

Some Lessons from Twenty Years of Economic Reform

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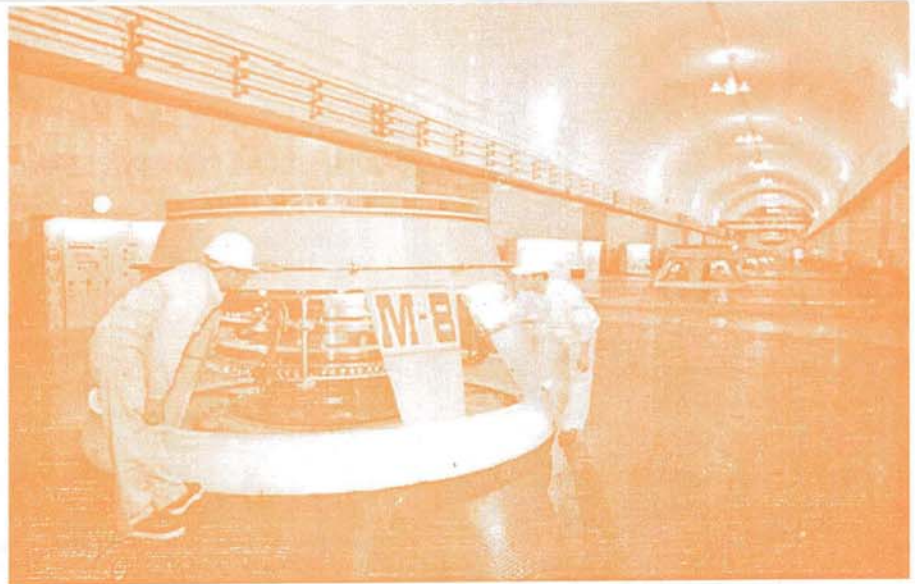
1. Taking the people as foundation of the country

This attitude has become the origin of the economic reform and achievements from this effort.

Granting land to peasants and recognizing the existence of private peasants instead of collectivizing them has received public support since the 1970s. This policy was legalized, as a breakthrough, by many VCP Resolutions (Directive 100 of the Secretariat; Resolution 10 of the Politburo; Resolution of the VCP 6th National Congress), and then, by the Land Law in 1993. When allowed to own the land and use factor inputs at will, individual peasants have helped the country overcome the economic crisis and achieve high economic growth rates in the past two decades.

The 1992 Constitution recognizes the private and personal sectors, and the Companies Act was promulgated. From then on, some 150,000 private companies have come into being and operation in manufacturing, construction and service sectors, contributing a lot to the economic growth. In 2004, the private industrial output rose by 22.8% in comparison with 11.4% by the public sector and 18.7% by the foreign one, accounting for 27% of the national industrial output. In the service sector, private companies accounted for 82% of the total retail sales in the service sector making a growth rate of 26%.

We can conclude that it's the autonomy for producers and consumers, or in other words, replacing the centrally-planned economy with the market



mechanism, that created the dynamic for development.

The lesson of taking the people as the foundation is, in fact, the lesson of democratization and "looking for truth in realities" instead of theories. Thinking through, we should admit that the ultimate objective for all regimes and political systems is to serve human beings and their well-being that is based on their families and businesses. This notion reflects itself clearly in rural areas and peasant's lives. Knowing how to achieve this aim will lead to success, otherwise all efforts will end in failure.

2. Liberating productive forces

Before the economic reform, nationalization and central planning were considered as the only way to socialism. In fact, this relation of production is a determinist model, lacks

practical grounds, and not suitable to economic conditions in Vietnam. This relation has become obstacles to the economic growth and led to prolonged economic crises.

The economic reform was launched and aimed at (1) giving autonomy to individual peasants; (2) diversifying economic sectors and ownership in manufacturing and service sectors; (3) linking the planning task with the market; (4) observing laws of pricing; and (5) allowing producers and consumers to make decision based on commercial relations.

Although the economic reform wasn't carried out strongly and met with many obstacles, it has been supported by the public and changed the face of society. Peasants not only farmed well their pieces of land but also developed large farms. State-owned companies had to do business according to the market mechanism and took

responsibility for their decisions. The foreign sector came into being and developed after the Foreign Investment Law. The administrative reform was carried out to create more favorable conditions for all sectors.

If the reform met no obstacles from the old way of thinking and the lack of good leadership, it would certainly achieve better results. And as results, the public investment was wasted, corruption and embezzlement were widespread, the environment was destroyed and the economic development became less sustainable.

3. Changing the way of thinking

Both shortcomings and achievements of the economic reform have close relations with changes in the way of thinking.

The most important change is the shift from the attitude considering that the truth is in our side



and refuse to listen to opinions of other sides to the belief that the truth should be found in realities. It's the belief that led to "granting to peasants," "adopting the market economy and other ownership and sectors," etc. and refuted the old thinking way and the centrally-planned mechanism.

This change, however, has taken place to a certain extent because it can't happen overnight. This is the origin of the inconsistency in effort to carry out the reform at a higher level. This inconsistency reflects in the following facts: (1) failure to change the concept of exploitation with the result that VCP members are banned from engaging in private companies; (2) refusal to consider the private sector as the foundation of the economy although the people are recognized as the foundation of the country; (3) effort to give preferential treatment to the public sector as the central part of the economy with the result that resources are wasted and wrongly allocated; (4) failure to give a clear definition of socialism and socialist orientation.

Chinese experience in the past few decades is

worth studying because its economic reform gained greater achievements than ours. The Chinese government has realized that obstacles from the old thinking way must be removed before thinking of further developments. Many old concepts have been reviewed recently. The following are some of them.

- The term "exploitation" has gone out of use for the last five years because it isn't suitable to the current conditions. Investors can't be considered as

"exploiters" because they are a basic factor and their contribution must be taken into account when redistributing the wealth.

- The terms "class" and "class struggle" also become obsolete and they are replaced by the concept of the contradiction between different interest groups. Thus, these contradictions and conflicts could be examined and solved peacefully. The Chinese society also accepts the term "middle class" not for discriminating classes but for indicating the group of citizens with some wealth, education and social rank.

- The full development of non-government organizations is one of important signs showing that the market economy has been improved. Three solid pillars (non-government organizations, governmental agencies and companies) could help China become a well-to-do society by 2020.

- Uniformity of thoughts is a tragedy. The Cultural Revolution is a bitter experience for the Chinese people because one person makes a mistake, the whole country is in danger. Thus, there must be philosophical pluralism. To avoid the conflict between the pluralism

and unity of policies, the Chinese people decided to perfect the legal system with a view to reducing personal power and enhancing law and order.

If the change in the thinking way is more profound, the Government could create a better climate for economic and social activities and work out better policies and legal infrastructure. With such a climate, the public sector will be basically reformed, the private and foreign sectors will develop faster instead of experiencing slowdowns from time to time. And social and environmental problems are not as serious as today's.

4. Conclusion

I want to quote here a sentence from the book *Chính sách phát triển kinh tế - kinh nghiệm và bài học Trung Quốc* ("Economic Development Policies - Chinese Experience and Lessons"), "the trash can of the history of humankind is full of good theories and perfect plans but their only shortcoming is the fact that they have been or can't be realized." I hope that lessons from the past 20 years of economic reform won't be dumped in the trash can. ■

