VIETNAM AT THE CROSSROADS
Market Socialism and the Vietnamese Labor Movement

One of the first things that struck me upon my arrival in Saigon was the enormous billboard for Coca-Cola. The year was 1996: just two decades after three million Vietnamese soldiers and civilians lost their lives in a war against capitalist exploitation and foreign domination. My partner, Paula, turned to me and said, “I thought U.S. capitalism lost the war in Vietnam.”

In fact, in 1996—one year before the Asian economic crisis—the World Bank reported that Vietnam had a higher level of foreign investment than any other developing country in the world. That was also the year the Nike Corporation began to move its sneaker operations to Vietnam because—as Nike’s CEO Philip Knight explained—labor costs in Indonesia were “skyrocketing.” Workers in Vietnam, at the time, were paid $30 a month. What’s more, Thanh—our friend and host in Saigon—was an American Studies scholar dedicating her life to satisfying the curiosity of university students for everything American. For me—someone who cut his political teeth in the anti-war movement, trying to get the U.S. out of Vietnam—the world, at that moment, seemed to have been turned on its head.

How did it come to this? What do these changes mean for Vietnam’s workers and unions, and what are their broader implications? Here, I offer some observations based on several trips to Vietnam. I made my first trip in 1996 as an independent traveler/scholar, and the last two trips—in 2005 and 2008—as a member of delegations hosted by the Vietnamese General Confederation of Labor (VGCL), the country’s national labor federation.

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Vietnam has experienced enormous changes in the course of a lifetime—colonial rule, war, reconstruction, a socialist planned economy, privatization and a shift to a market economy, and rapid economic growth. The legacy of foreign domination and war comprises an inescapable backdrop for understanding Vietnam today. There isn’t anyone over the age of forty in Vietnam who doesn’t have a wrenching story about the War.

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I first met Chau Nhat Binh in April 2005, when he hosted our trade union delegation to Hanoi: a war veteran of the North Vietnamese Army, a Communist Party member, and a dyed-in-the-wool unionist, he serves as the deputy director of international affairs for the VGCL. He is also fluent in English and has a warm heart, a gentle manner, and an uncanny way with American colloquiums. In private moments, Binh talks about his transformation from a shy, quiet child to a soldier in a war against U.S. aggression. He inherited his sense of justice and national pride from his parents, who fled to the jungles to join the insurgency against the French occupation—a decision that cost his mother her right arm when the French army attacked their encampment.

The end of the French Indochina War split the country in two, North and South, but provided enough of a reprieve from war activity for his parents to raise five children—not an easy task for a mother with only one arm, and a task that became increasingly difficult when his father left to fight the American troops. The Americans came, they said, to prevent the fall of the South to communism: as Binh’s father saw it, they came to exploit Vietnam and prevent its reunification. With his family scattered across the country, Binh joined an army of children forced to trek hundreds of miles through the jungles for their own protection. In the course of the evacuation, he witnessed a U.S. bombing attack that killed hundreds of children. At the age of seventeen, Binh enlisted in the People’s Army of Vietnam; his friend did too, cutting his arm with a knife so that he could sign his papers with his own blood. Binh survived the war—including a bombing attack that left him completely buried under mud and rubble—and was eventually discharged to a hospital when he contracted malaria. There were twenty-four boys in Binh’s class: only seven of them survived the war—and some of those who did were left with so many physical and mental scars that their lives remain in ruin.

The personal tragedies and horror stories one hears from the Vietnamese were heartbreaking. So, too, were the visuals: the amputees in the street that were so prominent during our first trip; the devastating exhibits chronicling the atrocities (one told solely through the words and photos of *Life* magazine). So, too, was the knowledge that Vietnamese civilians—many of them children—are still killed or maimed by land mines left by American troops. Agent Orange, the toxin used by U.S. troops to defoliate the countryside during the war, has left many of Vietnam’s children mentally ill, missing limbs, or struggling with cancer.

Nearly sixty thousand U.S. soldiers lost their lives, and countless more—mostly poor and working-class youth—were maimed, injured, or otherwise suffered and sacrificed so much for one of the most stupid, horrific acts of aggression my generation ever witnessed. It’s hard not to get emotional in Vietnam: it’s hard not to shed tears.

The war’s end in 1975 left Vietnam’s population destitute, its economy dysfunctional, its
attracting foreign-owned enterprises onto Vietnamese soil. If introducing a market economy wasn’t controversial enough, a policy that encouraged companies from foreign nations—including former colonizers—to set up shop in Vietnam ran counter to deep feelings of national pride. Worse still, to lure investors, Vietnam had to succumb to the race to the bottom, loosening environmental laws, eliminating labor protections, and offering significant tax advantages—all of which made Vietnam “business friendly” at the expense of the hard-earned gains of its people. But multinationals loved it—and, in 1994, the U.S. lifted its trade embargo.

More recently, foreign investment in Vietnam received another boost with the emergence of “China Plus One”—a strategy increasingly adapted by corporations seeking to mitigate the risk of overdependence on factories in one country. For companies seeking to establish an Asian base outside of China, Vietnam became an obvious choice. Besides, China was no longer the bargain it used to be. Both land and labor are cheaper and more readily available in Vietnam. Wages in China average $1 per hour, compared to $50 per month (including Saturdays) in Vietnam; and a labor shortage in China is increasing wages there by nearly 25 percent annually. China is also making it increasingly harder for companies to avoid paying benefits. At the same time, China is phasing out lower corporate taxes for foreign-owned companies. Vietnam, on the other hand, has a zero-tax policy for the first four years, and 5 percent (rather than the usual 10 percent) for the next four. Perhaps most importantly, companies doing business in China fear labor strife or widespread civil unrest, and a base of operations in Vietnam allows them to hedge their bets and shift production to another locale.5

The Vietnamese economy has been growing at a rate of approximately 8 percent annually for the past decade,6 making Vietnam one of the fastest growing economies in the world, and placing it alongside China as a global economic wonder. In 2008, foreign investment in Vietnam
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toted more than $64 billion—more than triple what it was the previous year, despite the world economic crisis. It’s not just Coca-Cola on the billboards of Saigon; multinationals now doing business in Vietnam include Pepsi, Citibank, Sony, Panasonic, Canon, Shell, Honda, Nestle, Sheraton, and Intel. All this has made Vietnam the poster child for neoliberalism.

So how did a country that fought so hard for its independence come to rely so heavily on foreign investors? “We had no choice,” Binh told me. It turned out to be a common, although not a universal, response. Communist Party leaders—rightly or wrongly—believed there was no alternative for a nation on the brink of mass starvation. Others were quick to point out that, despite Communist Party leadership throughout the war with the U.S., the war was more about nationalism and self-determination than it was about socialism. And no colonial power dominates Vietnam today, they will add.

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WHAT DOES ALL THIS MEAN FOR VIETNAM’S POOR AND WORKING-CLASS?

The delegation that brought me to Vietnam in 2005 was mostly composed of union leaders; the one in 2008 was largely made up of labor educators. Both were led by Kent Wong, director of UCLA’s Labor Center. The delegations met with miners, garment workers, public employees, machinists, railroad workers, hospitality workers, and maritime workers. We also met with national officers and leaders from regional and central labor councils, as well as with faculty and researchers at Vietnam’s National Labor College. In both cases, one member of the delegation spoke fluent Vietnamese, helping us negotiate street life and ad hoc conversations. Thanh, our friend in American Studies, translated on the first trip.

Nearly everyone we spoke to offered at least partial praise for doi moi and its benefits. New residences, vehicles, cell phones, and appliances—modest as they may be—were being put to good use. The improvements I witnessed over the decade were clearly evident in the street life itself. Hanoi’s and Saigon’s bustling streets have always been clogged by the “two-wheel madness”—the dizzying assault of bicycles and motor scooters (often carrying four or five family members at a time) that fill the streets, often twenty or thirty deep—in a seemingly endless stream of constant motion. But in 2005, there were far fewer bicycles and far more motorbikes than in 1996; and by 2008, there were far more automobiles on the road than I had seen on the past two trips combined.

Cell phones, too, were everywhere—and not just among the affluent young people or business types. Stores selling televisions, refrigerators, and other major appliances have sprung up. So, too, have department stores. Fancy restaurants, hip art galleries, flashy hotels, glitzy bars and clubs, and shops selling imported luxury items are evident now in both Hanoi and Saigon. Resorts catering to vacationing Vietnamese are also expanding. In Halong Bay (170 miles east of Hanoi), hotels catering to Vietnamese vacationers are thriving.

Statistics support the impression of a better life in Vietnam. Annual income rose from $220 per year in 1994 to $1,024 per year in 2008. Vietnam now boasts over ten million motorbikes. Over 110,000 cars were sold in...
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Vietnam in 2008—a 37 percent increase from 2007. The poverty rate declined from 58 percent of the population in 1993 to approximately 15 percent in 2007. And deep poverty (i.e., the percentage of the population earning less than $1 per day) declined from 51 percent of the population in 1990 to under 8 percent in 2008—an advance that bests both China and India. While prosperity is mostly concentrated in urban areas, the proportion of rural households living in poverty also declined from 66 percent in 1993 to 36 percent in 2002. Infant mortality stands at only sixteen per one thousand births, compared to twenty-three for China, the high twenties for most of Latin America, and 150 for the sub-Saharan. Adult literacy has now reached 90.3 percent of the population. Households with electricity doubled since the early 1990s to an impressive 94 percent in 2008. Life expectancy in Vietnam today stands at seventy-four years. This compares favorably to the sub-Saharan where it is forty years, sixty-four years in India, seventy years in Thailand, and seventy-two years in China. Even the U.S., with all its advanced medical facilities, has a life expectancy of seventy-eight years—only four years higher than Vietnam’s. Many of these human development gains began to emerge before the shift to the market economy, but accelerated quickly after doi moi. Looking at almost any indicator on the UN’s human development scale, Vietnam shows impressive gains (especially given its low per capita income).

But all is not well in Vietnam. As one union activist told us, “Vietnam’s success masks serious problems.” Another was more specific: “The upside of the market economy is the reduction of poverty; the downside is the growing gap between rich and poor.” Increased car sales, he pointed out, are a sign of both rising income and a growing economic divide. And while millions of Vietnamese have been left behind in the economic boom, others have accumulated previously unheard of levels of wealth and the conspicuous privileges that come with it. The UN’s most recent statistics show Vietnam’s richest 10 percent of the population accounting for 28 percent of the national income, a level that is fast approaching the level of inequality in the U.S. (where the richest 10 percent accounts for 31 percent of the national income). Furthermore, class polarization in Vietnam has been exacerbated by tax breaks for the wealthy. One researcher suggested that increases in income inequality threaten to give Vietnam—previously one of the most economically egalitarian societies in the world—one of the highest Gini coefficients (the indicator that measures inequality) in all of Southeast Asia. Prosperity has clearly come to Vietnam at the cost of equality.

Increasing, too, are disparities between men and women; and gaps between the ethnic majority and minorities persist. Women, for example, still earn only 63 percent of what men earn, have a lower adult literacy rate (87 percent vs. 94 percent), and hold only 26 percent of the seats in the National Assembly and 22 percent of senior-level official or managerial positions. As for ethnic minorities, one study showed their life expectancies to be two decades below that of the majority. Given the impact the global economic meltdown is having on Vietnam’s economy, we
earn less than $1 per day has decreased to 8 percent, the proportion that earns less than $1.25 per day is 21.5 percent, and the proportion of those who earn less than $2 per day is 48 percent. A study conducted by the Vietnamese Academy of Social Science concluded that further reductions in poverty will require higher growth rates than in the past because the remaining poor are well below the poverty line, while those who recently crossed it did not have far to go. Clearly, there is significant poverty in the midst of runaway growth. As one researcher put it, “The sustainability of Vietnam’s achievement in reducing poverty is not assured, since greater inequality may undermine both the efficiency with which future growth will reduce poverty and make it politically more difficult to pursue pro-poor policies”—the latter a reference to the growing political influence of affluent Vietnamese.

Aggravating the plight of the poor and working-class is a walloping rate of inflation. In 2008, inflation was reported to have skyrocketed to 25 percent (the highest in Asia), fueled in large part by increases in food prices that spiraled to 74 percent—over the course of one year—and the rising cost of housing and building materials. The global economic crisis impacted all of Asia, but the inflation rate in Vietnam is nearly double that of other countries in the region. Galloping inflation hurts the poor, and low- and mid-wage workers, the hardest. The price of gasoline to fuel...
The Communist Party is led by a general secretary who convenes a National Congress of approximately twelve hundred deputies once every five years. A central committee of 160 members and a Politburo of fifteen members conduct Party business between sessions. Ideological debates within the Party are common and, in the past, have included spirited conflict over privatization, foreign investment, and abandonment of the nation’s safety net—issues that were especially touchy for the many surviving heroes of Vietnam’s independence wars. More recently, there have been debates over independent unions, the press, and a multi-party state. The press has reported strong pressures from inside the Party for more pluralism.

Yet the government also seems afraid of political disintegration, and frightened of any real challenge to its monopoly on power. While small opposition groups are tolerated, alternative political parties are prohibited. There are reports that some anti-government activists, who are perceived to be genuine threats to Communist Party leadership, have been detained or arrested. This includes labor activists attempting to organize a labor movement independent of the Communist Party. Human Rights Watch reported that eight independent trade union advocates were imprisoned in 2006-2007 on dubious national security charges, joining more than 350 other individuals jailed for political or religious activity since 2001. So while individual acts of dissent are tolerated, movements of political opposition are prohibited. By violating human rights, the Vietnamese government undermines the credibility and legitimacy of its leadership, both domestically and internationally.

While the Vietnamese leadership shuts out opposition parties, it has opened its doors to Communist Party membership. In 2006, the Party allowed capitalists to join and allowed its three million members to operate capitalist enterprises. The rationale was that the Party would have greater control over capitalists if they were within the Party, and that Party membership...
could help orient capitalism toward making greater contributions to poverty reduction and higher labor standards. But the policy change was very controversial and as one unhappy Party member who reluctantly embraced the market economy said, “That was a big mistake: where’s the socialist orientation?”

With alternative political parties prohibited and the Communist Party embracing business interests, the role of the Vietnamese labor federation grows all the more significant. Is the Union willing and able to help shape the ideological debates and policies of the Party, as it redefines the meaning and nature of socialism in Vietnam? Can the Union help reverse the trend toward increased inequality and protect workers from the harshest realities of the market economy? Can the Union adequately represent and defend the interests of workers in an environment fashioned to meet the needs of global capital? In Part II of this article, to be published in the Spring 2010 issue of New Labor Forum, I will explore how the VGCL is—or is not—adapting to these seismic changes.

Notes

1. Saigon was renamed Ho Chi Minh City in 1976, but the name never quite took hold and the city is still called by its colonial name through most of Vietnam.
10. Interestingly, these were the precise words used by my host in China when I asked him why China abandoned socialism. See Greg Mantsios, “What Are They Thinking? Ideologies and Realities in the United States and China,” New Labor Forum 15, no. 3 (Fall 2006).
15. See supra note 9.
18. See supra note 16.
19. See Fritzen, supra note 17.
20. See supra note 16.
21. See Fritzen, supra note 17.
22. See supra note 9.
27. See Fritzen, supra note 17.
29. See Mydans, supra note 6.
30. See U.S. State Department, supra note 23.
31. See Mydans, supra note 6.
33. Ibid.
34. Ibid.
35. Ibid.