally and create jobs for people at the same time." Another delegate from Dong Nai province, which is an industrial zone near Ho Chi Minh City, declared: "It will help increase the confidence of foreign investors because they will see how we value the private sector."

The private sector accounted for 81.5 percent of Vietnam's industrial output in 2008, up from 50.4 percent in 1996. So-called equitisation has been widely implemented in the remaining state-owned enterprises, transforming them profit-making entities for share holders and VCP-appointed executives.

Vietnam's business elite welcomed the VCP's new policy. Vu Duy Hai, the chairman of Ho Chi Minh City-based trading company Vinacam Joint-Stock Co., who is also a CPV member, told Bloomberg that the new policy

would justify the profitable exploitation of workers. "Calling that exploitation is not correct," Vu insisted, "When they [workers] work for us, their lives improve."

This so-called improvement of the lives of Vietnamese workers, many from impoverished peasant backgrounds, means nothing more than lifting them out of rural poverty into an urban life, where they toil in sweatshops with long hours and brutal conditions. The declaration that workers "work for us" reflects the reality that businessmen have become the real masters of the misnamed "Democratic Socialist Republic of Vietnam".

The ranking of Vietnamese workers on Asia's wage scale speaks volumes about the real status of the working class in the country. The average manufacturing wage in Vietnam is just \$101 a month, less than half of China's \$217 and Thailand's \$231, two other major cheap labour platforms.

The celebratory mood of the VCP's open embrace of the capitalist elite, however, was undermined by rising concerns that Vietnamese capitalism is heading into economic and social crises.

The consequence of market reform, according to the VCP's congress resolution, has been an "increasing gap between the rich and the poor". The resolution warned of "factors that may cause socio-political instability". It acknowledged that "bureaucracy, corruption, waste, crime, social evils, moral and lifestyle degradation have still not been prevented".

In order to prevent protests before the congress, the VCP regime launched a crackdown on bloggers and human rights activists, jailing 17 of them since October 2009. Last year, Hanoi also blocked social networking sites such as Facebook, fearing they could be used to "convey information" that opposed the state.

The VCP congress set an annual growth target of 7-7.5 percent for 2011-15, up from 6.78 percent last year. However, despite being an export-led economy, Vietnam recorded a trade deficit of \$US13.24 billion last year. This seriously damaged confidence in the Vietnamese currency. Hanoi had devalued the dong three times since November 2009 in order to reduce the impact of the global economic crisis on its export sector.

The growing trade deficit led to a decline in foreign currency reserves from \$24.2 billion in 2008 to \$16.8 billion in 2009. The fiscal deficit rose to 7.4 percent of gross domestic product (GDP) in 2010, breaching the government's target of 6.2 percent. The VCP's aim to reduce the deficit to 4.5 percent by 2015 will involve further destruction of state-owned industries and services.

Vietnam's public debt was estimated to account for 56.7 percent of GDP in 2010, an increase of 6.78 percentage points in a year. As a result of this blowout, the global credit ratings agencies have lowered the country's ratings. The Fitch agency downgraded Vietnam's credit rating from BB- to B+ in August 2010. Vietnam's long-time foreign-currency rating is now B1 at Moody's—four classes below investment grade.

Vietnam has become increasingly dependent on foreign investment. In 2008, overseas investors sank a record \$11.5 billion into Vietnam. But in the wake of the global recession, foreign direct investment plummeted by 70 percent in the first quarter of 2009 compared to the corresponding period of 2008.

Like elsewhere in the world, rising prices are now threatening to ignite struggles of workers and peasants in Vietnam, and have also added to the pressure on the central bank to raise interest rates, a move that will slow economic growth. In January, the official price index was 12.17 percent higher than the same month last year, outpacing the 11.75 percent inflation figure recorded in December.

By openly allowing capitalists to join the party, the VCP has reached the logical conclusion of Ho Chi Minh's Stalinist perspective of a national road to socialism. In 1986, just a decade after the military victory over US imperialism in 1975, the VCP followed Mao's heirs in China by undertaking a policy of "market reform" to transform the country into a source of cheap labour for the world's major corporations, particularly American ones.

The VCP leaders normalised relations with Washington in

1995. They have moved even closer to the US in recent years, becoming Washington's ally in its rivalry with China, particularly in the South China Sea. Last August, Vietnam held high-level military talks with the US for the first time and invited the nuclear-powered USS George Washington to visit the country.

Little more than 35 years after the Vietnam War, the country once again faces being a pawn in a conflict between the major powers. The VCP's congress resolution forecast turmoil in relations between the "powerful nations" in the coming period. "Economic-trade competition and the fight for natural resources, energies, markets, technologies, capital resources, high-quality human resources among countries will become even more severe," it warned. In particular, the great-power rivalry in South East Asia contained "many factors possibly leading to instabilities. More territorial, sea and island disputes will occur. New forces and intertwining interests will take shape."

The congress re-elected Prime Minister Nguyen Tan Dung, despite his mishandling of a major state-owned shipbuilding company, which almost collapsed with debts equal to 5 percent of Vietnam's GDP. Dung's approval of a major Chinese bauxite mine last year drew criticisms from the National Assembly for "selling out" the country. However, he is likely to work closely with the new general secretary, 67-year-old Nguyen Phu Trong, who is regarded as oriented toward China.

The VCP standing secretary, Truong Tan Sang, 61, who replaced the ailing Nguyen Minh Triet as the country's president, on the other hand, has developed close relations with China's rival, Japan. Moreover, Defence Minister Phung Quang Thanh stayed on. He had successfully lobby for major arms purchases from Russia, including six Kilo-class attack submarines to protect Vietnamese-controlled islands in the South China Sea against China.

In order to prepare the regime to suppress any eruption of the working class, the police representation in the most-powerful 14-member Politburo was increased from one to two. The opening up of the party to the capitalist elite, far from heralding a new age of stability for the Vietnamese ruling strata, will only deepen the social and political tensions in the country.



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