

VIETNAM'S ECONOMIC DEVELOPMENT AND ASEAN INTERGRATION: PAST SUCCESSES AND FUTURE POSSIBILITIES

*Eugene Jones**

The evidences of the successful implementation of the *doi moi* policy of 1986 are clearly visible throughout Vietnam. This is especially true of Hanoi and the northern region of the country. *Doi moi* was put into effect by the Communist Party of Vietnam in order to provide a higher quality of life for the citizens of the country. This success has, however, come at a cost. Vietnam has come to resemble many of its ASEAN neighbors, especially Singapore, Malaysia and Thailand in its acceptance of foreign trade and investment and in its globalized commerce and finance which makes it competitive with other countries in the region. In 2015 the countries of the Southeast Asian Region are supposed to advance to the next step, that of economic integration. Whether or not that can be successful is already being debated by scholars.

This paper examines the reasons for the success of *doi moi* as well as the consequences, both positive and negative, for the Vietnamese people as well as the costs and benefits of the country's past and present membership in the ASEAN group. From that examination, the author will draw conclusions and analyze the possible outcomes of the planned ASEAN economic integration..

It is the position of the author that *doi moi* has been largely successful and that it has provided untold benefits to the Vietnamese people but that that success and those benefits have largely come about because of the uniqueness of Vietnam, its culture and its socialist economic policies. With globalization and integration at least some portions of that uniqueness will have to be sacrificed. Therefore, there are great opportunities for the future both in Vietnam and in ASEAN with integration but there are also dangers that must be avoided.

In order to support those arguments and to assess the past and current situation, government sources, ASEAN studies, assessments by various regional and international organizations such as World Bank, the UN and the ILO will be

* TS, Mahidol university, International college, Thái Lan.

utilized. Secondary sources from scholars both favorable and unfavorable to *doi moi* and to integration will also be considered.

Recently, I came across this announcement about Hanoi's Pico Mall from an English Language travel guide on the internet: "This mall is known to be the biggest entertainment and shopping centers in Hanoi. The first and the second floors are highly used for shopping places having well known international brand names with the third floor having sport wear shops and a Citimart supermarket too. The fourth floor comprises of two of the biggest supermarkets of Hanoi, Pico Décor and Pico Digital. The fifth floor consists of restaurants as well as a Megastar cinema." Is this the final consequence of *doi moi*? Does this mean Hanoi and, by extension Vietnam, is ready for ASEAN integration? Do the Vietnamese business planners understand that ASEAN integration does not mean that all cities in Vietnam have to look and feel alike? So Pico Mall, as well as Hanoi Tower, Vincom Tower and all the other shopping centers in Hanoi and Ho Chi Minh City will have big supermarkets, international restaurant chains and name brand stores selling the same name brand products as all the other malls in all the other cities in ASEAN countries and all the other cities in all the other countries in the world.

If this is a consequence of *doi moi*, then that policy has worked all too well. If it is a condition for ASEAN integration, then perhaps ASEAN integration is not necessarily beneficial. If it is the product of a global and market economy, then maybe there should be exceptions to global and market economies. Ultimately, though, I contend, it is not the result of any of these policies or structures but rather it is the logical outcome of international corporate consumerism which worships and seeks to institute sameness, uniformity and standardization; in brief the McDonaldization or Walmartization of the world. Vietnam has not yet gone that road, but it is rapidly becoming Thailand as Thailand becomes South Korea, South Korea becomes Japan and Japan becomes the USA.

How far Vietnam has gone down that road though will be determined by a comparison and contrast between how well it has met the goals set by the *doi moi* policy planners and how much is still lacking. However, more important in determining how far the country has travelled on that road much taken will be obvious by evaluating the success towards economic development, globalization and attraction of foreign investment and capital in relation to the collateral damage done to the culture, workers' rights, and citizens' quality of life in achieving those successes. In order to evaluate Vietnam's position on that road, I will, in this paper, appeal to quantitative analysis using government documents, business reports and sources from international organizations like the ILO, ASEAN, and other such

agencies. More importantly, I will use qualitative analysis to criticize some aspects of the policy as well as some of the secondary sources from scholars and commentators on both sides of the issue. In order to humanize this issue, I will also discuss and evaluate information obtained by informal interviews with some people who have been greatly affected by *doi moi* and its implementation. The primary purpose of this paper is to interject caution when adjudging the success of this or any policy that looks primarily to economic development and growth and ignores or downplays its impact on the vast majority of ordinary citizens or residents.

Doi moi is a policy put into place in 1986 by the Communist party and government of Vietnam. It means “renovation” and has as its objectives to institute a market economy that is more decentralized in order to attract foreign capital and investment. It is also intended to expedite relations and transactions between local private business and foreign businesses with less government regulation and oversight and to allow for a great degree of privatization in both land and capital. That *doi moi* is successful as far as the objectives of the policy makers can be demonstrated by the growth of Vietnam’s economy which makes possible enterprises like Pico mall. To fulfill the purpose of this paper it will be necessary to evaluate the level of success of the policy in economic growth and to measure that growth against the quality of life, both perceived and real, of the citizens of the country. Success depends not only on achieving planned objectives, but on positively impacting the lives of those who live under the policy. There are, obviously, positive and negative results of any policy. So, I will compare the positive with the negative. The overall question being addressed is not is *doi moi* successful, but rather is *doi moi* worth the success. Further, I will argue that while the policy has provided greater benefits for the people of Vietnam, as evidenced by the development visible in Hanoi, but that much needs to be done to ameliorate the undesirable affects of this policy on those who are not beneficiaries. There must be a more even distribution of those benefits, there must be greater protection of workers’ rights in the socialist society and there must be more and better efforts to protect the individuality of the country, the culture of the people and the environment in which they have to live.

An examination of some figures will help in this evaluation. This is not intended as an in depth analysis of any of the issues involved in determining the success of *doi moi* but rather as a series of snapshots of progress as applied to some of the most important concerns.

In 1999 the official unemployment rate in the urban areas of Vietnam was 7.95% in Hanoi and 6.48% in Ho Chi Minh City. In rural areas, according to the

same government figures the rate was higher and increasing although no figures are available. According to the CIA World Factbook, the rate for the entire country was 4.1% in 2011. This is confirmed by the Ministry of Labour, Invalids and Social Affairs (MOLISA) and the International Labor Organization (ILO). What we can conclude, since various organizations agree, is that the employment situation in Vietnam is improving and has been doing so for much of this century. If we assume that it takes about 4 or 5 years for a new policy to have measurable results, it appears that as far as employment is concerned, *doi moi* is a resounding success. But, we can also ask, what kind of employment is available, how do employers treat these employees and how does the employment impact the lives of the other people living in the country.

While the rise in employment is certainly desirable and constitutes a definite proof that *doi moi* is thriving in this area, there is a price for that success. In three areas we can detect perils and pitfalls resulting from this success; inflation is very high, there is a migration from the countryside to the cities and poverty is on the increase because of the two previously mentioned conditions.

Inflation in Vietnam is now running at about 10% per year. This is actually low when compared with the entire period that *doi moi* was in effect. For example in 1986, 1987 and 1988, the first three years of the policy, it was running at a rate of over 300% per year. Then it has slowed down and has been running, with a few exceptions, at about 6-10% per year. In fact, inflation in the country is so high that it is often reported by international news organizations. This has certainly impacted the lives of average people.

In talks with three workers from Hanoi and three from the countryside in the North of the country, I got the impression that, far from being able to shop at centers like Pico Mall and the other elite shopping areas of Hanoi, ordinary people who have to work for a living, can barely afford goods at local markets any longer as wages are not keeping pace with inflation. Not only are real wages, which indicate economic quality of life, going down in relation to prices, the cost of food and necessities are increasing as more land is taken out of production and more farm workers are migrating to the cities to seek gainful employment. This results in more competition for urban jobs bringing down wages even more at the time of rising food prices. Nearly everyone suffers. It may be asked, who are these elite malls for? What is the target market? How long can the few and reducing numbers of wealthy people keep selling to one another and excluding the vast majority of people who are unable to participate in the economy? Since inflation, urbanization and poverty reinforce one another and since all are unavoidable consequences of

industrialization, development and globalization, the government of Vietnam, like most others, should reassess their values and policies to determine if the benefits for the country are worth the costs.

But these are not the only costs. Another important area to be considered is how *doi moi* has fared in the protection of workers' rights. This is especially important since Vietnam is a socialist country and has a history and culture that is favorable to the working class. Today, the Vietnamese government and party are under scrutiny for their handling of workers' issues like human trafficking and sweatshop conditions. Their commitment to socialist values and protection of workers' rights is being seriously questioned. Some of these criticisms have been around since the founding of the Democratic Republic of Vietnam in the north of the country in 1954 but most have surfaced since the country reunited under a unified government. According to a report from the United States State Department on worker rights in Vietnam, which is certainly biased as the said report begins with a condemnation of communist society, "The government maintained its prohibition of independent human rights organizations. Violence and discrimination against women persisted, as did limited child prostitution and trafficking in women and children, although the government intensified its efforts to combat trafficking. Some ethnic minority groups suffered societal discrimination. The government continued to limit workers' rights, especially to organize independently." The same report, which is 5 years old goes on to claim that the situation is improving because Vietnam is opening up to the outside investment and diplomacy.

What is really important to notice, though, is that the same report does detail Vietnamese laws to protect workers and government policies to limit abuses from foreign entities. Two examples from the report should be sufficient to demonstrate that the socialist ideology is inherent in government policy and labor law. First, the State Department admits, "The labor code requires enterprises to facilitate employee efforts to join the union and prohibits antiunion discrimination on the part of employers against employees who seek it,..." Secondly, it states, "the law prohibits forced and compulsory labor, including by children..." It is beyond the scope of this article to analyze the entire report. What is important is that the criticism is not of law or official policy but of enforcement by corrupt officials. Most of the reported lapses of enforcement and abuses of workers have occurred since *doi moi* was initiated. Other reports from human rights and labor organizations have similar statements.

The centerpiece of Vietnam's worker protection law is the "Decree of the Government Detailing and Guiding the Implementation of a Number of Articles on

Wages of the Labor Code. It primarily requires minimum wage scales for both public and private enterprises and domestic and foreign businesses and mandates adherence.

Now, admittedly, there is a multitude of abuses in Vietnamese labor practices and corrupt government officials are certainly involved in human trafficking as well as child labor and prostitution. Yet, if one compares such reports as well as the ILO assessment of workers' conditions in various Southeast Asian countries, it becomes plain that Vietnam has more worker protections and commits fewer abuses of labor in general than equally developed or more highly industrialized countries in the same region. This is partly because the socialist past has made it necessary for Vietnam to keep many privileges and protections for workers, or at least the appearance of those privileges and protections. In order to do this, the government has both a Worker's Protection Law and a bureau (Trade Union Council) within the Ministry MOLISA that considers workers' complaints and grievances against private industries and that investigates those industries to keep them in compliance. Before *doi moi* was instituted, the Vietnamese Communist Party and government had tried to avoid the sort of privatization and foreign investment incentives that violate workers' rights and require ever cheaper labor. This was the general position of Vietnamese political authorities in the 1970s. It is true that in those years, Vietnam did suffer economically. There was a flight of skilled labor, resulting in a domestic shortage, little hard currency for trade and fear of the communist system on the part of foreign investors. *Doi moi* solved many of those problems and resulted in the economic advances that we witness in Vietnam today.

So, Vietnam has higher employment, higher wages, a growing business class, a favorable climate for foreign investors and corporations. But it has high inflation, poverty, rural to urban migration, workers who can't make ends meet, corporations that do not produce for the local population and elite shopping malls that are out of reach of most of the population. As an admirer of Vietnam and its socialist past, I have no solutions, no recommendations to make. In conclusion, if I must have a conclusion, I would simply ask if it is possible to reconsider the results of *doi moi* and see if we can have an economy in which everyone or nearly everyone benefits, can we not have an entire population that can shop at Pico Mall?

References

1. Al-Kurdi, Hussein, *An Interview with Noam Chomsky*, Kick it Over, No. 25, (Summer 1995).

2. Bureau of Human Rights, Democracy and Labor, US Department of State, Vietnam (March 6, 2007) at <http://www.state.gov/g/drl/rls/hrrpt/2006/78796.htm>
3. CIA World Factbook, *Vietnam Economic Report*, 2012, at http://www.theodora.com/wfbcurrent/vietnam/vietnam_economy.html.
4. Cima, Ronald L., (ed.), *Vietnam: A Country Study*, (Washington, D.C.: U.S. Dept of the Army, 1989).
5. Freeman, Donald B., "Doi Moi Policy and the Small Enterprise Boom in Ho Chi Minh City, Vietnam", *Geographical Review*, 86, No. 2, (Apr., 1996), 189-90).
6. Hossein, Moazzem, *Vietnam Inflation Starts Rising Again in September*, The Financial Express, Vol. 20, No. 157, (Dakka: Sept., 25, 2012).
7. Human Rights Report of 2009 at <http://www.vietnamhumanrights.net/english/documents/not-yet-workers-paradise-0.htm>.
8. Index Mundi, *Vietnam Inflation Rate (Consumer Prices)*, 2011.
9. International Labor Organization, *Vietnam Employment Trends, 2010*, at http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_150672/lang--en/index.htm.
10. International Labor Organization, *What We Do*, at http://www.ilo.org/asia/whatwedo/publications/WCMS_BK_PB_166_EN/lang--en/index.htm.
11. Ministry of Labour (MOLISA), (7 Ba Huyen Thanh Quan, Ba Dinh, Hanoi, Vietnam), 2000.
12. Ministry of Labor, Socialist Republic of Vietnam, *Decree of the Government Detailing and Guiding the Implementation of a Number of Articles on Wages of the Labor Code*. document no. 197/cp. (Dec. 31, 1994).
13. Murray, Geoffrey, *Vietnam: Dawn of a New Market*, (New York: St Martin's Press, 1997).
14. National Centre for Labour Market Forecasts, Ministry of Labour, Invalids and Social Affairs, Hanoi, 2011.
15. Places online, *Pico Mall (Mipec Tower) in Hanoi*, at http://www.placesonline.com/asia/vietnam/hanoi/stores_and_shopping_malls/pico_mall_mipec_tower.asp.