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# Confidence as a route to Economic Development in Post War Vietnam

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Kathryn Ashcroft

2006

23 JUN 2009



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# Preface

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In the final editing of this thesis, I continually stumbled over a question that required answering. Why had I picked up on this topic? Why Vietnam? Why confidence? The truth is that the topic presented itself to me. In 2005, I left the UK for Vietnam to accompany a friend on a week's business, to share a few meals and see a few sights. I returned with a diary filled with the scribbles and musings that would form the backbone of this work. Instead of relaxing, I had found inspiration in a vibrant country that was evolving before my eyes.

The stories I was told and the scenes that I observed showed a country at a turning point, a country that hovered on the edge of success as the world watched with bated breath. My exploration of the subject of Vietnam's confidence was partly borne from my love of the country and its people and the desire to capture the moment between Vietnam beginning to experience real success and it securing its place on the world market when it joins the WTO. For me, Vietnam's future is wholly based on the confidence of those who affect her future; the external parties, her government and her people and I feel deeply grateful that I have had the opportunity to be an intimate witness to this transition.

# 1 : Introduction

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## 1.1 Aim, objectives and thesis outline

This thesis aims to assess the significance of confidence in the development of Vietnam's role as an emerging market economy. Confidence in this context can be roughly divided into three categories; external confidence (the confidence in Vietnam held by other nations and organisations for trade and aid), governmental self-confidence (the confidence the government has in its own abilities and the capabilities of the nation) and citizen confidence (the confidence that Vietnam's citizens have in their government and country).

The objectives of this thesis meet this aim through; the examination of the importance of confidence and the role it will play in Vietnam's political and economic future; the assessment of the impact of confidence on the key areas of trade, aid, disputes, power, government action, leadership and standard of living; collating and analysing primary data on these areas; and the reaching of clear conclusions on the role of confidence and suggesting how it may be improved and utilised to improve Vietnam's strength on the world market.

Below is a colonial history of Southeast Asia. It places the nations examined in this thesis within an essential context (as the region is a young one

regarding independence.<sup>1</sup>) It also highlights why Vietnam has been selected as the nation studied in this thesis and why confidence has been selected as the main focus for this study.

Chapter two is a literature review of Vietnam's political economy and explains how the thesis' aim of assessing the significance of confidence in the development of Vietnam's role as an emerging market economy arose from the literature.

Chapters three, four and five each tackle a category of confidence in Vietnam: chapter three looks at external confidence, chapter four at governmental self-confidence and chapter five at citizen confidence. Here, a variety of primary sources are used in addition to materials highlighted in chapter two to build on the ideas outlined in that chapter. These sources include a number of case studies of individuals who live and work in Vietnam in addition to materials produced by the Vietnamese government. In addition, chapter four contains a case study on China to provide more depth on the subject of governmental self-confidence by taking a look at Vietnam's relationship with what is arguably her most significant neighbour.

Chapter six will see the clear expression of conclusions and the presentation of recommendations as to how confidence may be improved and utilised to improve Vietnam's strength on the world market.

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<sup>1</sup> To examine a decolonised nation without regard to its past risks a lack of clear comprehension in the complexity of issues, such as trade with former colonial powers.

## 1.2 A colonial history of Southeast Asia

Southeast Asia comprises of the ten countries which make up the Association of Southeast Asian Nations (ASEAN); Indonesia, Malaysia, Singapore, The Philippines, Thailand, Brunei Darussalam, Vietnam, Laos, Cambodia and Myanmar<sup>2</sup>. Independence in the region is a relatively recent phenomenon, having been subject (with the exception of Thailand<sup>3</sup>) to various forms of colonial rule.

Lyon identifies three international orders of Southeast Asian history.<sup>4</sup> The first he identifies as the Tribute system which required tributary countries to recognise Chinese imperial superiority but saw no Chinese intervention within those countries. The tributary countries accepted the system as merely being the way to trade with China. The second, beginning in the nineteenth century saw a change in the attitudes of the European colonial powers from being empire orientated (with the focus on traders and missionaries) to being focused on territorial ownership whereby countries were to be organised and developed.<sup>5</sup> The final order began with Japan's swift take-over from the European colonial powers.

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<sup>2</sup> Some sources also include East Timor in their list of Southeast Asian countries.

<sup>3</sup> As 80% of capital investment in Thailand in 1940 was British despite it remaining politically independent, Lyon describes it as a colonial area in economic terms. Lyon, Peter, *War and Peace in South-East Asia* (Oxford University Press, Oxford, 1969), p.19

<sup>4</sup> Ibid, p.p.9-20

<sup>5</sup> Sar Desai explains this change as being due to 'the economic needs of the industrial revolution', 'Diplomatic rivalry among European powers' and 'the prospect of lucrative trade in the interior of China'. Sar Desai, D.R., *Southeast Asia – Past & Present* (Westview Press, Colorado, 1997) p.140



Because China's order was non-interventionist, its impact on Southeast Asia was less significant than the impact of European colonial powers and Japan in terms of shaping the current economic climate of the region. The focus in this chapter will therefore be on the European colonial powers and Japan and will consider Southeast Asia's decolonisation and move towards independence.

Rigg states that the European colonial powers (and many of their representatives) considered 'the mere fact that these 'backward' countries were being incorporated into the 'civilised' world was a force for positive change'. Rigg highlights key benefits and costs; his considered benefits being 'The construction of modern infrastructure, the provision of schooling and health facilities, the extension of Western concepts of justice, and the termination of local conflicts' which he states have continued to benefit the region. His considered costs to the indigenous population are outlined as being 'the manner in which the process engendered dependency, undermined local subsistence production, eroded traditional structures, and alienated the populations from their own countries.'<sup>6</sup>

For Rigg, the debate is ultimately a value judgement with both sides of the argument having equal merit. But one has only to read Murphy's 2005 account of the Vietnamese court process to realise the lack of value in importing Western concepts of justice to a country lacking a history of judicial structure.<sup>7</sup> It is important not to consider influences merely as good or bad in

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<sup>6</sup> Rigg, Jonathan, *Southeast Asia: A region in transition* (Routledge, London, 1994) p.p.22-23

<sup>7</sup> Murphy records the use of professional witnesses that appeared and reappeared in various cases, and stated whatever the party instructed them to say. The reasoning for this was that trials are public events, a tool by the party to teach people their civics lessons. Murphy,

themselves, but also the significance of their results and while the introduction of judicial structures is generally considered to be positive, they can only be deemed positive if they are embraced and made use of.

Clearly one cannot deny certain economic benefits but these must not be overstated. The cultivation of new products such as rubber was beneficial until Japan cut the former colonial powers from their raw material supply. The former colonial powers invested in R&D and found substitutes. This meant that the original products lost their value and the regional economy was weakened.

When Japan seized power, she sought support by appealing to local populations with slogans such as 'Asia for the Asiatics' and proposals for 'a greater East Asia Co-prosperity Sphere'. This was met with some success but any euphoria was short lived as the new regime was soon proven to be little different to the colonial rule that had gone before.<sup>8</sup> Japan struggled to substitute the former powers and had problems maintaining the colonial levels of trade. What was important, however, was that Japan had proven that the colonial powers were not invincible and Osborne claims that this was of greatest importance, even to those countries with no strong nationalist leanings.<sup>9</sup> The belief that a country need not bow to western superiority increased the confidence of the citizens of those countries and made possible the concept of true independence.

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Kenneth, *Unquiet Vietnam – A journey to the vanishing world of Indochina* (Gibson Square Books Ltd, London, 2005) p.p. 56 and 52.

<sup>8</sup> Rigg, *Southeast Asia - A region in transition*, p.31

<sup>9</sup> Osborne, Milton, *Southeast Asia – An Introductory History* (St Leonards, Australia, 1995) p.135

An example of why Japan is often referred to as the catalyst for Southeast Asian nationalism can be seen in Indonesia. Osborne states that prior to Japanese occupation, 'Indonesian cultural values laid great emphasis upon deference and saw ideal behaviour as non-demonstrative and lacking in aggression.' The Japanese model of 'admiration of force' and acceptability of violence led young Indonesians to question the values of their elders.<sup>10</sup> This of course laid further foundations for independence.

Independence in the Southeast Asian nations was gradual as it was often contested by the former colonial powers, who expected restoration. Disregarding Thailand (which was never colonised), the Southeast Asian nations achieved Independence over a period of 39 years often with Japanese encouragement and assistance.<sup>11</sup> The politics that emerged in these newly independent states were largely affected by the colonial experience. Case explains that with the departure of colonial rulers, 'local leaders and elites perpetuated, indeed greatly expanded, the bureaucracies that they inherited.' Such bureaucracies had 'introduced powerful state apparatuses, geared principally to socio-political controls and resource exploitation.'<sup>12</sup>

Vietnam is interesting not only because it was one of the first to be granted independence but because that independence was followed by war with a western power. While Malaysia had the Malayan Emergency (1948-60) whereby rebels sought to remove all British from Malaya and Indonesia had to

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<sup>10</sup> Osborne, *Southeast Asia – An Introductory History*, p.141

<sup>11</sup> See appendix 1

<sup>12</sup> Case, William, 'Democracy in Southeast Asia' in Beeson, Mark (ed.) *Contemporary Southeast Asia – Regional Dynamics, National Differences* (Palgrave Macmillan, Basingstoke 2004) p.77

fight for four years to have her independence acknowledged<sup>13</sup>, Vietnam was subjected to bombing from the United States.<sup>14</sup> The Vietnam or American war (depending on your viewpoint) is the most documented subject on post-colonial history in the region and in considering the current economic climate, Vietnam has, perhaps, the most interesting recent history.

Vietnam's story, as a country free to determine its own destiny, began in 1975. In many ways, Vietnam is but 31 years old as her government is eager to carve out a distinct Vietnamese way of operating rather than follow French or Japanese models. Vietnam is positioned between remaining true to her socialist ideals and desiring economic success on an international level, whether both are possible and whether Vietnam has the confidence to achieve them both is the key focus of this thesis.

Confidence is significant as without external confidence, there would be no investors, no aid donors and disputes would be more complex. Pye describes early political development theory of the region as being 'overly optimistic' that the newly emerging countries would soon become 'effective, modernised nation-states' which impacted negatively when the countries failed to live up to this expectation. Pye's view is that 'Asians are going to produce their own versions of modernisation, which will have their own particular strengths and

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<sup>13</sup> Indonesia actually declared independence 16 days before Vietnam (17<sup>th</sup> August) but it wasn't recognised by the Dutch (the colonial power) until the 27<sup>th</sup> December 1949.

<sup>14</sup> American involvement in Vietnam has a long history and initially America supported the Vietnamese due to their mutual enemy of Japan. But when Ho Chi Minh appealed to America after the war to support their commitment to independence, citing the Atlantic Charter and the U.N. Charter on self-determination, American foreign policy turned from the liberation of all occupied countries and colonies to the postwar anti-communist crusade. This crusade required Vietnam's return to French control, an objective attempted by aggressive means.

weaknesses,' and rather than be judged against Western standards, should be considered 'against more universal models that will overarch the enduring gulfs between the world's great civilisations.<sup>15</sup> To a degree this has happened and economists now talk of 'Asian Capitalism', as something distinct from Westernised capitalism. Western countries are more willing to work with non-western structures than in the past and it is important that Vietnam gains and maintains confidence the confidence of the world.

Without governmental self-confidence, a country is liable to remain in a post-war slump. Johnson's book, *MITI and the Japanese Miracle* highlights the significance of the policies of the Ministry of International Trade and Industry (MITI) which enabled the recovery of war ravaged Japan.<sup>16</sup> The Vietnamese government's policy of Doi Moi has likewise been an intrinsic part of Vietnam's development.

Citizen confidence is the final edge in this triangle and is both the most important and the weakest part. The citizens of a country make that country and without faith in their leaders and satisfaction with their standard of living, those citizens will make up an unhappy and incompetent workforce. It is paramount that their confidence be encouraged.

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<sup>15</sup> Pye, Lucian W., *Asian Power and Politics: The Cultural Dimensions of Authority* (The Belknap Press of Harvard University Press, Massachusettes, 1985) p.p.11, 343 and 344

<sup>16</sup> Johnson, Chalmers, *MITI and the Japanese Model* (Stanford University Press, California, 1982) Subject of book.

## 2 : Literature Review and Methods

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There is a great wealth of literature on the topic of Vietnam, most of which is focused on what the Vietnamese refer to as 'The American War' or 'The Resistance War Against America.' Unsurprisingly, the situation frustrates the Vietnamese and Luu Doan Huynh's statement in 1999 that 'The American's thought that Vietnam was a war. We knew that Vietnam was our country'<sup>17</sup> is one of many similar sentiments. This chapter seeks to assess the literature focused on today's post-war Vietnam, a new, united nation with problems more complex than warfare.

### 2.1 Vietnam : A political and economic overview

Nguyen Khac Vien states that 'the history of Viet Nam evolved under the combined influence of contradictory factors.' On the one hand was 'a policy of economic exploitation and cultural assimilation' and on the other, 'a steadfast popular resistance marked by armed insurrection against foreign dominance.' It was this resistance he believes that led to 'the preservation of the Vietnamese people's identity, the emergence of a national consciousness and establishment of the independent state of Viet Nam.'<sup>18</sup> Since, Marxism offered 'an analysis of oppression and exploitation that helped make sense of the colonial experience' whilst holding out 'the prospect of fundamental social

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<sup>17</sup> Cited in Langguth, A.J., *Our Vietnam: the war 1954-1975* (Simon & Schuster, New York, 2000) Cover leaf

<sup>18</sup> Nguyen Khac Vien, *Viet Nam – a long history* (The Gioi Publishers, Viet Nam, 2004) p.16

change,<sup>19</sup> that this new independent state would be socialist, is unsurprising.<sup>20</sup>

Vietnamese history has its roots in legend and reflects a quest for independence. From Hung kings begot of the Dragon Lord of Lac and a mountain princess of fairy blood, an area emerged which in 111 B.C. was conquered by the Han dynasty (which had recently unified China). Following independence in 939, Ly (1009-1225) and Tran (1225-1400) dynasties saw Vietnam expand in territory and population, before Vietnam was again seized by the Chinese in 1407. In 1427, the invaders were expelled by Le Loi, founder of the Le dynasty.<sup>21</sup> Under the Le dynasty, two principles emerged: the first of Confucianism and Chinese culture; the second of southward expansion, known as 'the march to the south', whereby the country expanded into the kingdom of Champa (now central Vietnam) and took the Mekong Delta (in the south of the country) from the Khmers. Vietnam may have overwhelmed the whole of Cambodia had they not been challenged by Thailand, and Cambodia being put under a French "protectorate" in 1863.<sup>22</sup>

The march to the south allowed power blocs to emerge and the country split between the Trinh clan in the North and the Nguyen clan in the South in the 17<sup>th</sup> century. In 1771 the Tay Son Rebellion saw rebels begin to gain influence over the country and they ruled until their suppression in 1802 by Nguyen Anh

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<sup>19</sup> Heywood, Andrew, *Political Theory – An Introduction* (Palgrave, Basingstoke, 1999) p.275

<sup>20</sup> See Nguyen Khac Vien in his essay, 'Confucianism and Marxism' cited in Bui, Tin, *Following Ho Chi Minh: the memoirs of a North Vietnamese colonel* (Hurst & Company, London, 1995) p.xi

<sup>21</sup> Nguyen Khac Vien, *Viet Nam – a long history*, p.p.11-59

<sup>22</sup> Church, Peter, *A Short History of South-East Asia* (John Wiley and Sons Inc., Singapore, 2006) p.184

(of the southern Nguyen clan) who became the emperor Gia Long, the first ruler of a united Vietnam for over two centuries. The Tay Son rebels had struggled with governing the country and Gia Long found it in administrative chaos. He established a capital in Hué and began to organise his country according to the Chinese example. But the ensuing bureaucratic intervention led to rebellion from the Vietnamese people, and the repression of Christianity (which saw thousands of Christian deaths) led to Saigon's seizure in 1859 by the French navy. By 1885, France ruled Vietnam through a series of "puppet" Nguyen emperors, having conquered what had not already been ceded to it.<sup>23</sup>

The French ruled a divided Vietnam<sup>24</sup> relatively securely until 1940.<sup>25</sup> It is worth noting that Church describes Saigon as having emerged as the 'leading and most westernised city in Indochina' and that the French enjoyed greater colonial success in Cochin China than Tonkin as it was here that French legal reforms were effective. In Tonkin and Annam, indigenous systems were favoured as France had no solution to the problems of overpopulation and debt, other than industrialisation, a move she was unprepared to take. Cochin China, by comparison was sparsely populated and the French were able to boast of an increase of 420 percent growth in rice fields on land reclaimed from swamps. The value of this is debatable as it led to a poorly balanced economy with rice accounting for 70 percent of exports.<sup>26</sup>

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<sup>23</sup> Church, *A Short History of South-East Asia*, p.p.184-187

<sup>24</sup> Cochin China (South Vietnam) was administrated from Saigon, Annam (Central Vietnam) administrated from Hué and Tonkin (North Vietnam) administrated from Hanoi.

<sup>25</sup> See part 1.2 of chapter one for a consideration of colonialism by European powers.

<sup>26</sup> Church, *A Short History of South-East Asia*, p.p.187-188



The Japanese entered French Indochina in September 1940 and reached the agreement that French colonialism would continue. France had just submitted to Nazi Germany and the Japanese were predominantly interested in access to China in the Sino-Japanese war. Initially the Japanese kept the French bureaucracy and leadership in place to run French Indochina but on the 9<sup>th</sup> March 1945, Japan decided to take complete control of French Indochina.

Japanese seizure of rice and other crops combined with disastrous weather produced famine in Tonkin and Annam which set the stage for the Vietminh<sup>27</sup> revolution. Upon Japanese surrender on the 13<sup>th</sup> of August 1945, Vietminh forces took control of northern and central Vietnam but were unsuccessful in the south, where they met with opposition who recognised them as ICP members. But despite Ho Chi Minh's declaration of Vietnamese independence in Hanoi on the 2<sup>nd</sup> of September 1945, the allies appointed Chinese nationalist forces to replace the Japanese in the North. In the south, the allies appointed British Indian troops. However, the commander of the British Indian troops was so appalled by the political mayhem, he returned Southern Vietnam to the French.<sup>28</sup>

War broke out between the French and the guerrilla Vietminh army in 1946 which swung in favour of the Vietminh in 1950 when fellow communists China and then the USSR began to supply the Vietminh with arms. French controlled Dien Binh Phu fell in May 1954, signalling the end of French colonisation. At the Geneva Conference in July, Ho Chi Minh settled for control of the

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<sup>27</sup> Viet Nam Doc Lap Dong Minh: League for the Independence of Vietnam – an organisation set up in 1941 as a front for the Indochina Communist Party (ICP). It was led by Ho Chi Minh.

<sup>28</sup> Church, *A Short History of South-East Asia*, p.p.189-191

Democratic Republic of Vietnam (North Vietnam) whilst the South would be headed by Bao Dai (former emperor turned nominal chief of state under the French). Partition was presumably agreed to because elections were promised for July 1956 and Ho Chi Minh was confident of success.<sup>29</sup> The US did not approve of the agreement and did not sign the accord. Instead the US joined the Southeast Asia Treaty Organisation (SEATO) in September 1954. SEATO consisted of Australia, France, the UK, New Zealand, Pakistan, the Philippines and Thailand and aimed to resist the spread of communism in the region.

Rather predictably, the elections never took place - arguably due to US fear of a communist outcome. The United States encouraged Ngo Dinh Diem, a Catholic and anti-Communist, as prime minister under Bao Dai. Diem then won a referendum to head the south and declared himself president of the Republic of Vietnam (RVN) and refused to discuss the elections. Agnew reduces American intervention in Vietnam to the misguided geopolitical assumptions of containment and domino effects,<sup>30</sup> which Galbraith explains as the Americans thinking 'let Vietnam fall to this compelling system and the rest of Southeast Asia would go. The threat would extend on to India, Pakistan and even Africa.'<sup>31</sup> Agnew describes America as 'the last domino' in this analogy which explains the notion of linkage – that 'Vietnam could be understood only in relation to the overarching global conflict'.<sup>32</sup> Opposition to

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<sup>29</sup> Church, *A Short History of South-East Asia*, p.191

<sup>30</sup> Agnew, John, *Geopolitics – re-visioning world politics* (Routledge, London and New York, 1998) p.p.4-5

<sup>31</sup> Galbraith, John Kenneth, *The World Economy Since The Wars – A Personal View* (Sinclair-Stevenson, London, 1994) p.201

<sup>32</sup> Agnew, *Geopolitics – re-visioning world politics*, p.27, p.p.4-5 and see p.117

Dinh manifested itself into the Vietminh-styled National Liberation Front (NLF) which the Americans termed the "Vietcong". Guerrilla warfare ensued and, in 1975, proved in favour of the NLF. America, Vietnam's last invader, left and Vietnam was once again, a united nation. The DRV disbanded the NLF and in 1976, the country was renamed the Socialist Republic of Vietnam, ruled from the North, in Hanoi.<sup>33</sup>

Heywood states that adapting Marxist-Leninist principles, upon achieving independence, Vietnam 'moved swiftly to seize foreign assets and nationalise economic resources.' Following the Soviet model, a single-party state was established with a centrally planned economy.<sup>34</sup> Despite initial confidence, Vietnam was to suffer economic crisis borne from reorganisation and natural disaster. The 1978 invasion of Cambodia (which removed the Socialist but anti-Vietnamese Pol Pot regime) led to confrontation with China and this exacerbated the domestic situation which led to the fleeing of the "boat people."<sup>35</sup>

The Vietnamese situation has improved since 1986 when the policy of *Doi Moi*<sup>36</sup> was adopted. This renovation of the economy has led to the United

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<sup>33</sup> Church, *A Short History of South-East Asia*, p.p.191-192 and p.p.194-195

<sup>34</sup> Heywood, Andrew, *Political Ideologies – An Introduction* (Palgrave, Basingstoke, 1998) p.p.177 and 155

<sup>35</sup> There were two groups of boat people (refugees who fled by boat). The first group consisted of the Vietnamese who had supported the old government in the south and fled after the American war ended, as the new communist government adopted policies of sending people to 're-education camps' and 'new economic zones'. The second group consisted of ethnic Chinese, who during the Sino-Vietnamese war felt that the government's policies directly targeted them. The confidence of these groups is explored in part 5.3 of Chapter five.

<sup>36</sup> *Doi Moi* means economic renovation and was a program launched to reform Vietnamese society and stimulate economic growth. Collective farms were dismantled and leaders declared their intention to bring about a mixed economy that combined state, collective, and

States lifting its embargo in 1994, Vietnam joining ASEAN in 1995 (and being Chairman in 2001), an improvement in Sino-Vietnamese relations and the Central Committee of the Communist Party in 2004 identifying major tasks in the next decade as being 'to privatise state-owned enterprises, to reduce poverty ... to maintain political and economic stability and to achieve annual economic growth of 8 per cent.'<sup>37</sup>

Vietnam is now looking to join the World Trade Organisation (WTO). The Head of Trade and Industry at the British Embassy in Hanoi said that Vietnam and post WTO investment opportunities represented 'a very high confidence of what business thinks of Vietnam' but this confidence will only be maintained if Vietnam tackles the issues that currently threaten good relations,

It has to change because they do want to integrate into the world economy by membership to the WTO, they do want to play a major role in regional affairs, things like ASEAN, and they're hosting APEC, which is a huge, huge international summit so it puts Vietnam very much in the spotlight and they're aware of that now and they can see the benefits for the country, and the country is changing rapidly, it's changed a great deal in the three years that I've been here ... there's a real sort of groundswell of confidence.<sup>38</sup>

The significance of confidence was not just evident from interviews and observations but was soon apparent from the literature I reviewed. There is a great wealth of information covering the feelings surrounding Vietnam, for it is

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private ownership. Foreign investment was encouraged, and a more tolerant attitude was adopted toward the free expression of opinion in the country.

<sup>37</sup> Church, *A Short History of South-East Asia*, p. 196

<sup>38</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

an emotive topic. In addition to the difficulty than surrounds discerning what is fact ('Don't pay any attention to anything you read in that. It's complete rubbish' I was told as I idly flicked through a copy of the *Viet Nam News* when in the company of an English businesswoman<sup>39</sup>).

## 2.2 Confidence as Vietnam's key issue

Confidence is introduced in this thesis as a theoretical construct by which beliefs and actions in seemingly different areas are examined. The core issues relating to Vietnam's political economy were clearly her external influences, her government and her people. What was needed was a way of exploring the motivations and decisions of these groups. As a researcher, I believe that a soft approach to political economy (by which I mean an approach that considers these motivations and decisions) can enhance and compliment a hard approach (by which I mean the traditional approach of looking at figures and statistics).

Confidence can be defined as 'a feeling of trust in a person or thing: *I have confidence in his abilities*' or 'a belief in one's own abilities; self-assurance.'<sup>40</sup> The key issue when considering confidence, is how to measure it since is intangible. It can be used to give reasons for behaviour, for example,

A stable international monetary system is also dependant on solution of the confidence (credibility) problem; other countries must have

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<sup>39</sup> Conversation, English Businesswoman (Ho Chi Minh City, April 2005)

<sup>40</sup> WH Smith Editors, *Definitive English Dictionary* (Aylesbury, HarperCollins Publishers, 1999) p.335

confidence that the reserve-currency country will not pursue inflationary policies leading to devaluation of their own reserves. If they lose confidence, other countries will shift the composition of their reserves.<sup>41</sup>

Here Gilpin, uses actual measurable behaviour (shifting the composition of the reserves) to show the amount of confidence. This is how confidence is assessed in this thesis. Examples are given that I feel show the amount of confidence held by the relevant party examined in each chapter.

Thinking about how confidence can be produced, it is worth looking at Confidence Building Measures<sup>42</sup> which aim to 'lessen anxiety and suspicion by making the parties' behavior more predictable.'<sup>43</sup> It is the very predictability of an action that allows for future planning; an investor that predicts that the market will stay open will have greater confidence in investing than if he predicted that the market would close again. The idea of Confidence Building Measures rests upon a model of positive feedback whereby small increases in confidence lead to greater confidence. Thus once Confidence has been produced, as long as external influence is limited, it will reproduce. Conversely, damage to Confidence can lead to ever lessening Confidence if external influence is limited. This provides us with the term Confidence Building, the ever increasing Confidence as a result of positive feedback.

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<sup>41</sup> Gilpin, Robert, *Global Political Economy* (Princeton, Princeton University Press, 2001) p.p.247-248

<sup>42</sup> Confidence Building Measures are militaristic and diplomatic agreements, but the way they are used and their effects (to increase communication and trust and to reduce fear) make them a helpful analogy here.

<sup>43</sup> Maiese, Michelle, Confidence Building Measures ([www.beyondintractability.org/essay/confidence\\_building\\_measures](http://www.beyondintractability.org/essay/confidence_building_measures), Sept 2003, Accessed 22nd January 2007)

As stated above, confidence as Vietnam's key issue was fairly quick to emerge from the literature, and it soon fell into the three categories outlined in chapter one. The significance of external confidence (the confidence in Vietnam held by other nations and organisations for trade and aid) emerged from Vietnam being seen as full of opportunity in the mid 1990's but leaving investors cautious after numerous problems and Washington's lifting of a 30 year embargo in 1994.

The significance of governmental self-confidence (the confidence the government has in its own abilities and the capabilities of the nation) is evident from Vietnam (as Church states) being a hybrid: 'a state under one-party control – in theory, socialist – but with a free-enterprise economy operating alongside state enterprises.'<sup>44</sup> There are many challenges to a new nation; the quality of their ministers, uneven trade partners (for instance, China is more important to Vietnam than Vietnam is to China) and comparative weakness in areas of dispute (such as the Spratly islands). For Vietnam, a particular struggle is poor coordination of resources.

And the significance of citizen confidence (the confidence that Vietnam's citizens have in their government and country) is that for the Vietnamese government to succeed in achieving the ambitious task of achieving both a socialist and a free-enterprise state, they need the confidence of the workforce. The Vietnamese people have had such a negative experience of government that this area of confidence is perhaps the most important. It is

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<sup>44</sup> Church, *A Short History of South-East Asia*, p.197

also perhaps the most difficult to attain as the people undoubtedly care more about their standard of living than about socialist ideals.

The dent in external confidence following from the experiences of investors in the 1990's goes some way to explaining how some investors today are hesitant. As the Head of Trade and Industry at the British Embassy in Hanoi puts it, 'There are UK companies that 10 years ago got burned here and they haven't come back. They've got the scars.'<sup>45</sup> Gainsborough describes Vietnam in the early 1990's as being 'surrounded by an air of collective euphoria on the part of foreign businesspeople, analysts and academics.' He attributes this to the achievement of a trade surplus, the 1992 debt agreement with the Paris Club and France's President Mitterand's visit in 1993 which 'contributed to a new mood of hope' and saw Vietnam declared to be the 'Next Asian Tiger.' This led to foreign investment and a rise in economic growth rates. However, the mood was short-lived and 'by 1996, unhappy foreign investors were swapping tales of double-crossing joint venture partners, infuriating red tape, and crippling levels of corruption.'<sup>46</sup>

Another important factor reflecting a change in external confidence was the lifting of the US embargo as this was indicative of a real shift in US policy. It had been understood that following independence from the French colonists, Vietnam would require assistance in order to develop. Vietnam approached the US and following the rejection of their plea for support, the Vietnamese

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<sup>45</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

<sup>46</sup> Gainsborough, Martin 'Key issues in the political economy of post-*Doi Moi* Vietnam' in McCargo, Duncan, *Rethinking Vietnam* (RoutledgeCurzon, New York, 2004) p.40



turned to the Soviet Union.<sup>47</sup> America believed that South Vietnam 'could only 'develop' successfully by imitating the American concept of 'modernity',<sup>48</sup> and disagreed with the nature of Soviet support. America's solution to this problem was to wage war on Vietnam. Despite the failings of their intervention in Vietnam, America still holds that it has the blueprint for a successful economy, a view which is given strength by America's status. But with growth of 8.4%,<sup>49</sup> Vietnam's socialism is also a viable route to development and while America may not fully acknowledge this, she is at least prepared to trade. This suggests that America is so confident of the power held in Vietnam's markets that she is prepared to overlook matters of politics.

The main topic for external politics therefore is that of trade. Connected to trade is aid as they require similar confidence in how the Vietnamese behave. Disputes are also examined under the chapter heading of external confidence as their resolution impacts upon both trade and aid. External confidence is examined largely through the actions of the external parties since these behaviours are indicative of the confidence of those parties.

Issues regarding the self-confidence of the Vietnamese government largely stem from the memoirs of Tin Bui, *Following Ho Chi Minh: the memoirs of a North Vietnamese colonel*. Bui served as a colonel under Ho Chi Minh and

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<sup>47</sup> In 2001 Scott stated that 'it is claimed that both Ho Chi Minh in Vietnam and Fidel Castro in Cuba were primarily nationalists who could have been won over to the West, but turned to Moscow and to communism in the face of American and western hostility.' Scott, Len, 'International History 1945-1990' in Baylis, John and Smith, Steve (ed.'s) *The Globalisation of World Politics* (Oxford University Press, Oxford, 2001) p.89

<sup>48</sup> Agnew, *Geopolitics – re-visioning world politics*, p.p.4-5

<sup>49</sup> Gross domestic product grew 8.4 percent in 2005 ([www.bloomberg.com](http://www.bloomberg.com), Accessed 06/07/06)

lays blame for the poor post-war management of resources as being due to lacking any system or method. Despite inheriting 'a great quantity of aircraft, helicopters, warships, tanks, artillery pieces and just plain guns' including 'so much equipment [at the base at Long Binh] that they thought it would take fifteen to twenty years to cope with it all', he says that 'we had no idea how to manage it. We had no computers, only notebooks and pencils'.

Soon unit after unit, as well as the military from different regions, were coming to ask for equipment. So too were provincial and district authorities. There was no proper system for distribution. Much of the equipment – uniforms, mosquito nets, tents, water flasks etc. – was then sold on the market with the profits going into the pockets of corrupt individuals. A lot also disappeared to the North while heavy equipment, such as artillery and electronics, was damaged or deteriorated through lack of maintenance. So within a few months, Long Binh was a worthless shambles

Bui states that 'it became apparent that all we knew how to do was to destroy as we had during the war. We had no idea how to use things constructively and how to build' and laments that 'if only we had made good use of all that equipment rather than wasting it, maybe the situation would be different now.'<sup>50</sup>

There are countless examples of similar mistakes. Bui recounts that on the 30<sup>th</sup> April 1975, he heard of gold reserves held in Saigon. He told Hanoi and it was taken custody of. He says that advice was given by Hao (who 'had been

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<sup>50</sup> Bui, *Following Ho Chi Minh: the memoirs of a North Vietnamese colonel*, p.p.90-100

Deputy Premier in charge of economic affairs as well as responsible for the National Bank of South Vietnam') to invest the gold in order to finance the reconstruction of Vietnam but this was rejected as being capitalist. But when he asked Truong Chinh (who served in a number of important offices and leadership positions from the 1940s to the 1980s and was an influential theorist) a few years later what had happened to the gold, he said it had been used to cope with emergencies. In addition to improving resource management, the Vietnamese government has got to face its recent history of being responsible for 'the death and suffering of tens of thousands of boat people who had to endure thirst or attacks by pirates?' and failing to manage production levels which led to the people's standard of living falling to 'a pitiful level' and saw corruption flourish 'and theft, prostitution and gambling spread throughout the whole country!'<sup>51</sup>

Trade with China is significant to the self-confidence of the Vietnamese government. Templer argues 'whether Vietnam likes it or not, its economic fate is inextricably linked to its powerful neighbour.' At the end of chapter four, is a case study on the subject of Vietnamese confidence when dealing with China and goes into more detail, the complexity of the issue which is suggested by the 1995 rice fiasco.

In 1995, China suffered a shortfall in rice production in its southern provinces and began importing large quantities of smuggled rice from Vietnam. Although this was illegal, many state firms, even the navy, got in on the act of taking rice from the Mekong Delta. Prices soared and

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<sup>51</sup> Ibid, p.p.89 and 102

farmers, expecting greater profits, planted high-yield, low-quality strains that would make them money in the Chinese market. By the time the next harvest came around, China had solved its shortage and prices plummeted. Farmers were left holding large stocks of poor-quality rice that could not be exported anywhere else.<sup>52</sup>

Vietnam was quick to take advantage of what appeared to be an opportunity but lacked the ability to realise the situation for what it was. As suggested in chapter three, the attitude of the Vietnamese government borders on arrogance and overconfident optimism that good things are owed to them. In a case such as the rice fiasco, the government ought to make and enforce a decision. That the Navy got involved in illegal activity that led to economic problems is nothing short of appalling and suggests a lack of either control or ethics by the government.

The main topics concerning governmental self-confidence are power and the actions that demonstrate that power. These topics are vast and so the ideas concerning powers and actions are then considered through a case study on China. This allows greater consideration to be made regarding the confidence the Vietnamese government has in its capabilities.

Bui also has some interesting views on the subject of citizen confidence. He viewed citizen confidence as being high during the war 'because they believed in the struggle and ultimate victory.' But this was a traditional attitude and 'had nothing to do with Marxism, Leninism, socialism or class struggle, as some

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<sup>52</sup> Templer, Robert, *Shadows and Wind: A View of Modern Vietnam* (Little, Brown and Company, London, 1998) p.284

people dare to say.' But by 1975 the leadership had become 'lax, intoxicated and dizzy with victory'. Bui explains that 'most of the top leaders were in their sixties and thought increasingly about their families, their children, their homes and property. He forgives this saying it's easy to understand, 'They were human beings not saints. Few of them could resist the lure of materialism because they lacked the education which forms the basis of human dignity. Therefore, there was nothing to control them and they let themselves go.' But despite his understanding, Bui argues that it was the beginning of Vietnam's real cultural crisis.<sup>53</sup>

For citizen confidence to be fully realised, the Vietnamese government must relinquish a large degree of control as without it, the economy will never be truly open and flexible. Free enterprise is the key to the building of powerful economies and if the Vietnamese government does not allow its own citizens to fully participate, they are neglecting to utilise what is one of Vietnam's best resources.

Citizen confidence is examined by evaluating the significance of leadership, standard of living and growth. These are important considerations for appreciating the feelings of the citizens of Vietnam. Unlike external confidence and governmental self-confidence, citizen confidence cannot be determined through examining actions. Therefore, there is a greater reliance on individual accounts and greater speculation than in other chapters. The chapter ends with a look at Viet Kieu and Viet Hoa confidence, individuals that belong to

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<sup>53</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.98

these groups have a different set of values and experiences to other Vietnamese people.

## 2.3 Methods

The thesis emerged from a visit to Vietnam in 2005 where I began to be interested in Vietnam's development despite her corruption. It seemed that there was a route to development that was not incompatible with poor governance. Prior to even forming a research question, I began to interview the people I met. I asked vague open questions about their lives in Vietnam and the work that they did. The individuals consisted of the British Marketing Manager I was accompanying and three people that she introduced to me during the trip; a hotel manager, a business woman and another English woman who was visiting Vietnam. I kept in contact with all of these people upon returning to the UK and they provided with invaluable advice and support throughout the duration of my thesis.

During this initial trip I accompanied the British Marketing Manager that I was travelling with, to a factory on the outskirts of Ho Chi Minh City and to Industrial park offices on the outskirts of Vung Tao. I also made an exploration of Ho Chi Minh City alone which included the history museum and a bookshop selling books in English. My purchases, combined with my interview notes were used to formulate my initial research question: 'Vietnamese Corruption: A viable economic model for development?'

Upon my return, I contacted Durham University and began my formal research. While I had a significant amount of primary data, I soon realised that I had little knowledge of Vietnamese history, geography or politics. I began to chart a rough history, against which I could make an understanding of my primary data. As I began to collect information about the current situation in Vietnam, it became apparent that my initial research question was rather vague and that there were more significant factors to consider regarding Vietnam's economic development. I presented my ideas to my supervisor and together we teased out the concept of confidence and the significance of post-war changes. I then rewrote my research question to the final: 'Confidence as a route to Economic Development in Post War Vietnam.'

I knew that confidence was now the key to my investigation but I needed to make the problem precise. I did this by dividing the concept of confidence into three categories; External confidence, Governmental self-confidence and Citizen confidence. This enabled me to structure my literature review and begin forming ideas. The next stage was to return to Vietnam, eleven months after my first trip. I knew from previous experience<sup>54</sup> that observation is a method that works well for me. I set myself a rather vague itinerary with only flights, accommodation and a single interview in Hanoi (with the British Embassy) planned in advance. This allowed me to follow what caught my attention once I arrived. I believe that when in a completely different culture, it is not possible to know what you are looking for until you are there.

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<sup>54</sup> I had spent ten days in Singapore conducting research for my undergraduate dissertation and had found many of my most valuable sources by being open to possibility and visiting every interesting location, looking through every interesting book and photographing whatever caught my eye.

I began my field research in Hanoi where I visited the British Embassy to interview the Head of Trade and Industry and where I collected up-to-date information on the Unified Enterprise Law and Common Investment Law which were to come into force a couple of months after my visit. Also in Hanoi, I visited the Vietnam Development Information Centre and made a trip north of the city where I interviewed my tour guide. Hanoi also offered me the best book shop of the trip and I was able to buy investment guides and development reports in addition to several interesting books. I carried my camcorder wherever I went and made observations throughout. I also took photographs and made notes in my diary.

My stop in Hue was brief, representing my desire to see the imperial city, more than a belief that it would benefit my study. I did not gather any source material but in retrospect it was beneficial to view Vietnam from more than just its two key cities. My day in Vung Tao in 2005, trip north of Hanoi and to Hue in 2006 have shown me a country beyond its political and economic centres and I only regret that I could not have explored Vietnam further.

My first reaction to Ho Chi Minh city was one of shock. The drastic developments in Ho Chi Minh over the previous year led me to almost feel as though I was somewhere else entirely. My camcorder diary is full of comparisons between what I was seeing and the city of eleven months earlier. Everything from the way the women dressed to the type of shops and restaurants was different.



My methods are unstructured and ad hoc but this is a requisite if one wishes to join the society one observes in any way at all. I've learnt more about the nature of the Vietnamese people from how they drink coffee<sup>55</sup> than I believe I could have from a dozen interviews. I have found that the Vietnamese are eager to discuss local customs but are reluctant to answer direct questions that touch upon the political or economic issues of the day, so it makes sense to share a snack, buy a painting and listen to what they have to say, which of course covers the material I'd have asked them in a formal interview!

On the following page is a map showing the locations I visited in Vietnam.

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<sup>55</sup> In Vietnam you stir up your own coffee, assemble your own meal and share anything that looks good with those you care about. Eating and drinking is serious business to be done in company and with utmost care that every mouthful is a delight. You savour every taste, for this is the stuff of life.

Map of Vietnam



Source : [goasia.about.com/.../Vietnam\\_Maps\\_Geography.htm](http://goasia.about.com/.../Vietnam_Maps_Geography.htm)

## 3 : External Confidence

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External confidence relates to the confidence in Vietnam held by other countries and organisations. It is examined below under three categories; trade, aid and disputes. My research for this chapter was relatively straightforward; I conducted interviews with external investors and with the head of trade and industry at the British Embassy in Hanoi. There is a greater wealth of primary source literature on the topic of external relationships than either governmental or citizen feelings and values and so this chapter also makes use of material produced in Vietnam for investors.

### 3.1 Trade

Dahm begins his book, *French and Japanese Economic Relations with Vietnam since 1975*, by saying 'with the end of the Cold War the fight for power in the world has changed from the political-military field to a race for economic power' and the economic competitiveness that has emerged between nations has led to a struggle for economic security, seen through fights for 'trade shares, export markets, natural resources and investment opportunities.'<sup>56</sup> *Doi Moi* has arguably been Vietnam's most important policy since independence and economic success now appears to be considered more important than socialist ideals. In 1992, new 'official principles' for

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<sup>56</sup> Dahm, Henrich, *French and Japanese Economic Relations with Vietnam since 1975* (Curzon, Surrey, 1999) p.1

foreign policy were adopted in Article 14 of the constitution produced that year. These principles highlighted Vietnam's plans to 'expand its relations and cooperation with all countries in the world regardless of political and social regime.' Dahm explains this move as resulting from Vietnam's realisation that the economic development of her neighbours superseded her own because they had superior economic relations with foreign countries.<sup>57</sup>

So what have the Vietnamese done to encourage confidence in Vietnam as a trade partner? The most significant move has been the development of encouraging trade through modifying the rules and regulations. The Foreign Investment Law (FIL), established in 1987 was Vietnam's first legislation to regulate trade and essentially opened Vietnam's markets to the world. It was part of a movement that Clayton Jones describes as making Vietnam a 'country of laws – not edicts' Prospective foreign investors were required to obtain investment licenses from the State Committee for Cooperation and Investment (SCCI) which had complete autonomy in granting licenses and preferential treatment. But despite the FIL failing to provide 'bright-light rules nor any policy guidelines', it did protect foreign investors against both outright expropriation and against some burdensome changes in law.' The Harvard Law Review concluded

In dispute resolution, Vietnam has ignored the current worldwide trend towards international arbitration. Vietnam FIL's dispute resolution provisions are needlessly restrictive and reflect "traditional attitudes which find their justification more in the unfortunate experiences of the

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<sup>57</sup> Ibid, p.p.32 and 34

past than in the realities of the present and the requirements of the future."<sup>58</sup>

On the 29<sup>th</sup> November 2005 the Unified Enterprise Law (UEL) and Common Investment Law (CIL) were passed by the National Assembly. These took the place of the Enterprise Law (EL), which had regulated domestic investment, and the FIL, on the 1<sup>st</sup> July 2006. The role of the UEL is to 'regulate matters of corporate governance, granting a more level playing field than found under the current investment regime.' The role of the CIL is to regulate 'access and entrance to the market through licensing and registration requirements, and conditional sectors of the market.' What this means for investors in Vietnam, is the Vietnamese government is now prohibited from a number of 'market unfriendly activities' including 'forcing exportation of a percentage of goods and services' and 'requiring levels of domestic research and development.'<sup>59</sup>

The report states,

Ensuring that foreign investors will be protected by these unnecessary externalities helps keep business operations simpler, more efficient, and more productive. Foreign investors will more likely invest in Vietnam if their operations respond to market demands, rather than government dictations.

An important clause in the CIL which is a positive indication of development law is an article stating 'Investors shall be permitted to invest in all sectors and in all industries and trades which are not prohibited by law.' This replaces the

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<sup>58</sup> 'Protection of Foreign Direct Investment in a New World Order: Vietnam. A Case Study', *Harvard Law Review* (Vol. 107, No. 8 Jun 1994) p.p.9, 10, 14 and 18

<sup>59</sup> Document provided by the department of trade and industry at the British Embassy in Hanoi: 'New Investment Law', p.1

previous general principle that allowed investments 'only in areas specified by law.'<sup>60</sup>

These changes are significant but by no means are the UEL and CIL fully comprehensive. What is expected (by the British Embassy in Hanoi) is that over a period of time it will mutate into something different through a continuous process of updating. This evolution of policy allows for new aspects of the law to be added. It is commonly accepted that laws are incomplete and those affected accept the situation on faith as ultimately, most laws reach an end point which meets the needs of all involved. In the meantime, the two documents (or laws) are the basis for dialogue with the Vietnamese government to get to that point. Such dialogue occurs at the twice-annual Vietnamese business forum where 'the business people throw questions at the government and the government responds and they say "we'll look into this" and "we'll look into that".' This is a huge development which was impossible 20 years ago.<sup>61</sup>

These developments are supported by external bodies. For instance, EU capital enabled the creation of Mediaglobe LLC, an organization that works to compile and develop business portals in Vietnam. Mediaglobe LLC runs the Vietnam Trade Catalogue which lists the trade products of Vietnam and provides valuable contact details for organisations that meet a wide range of trade partner needs. The Vietnam Trade Catalogue lists the following products as trade subjects on its database: Beverages, Chemicals, Clothing, Consumer

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<sup>60</sup> Document provided by the department of trade and industry at the British Embassy in Hanoi: 'New Investment Law', p.p.2 and 3-4

<sup>61</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

Goods, Foodstuff, Fuels, Furniture, Jewellery, Machines (equipment), Manufactured goods, Medical products, Office equipment (supplies) Pet Stuff<sup>62</sup>, Porcelain (sanitary wares), Textile products and Vietnam traditional crafts.

This list is sub-categorised, providing company details for each category. For instance, the sub-category of Ceramics, listed under Vietnam traditional crafts lists the organisation, Hoan Thanh Pottery Private Enterprise. The Hoan Thanh Pottery Private Enterprise boasts 400 employees, markets to France, Germany, the UK, Sweden, Holland, Japan and the USA. The company states it's mottos of 'Prestige', 'Quality', 'Good price' and 'On time delivery' and is clear about its interest for new business.<sup>63</sup> This quality of information reflects the development of "Vietnam Inc." to a sophisticated and capable trade location. There is some way to go and Mediaglobe LLC do not claim a situation that differs from the information provided by the British Embassy below, but the structures are increasingly in place for the continuing improvement of relationships between investors and Vietnamese organizations.

However, concepts such as the Vietnam Trade Catalogue must not be overstated. The site has some glaring omissions (while trade is claimed to be done in 'Chemicals', no companies are listed) and company statements are not verified.<sup>64</sup> The experience of many investors is that Vietnamese

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<sup>62</sup> Pet Stuff is the term used by the Vietnam Trade Catalogue to describe animal feed, veterinary medicine, animal husbandry and the construction of farms.

<sup>63</sup> The Vietnam Trade Catalogue ([www.info.vn](http://www.info.vn), Accessed 7<sup>th</sup> August 2006)

<sup>64</sup> The Vietnam Trade Catalogue ([www.info.vn](http://www.info.vn), Accessed 7<sup>th</sup> August 2006)

organisations will readily agree to all standards of production in order to gain contracts but then struggle to meet these standards.<sup>65</sup> For the Vietnamese Trade Catalogue to be more efficient some proof of checks upon its listed companies is necessary.

But the capability is there, Vietnam is increasingly capable of supporting ambitious enterprise projects. FPT, the 'top IT and Telecoms group, with an annual growth of 40%, an annual revenue of \$500 million, and some 5,000 employees' enables companies such as the NTT-IT Corporation of Japan to have their expectations 'exceeded' in the 'progress and development of projects.'<sup>66</sup> However, the surge on the 220V electricity is such that visitors are warned against using sensitive electronic equipment (such as laptops)<sup>67</sup> and bare electricity cables can be seen sparking throughout the country.<sup>68</sup> This dichotomy risks reducing confidence in Vietnam's technological capacity and needs addressing.

The relationship between investors and Vietnamese organizations has a number of problems with quality control being one of the most significant for small scale trade. Vietnamese goods are described as ugly and of poor quality by the Chinese, a common complaint made of Vietnamese manufacturing. Christina Yu, the Hong Kong lawyer who owns the Hanoian handbag labels Ipa Nima and Tina Sparkles wished to 'merge Vietnamese ideas with western

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<sup>65</sup> Interview, British Marketing Manager (UK, April 2006)

<sup>66</sup> *FPT: Connecting Vietnam with IT Excellence* with quotes from Shigeki Masaki, the Director of BC Business Section, NTT-IT Corporation of Japan (Heritage Magazine, March/April 2006) p.p.50 and 51

<sup>67</sup> *Need to Know* (Heritage Magazine, March/April 2006) Section 2: Window on Vietnam, p.4

<sup>68</sup> Viewed by author throughout Hanoi, Hue and Ho Chi Minh City in March 2006.



design to create an exportable high-quality fashion accessory item.' She felt that Vietnamese work needn't be considered low quality with manufacturers aiming no higher than the low and middle market. As a foreigner, she valued the skills of the Vietnamese workforce and believed that her employees could learn the process of production and develop the ability to create new designs. But she found it difficult to communicate the importance of originality, business ethics and long-term planning.<sup>69</sup>

This notion of persuading the Vietnamese to look beyond their own lives is a big difficulty in a country with controlled media. The marketing manager of a British garden ware manufacturer was often exasperated at the workers and factory owner of a site near Ho Chi Minh which produced pots for the company. To the Vietnamese, a pot was a container, to the marketing manager, a pot sold by her company was a thing to contribute to a stylish lifestyle. She repeatedly tried to communicate the importance of the pots being free from chips and cracks and regularly demonstrated the paint effect required but to little avail and ultimately her fees and the expense of repainting in the UK meant that the relationship was not viable.<sup>70</sup>

For larger scale trade, problems tend to be found when negotiating Vietnamese business structures<sup>71</sup>, and as a result the British Embassy in

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<sup>69</sup> Scott, Pam, *Life in Hanoi – Local and expat stories in Vietnam's capital* (New Holland Publishers, Sydney, 2005) p.90

<sup>70</sup> Interview, British Marketing Manager (Ho Chi Minh City, April 2005) and Factory Visit (Outskirts of Ho Chi Minh City, April 2005)

<sup>71</sup> This is not necessarily true for smaller enterprises. Scott cites Bret, the owner of a mechanical and electrical contracting business, as saying: 'There is no easy way to build a business. If I tried to do it in Australia I would have got killed with rules and insurance and taxes. Over here it is the same thing but you are allowed to gradually follow the rules, you are given time to improve and each month we do, like buying insurance or something.' Scott,

Hanoi does not promote the Vietnamese market to small or inexperienced companies. As the head of trade and industry succinctly put it,

UK trade and investment is very much focused on SMEs – how to help and make SMEs more competitive in the world of world exports but there are certain markets around the world where a small, medium enterprise or a first time exporter would just not go there because they'd just be cut to ribbons. This is one of those markets.

Despite vast interest, the embassy stresses that it's very slow to do an investment project in Vietnam. It took British Petroleum (BP) 12 years to do their deal, 'it is a market for people that have the time and resources to actually make a go of it.' But the rewards are great and UK investments (such as BP, Shell, Stanley and Carter, and the UK division of HSBC) are big players. Finley Teas (investment in tea plantations) are described as being 'here for some time and they are actually developing and expanding on their initial investments. So that's a positive sign that the investors are not pulling out. They're actually developing their own businesses. That's a good thing.'<sup>72</sup>

A good example of negotiation of Vietnamese structures is the Japanese Television series, *Oshin*. To a degree, countries wishing to trade with Vietnam must take some responsibility for the understanding of their products and Japan has been portrayed as a 'modern and moral nation', in part due to the careful campaign of the series. *Oshin* is 'a serial that depicts the harsh life and struggles of a village woman in nineteenth-century Japan. 'All the young and old in my family watch *Oshin* because for the older ones it reminds them of

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Pam, *Life in Hanoi – Local and expat stories in Vietnam's capital* (New Holland Publishers, Sydney, 2005) p.104

<sup>72</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

when life was so difficult here, while for the younger ones it explains how things used to be', said Nguyen Thi Mai, a secondary school teacher.' 'Oshin was useful in improving Japan's image and dispelling myths about a country that until recently had very few links with Vietnam since its troops were there during World War II. 'The first thing the Vietnamese think of when they see Japanese people is money, so it's good for them to see in this programme that we weren't always rich and that things were difficult for us once', said a Japanese businessman.'<sup>73</sup>

Another successful approach has been the formation of joint ventures. Beer is an interesting example here. Previously Vietnamese beer was named simply for its place of origin and most cities had a distinct beverage. Sterling notes that the demand for beer on the rise among tourists and the newly affluent of Vietnam in recent years has led to Vietnamese/foreign joint ventures. The Red Horse brewery of Nha Trang has enjoyed the investment of capital and expertise from San Miguel of the Philippines, Fosters of Australia is now associated with Biere Larue and Huda beer from Hue is made with Danish technology.<sup>74</sup>

Yet, in the shadows of the success stories is one of corruption. The Vietnamese government creates structures to regulate and control but the problem lies with enforcement. The main role for the Trade and Industry department at the British embassy is lobbying for transparency and bureaucracy. Tenders are regularly out of line with international regulations

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<sup>73</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.343

<sup>74</sup> Sterling, Richard, *World Food Vietnam* (Lonely Planet Publications, Victoria, Australia, 2000) p.60

and the head of the department describes the situation by saying it's 'all very misty with things happening behind closed doors.' For example, a British company and a Chinese company were bidding for a contract. During the process there were a number of criteria which the bidders had to meet. The UK company met all of those criteria while the Chinese company didn't even meet the key criteria yet still won the contract. It's essential that the Vietnamese move away from this kind of behaviour as it is incredibly off-putting to western organisations. The Head of Trade and Industry at the embassy talked about huge projects being abandoned after they were approached 'in the wrong way' and offered ease of business in return for something. The majority of western companies feel compromised and lack confidence in the regulatory organisations to protect their interests.<sup>75</sup>

This is perhaps the final hurdle for external confidence regarding trade with Vietnam. Corruption is a sensitive topic and the use of the word is often limited to 'the C word.' Yet by historical comparison, the Vietnam of today is capable of fulfilling the needs and desires of trade partners. Mr Fook, the minister for planning and investment gave a speech at the Euro Money Conference in Hanoi in March 2006 where he said, 'For the past few years Vietnam has been taxiing to the runway and now Vietnam stands at the end of the runway.' The Head of Trade and Industry recounted this and added, 'They're ready for takeoff.'<sup>76</sup> There are companies that got burned in the mid 1990s and may never return, but Vietnam is not shy of interest and while the

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<sup>75</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

<sup>76</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

UEL and CIL will need adapting, the structures that will secure the confidence of the world market are in place.

Below is a chart showing the increased trade in goods and services between Vietnam and other countries and the change in FDI. The peak in FDI in 1996 can probably be attributed to Vietnam opening her markets that year and the tailing off may reflect the problems with red tape and corruption discussed above. Unfortunately, figures are slow to emerge from Vietnam and the recent upturn in FDI mentioned by the Head of Trade and Industry and the British Embassy in Hanoi, cannot be see yet.



Source:

[http://esds.mcc.ac.uk/wds\\_wb/ReportFolders/ReportFolders.aspx?CS\\_referer=&CS\\_ChosenLang=en](http://esds.mcc.ac.uk/wds_wb/ReportFolders/ReportFolders.aspx?CS_referer=&CS_ChosenLang=en)

### 3.2 Aid

Pye describes the Vietnamese relationship with aid in the 1970's as delusional, saying that they believed \$7 billion in foreign assistance (that could fund a five-year plan outlined at the Fourth Party Conference in 1977) was conceivable. The Vietnamese government was 'trumpeting the questionable slogan, "We have friends everywhere in the world",' and the serious decision-makers seemed to believe their own propaganda. Pye attributes this naïve ambition to 'an exaggerated sense of importance' that was so divorced from reality that during secret talks in 1978 with Richard Holbrooke,<sup>77</sup> Hanoi became 'caught up in a complex game of diplomacy' that became increasingly ridiculous as negotiations continued.

The Vietnamese hoped that they could establish relations with Washington before normalisation occurred between Washington and Peking.<sup>78</sup> But their absurd tactic included their persistence in 'demanding that "in return" for establishing formal relations Washington should pay Vietnam \$2 billion.' This may have been a possibility at one point as the figure had been mentioned during the Paris Peace Accords of 1973 but Hanoi had violated these accords in 1975 and it was unfeasible to imagine that a United States Congress would

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<sup>77</sup> Holbrooke was America's assistant secretary of state for East Asia and Pacific Affairs and was committed to the 'well-intentioned but strategically questionable policy of achieving early normalisation with Hanoi, or at least of preventing relations from descending into the deep freeze, as they had done with China during the previous twenty years.' Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.241

<sup>78</sup> America had initially refused to recognise China due to her communist administration and vetoed her entry to the UN. America's view of China worsened when Mao gave support to North Korea and North Vietnam. However, she allowed China to join the UN Security Council (and denying Taiwan) in 1971. The Chinese huge consumer market was appealing to America and China wanted access to western markets and capital and both countries were keen to build economic relations despite their ideological difference.

still vote such a sum.<sup>79</sup> Hanoi, somewhat predictably, dropped the demands shortly after President Carter announced Washington's readiness for normalisation with Peking by the end of 1977 but 'by then it was too late.'<sup>80</sup>

Then, just two years later, Templer states that Vietnam damaged relations with China by 'churlishly' suggesting that the aid they received during the war amounted only to 'some light weapons and a little food' when in fact China had sent 'thousands of advisors' and given 'the equivalent of \$20 billion in aid'.<sup>81</sup> It is understandable that the Vietnamese felt unhappy about the Chinese attitude to aid, since China had also provided aid to the Pol Pot's anti-Vietnamese Khmer Rouge but it reflects badly on the integrity of a government when the truth is denied.

Vietnam's definition of what is reasonable to expect when it comes to aid seems somewhat misguided. Bui describes communist propaganda as being 'good at painting one-sided pictures' that don't show the real problems and describes the government of the 1970s as being 'ignorant in our arrogance'.<sup>82</sup> Aid was expected but how much and the nature of the delivery was something the government seemed to know little about.

When the US House of Representatives voted to freeze non-humanitarian aid to Vietnam unless Hanoi improved its human rights record in 2004, communist

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<sup>79</sup> The Peace Accords, signed on the 27<sup>th</sup> January 1973, officially ended direct U.S. involvement in the Vietnam conflict, although they allowed for financial and limited military support to enable South Vietnam to support herself (a promise that President Nixon soon broke anyway). Vietnam violated the accords by not withdrawing from Laos as agreed.

<sup>80</sup> Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.241

<sup>81</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.288

<sup>82</sup> Bui, *Following Ho Chi Minh: the memoirs of a North Vietnamese colonel*, p.p.88 and 89

party newspaper Nhan Dan called it "an unfriendly act" and claimed it counteracted efforts to normalise "diplomatic, political and economic relations" between the two countries. An editorial added that American behaviour during the Vietnam War meant that America had no right to judge.<sup>83</sup> This retort makes the Vietnamese government sound like a petulant child that believes is entitled to the aid by right. To the detached observer, little progress appears to have been made from the grandiose plans of 1977 when aid was also expected.

Vietnam is one of Denmark's biggest receivers of development aid but after the current agreement expires in 2010, this will be cut considerably. The Danish minister of development cooperation suggests this is a positive step, saying 'our success is driving us out of Vietnam, you could say.'

All the main figures show how much progress Vietnam is making. The economy is improving, the conditions for the population is improving, more and more children are starting school, all in all Vietnam is a country in such rapid progress that we have decided to down-size our efforts in the country ... Our presence in Vietnam has first and foremost been about fighting poverty. When we now see that it has worked – at least in parts of the society.

Poverty reduction is in part attributed to foreign companies establishing themselves in the cities and as a result, rural areas are still underdeveloped,

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<sup>83</sup> *US Votes to Cap Vietnam Aid* (<http://news.bbc.co.uk/2/hi/asia-pacific/3909013.stm>, 20<sup>th</sup> July 2004)



hence the reduction rather than cessation of aid.<sup>84</sup> However, it will be interesting to see the Vietnamese response to this lowering of funds.

It is important to note that aid can take the form of diplomatic support. Dahm explains that despite the US embargo had France maintained diplomatic relations with Vietnam and continued to give humanitarian aid after she invaded Cambodia. Her limited dependence on American markets enabled this move when other nations fell to US pressure. However, while France continued bilateral relations, she was unable to reintroduce Vietnam to the world market. It wasn't until 1993 when President Clinton ended US opposition to refinancing Vietnam's debt that 'the implementation of a French-led proposal to refinance Vietnam's US\$ 140 million debt' was allowed. This was significant because 'in order to qualify for fresh loans from the IMF, Vietnam first had to discharge its debt, accumulated before its suspension from the IMF in 1984.' US\$55 million of the debt was paid by a group of 'friendly countries' headed by France with the remainder financed by a US\$85 million bridging loan. Vietnam immediately qualified for a US\$85 million loan from the IMF to pay back America.<sup>85</sup> This diplomatic support was essential for Vietnam's economic recovery.

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<sup>84</sup> Broegger, Thesis, *Denmark to Cut Vietnam Aid in Four Years* ([www.scandasia.com](http://www.scandasia.com), Accessed 5<sup>th</sup> July 2006)

<sup>85</sup> Dahm, *French and Japanese Economic Relations with Japan since 1975*, p.44

### 3.3 Disputes

The way disputes are handled says more about a situation than the actual events. Because Vietnam was defined as Communist, as a communist state, she was subject to suspicion. In December 1978, Vietnam intervened in Cambodia where a large number of human rights were being violated. Wheeler and Bellamy state that a lack of collective intervention had led to Vietnam taking the law into her own hands. Vietnam did not claim to intervene on humanitarian grounds, but argued self-defence – 'the legitimate right of all states under Article 51 of the UN Charter.' Vietnam was 'castigated and sanctioned' for acting as 'an agent of Soviet Imperialism' while Tanzania, who had intervened in a similar way in Uganda a few weeks later received no 'public denunciation' arguably due to Tanzania's intervention in Uganda being less involved in Cold war geopolitics.<sup>86</sup>

In the brief period between independence and the invasion of Cambodia, Vietnam was viewed relatively positively by ASEAN,<sup>87</sup> particularly Malaysia, whose leaders had spent the previous decade criticising American intervention in South Vietnam. Pye describes them as being 'the most inclined to think well of Hanoi's leaders, and the most anxious for peace and tranquillity throughout the region.' Malaysia had advocated making Southeast Asia a zone for "peace, freedom, and neutrality," and had encouraged the

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<sup>86</sup> Wheeler, Nicholas J. and Bellamy, Alex J., 'Humanitarian Intervention and World Politics' in Baylis, John and Smith, Steve (ed.'s) *The Globalisation of World Politics* (Oxford University Press, Oxford, 2001) p.p. 478-479

<sup>87</sup> ASEAN at this time only consisted of the five founder members: Thailand, Indonesia, Malaysia, the Philippines and Singapore. Brunei joined in 1984, followed by Vietnam in 1995, Laos and Burma in 1997 and Cambodia in 1999.

other ASEAN members to reach out to Vietnam. Malaysia was therefore, shocked and disappointed at Vietnamese intervention in Cambodia.<sup>88</sup> The shock was possibly less for the other members, for Hanoi had rejected the proposal of a zone for "peace, freedom and neutrality" preferring the values of "peace, independence and neutrality." Hanoi objected to the term freedom due to it contradicting their human rights violations feeling that the concept of independence as the opposition of all foreign military bases in Southeast Asia was preferable. This concept of independence was not held as a value by the ASEAN members.<sup>89</sup>

The Vietnamese occupation of Cambodia also damaged her relations with the UN, whose General Assembly refused to recognize the Vietnamese supported government in Phnom Penh and demanded withdrawal followed by free elections. The situation was one of the reasons for the 1979 border war with China. Within the sphere of political disputes, the example of Cambodia is a good one as it saw Vietnam conduct relationships with ASEAN, the UN and China.

After removing Pol Pot's Khmer Rouge government, the Vietnamese instated their 'puppet' government, the People's Republic of Kampuchea<sup>90</sup> (PRK). The PRK had to fight the Chinese supported displaced government to maintain its control of the country. A treaty of Friendship and Cooperation signed in 1979 led to Vietnamese migration in the early 1980s but this appeared more to be

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<sup>88</sup> Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.248

<sup>89</sup> The US library of Congress, *Country Studies – Vietnam – ASEAN* ([www.countrystudies.us](http://www.countrystudies.us)) Accessed 11/08/06

<sup>90</sup> Kampuchea is the local term for Cambodia and is an abbreviation of Preahreacheanachakr Kampuchea.

due to establishing a Vietnamese friendly regime and developing an Indochinese community under Vietnamese hegemony than about colonization. ASEAN joined China in supporting the displaced government. ASEAN's position on Cambodia was important to Hanoi, because it was through ASEAN's efforts at the UN that the world's attention continued to focus on Cambodia in the late 1980s. The Vietnamese thus saw ASEAN as having the power to confer upon them or to deny them legitimacy in Cambodia. Vietnamese diplomats sought to convince the ASEAN countries that the invasion of Cambodia was intended to eliminate the threat posed by Pol Pot's alignment with China. Rather than have its activity in Cambodia perceived as potentially damaging to ASEAN's security, Vietnam wanted to assure ASEAN members that it was in the group's interest to join with Vietnam in countering the Chinese threat to the region. Cultivating goodwill with key ASEAN members was an important part of this strategy.

The extreme brutality of the Khmer Rouge's reign did mean that ASEAN was concerned for the possibility of their involvement lessening the international appeal of the anti-Vietnamese cause. To enhance the perception of the anti-Vietnamese campaign, ASEAN influenced the formation in 1982 of a coalition (the Coalition Government of Democratic Kampuchea or CGDK) which apparently diminished the Khmer Rouge's political role. Together with the Khmer Rouge, the coalition consisted of two non-communist organizations, the Kampuchean People's National Liberation Front (KPNLF) and the Armee Nationale Sihanoukiste (ANS). These non-communist elements added legitimacy to the coalition and soon began receiving Chinese arms. ASEAN

was also instrumental in preventing the Vietnam-sponsored Heng Samrin (leader of the PRK) regime in Phnom Penh from taking over Cambodia's UN seat.

Between 1982 and 1987 the Vietnamese launched annual campaigns on base camps along the Thai-Cambodian border. In 1986 the coalition began tactics to increase their military effectiveness in Cambodia's interior. This prevention of Vietnam from securing the whole country led to a stalemate situation. The Vietnamese remained firm as they valued the perceived national security higher than the costs of upholding it. Various moves were made in the late 1970s and early 1980's to improve relations between Vietnam and various ASEAN members. In 1978 Vietnam and the Philippines had agreed to negotiate but failed to settle their conflicting claims to the Spratly Islands<sup>91</sup>. Foreign Minister Thach, during a visit to Indonesia in 1982, took a conciliatory position in discussing Vietnam's and Indonesia's competing claims to the Natuna Islands<sup>92</sup>, and in 1984 Hanoi made a similar gesture to Malaysia in order to help resolve their conflicting claims over Amboyna Cay<sup>93</sup>. It became apparent however, that ending the war in Cambodia remained the key to any further resolution of differences between Vietnam and ASEAN.

In December 1987 and January 1988 France hosted the first substantive negotiations between the factions. This led to a month-long international

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<sup>91</sup> Also called the Nansha Islands (by the Chinese), the Spratly Islands are in the South China Sea, a body of water that the Vietnamese insist should be called the East Sea.

<sup>92</sup> The Natuna Islands are a 272-island archipelago in Indonesia. They are located in the Natuna Sea between east and west Malaysia. The importance of these islands is explored in part 4.3 of chapter four.

<sup>93</sup> Amboyna Cay is located near the Spratley Islands in the South China Sea.

conference on Cambodia held in Paris during August 1989 where France was instrumental in the process of negotiation. Vietnamese troops then left Cambodia. In October 1991, the third conference on Cambodia brought about the signing of a peace treaty in Paris.<sup>94</sup>

Areas of territorial dispute that remain between Vietnam and other Southeast Asian Nations are both on land and at sea. There are issues of border demarcation with all of Vietnams neighbouring countries. Despite maritime boundaries and fisheries agreements with China in the Beibu Gulf,<sup>95</sup> land boundaries still proceed slowly between the two nations. Part 4.3 of chapter four looks into the relationship between Vietnam and China in greater detail.

The Cambodians and Laotians meanwhile complain of Vietnamese squatters and armed encroachments along their borders despite agreements with Laos in 2004 and Cambodia in 2005 seeing agreements on the subject of boundary markers. Tensions were increased as the spread of Avian Flu has led to Vietnamese borders being watched. The establishment of a maritime boundary with Cambodia was hampered by an unresolved dispute over offshore islands while Vietnam also contests ownership of the Paracel Islands (occupied by China and also claimed by Taiwan) and the Spratly Islands (also claimed by China, Vietnam and Taiwan with Brunei, Malaysia and the Philippines also claiming various parts). The 2002 "Declaration on the Conduct of Parties in the South China Sea" has eased tensions in the region

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<sup>94</sup> Dahm, *French and Japanese Economic Relations with Japan since 1975*, p.45

<sup>95</sup> Also called the Gulf of Tonkin, Beibu Gulf is a semi-enclosed sea east of northern Vietnam, south of mainland of China and west of the Chinese island of Hainan. The issues surrounding the area are explained in more detail in part 4.3 of chapter four.

but falls short of a legally binding "code of conduct" desired by several of the disputants.<sup>96</sup> Yet despite the tension surrounding the situation, actual action is minimal and all parties have stated their desire for peace and cooperation.

One route that Vietnam has taken towards peace with her neighbours came towards the end of the 1990s when the Vietnamese government realised the benefits of using Confucianism as a way to build ties with other Asian nations. This has been effective with South Korea with whom Vietnam shares a history of hostility. Instead of looking at the brutality of the American war, where South Korean troops fought alongside the South Vietnamese, emphasis is put on more ancient history. Vietnam and South Korea had both sent envoys to pay tribute to the imperial court in China and Templer describes the ideological gulf between the countries as being 'bridged by fictive bonds of Confucianism and ancient ritual.'<sup>97</sup>

Today, Vietnam's stance on foreign policy is much the same as it was after the American war. The values of "peace, independence and neutrality" have been superseded by those of "peace, national independence, democracy and socialism." The Vietnamese government claims that these values are sought by the whole world. Peace in Indochina, Southeast Asia and the rest of the world is declared to be the prior goal.<sup>98</sup>

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<sup>96</sup> The CIA Factbook (<https://www.cia.gov/cia/publications/factbook/geos/vm.html>, Accessed 20th July 2006)

<sup>97</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.292

<sup>98</sup> Nguyen Phu Trong, *Viet Nam on the path of renewal* (The Gioi Publishers, Hanoi, 2004) p.p.7-8

Of course not all disputes are focused on territory, the resolution of business disputes is vital for successful trade. It is essential for investors to have faith that any areas of conflict between themselves and Vietnamese parties will be dealt with impartially and fairly. The New Investment Law, comprising of the UEL and CIL (mentioned in part one of this chapter), covers the subject as part of the new business initiative. A carry over from the old laws<sup>99</sup> is the choice of foreign courts or arbitration for disputes between foreign investors and Vietnamese parties but there has been a change in respect to dispute resolution:

Disputes between foreign invested enterprise (considered local entities) and State administrative bodies or Vietnamese parties, may be resolved not only through Vietnamese arbitration or a Vietnamese court, but by an international arbitration body in some cases. International arbitration must be written into a contract with the State or Vietnamese party, or be stipulated in an applicable trade treaty with Vietnam. This should give foreign investors more confidence when doing business with Vietnamese partners, especially the government, provided they have strong dispute resolution clauses in their contracts.

However, the British Embassy states that 'there is cause to believe this clause is a drafting error, since according to the Civil Procedure Code disputes arising from implementation of a contract fully in Vietnam, will be subject to Vietnamese jurisdiction.'<sup>100</sup> If this is the case then, the methods employed by the Vietnamese courts will need to meet very high standards for transparency

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<sup>99</sup> The "old law" refers to the EL and FIL that were replaced by the UEL and CIL on the 1<sup>st</sup> July 2006.

<sup>100</sup> Document provided by the department of trade and industry at the British Embassy in Hanoi: 'New Investment Law', p.7



and justice for investors to have confidence in the protection of their investment.

### 3.4 Summary

Within the context of trade, external confidence has increased significantly since the emergence of *Doi Moi*. *Doi Moi* reflects Vietnam's desire to encourage trade partners and stems from the realization by the Vietnamese government that other Southeast Asian nations attributed their success to positive economic relations. The Vietnamese continue to increase confidence by developing laws that support trade, such as the UEL and CIL. Concepts such as the Vietnam Trade Portal further enhance the image that Vietnam portrays to the outside world.

However, there are problems beyond the Vietnamese government's capacity for jurisdiction. Issues of quality can only be resolved by the relevant members of the workforce yet impact on confidence in trade partners as a whole. Likewise, the difficulty of working with business structures and the government's inability to curb corruption, both damage confidence in the integrity of Vietnamese partners. Yet Vietnam is still a desirable trade partner, as reflected in the campaigning by the Japanese to build confidence in them, and the popularity of joint ventures.

Confidence within the context of aid is more complex as by its nature, the donor recognizes weakness in the recipient country. The greatest confidence

concerning aid in Vietnam stems from France's faith when Vietnam was abandoned by other donors. That aid has been beneficial can be seen by Denmark's withdrawal. Denmark is clearly confident that Vietnam can cope with increasingly less help.

Vietnam's overarching goal has always been claimed to be peace, especially in the Southeast Asian region. There was reasonable justification for the intervention in Cambodia, reflected in ASEAN's need to add legitimacy to the anti-Vietnamese force by the creation of a coalition to defuse Khmer Rouge influence. However, the desire for control of the Paracel and Spratly Islands cannot be reduced to such honourable motives.

Diplomatic relations with South Korea that make use of shared Confucian history are a creative and mature response to the need for a working relationship in the face of a brutal history. Equally, taking the need for dispute resolution within the sphere of business shows a realization of the importance of increasing confidence in Vietnam as a reliable and responsible world player.

## 4 : Governmental self-confidence

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Governmental self-confidence relates to the confidence the government has in its own abilities. It is examined below under the categories of power and structures followed by a case study on China. Conviction in their beliefs has long been a characteristic of the Vietnamese government, in an introduction to Vietnam in Vietnam Airway's in-flight magazine, Vietnamese history is categorised into five periods, the last being 'Independence: The Socialist Republic of Vietnam was founded after the 1945 revolution, when President Ho Chi Minh declared independence'<sup>101</sup> – no mention of the American war!

### 4.1 Power

Templer cites an interesting event that occurred at the Eighth Congress of the Vietnamese Communist Party in July 1996. As the final session was about to end and new party statutes were being voted on, a former top ideology official called Tran Trong Tan stood up and said that the changes to the statutes were ideologically unsound. The top institutes of power in Vietnam are the Central Committee (whose 160 members meet twice annually to set general policy) and the Politburo (which consists of the sixteen most powerful officials who actually run the country). The statute would have given the Standing Board of the Politburo (the five people who control finance and defence), who

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<sup>101</sup> *Socialist Republic of Vietnam* (Heritage Magazine, March/April 2006) Section 2: Window on Vietnam, p.2

are not elected by the Central Committee, decision making powers. This, said Tan, would 'not be beneficial.' Templer describes astonishment as passing through the hall, 'It was extraordinary that anyone would actually stand up at such a gathering and voice an opinion.' After Tan was questioned by President Le Duc Anh, General Secretary Do Muoi (head of the Communist Party) interjected, saying 'The Politburo Standing Board handles affairs on behalf of the Politburo and it does not make decisions. The amendment of the article should be made with this in mind.' The wording of the changes, which would have led to vast power in the hands of five men, was attributed to a typist's error.<sup>102</sup>

Power in Vietnam is a cloudy issue. Pye states that historically, the view was that those in power should trust no one, opposition was immoral and the sole purpose of authority was to prove superiority.<sup>103</sup> Templer suggests that not much has changed as he describes the Vietnamese Communist Party as barely bothering to 'scratch around for a coherent ideology nowadays' instead acknowledging that 'its aim is to keep its monopoly on power, not carry the country down the path to some Marxist utopia.'<sup>104</sup> This view is also held by Murphy who says that 'today, the army, not communism, holds Vietnam together.'<sup>105</sup> This notion of power being all was noted in pavement analysis from a Hanoian during the Party Congress in June 1996: 'The party is like a

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<sup>102</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.p.80-81

<sup>103</sup> Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.244

<sup>104</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.353

<sup>105</sup> Murphy, Kenneth, *Unquiet Vietnam – A journey to the vanishing world of Indochina* (London, Gibson Square Books Ltd, 2005) p.38

big box. It looks impressive from the outside, makes a good sound if you tap it. But if you open the lid you'll see there is nothing inside.'<sup>106</sup>

The importance of maintaining power is seen through the control of the media. Cultural pollutants is an all-encompassing phrase that covers sex, violence and freedom. An English businesswoman in Ho Chi Minh City talked about the extent of media control,

'I used to regularly bring magazines and novels over with me to give to the girls in the business centre until one day someone saw me and told me that I was breaking the law. Allowing those women to read western views on sex and relationships was seen as corrupting. I had to tear out the articles concerning sex and now I only bring over cookery and homemaking magazines.'<sup>107</sup>

The frustration for Vietnamese women is evident. On my visit to Vietnam in 2006, I began to leave my books and magazines with reception staff at the hotels I stayed in. The speed with which the items were hidden away was incredible with the individuals trembling with excitement as they profusely thanked me. Other pollutants include pirated CDs, CD-ROMs and DVDs from China. Templer cites the *Saigon Giai Phong*, the party newspaper in Ho Chi Minh City as stating, 'This trade is posing a real threat that demands immediate action if the government is to strengthen itself on the ideology and cultural fronts.'<sup>108</sup>

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<sup>106</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p. 80

<sup>107</sup> Interview, English Businesswoman (Ho Chi Minh City, April 2005)

<sup>108</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.287

My behaviour was perhaps a little reckless. Western visitors are treated with a friendly suspicion by authorities, something which those in the tourist industry do try to make as palatable as possible for their guests. Coffey recollects her concern after she sends a fax message,

'The fax?' I asked. She was holding it in her left hand.

'We keep it,' she answered.

'Why?'

'To show the police.'

She nodded to a pile of fax sheets on a nearby table.<sup>109</sup>

Coffey writes of how she desperately tries to think of anything remotely disparaging she may have written. Today the internet is watched and I've noticed a strange style of writing in the emails I receive from people in Vietnam. There is a care for how something is phrased. For instance a business woman I met in Vung Tao would often get frustrated at the speed of business transactions but sent the following message to me, 'I have just been advised that Barry and I need to be in Hue on Wednesday for the signing of an MOU with the People's committee. I am sorry I am unable to change this date as it has been appointed by the Peoples' committee.' Our entire plans had been altered and we would now not be able to meet. This, she said, 'makes me sad.'<sup>110</sup> When I recounted this to a mutual acquaintance, I was met with laughter and was told that the woman had taken to adopting Vietnamese-style turns of phrase in an attempt to avoid attention from those reading her mail.

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<sup>109</sup> Coffey, Maria, *Three Moons in Vietnam – A Haphazard Journey by Boat and Bicycle* (London, Little, Brown and Company, 1996) p.172

<sup>110</sup> Email from a Business Woman based in Vung Tao. Received 15<sup>th</sup> March 2006

Of course, it's not just tourists and expats who come under suspicion. Madam Tran Thi Huong owns a restaurant called Le Lai (also known as 'The Coconut Tree') and while she doesn't criticise the government, her actions are suggestive of her feelings. Garrett Culhune says that when he first met her 'she was taking care of 40 children, 18 of them living in her own home. The other 22 were residing with various benefactors, persons in her arsenal of goodwill.' She believes she 'provided a chance for more than 100 children to pursue a new life in America. And she's sent nearly 20 to the universities in Ho Chi Minh City.' The government is apparently aware of her actions, "'They've caught me several times", she says, speaking of what is tantamount to her own relocation service. "I don't need a license because I don't use their money". Madam Huong has successfully managed to argue that her case is a private matter and not (sic) indebted to government.'<sup>111</sup> The government has clear feelings about how it wishes for its citizens to behave and while Madam Huong has managed to avoid repercussions, it's clear that she is not popular.

One area where the government has eased up is shown by the fact that the state no longer controls ideas about what it is to be heroic. While the Vietnamese media still waxes lyrical about security and national independence (central aspects of the Communist Party's legitimacy) the subject arouses little interest among the young. Templer states that when young people were asked what they cared about in a poll in the 1990s, 'only 20 per cent said the nation's security, the least important item on a list of twelve. Work, economic status, education and corruption all ranked

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<sup>111</sup> Sterling, *World Food Vietnam*, p.163

significantly higher. Encouragingly for the Party, democracy and social equality were a concern for only 21 per cent of young people.<sup>112</sup>

An area for concern for the Vietnamese government is the widening gaps in society. There are increasing disparities in wealth, age and between urban and rural communities. In the past, Vietnam has had near equal outcomes (everyone was poor). In losing all but the symbolism of socialism, the party has created the problem of developing a new vision for the future. The relatively narrow, political elite was faced with showing new ideas that could cope with the new diversity. Many leaders felt that power was their right. When Templer asked an elderly general who heads the veterans association in Ho Chi Minh City why the Party should remain in power, he got the blunt reply, 'Because we won the war'. For a long time, the victory of the party was used to legitimise power but became a 'fading force' as there was an ever growing younger generation that did not remember the war. Templer stated, 'Now the Party is trying to shift its base of legitimacy to its management of the economy. This requires that it essentially bribe people with rapid economic growth which in turn requires quick thinking and adaptable policies that are grounded in pragmatism, not dogma.'<sup>113</sup> Prime Minister Vo Van Kiet recognised this and sent a shocking letter to the Politburo in August 1995 where he outlined five points that he believed should define the new Vietnamese Socialism. Power was fifth, listed below social welfare and

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<sup>112</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.342

<sup>113</sup> Ibid, p.84



environmental protection.<sup>114</sup> Economic success was now seen as paramount even to the demise of state-owned and state-linked companies.

In 2004 the Vietnamese government issued a report charting the progress of the 2001-2005 Five-Year Socio-Economic Development Plan. In the report, the government states that 'policies and mechanisms have been introduced and implemented that have better mobilised and utilised resources, especially capital investment.' The policies were focused on long-term development objectives, particularly the 'development of infrastructure' and promotion of 'economic restructuring toward industrialisation and modernisation' while 'manufacturing capacity and socio-economic infrastructure have been improved and used more efficiently.'<sup>115</sup> Since 2000, the Vietnamese economy has maintained its rapid GDP growth rate and seen 'outstanding achievements' in agriculture (with increased growth rates for production in agriculture, forestry and fisheries), industry (growth rates 2.3% above the target) and the services industry (a rapidly developing tourist industry and growth in the production of services almost meeting the target)<sup>116</sup>.

Democratic governments often pride themselves on the checks and balances within their systems. It is this evaluation which they argue is missing from communist and fascist states. To accept a mistake is to suggest that the government is fallible, and this is a dangerous route for a government that retains its power through conviction that it is always right. Vietnam does not

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<sup>114</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.p.87 and 88-89

<sup>115</sup> Socialist Republic of Vietnam, *Implementation of Socio-Economic Objectives During the Period 2001-2005 and Pre-requisites for the New Period 2006-2010 – Government Report for the 2004-CG Meeting* (Hanoi, 2004) p.1

<sup>116</sup> Ibid, p.p.3-5

have the degree of checks and balances of a democracy but the government argues that each National Congress of the Communist Party of Vietnam has addressed the shortcomings of the previous Congress. Nguyen Phu Trong, a member of the Politburo, writes of how the 6<sup>th</sup> Congress 'pointed out difficulties and deeply analysed the shortcomings, mistakes and errors that the Party and people should strive to overcome', particularly the failure of achieving the 5<sup>th</sup> Congress goal to 'stabilise basically the socio-economic situation and the people's livelihood.' These shortcomings were attributed to both the party and the state, the Party Central Committee, the Politburo, the Secretariat and the Council of Ministers apparently 'conducted a serious self-criticism over those shortcomings of theirs' and several 'lessons' were drawn from the analysis.<sup>117</sup> Though various criticisms can be made of the Vietnamese government, such as Templer's saying of the Politburo that 'almost all power resides in this secretive body that only occasionally makes its decisions public,'<sup>118</sup> the views laid out by Nguyen Phu Trong<sup>119</sup> reflect a genuine desire to improve and develop policies and practices.

## 4.2 Government Action

Below are considerations of three key areas where governmental action is representative of its self-confidence. The first area relates to the creation of

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<sup>117</sup> Nguyen, *Vietnam on the path of renewal*, p.p.3-4

<sup>118</sup> Templer, *Shadows and Wind*, p.80

<sup>119</sup> For most books to be published in Vietnam, especially by members of the Politburo, they must be approved. This thesis assumes that Nguyen Phu Trong's book is representative of the views of the Vietnamese government since its layout suggests that it was commissioned and its content deals with issues that are highly sensitive to the Vietnamese government.

industrial parks or zones<sup>120</sup> which play an important role in attracting investment. The marketing manager mentioned in chapter three was considering establishing a factory near Vung Tao on the merits of the industrial parks there.<sup>121</sup> The second area relates to consumption and the advertising of consumer goods. There are great economic benefits but these come at the cost of socialist ideals. The final area looks at corporate governance and the improving structures that underpin Vietnamese commerce.

While differing widely in nature, these three areas all reflect the confidence of the Vietnamese government to take responsibility for its economic future. While industrial parks aim to increase investment, the government does not wish for income at any cost and therefore places limitations on advertising. Similarly, while good corporate governance standards are attractive to foreign investors, the effect that good corporate governance has on the economy of a nation cannot be denied.

The disillusioned Marketing Manager of a British garden ware manufacturer explained that while the company was ending its relationship with the factory near Ho Chi Minh City, she was considering a private enterprise at an industrial park near Vung Tao. She explained this by saying that she felt the benefits offered by the parks made up for the problems associated with

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<sup>120</sup> These are sites that offer a variety of facilities to investors (both Vietnamese and foreign) and ought not be confused with the post-war labour camps where government 'enemies' were sent.

<sup>121</sup> Interview, British Marketing Manager (Ho Chi Minh City, April 2005)

working with the Vietnamese workforce.<sup>122</sup> The kind of benefits provided by such zones or parks include some or all of the following: on-site Customs Offices and warehousing services, Fibre optic communications, on-site fire fighting units, round the clock security and an on-site employment consultancy and promotion centres.

It is also significant that the infrastructure surrounding industrial parks is often superior to that elsewhere in Vietnam. In the industrial parks near Vung Tao, wide roads with streetlights and smooth surfaces link the numerous industrial parks to the harbour. The electricity and water supply is also better than elsewhere in the country with tidy cables and submerged pipe work. The main concern for the marketing manager was the possibility of reliable fuel supply. The factory near Ho Chi Minh City would regularly close for days at a time because gas canisters hadn't arrived or the furnaces had broken and there was nobody available to repair them. The Vung Tao industrial parks each had a gas supply centre and insurance against a lack of fuel was included in the ground rates.<sup>123</sup>

The parks near Hanoi have not yet reached Vung Tao standards and there are a number of plots of land enclosed by a high wire fence containing nothing but a large brightly coloured building and an electrical sub-station. I asked my tour guide who owned and ran the parks. It varied, I was told, but you could spot Vietnamese ownership by the 'beautiful offices.' The garish replica's of English manor houses that I had been wondering at were actually part of the

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<sup>122</sup> Interview, British Marketing Manager (Ho Chi Minh City, April 2005)

<sup>123</sup> Interview, British Marketing Manager (Ho Chi Minh City, April 2005) and visit, Industrial Park Offices (Outskirts of Vung Tao, April 2005)

sales technique of Vietnamese industrial park owners. 'Very nice. Yes?' smiled the tour guide. I conceded that they were certainly large. She explained that the parks were built with governmental support but that they were run by individuals.<sup>124</sup> This is an important development for the Vietnamese government as a move from state-owned enterprises to state-linked enterprises is a big step and reflects the shifting of power described in part 4.1 above.

Although products such as Coca-cola were smuggled into Vietnam from China and Thailand prior to the lifting of the US embargo in 1994, after it was lifted, consumption began to take an increasingly significant role in life, creating industries (such as advertising and marketing) and providing work (in the production centres). American companies were eager to invest, with Pepsi's joint bottling line and advertising campaigns being in a state of limbo, ready to go as soon as the trade ban was lifted, and the Vietnamese were eager for American goods. When American companies held a trade show that April at the Giang Vo Exhibition Centre in Hanoi, they were overwhelmed by crowds of thousands eager to look at the goods, despite nothing actually being for sale. As a result of pent-up demand and new forms of social competition the Vietnamese are now over-importing goods that they cannot afford. In Hanoi and Ho Chi Minh City, the children of the middle classes are demanding both goods (motorbikes and mobile phones) and services (extra tuition and English

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<sup>124</sup> Interview, Vietnamese tour guide (Sinh Binh district, March 2006)

classes) of their parents. Such consumption aggravates tensions between classes that have only very recently started to emerge.<sup>125</sup>

With the increase in the number of consumer goods came commercial advertising. Prior to 1986, all advertising was for the promotion of socialist ideals but now commercial advertising is as prolific in Hanoi and Ho Chi Minh City as Bangkok. Initially the government was happy with the economic benefits but soon began to feel distaste at the capitalistic nature of the industry and sought to regulate it. The advertising agencies that followed the big international companies in the early 1990s began working without clear regulations and acted as though they had absolute freedom. This led to a government crackdown in 1996 which saw the removal and painting over of advertisements and local cultural offices insisting on checking campaigns before they were sent to press or installed. Templer states that this process led to some almost comic misunderstandings, for example, 'The German lingerie company Triumph was stopped from advertising its underwear with the slogan 'Fashion and so much more.' The Ho Chi Minh City cultural office wanted to know exactly what 'so much more' really meant.'<sup>126</sup>

But the Vietnamese government soon developed an understanding of advertising and in March 2006, the government banned the advertising of powdered milk to children aged under 12 months. Despite health care experts saying that breast milk is better for children, especially those under 12 months, many Vietnamese women have fondness of imported products. Such

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<sup>125</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.344

<sup>126</sup> Ibid, p.345

products 'advertise the physical and mental development of children' and 'hoping to give birth to wealthy and intelligent children, many mothers do not hesitate to spend several million dong to buy milk for their children.'<sup>127</sup> The Vietnamese are becoming less of a vulnerable market for sophisticated western campaigns and are confident about banning the campaigns that are actually harmful. The Vietnamese are also developing their own marketing culture. Between April 2005 and March 2006 the quality of signs for independent shops and restaurants saw a vast improvement with a clear development in the use of logos and slogans.

Freeman introduces the topic of corporate governance in Vietnam by explaining that Vietnam's economic transition from a centrally-planned to a market economy is only twenty years old. Its development of a strong corporate sector is even younger and the stock market (for the secondary trading of shares) was only established in July 2000. Most private enterprises (large and small) are state-owned and Freeman explains that the kinds of systems and structures in many Vietnamese firms were 'developed over time in a somewhat piece-meal fashion, rather than a more systematic way' with 'the specific rights and responsibilities of managers, shareholders, directors and other stakeholders is not clearly defined or differentiated' meaning that 'as a consequence, decision-making processes within firms are often opaque and *ad hoc*.'<sup>128</sup>

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<sup>127</sup> 'Baby milk ad ban hits producers' in *Vietnam Investment Review* (March 13-19 2006) p.10

<sup>128</sup> Freeman, Nick J., 'Promoting Good Corporate Governance Practices in Vietnam' in Leong, Ho Khai (ed.) *Reforming Corporate Governance in Southeast Asia: Economics, Politics and Regulations* (ISEAS, Singapore, 2005) p.335

Freeman argues that corporate governance requires a bearer for the promotion of its standard. This is usually the stock exchange and/or the securities market regulator but Vietnam's stock market, is young and relatively inexperienced. The State Securities Commission (which merged with the Ministry of Finance in 2004) regulated the exchange but was regarded as 'a relatively weak government agency, compared with larger and more established ministries' because it seemed to have 'encountered some difficulty in effectively pushing forward pertinent policies and regulations.'<sup>129</sup> Inadequate Corporate Governance runs a number of costs and risks<sup>130</sup> that Freeman believes to be underestimated by most policymakers and business people. Poor Corporate Governance impacts adversely on the country's economy through individual companies having 'a high degree of managerial inefficiency resulting from inadequate delineation and definition of responsibilities and accountabilities' and the 'objectives of the company are often not well defined, or communicated within the management, nor are the means of attaining these objectives clearly articulated or understood, in most cases.' Poor accounting leads to inaccurate monitoring of company performance which results in inefficient production and lower shareholder returns (including the state, in the case of SOEs and partially-divested enterprises).

When this is extrapolated across the corporate sector as a whole, the costs to the Vietnamese economy are not inconsiderable. (From the perspective of the government, corporate profits forgone through inefficiencies also mean lower budget revenues through reduced

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<sup>129</sup> Freeman, 'Promoting Good Corporate Governance Practices in Vietnam' p.337

<sup>130</sup> See Appendix 2



corporate income tax receipts.) The low level of CG standards – notably in terms of insufficient investor protection and a lack of financial transparency in particular – is also incurring a cost in terms of foreign investment inflows foregone.'

Freeman notes that no crisis has yet developed but the possibility is not inconceivable. The risk renders Vietnam's corporate sector less robust and as Vietnam is 'seeking to rapidly develop its economy and corporate sector to a level where it can compete internationally for export markets and compete effectively in the domestic market against an increasing number of foreign firms' the government cannot afford to not address the issue. After all, institutional investors will pay premiums for the reduced risk from investing in a company with good Corporate Governance practices.<sup>131</sup>

The Vietnamese government does address these issues and plans to 'develop proper policy mechanisms to step-up internal development, restructure businesses, revitalise production and business activities in localities, and increase the competitiveness of individual products and product lines and subsequently of the whole economy.'<sup>132</sup> Evidence of this was given in chapter three, for example the creation of UEL is to 'regulate matters of corporate governance, granting a more level playing field than found under the current investment regime.'<sup>133</sup>

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<sup>131</sup> Freeman, 'Promoting Good Corporate Governance Practices in Vietnam', p.p.340, 341-342 and p.345

<sup>132</sup> See Socialist Republic of Vietnam, *Implementation of Socio-Economic Objectives During the Period 2001-2005 and Pre-requisites for the New Period 2006-2010 – Government Report for the 2004-CG Meeting*, p.18

<sup>133</sup> Document provided by the department of trade and industry at the British Embassy in Hanoi: 'New Investment Law', p.1

These examples reflect a growing confidence on the Vietnamese government's behalf and an important element for the further development of self-confidence not only in these areas but across the whole of the administrated country is the sharing of information. James D. Wolfowitz, President of the World Bank, is cited throughout the overview booklet for the *Vietnam Public Information Centres Program*. His views on the sharing of information as essential for sustainable development are clearly supported by the organisation which promotes 'public awareness of and access to documents, publications, and data - in print, online, in the local language', arranges 'seminars, dialogues, web casts, and radio programs on development topics' and disseminates 'development information throughout the country'.<sup>134</sup>

The improvement of information collation and sharing is apparent from a letter to the Saigon Times from Tran Viet Thang. His letter outlined some suggestions for the Vietnamese state, in order to improve the situation of necessary information being 'deficient'. His argument was that 'the information collected and processed by too many State agencies, organisations and economic entities is similar; the information is not reliable, late and outdated; those who want to buy information do not know where to get it and how much it is.' His proposed solution is 'the use of the business network of Vietnamese in many countries and a system of overseas satellite businesses as bases for getting information is advisable.' Such overseas businesses ought to receive financial support from the state. The letter goes on to criticise the

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<sup>134</sup> The World Bank Group, *Vietnam Public Information Centers Program – An Overview*, p.3

'complicated' and 'slow' administrative processes that accompany trade promotion programs and Vietnam's lack of 'national image', which he considers to be 'a very big shortcoming and a disadvantage in the strategy of positioning Vietnam in the world.'<sup>135</sup> The need for a national image has been partly addressed. The *Vietnam Economic Times: The Guide* published results of a competition to find a slogan for Vietnam in 2005, the winners of which were 'Vietnam: flavours for the mind' (by a Mr Adam McCarty) and 'Vietnam, the smile of Asia' (by a Mr Ralph Freda)<sup>136</sup> but whilst these convey Vietnamese tourism, Thang explained that Vietnam lacks 'a slogan, an official logo for trade, investment, science and technology' that goes beyond tourism at international events.<sup>137</sup>

Once this criticism of the government would have been tantamount to treason but today's Vietnamese government has less fear of the slippery slope of freedom of thought,<sup>138</sup> instead taking interest in the new ideas and possibilities that could enable her to realise her dreams of success on the world market.

### 4.3 China

Of all the countries that Vietnam interacts with, the relationship with China is perhaps the most contentious. Womack describes Vietnam as having been 'a proving ground for China's capacity to influence its neighbours militarily,

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<sup>135</sup> Tran Viet Thang, *Letters from Readers: Ways to better trade promotion* (The Saigon Times, No.11-'06 (754) March 11 2006) p.3

<sup>136</sup> *Think big, think Vietnam* (Vietnam Economic Times: The Guide, April 2005) p.7

<sup>137</sup> Tran Viet Thang, *Letters from Readers: Ways to better trade promotion* (The Saigon Times, No.11-'06 (754) March 11 2006) p.3

<sup>138</sup> Although the situation is still not ideal. See part 5.1 of chapter five.

economically and ideologically'.<sup>139</sup> From the Vietnamese being the only people outside of China to value the study of the Confucian classics and adopt the Confucian ways of ancestor worship<sup>140</sup> to them being one of a handful of socialist or communist nations, Vietnam has usually been connected and affected to the great power. Following normalisation of relations in 1991, after disputes in the 1970s had culminated in a border war in 1979, the Vietnamese government faced what was likely to be their greatest test of confidence, establishing a new relationship with China.

Since two countries that are adjacent to each other trade about 80 percent more than two otherwise similar countries and two countries that speak the same language<sup>141</sup> trade about 50 percent more than two otherwise similar countries,<sup>142</sup> it's unsurprising that trade between Vietnam and China is significant. When the Chinese border was reopened in 1991, the sudden commerce was immense. But the trade balance was uneven and the number of Vietnamese goods going to China were a fraction of the Chinese goods coming to Vietnam as Vietnamese products could not match the quality or price of Chinese goods. The Vietnamese market also proved useful to the Chinese when a currency devaluation required the dumping of goods in order to reduce stock levels in warehouses for inventory figures. In return for

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<sup>139</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.288

<sup>140</sup> Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.59. However, it's worth noting that Nguyen Quang Loc, head of the Van Mieu Institute in the Temple of Literature (a series of buildings dedicated to Confucius located in Hanoi) argues that 'Vietnamese Confucianism' is not just a copy of Chinese Confucianism' but has been adapted and shaped by the Vietnamese. Cited in Templer, *Shadows and Wind: A View of Modern Vietnam*, p.291

<sup>141</sup> While Chinese differs from Vietnamese, the languages share many features, particularly on the borders.

<sup>142</sup> Frankel, Jeffrey 'Globalisation of the Economy' in Nye, Joseph S., and Donahue, John D., *Governance in a Globalising World* (Brookings Institutional Press, Washington, 2000) p.54

absorbing these goods, Vietnam's struggling state industries faced further difficulties.<sup>143</sup>

Whether border trade with China is fortuitous or not, is a difficult judgement to make. The town of Lang Son was destroyed by the Chinese during the border war and despite reconstruction, remained weak until trade resumed. Lang Son now has a rising skyline dotted with satellite dishes while an ever growing number of cars and motorbikes hum below. Standards of living have risen but at the cost of a decline in Vietnamese goods in both the state sector and private manufacturing. The government initially ignored the trade activities but began to disapprove of the bustling trade of Chinese goods. Textile mills, pottery factories and shoemakers had suffered and Vietnamese bicycles, which Templer describes as 'almost a national emblem since they were used to carry rice to the battle of Dien Bien Phu and supplies down the Ho Chi Minh trail', were abandoned in favour of lighter and better-made Chinese bicycles. This led to Vietnamese government banning the import of seventeen types of goods in 1992.<sup>144</sup>

But the rules were ignored, something that Templer saw as necessary, for had they been upheld, the commerce in Vietnam centred on Hanoi's Dong Xuan market in the north and Ho Chi Minh City's Cholon district in the south, which had grown massively, would have suffered greatly.<sup>145</sup> Yet despite the busyness of these areas, 40% of Cholon's operations are described as on the 'grey market', beyond government control, leading French writer Didier Lauras

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<sup>143</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.283

<sup>144</sup> These included bicycles, light bulbs, porcelain, glass, paper and batteries.

<sup>145</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.p.285 and 286

to describe the area as 'a Chinese enclave on Vietnamese soil, an ever present reminder of the country's great neighbour.' Lauras described it as working faster, selling cheaper, and being utterly unfathomable. Control of these areas would mean that the Vietnamese government had succeeded where the French and American's had failed,<sup>146</sup> but that does not look likely and so the importance of trade there must be evaluated within the consideration that only 60% is taxable.

In 1998 Templer commented that Vietnam's economic links with China were developing slowly, saying that Vietnam lacked the confidence to make the required moves, adding, 'Officials make ritualistic appeals for more investment and aid, but neither side has any expectation of blossoming links in the near future.' He attributed this to the countries having very different agenda's. While Vietnam wanted the balance of trade to increase between state government trade and away from private commerce, China had more pressing issues than controlling border provinces. This stemmed from China making up around 10 percent of Vietnams total imports and exports but Vietnam accounting for a tiny fraction of China's trade. This was less of a problem when Vietnam was fresh with socialist ideals and fighting capitalist America but after the war, Vietnam was 'no longer an ideological little brother to be kept in check with aid and preferential deals; it was now a competitor for export markets and investment in an increasingly aggressive economic world.' Vietnam needed to face the difficulty of deciding how to built links while 'maintaining its own

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<sup>146</sup> Hastings, Martin, *Travellers Vietnam* (Thomas Cook Publishing, Peterborough, 2005) p.132

economic independence and security' for China, as the more developed economic power, had the upper hand.<sup>147</sup>

The main development since Templer published his work was in 2000, when the two countries issued the 'Joint Statement on all-round Cooperation in the New Century', which outlined a program for the development of friendly relations and cooperation between them.<sup>148</sup> A number of interstate visits have followed which The Ministry of Foreign Affairs of the People's Republic of China says have enabled the signing of agreements on trade, investment protection, banking settlement, avoidance of double taxation and border trade and the establishment of a committee on economic and trade cooperation in order to promote rapid development of the bilateral economic and trade relations. Developments have not just been economic, the Ministry also lists 'exchanges and cooperation' in 'cultural, scientific, technological, educational and military areas' with 'increasing contacts between the military, parties, governments and people's organizations, provinces and cities' while the areas for cooperation keep expanding.<sup>149</sup> This is a long way from the days when Consumer reports jumped on the dangers of Chinese-made toys and Chinese beer was said to contain birth-control pills that would render Vietnamese infertile.<sup>150</sup>

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<sup>147</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.p.287 and 289

<sup>148</sup> China Embassy, *Joint Statement on All-round Cooperation in the New Century Between the People's Republic of China and the Socialist Republic of Viet Nam*. (<http://www.chinaembassy.se/eng/xwdt/t101099.htm> 25/12/2000) Accessed 02/08/06

<sup>149</sup> The Ministry of Foreign Affairs of the People's Republic of China, *Vietnam Bilateral Relations* (<http://www.fmprc.gov.cn/eng/wjb/zsjg/yzs/gjlb/2792/default.htm>, Last Update: 2003/10/23, Accessed 08/08/06)

<sup>150</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.308

There have been two main areas of disputes between Vietnam and China, in the Beibu Gulf and the Spratley Islands. Issues in the Beibu Gulf were resolved on the 25<sup>th</sup> of December 2000 when Vietnam and China signed two bilateral agreements to deal with maritime issues in the Beibu Gulf, one covering maritime boundary delimitation and the other a fisheries agreement. They came into force on the 30<sup>th</sup> June 2004. This followed 27 years of negotiations over the delimitation and only occurred due to the nominalization of relations in 1991. The problem of ownership was that the Beibu Gulf was only 180 miles wide and According to the United Nations Convention on the Law of the Sea (UNCLOS), countries with a coastline claim not only 12 miles of territorial sea but also 200 miles of exclusive economic zone and continental shelf which they have the exclusive right to develop, maintain and manage the natural resources within the area of sea. Since the agreements have come into force, joint oil and gas surveys into the body of water have been made.

Issues regarding the Spratly Islands are ongoing. The Spratly Islands are a selection of partially submerged rocks and reefs, with debatable habitation,<sup>151</sup> contested for ownership by China, Vietnam and Taiwan (Brunei, Malaysia and the Philippines also claim various parts).<sup>152</sup> The islands are excellent fishing sites and oil was discovered in 1968. Despite the region being largely unexplored, China estimates that there are oil and gas reserves that would make the islands the fourth largest bed in the world. The Spratly Islands have

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<sup>151</sup> Almost all of the land is at some point submerged, making the islands unsuitable for farming. Despite this, some residences have been built.

<sup>152</sup> Most claims are historical, but are also based upon internationally accepted principles extending territorial claims offshore onto a country's continental shelf and the 1982 United Nations Convention on the Law of the Sea.



no ports or harbors but have four airports and have witnessed Military skirmishes numerous times in the past two decades. The most serious of the South China Sea disputes were in 1976, when China invaded and captured the Paracel Islands from Vietnam, and in 1988, when Chinese and Vietnamese navies clashed at Johnson Reef in the Spratly Islands, sinking several Vietnamese boats and killing over 70 sailors. The situation has improved since then and during the 8<sup>th</sup> ASEAN summit in 2002, ASEAN members and China agreed not to engage in activities that would escalate the situation. However, in April 2004, 60 Vietnamese tourists took an 8-day boat trip to the Islands.<sup>153</sup> Vietnam appears over-confident that it can behave in such a way and continues to expand construction of facilities in the Spratly Islands; in March 2005, the national oil companies of China, the Philippines, and Vietnam signed a joint accord to conduct marine seismic activities in the Spratly Islands.<sup>154</sup>

The Vietnamese government is clearly gaining in confidence in dealing with China. Trade negotiations suggest that China is taking Vietnam ever more seriously and dispute resolution is no longer primarily driven by Beijing.

#### 4.4 Summary

The nature of power in Vietnam has shifted considerably in recent years with the focus changing from socialist ideals to economic success. Power as a

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<sup>153</sup> Morris, Kylie, *Vietnam Starts Spratly Tours* (<http://news.bbc.co.uk/2/hi/asia-pacific/3638323.stm>, 19<sup>th</sup> April 2004)

<sup>154</sup> The CIA, *The World Factbook* (<https://www.cia.gov/cia/publications/factbook/geos/vm.html>, Accessed 20th July 2006)

goal in itself is still pursued but ideology has largely fallen away. The only ideals that are maintained are those which ensure the continuation of power, such as reducing cultural pollutants and monitoring the activities of citizens, expats and tourists.

Governmental action supports this notion of economic success as being paramount with the development of industrial parks, the diplomacy surrounding advertising and the establishment of corporate governance structures.

Looking at China specifically, an important issue regarding trade between the great power and Vietnam has been its uneven nature. For the foreseeable future China will continue to be more significant to Vietnam than Vietnam is to China but the 'Joint Statement on all-round Cooperation in the New Century' will hopefully prevent resentment from the Vietnamese and will avoid anti-Chinese propaganda and policy.

The Beibu Gulf acts as an example of how the Vietnamese and Chinese can solve territorial disputes and will perhaps pave the way to resolution in the Spratly Islands.

## 5 : Citizen confidence

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Citizen confidence relates to the confidence that Vietnam's citizens have in their government. It is examined below under the categories of leadership, standard of living and Viet Kieu and Viet Hoa Confidence. Without realising, I adopted Jamieson's methodology when conducting research for this chapter as looking back over my notebooks in the UK, I realised 'almost everything truly important was gained from spontaneous experience "recollected in tranquillity", to borrow Wordsworth's dictum on poetry. I learned from being around, and being open to, people going about their daily lives.'<sup>155</sup>

### 5.1 Leadership

Paul Wolfowitz, President of the World Bank, stated in 2005 that 'perhaps the most important determinant for reducing poverty is leadership'. Effective leaders, he argues, 'recognise that they are accountable to their people' and 'effective leaders listen.' Accountability is of key importance as it 'nurtures the soil in which a robust civil society and an energetic private sector can flourish.'<sup>156</sup> Vietnamese history is not one that casts its leadership in a good light, from the cruel (such as the unjust tax calculations of the French administration) to the ridiculous (such as the French imposition of required

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<sup>155</sup> Jamieson, Neil L., *Understanding Vietnam* (University of California Press, Berkeley, 1993) p.ix

<sup>156</sup> Wolfowitz, *Charting a Way Ahead – The Results Agenda*, p.p.6-7

quantities of alcohol consumption<sup>157</sup>), the people of Vietnam have been subjected to self-serving colonists and now have a government that is only thirty years old. Tin Bui's memoir, *Following Ho Chi Minh* is littered with examples of how the government of the Socialist republic of Vietnam struggled in its infancy. Here he explains the problem of not meeting the expectations of the citizens of newly united Vietnam:

At first there were many people who did not realise the implications of our victory. They saw it simply as the end of a long war and believed that immediately thereafter we would rebuild the country for the next generation. What they did not realise is that fighting a war is easy compared with reconstruction. They thought that with continuing help from our international friends, our towns and cities would soon become beautiful. Only gradually did they come to realise that coping with an economy in times of peace is far more difficult than waging a war.<sup>158</sup>

The Vietnamese expectation of aid is explored in chapter three but what was perhaps most fundamental was the realisation that Soviet and Sino support had stemmed from the desire of those countries to see Communism succeed against Capitalist America and not for Vietnam's own sake. Unlike countries released from colonists over a period of years where control was gradually relinquished, for the Vietnamese government, it was as if waking up after the end of the war, they discovered they had a country and were unsure how to progress.

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<sup>157</sup> Villages were required to purchase certain quantities of rice wine in order to maintain the economic balance. The amount represented unrealistic levels of consumption and was at an unreasonable price.

<sup>158</sup> Bui, *Following Ho Chi Minh: the memoirs of a North Vietnamese colonel*, p.88

It is unsurprising then that the government did not find the transition simple. Pye described the Vietnamese government as operating within a 'spirit of clandestineness' which bred 'intrigue, convoluted calculations, and a constant suspicion that no relationship is what it appears to be.' There are many references to the government being incapable of fulfilling its duties. Power was ever changing and followers (particularly middle-level cadres and functionaries) needed to profess loyalty (to ensure protection of higher officials) while being prepared to change alignments. Pye cites Pike as noting, 'No strong traitor stigma prevails in Vietnam,' a statement qualified by the fact that 'the majority of Vietnamese of middle age or older have been on all sides of all political issues.'<sup>159</sup> Everything was secretive and closed, arguably to hide the confusion that swirled beneath the authoritarian front.

The introduction of *Doi Moi* saw a vast improvement as it led to a greater tolerance and pluralism in the arts, the media and religion. Williams describes it by saying 'Glasnost had come to Vietnam.' Key evidence for Williams comes via the NVL articles. Articles started being published in Nhan Dan on the 25<sup>th</sup> of May 1987 written by NVL (the initials of the Party's leader, Nguyen Van Linh). 'The articles pressed the need for economic reform, urged greater democracy in party life and strongly criticised middle-level bureaucrats who were resisting the tide of reform.' The articles were eagerly interpreted as giving permission to critique the government, particularly as they urged the public to 'act against bureaucratic tyrants and bullies.' A more liberal governing trend emerged as, after some hesitation, the letters from citizens

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<sup>159</sup> Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.243

began pouring in as the recognition of Linh's commitment to reform began to be realised.<sup>160</sup>

However, the opening of the media must not be overstated. In 2005 the director of Hai Phong company, a publishing company in Vietnam, was forced to resign, allegedly because of his involvement in a book critical of the Communist Party. He had written the preface to the memoirs of former leader, Doan Duy Than, entitled 'To be a man is difficult. To be a socialist man is even harder.'<sup>161</sup> Then in 2006, the world media was announced that two men had received a jail sentence after a one-day trial where they were found guilty of criticizing the government on an internet forum. These actions inspired a typically-authoritarian knee-jerk reaction from the Vietnamese government and reflect how limited political freedom is in Vietnam.

But of greater concern to the average Vietnamese is support for their livelihood. While the government aims to protect their citizens from variations in international rice prices, the imposed price controls and quotas are somewhat ineffective since farmers rarely get the prices that the government sets. Templer states that this is because most state firms purchase rice through intermediaries who depress prices around the time of harvest. He explains,

For example in the first half of 1997, the government's minimum price for rice in the Mekong Delta was around 1,500 dong per kilo of paddy.

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<sup>160</sup> Williams, Michael C., *Vietnam at the Crossroads* (London, Royal Institute of International Affairs, 1992) p.p.27-28

<sup>161</sup> BBC Vietnamese Service reporters, *Vietnam publisher forced to quit* (BBC News, <http://news.bbc.co.uk/1/hi/world/asia-pacific/4676325.stm>, 13 July, 2005, Accessed 20<sup>th</sup> July 2006)

However at the height of the harvest when most farmers are forced to sell, traders rarely paid more than 1,100 dong per kilo. This meant that while farmers were barely able to cover their costs, the private traders and bureaucrats in the state rice trading firms were sharing out profits of at least 400 dong per kilo. The cost of growing a crop is about 900 dong per kilo, leaving the farmers with only the narrowest of margins out of which they also have to pay interest on loans and a multitude of taxes imposed by local officials. To add insult to these injuries, the government makes farmers pay taxes based on them receiving 1,500 dong per kilo, while trading companies are subsidised with cheap credit from state banks.<sup>162</sup>

This is particularly disappointing when one considers the fact that the government realised that the setting of official prices for grain was unproductive for collective farms in the 1960s and 70s.<sup>163</sup> The farming situation is different since decollectivisation but there are still individuals profiting to the detriment of others.

Yet the Vietnamese are positive. In Coffey's account of her trip through Vietnam she relates how a man called Minh explained the Vietnamese experience. For them, the importance is the freedom, however limited, to trade. The pepper grown in his village is exported to Iran and Iraq, the price had a 'problem' but he pointed out the tile roofs, saying the village was still rich. Working for themselves increased motivation in the pepper and rice fields,

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<sup>162</sup> Templer, Robert, *Shadows and Wind*, p.60

<sup>163</sup> Kerkvliet, Benedict J. Tria, 'Village-State Relations in Vietnam: The Effect of Everyday Politics on Decollectivisation', *The Journal of Asian Studies* (Vol.54, No.2, May 1995) p.409

'Before,' said Binh [Coffey's translator], 'they must give most of pepper and rice crop to government. First to Diem and other South Vietnamese presidents, then to Communists. Now they can keep it. Before, the people don't work so hard and Vietnam import the rice. Now they work, and since 1989 we are the big exporter, the third biggest in the world US, then Thailand, then Vietnam.'<sup>164</sup>

It is clearly important to consider the situation with a consideration for the history of the working lives of the Vietnamese.<sup>165</sup>

However, there is still a key area of localised Vietnamese production that requires the support of the government and is yet to receive it. The Vietnamese culture associated with *Nuoc Mam* is phenomenal and as significant to the people as olive oil is to the Italians. *Nuoc Mam* is the fish sauce integral to Vietnamese cooking and is considered by many in Southeast Asia to be the finest sauce of the region. The importance of origin for Key Limes and Sicilian Lemons is integral to their value, so too is Phu Quoc to *Nuoc Mam* as true *Nuoc Mam* requires the fish to be processed in a manner that can only be achieved by a whole population working together.<sup>166</sup> Should the Vietnamese government manage to protect this commodity, thus validating authenticity, prices will rise, and food quality will improve, thus

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<sup>164</sup> Coffey, Maria, *Three Moons in Vietnam – A Haphazard Journey by Boat and Bicycle* (Little, Brown and Company, London, 1996) p.p.66-67

<sup>165</sup> Kerkvliet provides an excellent account of the decollectivisation process in his work on everyday politics (1995 and 2005).

<sup>166</sup> The process involves laying the fish out in the open air to dry before packing them in barrels and topping with water. Various pressings are taken with the barrels being topped up with more water. The method is intrinsic to the result and the process therefore cannot be mechanised.



affirming Vietnam as a cuisine country which will increase tourism. This would increase confidence in both Vietnam's citizens and world consumers.

It is essential that Vietnam's leaders take seriously the importance of their citizens in business terms.<sup>167</sup> In 2006 I returned to an art shop in Ho Chi Minh City which I had bought a painting from the previous year. The owner quickly approached me and announced 'I know you.' I smiled and replied that perhaps I had been there a year ago. 'Yes', she nodded happily, 'you bought this picture' and thrust an almost exact copy of my painting towards me.<sup>168</sup> Arguably, the number of young white women trawling the art shops of Ho Chi Minh City is minimal but I was impressed.<sup>169</sup> This attention to detail is what makes *Nuoc Mam*, so special. Unfortunately the Vietnamese leaders are not meeting the needs of their people is in the protection of this native foodstuff. There is high demand for high quality sauces in the region and since many believe *Nuoc Mam* to be among the best, low value Vietnamese or Thai *Nuoc Mam* is being labelled as though it came from the island of Phu Quoc. Templer describes the sauce-makers on the island as reacting to this fraud with 'the indignation of champagne viticulturists when the name of their product is violated.' And there is little the sauce-makers can do.<sup>170</sup>

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<sup>167</sup> It is worth mentioning Kim Quy, a hairdresser who introduced the concept of branding to Hanoi in 1987 when she had hats made with her name on them. Scott, *Life in Hanoi – Local and expat stories in Vietnam's capital*, p.23

<sup>168</sup> Most art in Vietnam consists of the repeated copying of popular images. Something that infuriates creative business people such as Christina Yu of Ipa Nima who struggle to see copyright upheld.

<sup>169</sup> Interaction with this individual occurred in April 2005 and March 2006. The shop is located in the close vicinity of the post office in Ho Chi Minh City on a street of shops trading in Vietnamese handicrafts and fake designer goods.

<sup>170</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.64

The positive and negative aspects of the Vietnamese leadership are almost equal in terms of outcome but the essential direction is positive. As explored below, the standard of living is rising and growth is encouraging. While the leaders of Vietnam have a fair way to go, the citizens have every reason to feel increasing confident that they can meet the challenge of leading them towards a successful future.

## 5.2 Standard of living

A question whose answer is at once obvious and immediately unanswerable emerged quickly during my trips to Vietnam. What percentage of people truly believe in the socialist values of their government? The obvious answer is very few as the Vietnamese people are true capitalists, finding enterprise in every situation and expressing great creativity in their quest for financial security<sup>171</sup> but the question is technically unanswerable because they largely lack the vocabulary for expressing dissatisfaction. Where dissent does occur, it is subtle and 'everyday' such as bicycles using roads reserved for motorised vehicle roads.

When I asked a Vietnamese tour guide how people felt about the toll booths for the new infrastructure, it took several minutes to get an answer beyond 'It is the law, it is not optional.'<sup>172</sup> The road (north of Hanoi) seemed to be

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<sup>171</sup> My first impression of Ho Chi Minh City in 2005 was that there was very little going on outside of the main streets but after a while my eyes became accustomed to recognising enterprise. From a child with four oranges on a towel to an old man with an oily rag, everyone can provide some kind of good or service. After a day in the city, the challenge became spotting someone who wasn't selling something or providing a service.

<sup>172</sup> Interview, Vietnamese tour guide (Sinh Binh district, March 2006)

improving for the sole purpose of providing adequate transportation of products from the western-owned factories that are flourishing in the area. It was already adequate for what I identified as Vietnamese transport (including the vehicle I was travelling in), only unsuitable for the very large vehicles that transport factory produced goods. And yet this was the road that transported much of Hanoi's food from the fields and farms (often precariously balanced on the ubiquitous motorbike), it seemed deeply unfair to the typical farmer and his family in the city as there is no alternative route, as is common in Europe.<sup>173</sup> Improved infrastructure is of course important with roads, rail and ports being essential to enabling trade<sup>174</sup> but compatibility with Vietnamese lifestyles ought not be overlooked.

The issue of infrastructure is based on a balance however, whereas the needs of the ordinary Vietnamese citizens are somewhat opposed to the needs of the factory owners and users. Where there is no opposing set of needs, the government is committed to the improvement of the standard of living of her citizens. An area where the Vietnamese government has been particularly commended is with regard to its attitude to disease. The 1991 malaria epidemic that affected a million people was treated so efficiently that outbreaks ended within 5 years with mortality levels dropping by 97 percent. Paul Wolfowitz, President of the World Bank praises the government's targeting of assistance 'at village level, distributing bed nets, drugs and

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<sup>173</sup> The German autobahns and Spanish highways offer both high speed tolled roads and lower speed free roads. This has caught on elsewhere and Bangkok has a highly efficient expressway that travels over the original, slower, road.

<sup>174</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006).

insecticides.<sup>175</sup> With the greater enemy of HIV, Vietnam has again received positive comments. Compared to other Asian countries, including fairly liberal Thailand, there has been less denial of the problem. In October 1992<sup>176</sup>, a national committee was established to co-ordinate policies. Condom advertisement is extensive and there are even needle exchange programs. Vietnam's large numbers of drug addicts<sup>177</sup> and prostitutes suggest that HIV will be an important issue.<sup>178</sup>

Of course, while the government may have a reasoned attitude to the problem, culturally it is still necessary for HIV sufferers to hide their status, as in many cases, it is a firing offence and the attitude is slow to move. Dang Thi Dung, is just one of many who have lost their jobs due to their HIV status and now works with SMARTWork, one of seven HIV/AIDS prevention and control projects in the country.<sup>179</sup> The true complexity of the problem has emerged from the necessity of civil organizations. Such organizations demand a voice, a situation incompatible with full authoritarian control, but one which the Vietnamese government is prepared to allow. This compromising of authoritarian ideals is something that creates great confidence in the governments' attitude to the ethics surrounding health.

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<sup>175</sup> Wolfowitz, *Charting a Way Ahead – The Results Agenda*, p.10

<sup>176</sup> This was a fast response. The first case of positive HIV was reported in December 1990 in Ho Chi Minh City. World Health Organisation Regional Office for the Western Pacific Ministry of Health, *Consensus Report on STI, HIV and AIDS Epidemiology Vietnam* (December 2000) p.6

<sup>177</sup> Opium addiction is one of Vietnam's greatest social problems.

<sup>178</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.p.238-239

<sup>179</sup> Hien, Thu, 'Woman takes AIDS fight to work' on Viet Nam News (<http://vietnamnews.vnagency.com.vn/showarticle.php?num=02SOC190706>, Accessed 19<sup>th</sup> July 2006)

After the matter of health, the most important consideration for standard of living is wealth and its key influence, employment. There are two responses to the move from a planned to a market economy. For some, such as Dzung (a motorbike taxi or xe om driver), a job for life was part of what they were fighting for during the war. Scott tells Dzung's story and explains how 'he found he had to fend for himself by whatever means he could.' For people like Dzung, life is now unstable and while they are neither richer nor poorer than when they were employed by the state, they now work harder and miss out on holiday trips, pensions and health care.<sup>180</sup> For many who fought for a socialist future, the current employment situation is a let down. Coffey relates another story, of Mai, a woman she met in Hoi An. Mai relates that her father was a Lieutenant Colonel with the South Vietnamese Navy. The threat of a life sentence after the end of the war led him to suicide,

Since then me and my family are punished. I was a teacher, but now I can't work for the government. So I help this guy get business mending bikes and renting out motor cycles to tourists ... This government is Communist ... but it does not help the people. I have to work night and day to pay to send my three kids to school.<sup>181</sup>

As Dzung puts it, 'life has been a constant struggle with little time for relaxation. And there seems to be no end in sight.'<sup>182</sup> The problem is not just the lack of quality employment but that the Vietnamese people were promised something that the government has failed to deliver.

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<sup>180</sup> Scott, *Life in Hanoi – Local and expat stories in Vietnam's capital*, p.39

<sup>181</sup> Coffey, *Three Moons in Vietnam – A Haphazard Journey by Boat and Bicycle*, p.161

<sup>182</sup> Scott, *Life in Hanoi – Local and expat stories in Vietnam's capital*, p.39

Wolfowitz stated 'We cannot make headway in the fight against poverty without supporting equality before the law and the legal empowerment of the poor.'<sup>183</sup> And it is important to recognise that an important focus of the Vietnamese government has been about employment rights. The British embassy regularly stresses to investors, the importance of employing Vietnamese lawyers to write clauses to protect them from abandonment by their workforce.<sup>184</sup> And there is little room for recourse when one wants to get rid of an employee as employees have almost infinite protection under Vietnamese law. An expatriated Australian manager of a prestigious Ho Chi Minh City hotel explained that her hotel has twenty percent more staff on their books than they require. The excess staff are the employees who are incapable of fulfilling their duties yet cannot be fired. New staff are employed to take on their roles while the manager tries to find things 'to keep the useless ones busy.'<sup>185</sup> It is an impossible situation that frustrates the manager greatly, her only consolation being that her Vietnamese boss is perfectly happy with the situation.

The reason for the disparity in viewpoints of the workforce relates to the ratio of informal employment (described by Warf as 'unstable, low-paying jobs – such as day labourers, black-market activities, prostitution and crime, street hawking, recycling of garbage') being far greater than the size of the formal employment (described by Warf as 'stable, relatively well-paying jobs with regular working hours – for example in multinational corporations or the

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<sup>183</sup> Wolfowitz, *Charting a Way Ahead – The Results Agenda*, p.8

<sup>184</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

<sup>185</sup> Interview, Hotel Manager (Ho Chi Minh City, April 2005)

government<sup>186</sup>). Those in formal employment enjoy a variety of rights and privileges while those informally employed struggle. There is also a growing formal entrepreneurial spirit<sup>187</sup> among the Vietnamese with 2000 times the number of private Vietnamese firms today than there were sixteen years ago.<sup>188</sup> While the informally employed do not yet have their needs met under the eyes of the law, it must be acknowledged that the formally employed and the entrepreneurs do have confidence in the government.

Evidence that these improvements to health and employment policies can be seen in a growing trend in the suburbs of Hanoi; for the first time, people are investing in their homes. Still quintessentially Vietnamese (high rise and skinny<sup>189</sup>) they are better built and are being painted. Paint in Vietnamese homes is new, and very exciting – dusky pink, mustard yellow and sage green injected with turquoise, gold and white (often in revolting combinations)<sup>190</sup> and it's here to stay - proudly displayed above the uppermost window are the dates the homes were built, from 2001 to present day. Of course, the vast majority of people still live in make-shift dwellings, unadorned and temporary but the view expressed by an Australian expatriate in 2005, that the Vietnamese have no concept of building homes that will last (favouring

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<sup>186</sup> Warf, Barney, 'Economic Geography' in The National Geographic Society, *Desk Reference* (1999) p.360

<sup>187</sup> As opposed to informal entrepreneurial spirit which relates to small or sole trader scale business.

<sup>188</sup> A growth from 100 to 200,000 firms. The statistic was cited at the Euro Money Conference in Hanoi in March 2006.

<sup>189</sup> The width of Vietnamese houses is due to land splitting. Properties were divided equally between all sons upon the father's death. As the shop front was the most valuable part of the house, each son got a share which meant that houses got narrower whilst maintaining their other dimensions. Many houses are too narrow for any kind of staircase and ladders are used instead. The situation bordered on the absurd until the government put regulations in place.

<sup>190</sup> The vast enthusiasm reflected in advertising in Vietnam is incredible and it could be interpreted that colour was once banned.

patching them every year) or that have no charm or beauty, is now outdated.<sup>191</sup> For a long time, ownership of property was a transient thing and it was illogical to invest in a property you may be unaccountably moved on from. That people are investing in their homes signifies their faith in the stability of the government.

In addition to the transformation of Vietnamese homes, there has been a change in transportation. The motorbike is taking over from the bicycle as the vehicle of choice (there is also an increase in the number of cars).<sup>192</sup> An oft repeated comment among expatriates is that there's nothing a Vietnamese person won't do for a Honda Dream II. Templer cites Nguyen Viet Hong as explaining this by saying 'If you want to do business and ride a bicycle, no one will believe you have the money to do anything.' A motorbike is an essential status symbol and pride in this symbol has spawned hundreds of wash shops, repair centres and spare parts shops. In 1996, Templer calculated that in the past five years the \$8billion value of motorbike sales (500,000 legally per year plus 500,000 smuggled bikes) is greater than the amount the country has received in actual inflows of aid and foreign investment in the same period.' He states that in the early 1990s 'it was better to hold wealth in a motorbike than in risky banks or in cash during a time of inflation' because Honda Dream IIs held their value. He explains that,

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<sup>191</sup> Interview, Hotel Manager (Ho Chi Minh City, April 2005)

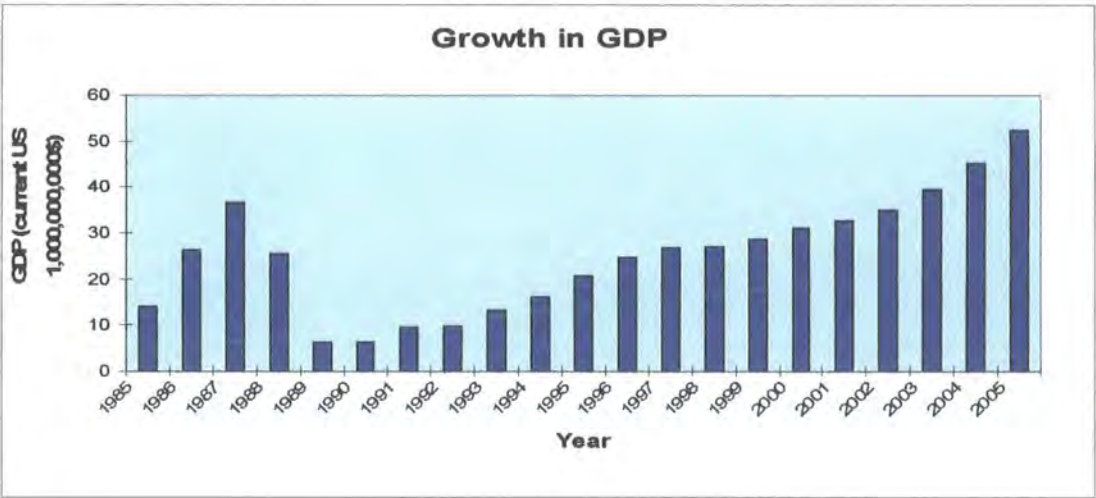
<sup>192</sup> The author noticed a significant change in the ratio of bicycles to motorbikes between April 2005 and March 2006 and the Vietnam Association of Bicycle and Motorcycle Production (Vinacycle) reported in 2006 that 'manufacturers sold 2.2mil units, and in the first two months of this year the number of sold bicycles was 150,000 units higher than the same period last year' and will continue to rise before making way for cars. *Over 2.5 motorbikes to be purchased in 2007* (<http://english.vietnamnet.vn/biz/2007/03/672635/>, 13/03/07)



Dream IIs were at the centre of some complex financial transactions; businesses in need of loans would buy them on hire purchase and then resell them immediately, usually for a small profit. They could then invest the cash in their businesses and pay back the dealer over the next year.<sup>193</sup>

While this is no longer the case (savings rates are increasing), motorbikes remain ever popular, particularly among the young people who tour the cities of Hanoi and Ho Chi Minh City with their friends.

One of the best ways to assess the standard of living is to examine the growth in Gross Domestic Product (GDP). GDP has risen year on year since 1989 and continues to rise, a positive sign of the increase in the standards that the Vietnamese people live in.



Source:

[http://esds.mcc.ac.uk/wds\\_wb/ReportFolders/ReportFolders.aspx?CS\\_referer=&CS\\_ChosenLang=en](http://esds.mcc.ac.uk/wds_wb/ReportFolders/ReportFolders.aspx?CS_referer=&CS_ChosenLang=en)

<sup>193</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p. p.332 and 333

It is worth remembering Pye noting that while 'in the West, when people reached the standard of living of those in East Asia today, they usually insisted upon having greater freedom. The Asian ideal of paternalistic authority makes authoritarian rule more endurable.'<sup>194</sup> The Vietnamese, particularly in urban areas, are becoming more satisfied with their lot but there is still a way to go, as a poem by Hoang Viet Hang in *Heritage Fashion* (*Vietnam Airlines Inflight Magazine*) reflects:

**accustomed**

I am still myself

The myself of yesterday

Accustomed to defeat

Accustomed to wearing the rain like sadness

And accustomed to wrapping it up inside my soul

The pristine state of loneliness

A lifetime.

Hoang Viet Hang<sup>195</sup>

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<sup>194</sup> Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.329

<sup>195</sup> Hang, Hoang Viet, *Accustomed* (*Heritage Fashion*, February/March 2006) p.69

### 5.3 Viet Kieu and Viet Hoa Confidence

The Viet Kieu<sup>196</sup> are the individuals of Vietnamese descent who do not live in Vietnam. In the vast majority of cases they are boat people refugees and their families. The topic of the Viet Kieu is one of the most contentious in modern Vietnam as for most Vietnamese they are both the resented rich and fortunate whilst also being the estranged and greatly missed relatives. To appreciate the complexity of issues surrounding the Viet Kieu one must appreciate the importance of family to the Vietnamese. In Vietnam, one is defined by one's ancestors and visitors are often perplexed by the interest that locals have in their families.<sup>197</sup> Supporting one's family and being loyal against all odds is paramount to Vietnamese culture and is a key theme of Vietnam's national poem, the tale of Kieu.<sup>198</sup>

Equally for the Viet Kieu, returning home can be a difficult experience. Californian based Andrew Pham struggled to find the 'beautiful' country of his ancestors, instead 'pitying the Vietnamese who believe with all their hearts that Vietnam, indeed, is the most gorgeous place on earth' His key impression of his early family was that they were eager for what he, as a Viet Kieu could

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<sup>196</sup> Viet Kieu refers to overseas Vietnamese. The majority of the Viet Kieu are the boat people (and their descendents) who fled southern Vietnam after the end of the war. They had feared persecution due to supporting the US and their return was often one of trepidation.

<sup>197</sup> Scott notes numerous examples in her books *Life in Hanoi* and *Hanoi Stories*, including being questioned on where her distant relatives were buried and when their death date was. The author recollects the incredulity of the people she met throughout Vietnam when she explained that she did not carry photographs of even her closest family. Scott, Pam, *Hanoi Stories – Eight wonderful years in Vietnam's capital* (New Holland Publishers, Sydney, 2004) and Scott, *Life in Hanoi – Local and expat stories in Vietnam's capital*

<sup>198</sup> The poem tells the story of a young woman called Thuy Kieu, who sacrifices herself to prevent her father and brother from going to jail by unwittingly selling herself as a prostitute.

provide, despite his poverty<sup>199</sup>. Throughout his memoirs he recounts being overcharged for not being Vietnamese<sup>200</sup> and facing aggression for claiming to be Vietnamese (at one point conceding that he is a Korean pretending to be Vietnamese to avoid an attack).<sup>201</sup>

It's a subject further complicated by the fact that Ho Chi Minh was away from Vietnam for thirty-five years before his return to lead the revolution. By definition, the father of Vietnamese socialism was Viet Kieu himself.<sup>202</sup> That Viet Kieu became used as an insult<sup>203</sup> reflects the confusion and bitterness of the Vietnamese people. This is compounded by confusion over passports, with the Vietnamese government having issues with dual citizenship and demanding that Viet Kieu's have visas to their homeland.<sup>204</sup>

Yet the many misunderstandings surrounding what it means to be Viet Kieu are largely supported by the Viet Kieu themselves. The Vietnamese hate to lose face to the extent that Jimmy Nguyen, a Seattle jeweller who spends several months a year in Ho Chi Minh City, rents returning families heavy gold and diamond jewellery. They leave their cars with him as collateral and return with the jewellery and a rental fee when they return. 'When they go back to Vietnam they say they own a restaurant but of course they just work in one;

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<sup>199</sup> By American standards Pham was travelling on the tightest of shoestrings.

<sup>200</sup> This is despite attempts by the government in 1997 to end dual pricing for Viet Kieu.

<sup>201</sup> Pham, Andrew X., *Catfish and Mandala: A Vietnamese Odyssey* (London, Flamingo, 2000) p.155 and references throughout.

<sup>202</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.322

<sup>203</sup> See Pham, *Catfish and Mandala*, throughout.

<sup>204</sup> Visa necessity is the topic of a large number of Viet Kieu blogs, see for example, Tin, *When will Viet Kieu enjoy visa exemption?* (Vietgate, <http://weblog.viet.net/article.php/20050419202954264>, April 15<sup>th</sup> 2005, Accessed 4<sup>th</sup> July 2006)

you can't go back and say you are just a waiter in a *pho*<sup>205</sup> restaurant,' he said.<sup>206</sup> Small wonder then, that the image in Vietnam is that all Viet Kieu are enormously successful and wealthy and are expected to come back laden with gifts.

The Vietnamese government has unsurprisingly been taken in by this act and there was expectation that the government could look to the overseas Vietnamese to return with cash and Western business savvy in the way the overseas Chinese have to China. Templer cites the 'oft-repeated figure in the media ... that there were 40,000 Viet Kieu professionals working for organisations such as NASA and the World Bank who were longing to return home to help the fatherland.' He notes wryly that 'it was never questioned why these people should give up their jobs and professional respect to return to a country from which many fled under terrible circumstances' and where they have little way of proving ownership of the property they left behind.<sup>207</sup>

In 1998, Templer said that despite the huge numbers of Viet Kieu returning for a visit, very few had returned to live or invest and cites Nguyen Ngoc Ha, President of the Ho Chi Minh City Committee for Overseas Vietnamese as saying 'Viet Kieu investment is minimal, not even 1 per cent of foreign investment capital.' But leap forward eight years and the 20 percent reduction in taxes and flat 5 per cent tax on profit remittances with Viet Kieu having the same rights as domestic firms to lease property and hire staff (unlike other

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<sup>205</sup> Pho is Vietnam's national dish. It is essentially a soup dish which can take many forms and which consumers affect by adding the final ingredients themselves.

<sup>206</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.312

<sup>207</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.312

foreign investors)<sup>208</sup> has led to drastic changes. Now the Viet Kieu are wanting to return and it's due to the simple change of their confidence in their fatherland. The Viet Kieu are beginning to be welcomed and this has had a profound effect on them.<sup>209</sup>

To understand the significance of feeling welcome, one need only look back to the late 1990s, when laws on Viet Kieu investment required proof that the investor was of sound mind.<sup>210</sup> Now the Head of Trade and Industry at the British Embassy in Hanoi describes them as 'bringing a lot of remittances to the country, a hell of a lot of money' which he explains is the 'sort of push ... that will give a kick to the economy' because 'we're seeing this confidence in people to come back to Vietnam.'<sup>211</sup>

The Viet Hoa are the Vietnamese descended from Chinese immigrants and were once Vietnam's largest minority group. While they now only make up 1.1% of the population, the Viet Hoa are an important population as they are entwined in Vietnamese-Chinese relations. Despite being largely inconspicuous (having Vietnamese names and speaking Vietnamese), they have been subject to varying degrees of victimisation. They have been banned from joining the army (whilst also being under threat of being forced to take Vietnamese nationality and being drafted) and had limited opportunity to hold posts in the bureaucracy or access education. The Viet Hoa were also

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<sup>208</sup> Ibid, p.p.312-313

<sup>209</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)

<sup>210</sup> Nguyen Binh speaking to The Saigon Times Weekly. Cited in Templer, *Shadows and Wind: A View of Modern Vietnam*, p.313

<sup>211</sup> Interview, Head of Trade and Industry at the British Embassy (Hanoi, March 2006)



subject to ethnic cleansing in 1975 (where nearly half the 1.3 million Chinese living in Vietnam left the country<sup>212</sup>).

The Viet Hoa were pawns in Vietnam's disputes with China with both sides trading accusations over the community. The Chinese accused the Vietnamese of discrimination,<sup>213</sup> of charging the Viet Hoa to leave the country when they were being forced out, and the Vietnamese claimed that it was Chinese spies who were encouraging people to leave. Templer argues that,

There is no doubt about the discriminatory policies of those times. The government banned the hiring of ethnic Chinese, students were removed from colleges and schools, and businesses owned by the community had to be turned over to the state. In September 1975, the government started rounding up 'big capitalists', mostly Chinese from Cholon. Chinese were forced to take Vietnamese nationality, something that many had avoided until then.

After relations between Vietnam and China worsened in the late 1970s, the campaign known as 'X2' was developed and in March 1978 the nationalization of Chinese wealth began and businesses were confiscated.<sup>214</sup>

The Viet Hoa however, are a resilient community and today, Vietnam's largest private company, Biti's<sup>215</sup>, is owned by a Viet Hoa family. Templer describes

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<sup>212</sup> This was a bad move economically. Following the fleeing of the Chinese after 1975, there was a notable impact on the economy. 'Coal production slumped, the ports in the north of Vietnam ground to a halt for lack of porters. Thousands of traders and craftsmen left.' Templer, *Shadows and Wind: A View of Modern Vietnam*, p.306

<sup>213</sup> Based on the testimony of the Viet Hoa arriving in China.

<sup>214</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.p.304-306

<sup>215</sup> Biti's is primarily a shoemaker and retailer but also has investments in property, factories and trade. See [www.bitis-vn.com](http://www.bitis-vn.com)

the owners as using 'family ties, business acumen and an appreciation of the value of close government connections' to 'get rich.'<sup>216</sup> Diasporic Chinese have used their money and connections across Asia to move into emerging economies like Vietnam, where in exchange for political and financial support they are granted monopolies on certain trades. Pye's views on the Chinese are particularly apt for explaining this ability to transcend their past,

Few peoples have gone through such violent travails as the Chinese, whose society has been torn by ceaseless wars and revolutions; and yet, amazingly, its culture is devoid of any sense of tragedy. Politically the Chinese are undaunted optimists. No matter what nightmare they have just survived, they are always ready to proclaim that they are on the threshold of a new day that it certain to bring miracles of national accomplishment. Their capacity for complaining about past mistreatment – which can be considerable – suddenly disappears when they think of the country's future.<sup>217</sup>

Today's Viet Hoa have fought their way to respectability in Vietnam and are responsible for much of Vietnam's steadiness.

## 5.4 Summary

Confidence in the Vietnamese leadership had increased since the introduction of Doi Moi and freedom for individuals is slowly developing, albeit in fits and starts. The more significant matter of economic trust varies. On the one hand, the freedom to manage one's land independently has its advantages but the

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<sup>216</sup> Templer, *Shadows and Wind: A View of Modern Vietnam*, p.303

<sup>217</sup> Pye, *Asian Power and Politics: The Cultural Dimensions of Authority*, p.p.182-183



neglect regarding protection of Nuoc Mam risk nullifying the positive aspects. Many western governments support their goods producers without overt involvement and this would be a positive move for the Vietnamese government to take.

Citizen confidence is clearly being encouraged through the government policies that affect the standard of living. The attitude towards disease is that it is the responsibility of the government to care for her citizens. While free medication is not available for all HIV and AIDS sufferers, compared to other Southeast Asian nations, the case of Vietnam is a strong one.

Employment is a difficult situation to judge. Many who fought for Vietnamese independence in the American war feel let down by the lack of centralised job provision and those in informal employment are worse off than during the war. However, for those in formal employment, there are numerous laws protecting their wellbeing. The disparity needs addressing in order for all citizens to share confidence in their employment future.

Citizen confidence in the stability of the country is reflected in the growing pride that people take in their homes. Opening of markets has also led to a rise in consumption meaning that citizens can enjoy a variety of consumer goods.

The confidence of the Viet Kieu and the Viet Hoa is relatively simple to achieve. The removal of the law that requires Viet Kieu to have visa's to return

home and the true enforcement of the ban on differing Vietnamese and Viet Kieu pricing would hugely increase their confidence in their home country and would increase positive feelings which in turn would increase the likelihood of the Viet Kieu's return or investment. The Viet Hoa quite simply wish to be left alone to live as diasporic Chinese who call Vietnam home.

## 6 : Conclusion

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This thesis set out with the aim of assessing the significance of confidence in the development of Vietnam's role as an emerging market economy. Confidence was examined under the three categories of external confidence, governmental self-confidence and citizen confidence. Confidence within these areas has been explored and this chapter lays out the findings of this thesis by answering three questions: What would have happened without confidence?, how can confidence be improved? and what are the implications of confidence?

### 6.1 What would have happened without confidence?

Regarding relationships with other countries and organizations, a lack of confidence on the topic of trade would have meant that Vietnam would not have moved on from the aftermath of her failure to become the next Asian tiger when her markets first opened and investors were hurt by red tape, corruption and double-crossing joint venture partners. Instead, she was given further opportunity to prove herself and is expanding her economic relationships. The confidence in Vietnam is so great that companies such as Finley Teas are developing and expanding upon their initial investment.

As stated earlier, confidence within the context of aid is more complex as by its nature, the donor recognizes weakness in the recipient country. In simple

terms, aid has gained confidence in its success as demonstrated by donors reducing the amounts provided. Less straightforward is the attitude of countries such as the US who withdrew aid for reasons such as human rights violations. A key part of confidence in aid is the faith that it will be used correctly. France had such faith in Vietnam and campaigned for the clearing of Vietnamese debt in order to allow the country to move on. Without this confidence, Vietnam would have been unable to qualify for the new IMF loans that secured her future.

For much of Vietnam's occupation of Cambodia, the greatly significant force of ASEAN did not have confidence in Vietnam. This can be attributed to her status as a communist nation. It was again French confidence in her former colony that led to peace in Indochina. Since then, confidence in Vietnam's capacity for dispute resolution has grown and although progress has been slow, important developments have been made. Vietnam's signing of the "Declaration on the conduct of parties in the South China Sea" shows willing to settle disputes by internationally approved standards and her overlooking of violence to find shared history with South Korea in order to gain peace reflects creative ambition in realizing her goal of peace in the region.

Regarding the Vietnamese government, a lack of confidence in her own capabilities would have meant the continuation of pre-*Doi Moi* attitudes of trusting no one, viewing opposition as immoral and maintaining power as paramount. Instead, the Vietnamese government has begun to reduce socialist ideology and looks instead to new visions of the future that are based

more on economic success. Of course, the government still sees control as an important aspect of the leadership but the situation has relaxed somewhat.

Government action largely suggests that confidence has increased. Three areas were examined and each would have been different without governmental self confidence. Firstly, the government relinquished a certain amount of control in allowing industrial parks to have either private or linked (to the government) ownership instead of them being government owned and controlled. This shows that the government is confident that allowing freer enterprise will not damage her power. Secondly, in the early days of advertising, the government made some naïve mistakes in controlling campaigns, but this did not damage her confidence and now the decisions made are the correct ones. It would be easy for the sophisticated western agencies to belittle the Vietnamese but this has not happened. Finally, the government has the confidence to tackle the multitude of corporate governance issues facing it. Allowing bad practice would be the result if the government was not prepared to deal with the situation.

The government has also faced the great challenge of establishing a new relationship with China. Vietnam is the weaker country and the uneven trade situation could easily have continued and worsened but the government has had the confidence to fight for its rights which led to the two countries signing a "Joint Statement on All-round Cooperation in the New Century" which led to visits, agreements, exchanged and cooperation. The resolution of the dispute

in the Beibu Gulf means that now, the countries are investigating the waters for oil, together.

Had the citizens of Vietnam not had confidence in their government's encouragement for whistle-blowing, it is unlikely that they'd have replied to the NVL articles. However, this area needs perhaps the most work since the government does not allow full freedom of expression. The government also allows the price depression that injures rice farmers and the fraudulent *Nuoc Mam* industry to continue.

Without citizen confidence in the standard of living provided by the government they would not be investing in their homes and using banks instead of Honda Dream II's to manage their savings. This is encouraged by improvements to the tackling of health issues and to employment law.

Without Viet Kieu confidence, those individuals would not have returned to invest the remittances that are drastically improving the economy. Of course, this confidence was enhanced by the 20% reduction in tax and 5% tax on profit remittances that the government was offering. Likewise, the Viet Hoa would not be establishing their companies in Cholon and across the nation if they did not have confidence in Vietnam's markets.

These points reflect the great significance that confidence has had upon the economic development of Vietnam. External confidence has been the most important of the three as it has seen the greatest effects. Citizen confidence,

by comparison requires the most improving as it is significantly weaker than both external confidence and governmental self-confidence.

## 6.2 How can confidence be improved?

To encourage confidence in Vietnam as a trade partner it is important that the UEL and CIL are developed through dialogue at the bi-annual business forum. Structures such as these laws and a greater crackdown on corruption will secure the progress that has been made since the introduction of *Doi Moi*. It is significant that the British Embassy does not yet encourage investment by SMEs. This means that Vietnam is closed to a large and potentially very lucrative market. Speeding up the contract process and increasing transparency will enable that all-important stamp of approval.

To increase confidence in aid, Vietnam must respond sensibly to Denmark's reduction in funds. Her reaction in the past has been one of knee-jerk frustration but she is now presented with the opportunity to show donors that aid is appreciated and useful. This will encourage the view that Vietnam is capable of managing relationships with aid donors and will provide her with more justification for future pleas for aid.

Within the topic of disputes, there is little that Vietnam needs to do to improve confidence. By continuing the policies she has adopted, she will maintain the confidence that she has built up. However, if the British Embassy is correct in fearing that the proposed international arbitration courts for business dispute

resolution are a drafting error, then this area will suffer and could lead to a decrease in confidence regarding trade.

Increased governmental self-confidence is something that can only come slowly. At present, the government feels that maintaining power needs to be an objective rather than something that comes naturally. For a number of years after the end of the war, victory was used to legitimize the government. As this became less relevant to younger members of society, this was replaced by the government aiming for rapid economic success. This has of course benefited the country but reflects the fact that the government feels the need to convince the population that she ought to be in power.

The government action discussed in chapter four covered areas where confidence is already evident. As a result these are areas where the government is already on the right path. However, increased confidence would possibly see a more unified approach to the various challenges that the government faces and in particular see the creation of a national image that could be portrayed to the world. As stated above, this confidence will be slow to emerge as it will stem from the success of previous actions, success that will encourage the government to reach further.

Governmental self-confidence when dealing with China has come a long way from Vietnam being the ideological little brother of the American war. Initial attempts at asserting herself saw the Vietnamese government banning Chinese imports but she has since evolved to be a competent diplomatic



partner. The most important move for Vietnam now is to approach the dispute in the Spratly Islands with the same resolution that she took to the dispute over Beibu Gulf. China is now far more inclined to work with Vietnam and if the government can muster sufficient confidence, she has the opportunity of developing an important economic bloc with China.

Citizen confidence in the Vietnamese government can be improved in two ways. Firstly, by allowing freedom of speech, the citizens would have less to speak out against. This would break the authoritarian cycle of punishment to keep people silent, keeping people silent about punishment. Secondly, the government needs to address the economic needs of her people. Controlling rice prices may not be necessary if state firms stop buying through the intermediaries who alter prices and a look to the copyrighting of *Nuoc Mam* would not only increase confidence in the citizens but would also have benefits for the government.

Confidence could also be increased within the standard of living of the Vietnamese people. The continuing of increased health care policies is important but the key is addressing the formal/informal employment rights disparity. Many citizens in informal employment feel abandoned after risking their lives to establish the government. These individuals make up a large percentage of the workforce but will not have confidence in the government until their needs are met.

More than any other topic, Viet Kieu confidence is the easiest to increase. Simply by ending the necessity of visas for Viet Kieu and issuing joint-residence passports, a huge step will be taken. Of course, there are some individuals who will never forgive their loss of property in the 1970s but that is an issue largely beyond help. Viet Hoa confidence is already high but the encouragement of Viet Hoa into politics would make use of their skills while recognizing their status as full Vietnamese citizens.

These points suggest that Vietnam still has a long way to go but that distance is arguably less than the journey she has already made. External confidence is high and needs maintaining whereas citizen confidence requires a lot of work. While this is being done, governmental self-confidence will surely follow.

### 6.3 What are the implications of confidence?

The implications of these findings much be considered within two areas; the implications of confidence on theory and the implications of confidence on policy.

The implications of this thesis's findings on theory is that confidence can provide a new kind of framework for the examination of economic development. Confidence is essentially an emotional response and this soft approach to political economy allows it to be viewed in a new kind of light. By examining the feelings behind the motivations of external actors, one can better suggest actions to meet their perceived requirements which will of

course enhance the relationship. By considering the feelings of the government in question and looking at how it perceives itself, one can read much into why certain policies have been chosen. This could be a useful tool when used in conjunction with other frameworks that cannot determine a solution. Finally, by assessing the feelings of the citizens of that state one can appreciate the motivations of the workforce. This enables one to understand why some seemingly good policies (such as the employment laws in Vietnam) do not deliver the required response.

The implications of confidence on policy is that by knowing how a government is perceived by external actors and by its citizens it can tailor its policies to increase its perception. This is not necessarily something that that government would choose to do but it can be helpful as something to be considered.

Ultimately Confidence is about making judgments on the motivations behind various actions. The flexibility of the approach is also a limitation in that any evidence is largely supposition. By considering confidence as a route to economic development, this thesis merely offers one possible interpretation of the data and as such can appear simplistic. To truly assess the subject, the development of a confidence index that would provide a clear and defensible way to measure confidence is necessary. This would be no small undertaking but would allow for greater clarity of the factors at play.

**29.263 words**

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# Appendices

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## Appendix 1

Reproduced from the CIA Factbook<sup>218</sup>

| Country   | Date of Independence   | Country granting independence |
|-----------|--|-------------------------------|
| Indonesia | Declared 17 <sup>th</sup> August 1945<br>Recognised 27 <sup>th</sup> December 1949 | Holland                       |
| Vietnam   | 2 <sup>nd</sup> September 1945   | France                        |
| Myanmar   | 4 <sup>th</sup> January 1948   | Britain                       |
| Laos      | 19 July 1949   | France                        |
| Cambodia  | 9 <sup>th</sup> November 1953  | France                        |
| Malaysia  | 31 August 1957   | Britain                       |
| Singapore | 9 August 1965  | Malaysian Federation          |
| Brunai    | 1 <sup>st</sup> January 1984   | Britain                       |

## Appendix 2

From Freeman, 'Promoting Good Corporate Governance Practices in Vietnam.'

The kinds of risks that are prevalent in Vietnam's corporate sector at present, for both private and state-owned firms, as a consequence of having insufficient CG standards include (but are not limited to):

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<sup>218</sup> The CIA, *The CIA Factbook* (<https://www.cia.gov/cia/publications/factbook/geos/vm.html>, Accessed 20th July 2006)

- i) Loans being given to a related party of the company, at a rate of interest that is below the market rate, unsecured by adequate collateral, or on terms that do not adequately reflect the level of default risk; or conversely
- ii) The company receiving a loan from a related party at a level of interest that is markedly higher than market rates;
- iii) Informal commissions being paid to a related party of the company on purchases or sales (particularly common in SOEs<sup>219</sup>);
- iv) Unapproved or fraudulent transfers of the company's assets or cash by a senior manager, without the knowledge of the shareholders ('asset stripping');
- v) The sale of company assets (or shares) to a related party at prices below fair value; or conversely
- vi) The acquisition by the company of assets (or shares) belonging to a related party at prices above fair value;
- vii) The sourcing of inputs or services for the company through related parties, at prices that are below market value;
- viii) The sale of products or services for the company to related parties at prices that are below market value;
- ix) The hiring of family or friends to positions in the company that they are unqualified to assume.<sup>220</sup>

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<sup>219</sup> State Owned Enterprises

<sup>220</sup> Freeman, 'Promoting Good Corporate Governance Practices in Vietnam', p.341

