

# **Leadership in Vietnam: Key to Economic Improvement**

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# Leadership in Vietnam: Key to Economic Improvement

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This paper addresses the current condition of Vietnam's highest-level leadership and its needs, chiefly in terms of the need for an improved economy. Essentially this means examining a narrow group of people make-up the Vietnam Communist Party's Politburo and Central Committee, the Socialist Republic of Vietnam cabinet level ministries and the SRV National Assembly.

**Introduction** The foundations of Vietnamese history are these: traditionalism; the China experience (termed han hwa); and colonialism. Its three major historical influences are geographical regionalism (the famed North, Center, South sense of identification); political clandestinism the mechanism by which the Vietnamese have dealt with foreign occupiers, chiefly the Chinese and the French; and socio-political malaise, which has left the Vietnamese with a singular inability to trust. Finally, there are the major recent formative events: World War II; the Vietnam War; the cold war; the Viet Minh War with its Geneva Agreements; and the Sino-Soviet dispute. These engines of history have shaped political leadership in Hanoi into what it is today. They are far more important in predicting economic leadership behavior than are other various transient developments. This whole must be taken into account in any serious evaluation, which is why reading the political tealeaves of Hanoi is such a challenging task.

Something of a paradox is at work here. The Vietnamese culture possesses incredible durability. It is an ethnic-linguistic unity of enormous internal strength. Yet at the same time it is perpetually, structurally, and institutionally driven by divisiveness measured in the centuries. For a thousand years the Vietnamese fended off Chinese hegemonism through sheer assertion of its solidarity. Yet time and again they have lost their sovereignty because of disunity. It is commonly observed in political science circles that inconsistency is the mark of a live political system, but that of course is not an explanation.

Vietnam's cultural cousins have these same characteristics of strength, durability, and leadership confidence-- that is, China of course; the two Koreas; and Japan. However Vietnam's sinews differ from the other four because Vietnam has its own singular set of historical experiences and its own individual social traumas from these the Vietnamese have derived differing conclusions about their meaning which in turn subsequently lead to differing patterns of behavior.

**Leadership Intentions:** Repeatedly this year Politburo members and other top officials in Hanoi have insisted – in speeches and interviews – that they have assigned two major priorities to the economic sector: to “deepen economic reform” and “to open up to the outside world.” They also insist that this can be done “on the basis of independence” and must be done “without outside interference.” From a study of the

programs put forward it is clear the change is to be accomplished by reforming the admittedly dense Vietnamese economic bureaucracy. Le Kha Phieu: “We are going through a lot of difficulties. We have to reform the cadres who grew up during the war. We need technological assistance: we are going to deepen the renewal economic reforms announced in 1986, the opening up of the country and our relations with outsiders. That is our project for the start of the century. Communists don’t eat people. Can a dictator walk freely, like I do, through the villages of his people?”

Robert Templer, Shadows and Wind says American interest in Vietnam is mainly nostalgic: “Strategically and economically Vietnam is in a very weak position. They are not even seen as a potential source of regional economic problems any more. That is an honor that now goes to Indonesia, Vietnam has probably never been less important to the rest of the world.”

The men of the Politburo have never reconciled themselves to the fact that Vietnam is no longer of international importance, that it has moved from center of the universe to being a minor player in a regional geo-political game. Underscoring this status as economic backwater is the Wall Street Journal ratings of economic freedom for 161 countries. Vietnam ranked 148<sup>th</sup>. Only Laos and North Korea was rated as having less economic freedom in Asia.

This loss of relevance, with its accompanying loss of status, chiefly has been a manifestation of the universal law of history; the law of change. Everything changes. Leadership’s chief task is forever to anticipate change and adapt to it. Vietnam at the end of the Vietnam War stood at the gates of a brave new world, its leaders believed. Indeed, in a way, they were right. Then, everything changed. PAVN got bogged down in Cambodia after invading in late 1978. Ties with China went into deep freeze. The economy sank from bad to worse. Vietnam’s patron, the Soviet Union, fell, taking with it a defunct ideology.

Now, today when markets, technology and military technology matter, Vietnam comes up short. Foreign investment approvals and disbursements are at their lowest levels since the early 1990s. The only regular official visitors to Hanoi are from Cuba and Laos. Ministers from ASEAN, a club of ten nations that Vietnam joined in 1995, rarely make bilateral trips. All about Hanoi is change: Asia-wide economic change; North-South Korea change; Taipei-Beijing change. For the Politburo the question is what to make of this? How to handle it? Can Vietnam adapt without introducing internal instability? If the first law of history is the Law of Change, the second law is there is No Such Thing as Risk Free Change.

Conservative thinking in Hanoi leadership circles still holds that Washington, Beijing, Tokyo and some of the ASEAN capitals, have their ambitions directed against Vietnam. In fact—at least in the case of the U.S. and China—Vietnam is of little interest to either. Said on senior diplomat in Hanoi: “There is Cloud Nine paranoia among some in the defense arena who really believe that under some circumstances the (two) would attack Vietnam.” Admittedly, China has a 2,000 year history of invading Vietnam, but

these days Beijing is focused on Taiwan and on seeing that China economic growth does not falter.

In the earlier years, complaints from foreigners about lack of transparency in leadership decision-making, was met with stony silence—the Politburo did not hear or if it did, it did not care. Under the nudging of international funding agencies—the people with the money—things have changed. Now the leadership replies: with promises, most of them long range. Is this significant or merely a public relations substitute for past indifference? It does separate the credulous, the ever hopeful, from the victims who are suffering from having acted on the basis of careless promises.

These promises are probably sincerely meant, but must be filed under Department of Good Intentions. We have seen many of these this summer. They come in the form of leadership announcements. There is seldom any indication of the origin of these orders to launch projects, nor endorsement by an individual Politburo member. But knowing the decision making system in Hanoi it is safe to assume high level leadership has been at work. It makes intriguing research to ask: who is (or are) the instigators, the ramrods behind these ideas. (Those of you going to Hanoi in the near future should check out some of these)

Foreign investors—especially those who labor in the vineyards of Vietnam and not simply work out of offices in Hong Kong, New York, etc.—are a hardened, cynical group. Publicly they may speak of “guarded optimism” about the state of Vietnam’s economy, but privately they lambaste the leadership for its slow pace (or none). Talk, they say, is mostly rhetoric. Meanwhile investment inflow continues to dwindle.

Private investors complain of over-regulation, bureaucratic inconsistency and high costs relative to Vietnam’s regional competitors, despite government pledges and legal moves supposed to improve the investment environment. Opportunities are missed when the National Assembly took up an amended foreign investment law earlier this summer original amendments were announced with great fanfare and hype. But by the time they reached the National Assembly, what had started out as innovation became a mere shadow of its former self. The watering down of the amendment to allow foreign-investor enterprise to list on the new stock market served as a warning. Failure of the build, operate and transfer projects in the energy, gas and steel sectors is another example.

Investors could live with legal shortcomings if it were not for over-regulation; the lack of understanding of the dynamics of a market economy and inconsistent application of laws and high business costs. The Singapore Business group reiterated a call for an end to discriminatory pricing; amendments to rules on value-added tax; and greater flexibility in employment; better income tax regulations and the elimination of artificially high ceilings on loan rates. The Hong Kong Business Association urges greater efficiency in the quota system for garments. The Australian Business Group lists restrictions on exploitation rights that had prevented major foreign investment in mining.

**Leadership Change.** It is clear to Hanoi watchers that there have been many recent changes in Hanoi leadership, both in terms of decision-making, but more so in terms of personnel. Some of this later has been forced on the system, by age or retirements. Some have been the result of a conscious search for new and younger figures to bring up from the lower ranks of provincial government, regional party organization, and enterprises.

It is an ongoing process, exceedingly difficult for outside observers to track. It is to be hoped—not necessarily to be expected—that the Ninth Party Congress will move the process significantly forward.

Clearly, much remains to be sorted out. It seems probable, however, that the Congress will go down in history as the true beginning of a generational transfer of political power in Vietnam. All of the originals—that “set of old masters” as one French observer expressed it—are now gone. All of the “jungle fighters” from the Viet Minh and Vietnam wars are now gone. Their replacements wait impatiently in the wings.

What is to be the nature of this new highest-level leadership? More correctly, what is it in the process of becoming? Is there to be a single leader, in the mode of Ho Chi Minh? Highly unlikely. Is there to be a primus inter pares—first among equals? Presumably, there will develop some established pecking order among the Politburo 19; may be another triumvirate that will share power equally. Personality ranks fairly low in Hanoi’s political culture. Collective leadership is the rule. Hence it is unlikely that any single figure—a Stalin or a Castro—will emerge to seize the reigns of power. The principles of governance—the so-called Operational Code of the Politburo—will probably continue, whatever the personnel change.

**Decision-Making Cauldron.** The general character of the highest level leadership in Hanoi shared by most, but not all, academics, journalists, diplomats, spies and expats, is more or less consensual. It is this: an ongoing, never-ending political struggle between conservative ideologues and reform-minded pragmatists. The political balance between the two is stable, but such is its nature that it could be upset at any time. This would lead to serious instability (bat an, bat on). Instability could be triggered by outside forces for instance, Asia-wide economic turmoil or by domestic conditions, public disorder, such as riots in the streets that could force soldiers to shoot civilians (or even worse, soldiers refusing to shoot civilians). Economic reform must continue, but not at the price of political change, if this can be managed. If political change is required, it must be minimal and in no event should there be systemic change. Vietnam is under increasing external pressure from trading partners and international funding agencies, which means increased economic competition. Most Politburo members are judged to be out of touch with both the world and their own people. They are seen as bugs in amber, unable to see clearly and act accordingly. Such is the more or less agreed upon estimate by most Hanoi watchers. It is a correct assessment save for the fact that it does not go deep enough. Beneath are a host of subliminal culture and psychological factors. To the extent these deeper dimensions are addressed by observers,

it is in terms of anxiety and fatigue marking top leadership behavior intermixed with the Confucian fear that Heaven's mandate will be withdrawn and governance of Vietnam will lose its legitimacy, which according to Confucius (and Thomas Jefferson) authorizes its replacement.

**The Ninth Party Congress.** Nothing is certain, as of this writing, about the Ninth Congress, including even the starting date. We do know is that this imprecision is due to the fact that the date will not be set until the Party gets that all its ducks are in a row. The Congress will not become, nor has it been in the past, a place for key issues to be debated and decisions to be made. Rather, it is a place for the faithful to be presented with a plan, a program, a leadership list and then persuaded to endorse these enthusiastically. Observers in Hanoi note that the temperature of political debate – in the teahouses and the National Assembly – has intensified this summer, and that there has been a general hardening of positions by the various policy makers.

Party congresses do not set policy, they ratify it. They are used by the leaders as motivational and mobilization tools to generate maximum enthusiasm for whatever changes in program and personnel the Politburo has in mind. The basic congress document is the Secretary-General's report, used to focus this supportive energy. The Politburo's current effort this Fall is to formulate such a statement. The one at hand has been written and circulated and re-written and re-circulated and still is not in final form. Perhaps this testifies to an inability to arouse enthusiasm, much less consensus.

Chiefly though, the process indicates that Party congresses – and the National Assembly, for that matter – are not mere rubber stamp organizations. Their members are tough minded, often dogmatic people who cannot be easily corralled or herded along. They see their positions as having been earned and themselves as worthy of offering views and opinions to be respected. They may remain dedicated to the institutions of governance in Vietnam but not to each and every high level political figure. At this level, politics consists of great displays of sincerity and frank assertions of perceived truth. It also involves negotiations with factions, constituencies and cliques. The political unit is the faction, not the individual political figure.

It remains an open question whether the Ninth Congress will prove to be a forum at which long hoped for significant change in personnel will be announced. The center of contention here has to do with how to handle increasingly restive political sentiment, particularly by the young: whether to permit opposition through some quasi-pluralist arrangement, or whether to co-opt it with a revitalized united front mechanism; or whether simply to stamp on it. Of equal involvement here is the continuing generational transfer of political power.

If the Politburo is to orchestrate personnel changes, it first, must put forward specific names for the new Politburo and the Central Committee. This unfortunately injects factionalism – the curse of the Vietnamese political system. Second, it must define the character of the new leadership. What kind of people to recruit? What should be the criteria for selection: Party loyalty, administrative competence, youth/age? Should

the search be made primarily among provincial-level Party secretaries, or among technocrats or economists or military/security people?

In the past, as noted, the operational rule has been no congress until all the ducks are in a row. In the run-up to the Fourth through the Eighth congresses, the advance word was that major changes in personnel were forthcoming. In each case this did not happen, even in the Seventh when some generational change was made but without much effect on policy.

**Economic Planning and the Ninth Congress.** Current plans call for Vietnam to have in place by 2010 “a socialist-oriented market economic structure” to be characterized by “different forms of ownership co-existing under State management.” These expressions are the essence of the concept to be presented at the Ninth Congress in the Party’s Draft Political Report being prepared by a committee headed by Nguyen Phu Trong, a member of the Politburo.

The report stresses that the State will continue to control State-owned companies, agriculture, and business co-operatives, which have formed the two basic economic sectors of the country. Trong says the draft report describes the State as “provider of incentive policies in all seven economic sectors (State-owned, collective, individual, small entrepreneur, private capitalist, State capitalist, and foreign-funded) under conditions of healthy competition and cooperation for mutual growth.”

The draft report makes these points:

- Envisages restructuring the economy and labor force so as to double the national gross domestic product (GDP) in the coming decade and cut the agricultural work force by 50%.
- Takes steps to build a socialist-oriented market economy (to modernize and industrialize the country with a special focus on agriculture).
- Gives priority to regions with potential for high growth, large-scale capital mobilization and sustainable infrastructure development. Also attends to border areas (read China), which are among the poorest, on the premise that their development will safeguard national territorial sovereignty.
- Focuses especially on development of education, training, science and technology, which are of fundamental importance in the modernization and industrialization process.
- Plans to develop new and different forms of socialist-oriented markets, for example, a stock market, a real estate market, a scientific and technological market and a labor market. In the next five years, the State will devise compatible regulatory controls for these markets and continue to adjust its macro management tools.
- Sees education as “a process to improve knowledge and intelligence, to develop one’s personality and ethics, and promote the socialist outlook on life that places high value on virtue and kindness.”
- Calls for ways to promote “community-based unity and social equity” in proposing solutions for unemployment, poverty and hunger, population and

family planning, childcare and protection, social security, and wages, salaries and fringe benefits.

- Pledges Vietnam to expand relations with all countries to become a reliable partner, and to make worthy contributions to maintaining world peace, national independence and development.
- Encourages overseas Vietnamese (*Viet kieu*) to participate in and contribute to national economic development.

As has been the case with all past economic policy pronouncements, the tone is both promising and ambiguous. Nothing in the draft report deals directly with membership of the Politburo, Central Committee, the National Assembly, State ministries or provincial Party chairs. This would be too bourgeois. Whatever might be implied is in terms of Party, not of individual careers. What must be done – and personnel decisions will follow automatically – is to link reforms and rectification of the Party and improve the State apparatus. This means strengthening the legal system, firmly implementing of laws, reducing bureaucratic red tape and corruption, and “building a pure and strong State of the people and for the people under the leadership of the Party.” The report calls for strengthening the Party politically and ideologically, ensuring consensus, improving leadership, and instilling revolutionary ethics into Party officials and members. It lays great importance on maintaining internal unity, restructuring the Party organization, improving governance by the Party and the State, and “educating the younger generation of members toward building up a new generation of Party and State leaders, particularly for key strategic positions.”

**Conclusions.** The men of the Politburo have never reconciled themselves to the fact that Vietnam is no longer of international importance, or accept that it has moved from center of the universe to a minor player in a regional geo-political game.

This loss of relevance, with its accompanying deprivation of status chiefly has been a manifestation of the universal law of history; the law of change. Everything changes. Leadership’s chief task is forever to anticipate change and adapt to it. Vietnam at the end of the Vietnam War stood at the gates of a brave new world their leaders believed. Indeed in a way, they were correct. But then everything changed. PAVN got bogged down in Cambodia after invading in late 1978. Ties with China went into a deep freeze. The economy sank from bad to worse. Vietnam’s patron, the Soviet Union, fell, taking with it a defunct ideology. All about Hanoi is change: Asia-wide economic change; North-South Korea change; Taipei-Beijing change. For the Politburo the question is what to make of this? How to handle it? Can Vietnam adapt without introducing internal instability? If the first law of history is the Law of Change the second law is No Such Thing As Risk Free Change.

What are the conclusions then suggested by this paper? First, we must all bear in mind the fact of Vietnamese leadership heritage. Those new events and old forces that have shaped past and present Vietnamese leaders. These include traditionalism; the politics of clandestinism; external relationships (especially the ancient proletarian tradition with its spirit of constant struggle; love-hate relationship with China, the spirit

doc lap (independence) under French colonialism. Also, the more standard universals of leadership, i.e. professional judgement, vision, boldness, in keeping with shared responsibility, also special needs such as younger, better educated (especially in economics), more widely traveled.

Second, systemic change built on the ideal, not always respected, of social consensus. There must be continued transformation from a command to a market economy in the hands of individuals with training in and knowledge about modern economics. There must be a governance system built on the rule of law There must be, and can be, room for political pluralism (although probably with continued primacy of the party). It must allow the role for the national assembly to move governance from party rule to rule of law, above all must be rooted in the Vietnamese concept of justice. It allows for market economy at expense of command economy and must have a strong national agricultural export strategy. Existing governance structure can be adapted. Leninism is a workable mechanism for organizing society, mobilizing its population, and motivating people.

Finally, there must be acceptance by the leadership of the fact of change, the imperative need for change, the inevitability for change. It is clear that attitudes – public and private – are changing in Vietnam. Led by the young, as might be expected, but now drawing supportive reactions from their elders. The question remains how much influence does this have on top leadership. Some of them share it, the sentiment perhaps the most. But also leaders see themselves prisoners of past policy and doctrine which they cannot override or can do so only carefully. (The question we ought to discuss is: how does public opinion attitude make itself felt in Vietnam?)

Changed leadership is no guarantee of economic success by Vietnam, but it seems a dead certainty there cannot be economic success without leadership change.