

Introduction

In December 1986, Dan Congsan Viet-Nam (Communist Party of Vietnam) changed their direction significantly by adopting Doi Moi policy at the end of their Sixth Party Convention. They decided that without economic development, one-party rule by the Communist Party could not be maintained. Essentially, their resolution would be summed up in four points:

1) The idea that “the transition to Socialism is a comparatively long-term historical process” was clearly expressed, thus completely denying the political line of a radical Socialist reconstruction.

2) Reconsider the existing priority on heavy industry, and prioritize plans for more production of food (agricultural development), consumer products, and exported goods, and concentrate 60 percent of the total investment.

3) It was publicly recognized that capitalist or self-employed businesses apart from state-owned or public corporations are useful for the state economy and that such businesses are legal.

4) Vision of active participation to international division of labor and economic cooperation was clearly presented.

In short, it was a complete turnaround from the conventional policy line by declaring positively introducing “market economy” and opening doors to international economic activities in every aspect. However, it was based on the assumption of “adherence to Socialism”; in other words, Dan Congsan Viet-Nam’s one-party rule.

It took more than 3 years before this major turnaround came to affect the common people’s daily lives. It was during the years of 1989 to 90 when the “market economy” in fact set in motion, for several reasons; first, people were suspiciously watching to see if the turnaround of policy based on the resolution at the Communist party convention, and it took that much time for them to be convinced that it actually was going to happen; there were technical issues as well. Transitioning from a Socialist planned economy to market economy, inflation has to be overcome inevitably, and it took more than 2 years to do so with the cooperation of World Bank and IMF. As inflation ceased and bills started to circulate, the public actually realized that the Communist Party had adopted the policy change with a steely determination of no turning back. Also the international political climate had its effect; in 1989, with the coming end of Cold War, it was confirmed that the Dan Congsan Viet-Nam’s turnaround matched the trend of

the times. Vietnamese population (at least urban residents or intellectuals) who were sensitive to the trend of the times verified that the Doi Moi is a policy of no turning back.

In this way, Doi Moi started to be on the right track following 1990. It was a tentative attempt but nevertheless a definite step forward to a “Socialist Market Economy”, a totally ambivalent concept. However, political reform was not projected for the time being, because Doi Moi centered around “economic” reforms. In other words, reforms such as introduction of “a multi-party system” that might possibly undermine one-party rule by the Communist Party, or complete separation between government and party were not in the pipeline.

1. Internal and External Pressures

As “Market Economy” system evolved, various conditions to lubricate the market operation – such as precise product information, establishment of supply system to meet demands, improved logistics mechanisms to ensure timely product delivery, accuracy of payment- became necessary.

In addition, the majority of people, desiring to earn even slightly more income, started to push for various deregulation so they can start small businesses such as coffee shops, sundry goods stores and barber shops with little funds. In this way, as Doi Moi started to be on track, various demands outside of economic issues began to erupt from the lower levels of society. In particular, the most pressing was how to resolve the discontents of the farmers who make up 80 percent of population. Because the Market Economy, instead of the Socialist Planned Economy, catalyzes economic liberation and naturally works to increase the gap between the rich and the poor. More concretely, while those who engage in foreign trade in urban areas received the most benefit of the Market Economy, farmers in agricultural villages got the least. As symbolized with the 1997 uprising by farmers in Thai Binh or protests by ethnic minorities in mid-Vietnam from February to March 2000, even though the government scrambled to enforce much news embargo and censorship, there were always more cries of discontent by the farmers which were impossible to silence. Consequently, the government and the Party were pressed hard to respond to these demands from the bottom of the social strata (internal pressure).

On the other hand, as Vietnam’s participation to the international economic system becomes more significant, there were stronger pressures to have Vietnam comply with various agreed rules of international economy (compliance with contracts, strict observance of due dates). Especially in Vietnam where there is a constant shortage of capital, public funds like ODA (Official Development Assistance) from

foreign governments and financing from international financial institutions such as World Bank, IMF (International Monetary Fund), ADB (Asia Development Bank) were indispensable. Therefore, Vietnamese government became obliged to faithfully perform various investment or financing conditions imposed upon Vietnam by those institutions (reasonable enforcement of policies, transparency of political decision making, objective evaluation of results). Apart from a shortage of funds, Vietnam had little repository of knowledge of how to advance its reforms, and cooperation from international institutions such as UNDP (United Nations Development Program) and advanced Western countries including Japan was necessary to implement various reforms.

This could be understood as an ambivalence inherent in Doi Moi. In other words, Dan Congsan Viet-Nam, trying to cope with the tide of globalization, adopted Doi Moi (reconstruction) policy in a gesture of going ahead of times. This means to connect Vietnamese economy with the international economy and to steer its policy towards Market Economy that catalyzes economic liberation. As a result, it was a logical consequence that not only in economic but in social and political sphere, demand for liberation and democratization was triggered. So now the government found itself in an ironic position where it had to control the trend of “liberation” and “democratization” in such a manner as to “maintain one-party rule of the Communist Party”.

Furthermore, issues also existed which were peculiar to Vietnamese government and the Communist Party: extreme distrust and sense of alarm against the U.S. administration. Leaders of Dan Congsan Viet-Nam, who defeated America in the war of national salvation against the U.S, so called “Vietnam War”, do not revel in their victory; instead, they firmly believe, almost to the point of paranoia, that America the superpower, holding deep grudges against Vietnam, a tiny country that defeated it, would one day have its revenge in one way or another. Especially the fact that they achieved normalization of U.S.-Vietnam diplomatic ties in 1995 meant that Vietnam was now officially recognized a member of the international community, and for many years, Vietnam had wanted the economic boost of investment from American companies. However, at the same time, the Vietnamese government became more alert to the fear that America, using anti-Communist Vietnamese who defected to America and obtained its nationality, attempts to overthrow Dan Congsan Viet-Nam’s rule in a peaceful manner.

Therefore, the Dan Congsan Viet-Nam leaders, with a stronger sense of alarm, regarded various reform proposals from international financial institutions strongly influenced by America such as World Bank or IMF as requirement for granting the

finance as “the U.S. government’s conspiracy against us with an intent to overthrow us camouflaged by their friendly gestures”. The government applied similar attitude to any External Pressure, stressing their position to limit “reforms” with foreign governments or international institutions to Technical Assistance only as much as possible, and to control them so that they wouldn’t adversely affect one-party rule of the Communist Party. In reality, such a position was used as pretext to the Vietnamese people for not seriously advancing the reform.

2. Various Attempts at Reform

Due to the above mentioned internal and external pressures, after the introduction of Market Economy, various reforms were proposed and executed in Vietnam. Early reforms (1986-1990) took place in the economic field in financial and fiscal systems necessary for the transition from planned to market economy. After the “success” of financial/fiscal reforms focusing on inflation control, social and political reforms were also implemented. Election system was reformed, enabling wider variety of people to run for parliamentary seats and to directly elect a village mayor at each village level. Also the Parliament Law was reformed so that the parliament would function more as a legislature, growing out of the conventional “people’s representatives conference” which was essentially nothing more than servile obedience to the regime. For that purpose, it was decided that more competent personnel were to be recruited, and vigorous discussions at standing committee or general assembly were ensured with a live TV broadcasting.

Especially, administrative reforms to improve the transparency and effectiveness of the government were implemented in various fields and by various institutions. In 1993, the government organized “Administrative Reforms Project Executive Committee” as an institution directly reporting to the Prime Minister to ensure integrated management of the administrative reforms. The operator of this Executive Committee was an administrative institution called Government Committee on Organization and Personnel (hereinafter abbreviated as GCOP), the counterpart of Japan’s National Personnel Authority. Responding to calls of UNDP (U.N. Development Program), countries such as Japan, Netherlands, Canada, Sweden, Germany and Norway became donors, and for 5 years, variety of programs were implemented between 1994 and 1999.

In particular, the following challenges were highlighted as focus: 1) Provision of central administrative organizations to correspond with economic reforms 2) Improvement of the quality of civil servants 3) Reinforcement of regional administration.

Among these, 3) reinforcement of regional administration was discussed in another

paper *(1), so details are omitted here. It is said that in the Quang Binh program, to which the Dutch government contributed 1 million dollars, 40% of that investment was squandered. Two examples illustrate the situation: 60,000 USD was spent on English language training provided in Hanoi, and none of the Quang Binh officials who participated passed the Basic Level of English according to the evaluation test after the program; 150,000 USD was spent on providing local government officials with a training course, and the report says: “there was a considerable personal financial benefit to both the organizing government agency and the participants”.

Administrative reform in Vietnam involves a vast structural problem. Dang Congsan Viet Nam would want to gain people’s trust through efficient administration and civil servants clean of corruption. That way, they would be able to secure the grounds for justification of continuing their one-party rule. Since inefficiency and widespread corruption would lead to the collapse of their political system, administrative reform is necessary for the party’s rule. On the other hand, excessive reform that would excite criticism of the existing order of one-party rule by the Communist Party would also be dangerous. Therefore, the Party would want to control the reform so that it would remain “moderate”, only to the extent that it’s useful to reinforce the establishment. In addition, in the course of the reform, unless there are certain forms of benefits, whether it’s financial or otherwise, to the party members working for existing administrative institutions, it would be difficult to push the process forward. Therefore, they have to tolerate a certain degree of embezzlement or misappropriation as a necessary evil.

On the other hand, dilemmas are felt by UNDP, too. As a specialized branch of the United Nations with a role to assist developing nations, its *raison d’etre* would be questioned unless it planned and implemented some concrete projects . So the UNDP needed to maintain its cooperative relationship with the existing Vietnamese government. They had to approve the government’s basic policies whether they liked it or not, and have no choice but to perform the role of “Technical Assistance” within that framework. However, with issues such as administrative reform that appear neutral and full of technical aspects but are in essence highly involved with politics, a number of confrontations inevitably occur between UNDP and Vietnamese government. UNDP, once the government embarked on administrative reform, would stop at nothing for the full realization of efficient, corrupt-free, fair administration, and even in the transitioning process, do thoroughly everything to eradicate as much corruption as it can. However, the Vietnamese government’s purpose is not a thorough administrative reform but only the maintenance of the party’s rule, and they only want “moderate”

implementation of reform to the extent that it's useful to keep themselves in power. Excessive reform beyond that would be more harmful than beneficial. These opposite positions are an inevitable cause of their conflict of interests.

3 . About Corruption

Let's examine the issue of "corruption". This issue is considered as a serious one both by the Vietnamese government and international institutions such as UNDP. In one of the administrative reform programs of UNDP and GCOP described above, "the eradication of corruption of civil servants" was taken up as one of the critical issues, in the section of 2) Improvement of Quality of Civil Servants.

a) Gap of Understanding Regarding Corruption

By the way, there is a gap of understanding between foreign governments including international institutions and the Vietnamese government on the definition of "corruption". The international institutions and foreign governments include, in the definition of "corruption", any acts of demanding money outside of fixed charge or taking commissions for favors on the part of the civil servants. On the other hand, Vietnamese government's view is that because no civil servants can make a living only with their salaries, it is conventionally understood that they take a certain margin, or "commission", on the fixed charge for whatever they do in their job. It is considered an issue, however, when the "commission" is an outrageously large sum, or an individual keeps all the "commission" to himself instead of distributing it fairly among the members of his team or department, in proportion to their respective positions. It is only then that these acts start to be denounced as "corruption". Therefore, in Vietnamese understanding, what matters is not whether there was an exchange of money outside of the rules with regards to administrative work, but how large that sum was and whether they fairly shared it among themselves.

Vietnamese civil servants are extremely poorly paid, whether they work for the central government or local. A new hire (university graduate) typically gets 15 to 20 USD monthly, a 40 years old gets 60 USD, and a 50 year-old manager class gets 100 USD. Working couples are ordinary, but it is not generally difficult for them to make a living even though both their salaries are combined. So they turn to moonlighting, according to their skills. Some grow vegetable at home work as translators if they speak English, or do home-tutoring at night if they are teachers at junior/senior high schools or universities; and those without any skill earn extra as part-time taxi drivers. They work hard day and night, struggling to make ends meet. However, civil servants in rural, agricultural areas outside urban areas have no such opportunity of second jobs to earn extra cash. For these folks, sharing commissions from work becomes the

easiest way to “earn cash.” Thus, as long as it is reasonably acceptable sum and shared equally among everybody involved, they do not think they are doing something wrong, not to mention “corruption,” and do not understand why such deeds should be condemned.

b) Structural Problems

Thus the “corruption” runs deep in the structure of the system. First of all, the salary standard needs to be raised, even gradually, to enable the civil servants to make a living solely on their salaries. However, the problem is that the Vietnamese government cannot afford it, dependent still on large part of its income on foreign aid, and the state’s tax revenue is extremely low. During the period of Socialist Planned Economy, the government took care of all aspects of civil servant’s life, from food, clothing to housing, in allowance in-kind or in the form of coupons. There was no such concept as the state collecting “tax” such as income tax from the people, and there did not exist institutions like a taxation office in charge of levying and collecting taxes. Also historically speaking, since its Declaration of Independence in 1945, for over 30 years through the end of Vietnam War in 1975, the country had been ravaged by war after war, and domestic agriculture and industry had been stalled. During that period, the government relied for major part of its resources on aid from Soviet Union and Eastern European countries. Even after the introduction of Doi Moi policy, this condition has not changed as far as this matter is concerned. What is changed is their roster of donor nations, from Soviet Union and Eastern Europe to Western countries including Japan and international institutions, but the fact that the country still depends on foreign aid for its national finance has not changed. Or rather, it would not be too far from the truth to say that, now since Vietnam can no longer expect aid from Soviet Union or Eastern Europe, it adopted Doi Moi policy seeking aid from Western countries.

Considered the perspective of much longer history, in fact there was no such custom of direct tax collection from the people in Vietnam. From Dynasty Le of 15th century to the last Dynasty of Nguyen, which lasted till 1945, lines of dynasties did not directly touch tax collection. The method of collection and tax rate were left to the discretion of local officers (Governor General and Governor at provincial level / Prefect at prefectural level), as long as a fixed amount was delivered to the coffers of the state. The reason why it was the best possible option for everyone to successfully pass the government official recruitment test with high score to become senior official, was not due to the honor, but because in fact through their position as a tax collector, they could amass personal fortunes, eventually building an economic foundation with which he

could take care of all members of his family clan. In reality, a specialist appointed by the Governor General or Governor collected from the people, according to allocated portion to each village, and because the level of allocation was considered by the people key to judge whether that Governor General or Governor is governing wisely or not, the allocation was arbitrated by the Governor General or Governor.

Because of such a historical background, the tax revenue in Vietnam today is still limited to customs duty and income tax imposed on foreign companies and their employees. Even though the tax law is enacted, in reality, the great majority of Vietnamese people are exempt from paying tax, and the taxation office organization is not fully equipped to do its job.

In the meantime, the number of civil servants continues to be in oversupply. If the government were to raise their salaries to enable them to live on it alone, it would need to accurately understand the appropriate size of their head-count. Recruiting civil servants is in fact carried out through personal connections and influences, and very few ministries and agencies conduct employment examinations. Implementation of fair recruitment tests needs urgent addressing. With this regard, the Japanese government has invited GCOP members to Japan for over five years through JICA (Japan International Cooperation Agency) to train them regarding recruitment test systems, salary tables and promotion systems used in Japanese administrative organizations. Thus, the Vietnamese have already learned the mechanism and theory of how to increase salary to the level where a household can make a living solely on it, how to create a reasonable salary table to assure the workers they will get a salary raise in reward for their hard work in good faith, and how to introduce a fair recruitment test system. The question now is how they put such systems into practice. The problem of “corruption” is not so much a moral issue as a structural issue in the organization, and to eradicate it, a drastic improvement of the financial and organizational structure is necessary.

c) Structure of Party-Government Rule

The circumstances are not so simple that as economic problems are solved (i.e. to pay government workers enough salaries for them to solely depend on and to reserve fund for that), and “the score-centered modern recruitment test system” in order to transform the nation into “the state governed by the rule of law” is introduced, all corruption issues would be resolved.

The reason why corruption cannot be eradicated is due to logic and interest peculiar to a ruling system in which the Communist Party and the government are integrated. Let us look into them in detail.

To fetch the conclusion beforehand, the established Party-Government political ruling force controls the means to continue its reign by determining whether a certain situation as “corruption” or not.

It goes without saying that in Vietnam, too, office regulations provide bans on corruption involving monetary compensation. In reality, though, because the wage standard is so low that the workers cannot make a living unless they engage in “corruption”, and the situation is that a blind eye must be turned to them if they demand extra commissions or bribes in one way or another.

The number of such cases is so staggering that if all “corruption” cases were to be exposed, administrative services would be suspended, even leading to a potential collapse of the political system. And indeed, the police and prosecution institution are not developed enough to be able to expose all cases, and the judicial court system is also lame. In addition, police and prosecutors are just the same’ disqualified to conduct investigation in the first place. That is why they do not make an issue of it as long as the demanded amount is not beyond common sense and distribution is fair and equal among those involved and their fellows in the institution. Nevertheless, once someone tried to demand an exorbitant bribe beyond a certain limit, tried to keep it all to oneself, or the press somehow learned about it and scandalized it, the case would be recognized as “corruption”, and penalty should be imposed.

However, there exists a benefit to the establishment to maintain this structure breeding “corruption”. In other words, the establishment finds a capacity to stabilize its power through this system. In concrete terms, the structure of “corruption” is assigned a role of a litmus paper with which to tell the degree of people’s loyalty to the establishment - who are conforming to the system and who are showing a disobedient attitude? Corruption is a type of problem summed up as “who’s afraid of a red light when everyone is crossing?” but the problem gets complicated when someone inside who does not conform appears. That is why clever maneuvering is conducted to have the opposing person look guilty of the “corruption”, and this is possible enough.

More generally speaking, the structure is setup so if there is someone inside who is likely to oppose or protest against the current system of the Party-Government, “corruption” is used to legally oust that person. Because almost everyone is collectively involved in acts violating laws in the daily life, his or her crime is not exposed, but once the establishment sets out to accuse those who displease it such as the dissidents, those who go against the institution, or those who refuse to take part in “corruption”, it has a handy mechanism with which to “charge” them of violating laws.

Let me cite one such example. K, one of my Vietnamese friends, had been receiving

from a foreign foundation a grant aid for preserving and researching archeological sites. His colleague accused him of violating the procedure, of embezzling the aid to spend it for private purposes, and of violating laws in procedure. What really happened was because K was in close contact with an American friend, who invited him to stay in New York for three months, and the authority had had an eye on him. In addition, because he didn't "justly" distribute the grant to his colleagues at work (per grant beneficiary contract, it was prohibited to distribute money to one's colleagues), the colleague became jealous, suspected him of keeping the money all to himself, and accused him. As a result, before the court proceedings started, he was detained for twelve months (an "illegal" detention, since the period far exceeds the maximum of six months detention of suspects set forth in the penal code and criminal procedure law of Vietnam). The court ruled him guilty of "corruption" and sentenced him to five years of imprisonment. By virtue partly of petition campaign by his foreign friends, he was released after two and a half years under the pretext of an amnesty. Examining this incident of my friend K's arrest, conviction and imprisonment from any angle, a sense of political stage-direction aiming at the effect of "making an example " of him cannot be ignored.

In this way, by maintaining a structure that breeds "corruption", the government can place virtually the whole population as potential criminals, and according to the arbitrary judgement of the authority, can "legally" punish whoever is displeasing it (he violated the law and committed a crime, and therefore is punished by law)

The structure of "corruption" comprises a function that works in favor of the preservation of power.

4. Proposed Solution

How would a reform be possible that is effective, especially in preventing "corruption", while still assuming the existing system? Let's examine this question for now.

Firstly, or most importantly, a willingness to change at the national level is necessary. The polito-bureau of the Communist Party itself has to irrevocably decide to implement administrative reform and to announce this decision. Reflecting that, the government, under the leadership of the Prime Minister, would have to obtain cabinet members' consent to organize a task force for the implementation of administrative reform within each ministry and agency, and the GCOP should take control of putting together an in-depth implementation program.

Secondly, securing financial resources and the establishment of a tax organization are

necessary. A new system should be designed and the tax organization established to allow indirect tax such as consumption tax, and direct tax such as income tax, typically at a low level of 5-10% imposed (or rather withheld) on everyone including rank-and-file civil servants.

Thirdly, it is necessary to implement a fair recruitment test system, establish a salary table, and provide a transparent civil servant system. A close inspection of the current status should be undertaken at each ministry of the central government, but if they really put their minds to it, this can be done including the reform of Civil Servant Law. This again requires financial backing.

Fourthly, a strategic prioritization is necessary. The first step would be to realize a modern and lawful administration in the central government ministries. And then gradually, this trend should be spread among local governments, military, the police, educational, and social welfare sectors. The deadline would need to be set, for example, 10 years for reform throughout the country.

For actual implementation, financial and technical assistance would be necessary from several foreign governments including Japan, Canada, and Sweden, as well as from international institutions such as UNDP and ADB (Asian Development Bank). After thorough discussion with foreign governments and international institutions, even though GCOP acts as coordinator, under the leadership of the Prime Minister, a pilot project would have to be implemented, using one government ministry or agency as a model case. During the period of two years, recruitment tests, a salary table (these are applicable to all ministries and agencies), staff cutbacks, and training at various levels should be implemented. During the implementation, more technical details are modified and fine-tuned, and at a gradually increasing speed, the same reform should be implemented at other ministries and agencies. More and more ministries and agencies would be subject to reform, for example, three more in the second year and five in the third, and the cycle completes in five years with all ministries and agencies reformed. In the final year, the Vietnamese government should be able to secure tax revenue through its own tax organization to gain more solid financial resources and enough to pay salaries for all civil servants of the central government. Debts to foreign governments and organizations like ADB would be repaid within the span of 30 years, in a manner of a long-term loans.

It would require a thorough discussion whether central power ministries such as Ministries of Finance, Foreign Affairs, or Internal Affairs should be the first target of reform, or whether comparatively smaller ministries such as Ministries of Agriculture and Forestry or Labor would be more realistic. Also, organizations such as the military

or police that possess physical weapons could potentially be very tough to crack if they resist reform. On the contrary, though, because they are well disciplined organizations in the Vietnamese society, if the leader is determined enough and a reasonable reform plan presented, a smooth implementation of reform may come about.

As for local governments, they can be divided into two groups: weak governments which need financial and technical supports of the central government, and strong ones with sufficient financial strength and quality human resources. With the stronger ones, the central government should be tolerant enough to allow their autonomy to advance their reforms; in other words, a type of decentralization policy is required. The question is how much autonomy Hanoi (central government and parliament) can tolerate for local governments, especially powerful ones in the South (ex. Ho Chi Minh City or Vungtau Province).

In the social welfare sector, international and domestic NGO's need to participate, and the division of roles, services, and involvement for administration and NGO's should be discussed. A number of NGO's are fast growing in Vietnam and have come to exercise too great an influence to be ignored. Vietnam needs to recognize and develop its relationship with NGO's not only from the political aspect of democratization process but also as a partner in society widely accepted by the government and the society at large.

As illustrated above, it is a vast and complex process with significant financial burden to achieve "administrative reform" in its true sense. Vested interests and rigid conventionalism stand in the way, backed by a historical context. However, with the will of the majority desiring reform and a strong political willingness on the part of the ruling Communist Party to address issues, it is possible to succeed, overcoming these challenges.

In the end, it all depends on whether the current Party-Government system will decide to shift to "the state governed by rule of law" in the true sense of the words, once and for all giving up the "corruption" structure which comprises benefits to the preservation of the system. Corruption hurts the Vietnam's international reputation more than anything else, presenting a major obstacle to the foreign companies trying to have presence in the country. Also, in a mid-term to long-term vision, to create an environment free of corruption, in which anyone can live as a law-abiding citizen in the true sense of the words, means to normalize the social activities from ethical and moral standpoints.

It may be true that a considerable energy is necessary to break away from a convention that has continued for several decades, and it is imaginable that those who

desperately defend their vested interests would protest with all their fierce might. Vietnam is, however, even though it is a small country, has a tradition of victories over major powers like China, France, and the US. The reason why she was capable of winning wars against the overwhelming major powers in terms of physical and military resources was simply because Vietnam had the moral and ethical justice on her side. The lesson of how great the power of morality and ethics can be must be deeply engraved in the Vietnamese minds, and deep down they should know eliminating corruption would greatly contribute to the nation's development for the 21st century. The leaders' determination is awaited.