Vietnam's Second Revolution

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HANOI, Vietnam—The best way to feel the sheer energy of Vietnam's under-29 population is to ride pillion on Do Duyen's motorbike. Like most Hanoi drivers (except when they drink too much rice wine at Tet or at weddings), Duyen has a sixth sense of how others will react in the flood of motorbikes and intruding cars, trucks, buses, bicycles, and village peddlers balancing bamboo poles across their shoulders. Never mind that motorcyclists routinely make illegal turns at intersections by plunging left against traffic that is hurtling right. Everyone else simply swerves to accommodate this anomaly in his or her own way, and the collective streams of traffic glide on.

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This might well be a metaphor for the course of Asia's newest tiger, the one that took off in the late 1980s and averaged 7.5 percent annual growth over the next two decades. It quickly swept past neighbors Laos and Cambodia in living standards to reach today's $3,600-plus per capita income and is heading for further 5.4 percent growth in 2014. More surprising is its proportional alleviation of poverty, coupled with its egalitarianism, move toward breadth of political inclusion, and its popular optimism, all of which surpass levels in its third and largest neighbor, China. The engine for this achievement is the young motorbike-riding generation born after the American War ended. A fair number have gone in one leap—as did half of Duyen's classmates in the Banking Academy—from village penury to millionaire luxury.

As Duyen makes constant micro adjustments to preserve the crucial inches of space between his vehicle and the rest of the capital's pulsing humanity, he provides a running commentary amid the roars and honks and occasional screech. See that Made-in-Vietnam outlet? Those shops guarantee quality by selling global-brand clothes that are certified to be not made in China. There is the downtown park that until a few months ago showcased the 15-foot-tall Lenin statue Moscow gave Hanoi in 1982. Now Lenin has migrated to the more out-of-the-way Reunification Park. Here on the left is West Lake; on the right Truc Bach Lake, where John McCain parachuted when his plane was shot down at the height of the American War in 1967.

Around West Lake is Little Korea. The Koreans have invested almost as much as the Japanese in Vietnam, and the Koreans come here to live and manage their firms. In Saigon, there are almost 80,000 Koreans. They understand Vietnam because they still remember what it was like to go in one generation from the rice paddy to what is now a European income level. And since Korea is small geographically, Koreans maintain ties with their home villages, the way the Vietnamese do.

THE ECONOMY, STUPID

Vietnam faces serious economic, political, and international problems. But if past is prologue, the difficulties will be resolved by the same bottom-up process that in the late 1980s launched the nation's second revolution, producing a market economy. The first revolution of expelling the French in the 1950s and the Americans in the 1970s was led from the top down, as every Vietnamese schoolboy knows, by founding fathers Ho Chi Minh and General Vo Nguyen Giap. The second, by contrast, began when the rice roots rebelled against the disastrous decade of the communist ideological ban on private commerce that followed Saigon's liberation (or fall, depending on one's viewpoint) and reunification of north and south Vietnam. That decade was a time of shortages, rationing, severe malnutrition, and famine. To survive, peasants began trading with each other illegally—and thus rescued both the rice harvests and the entire economy. Retroactively, the party leadership legalized the black market in what it announced as its own new liberalizing policy of *doi moi* (renovation). *Doi moi* and the motorbike generation that seized on the new oppor-

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tunities drove the country's swift economic development that continues today. Vietnam rose from importing 482,000 metric tons of rice in 1986 to exporting 1.4 million tons in 1989, becoming the world's second-largest rice exporter by 1995.

The World Bank's update from December 2013 on the Vietnamese economy is encouraging, but somewhat more muted than its effusive 2008 report that called Vietnam's rise "one of the most spectacular success stories in economic development." Still, the update does expect "developing East Asia," including Vietnam, to continue as "the global growth leader." The country's population of more than 92 million is the largest in the Mekong Region—which the Boston Consulting Group is now promoting as the next growth region to watch—and offers a big, literate labor force to entrepreneurs. Hanoi improved macroeconomic stability, bettered its current account, tamed inflation, and even raised its exports as it adjusted to the global financial crisis. And last year, as a token of ascent up the value chain, its electronic exports surpassed garment exports for the first time.

However, the World Bank warns in its latest update, Vietnam's resistance to continuing liberal reforms is now cutting its competitive export edge. Its "overleveraged" state-owned sector is piling up bad bank debts. Corruption is a drag on growth. The inefficiencies of tiny-plot rice production, changing world diets, and the state sector's lock on rice exports and reported diversion of profits to private pockets may soon reduce these crucial exports. And, more broadly, Vietnam will soon face the usual development hazards of the middle-income trap and the risk that rising middle-class expectations may exceed the government's ability to deliver results.

Still, Vietnam has four advantages. First, a latecomer playing catch-up can mimic successful development models, like Korea's—and, if it's smart, avoid its predecessors' mistakes, including what political scientists call the common pitfall of "partial reform equilibrium." This is the early capture of prize state assets by insider oligarchs, who then live off passive rents—the most conspicuous examples in Russia and Ukraine—and use their new financial and political clout to block further reform that would allow other, more productive entrepreneurs to join the elite.

Second, Vietnam's political leaders can expect a grace period of stability in the next five or ten years. The under-29s are still stunned by how much their lives have improved so far and show little sign of demanding more favors from the leadership. Nor do they feel provoked yet by the kind of ostentation that the Chinese nouveaux riches have displayed. Vietnam's biggest courtroom scandal in January involved an unprecedented $200 million bank fraud. That is still a pittance, in contrast with secret investments in Caribbean and other tax havens by Chinese officials and businessmen that the International Consortium of Investigative Journalists was pegging in January at $1 trillion or more—the top 15 tycoons involved averaging a personal wealth of some $3 billion each.

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Third, the Confucian heritage of respect for education has given Vietnamese a reverence for learning that serves the country well in a fast-changing digital age. When the United Nations first established a category of "least developed countries" that would be eligible for the World Bank's

softest loans, Vietnam failed to get on the list because its literacy of over 90 percent was too high for it to qualify. With this regard for education, the Vietnamese are prepared to embrace innovation.

The fourth and last advantage Vietnam enjoys is its egalitarianism in spreading new wealth down rather than up in its current early stage of accumulation. It has joined and by now has surpassed China in history's fastest and broadest poverty alleviation. The portion of the population living at subsistence level shrank from 58.1 percent in 1993 to 16 percent by 2006. But, unlike China, Vietnam has also practiced redistribution that has reduced the gap between top and bottom earners and avoided the usual abyss between a new plutocracy and a static poor. Between 2010 and 2012, "consumption grew for the entire bottom 90 percent of the population," while the top 10 percent showed no increase at all, the 2013 World Bank update records. If this trend continues, Vietnam will have gone far in avoiding the brake of partial reform equilibrium.

IT'S JUST POLITICS

In spring 2013, the Vietnamese Communist Party had its own let-a-hundred-flowers-bloom moment, if without the lethal backlash of Chairman Mao Zedong's original campaign of half a century ago. The time had come to revise the outdated 1992 constitution and a handful of liberalizers hoped to remove the prescribed leading role in the economy of bloated state-owned enterprises and perhaps even relax the political monopoly of the Communist Party. The party solicited public comments—and received millions of suggestions, including one petition by 72 bold intellectuals to end one-party rule and "abuse of power" and establish democracy instead.

The response was not what the party had expected. It did not react by throwing "dissidents" into labor camps, as Mao did earlier, but it abruptly dropped the campaign, and the state media said no more about it. Then in early fall, the National Assembly, with no public discussion, suddenly banned transmission of news articles or any postings other than personal messages on social media. In late fall, the National Assembly, by a 97.6 percent majority, passed the new constitution, which sounded just like the old constitution. It made no allowance for any party other than the Communists. It still assigned the leading role in the economy to the state sector. By then, according to international human-rights watchdogs, 32 bloggers or tweeters were in jail for criticizing the authorities.

And yet, European diplomats in Hanoi counsel the state of Vietnamese politics should be judged less by its formal constitution and laws than by its practice. Despite the imprisoned bloggers, much of the practice tends to be more lenient than the continuing restrictive legal language.

Some innovative collaborative scholarship by three American political scientists would seem to justify the diplomats' cautious hope. Edmund J. Malesky of Duke, Regina M. Abrami of Wharton, and Yu Zheng at the University of Connecticut accept the consensus view that the Chinese blogosphere, protesters, think tanks, nascent civil society, and outspoken individual law professors and economists are far more politically conscious and articulate than their Vietnamese counterparts. Counterintuitively, however, their research shows that the inner core of party policymakers is already larger in Vietnam than in China and represents wider interests. In China, the seven members of the Politburo Standing Committee are the top-down deciders. In Vietnam, a substantial subset of

Vietnam's 140-member Central Committee shares in drafting policy and explicitly takes regional leaders' views into account. The Central Committee, unlike its rubber-stamp Chinese counterpart, sometimes rejects Politburo-drafted policy. Moreover, it is more involved in nominating cadres for senior party positions, and there is a greater choice of candidates in the final vote.

Significantly, this divergence has not escaped the notice of Beijing. As early as 2006 some would-be Chinese liberalizers contended in the media that China should open up its politics by following the Vietnamese example of electing the party general secretary; letting the Central Committee overrule the Politburo on occasion; allowing direct elections of members of the National Assembly, with a relatively high number of candidates per seat; strengthening the Assembly by increasing the number of permanent members to 25 percent; and televising Assembly sessions when members query senior government and party officials. Chinese party ideologues immediately rejected these proposals and condemned such notions as a repetition of Mikhail Gorbachev's disastrous forfeiture of the communist political monopoly in the Soviet Union.

THE UNDER-29S

On Sundays, teenagers, who fill the park on one side of the Notre Dame Cathedral in Ho Chi Minh City, give every indication that they are pre-political. They use their cell phones to decide where their guitar club will meet next week or plan their high school reunion, not to make political statements. They lag five years or more behind those Chinese teenagers who like to needle officials and evade censors by tweeting homophones for the forbidden words that would trigger instant electronic shutdown. The closest most Vietnamese teenagers have come to political engagement was replacing cellphone photos of themselves with a photo of General Vo Nguyen Giap after he passed away last October. That gesture carried no risk. While Giap did criticize the Communist Party for corruption after his own retirement—and the party was sufficiently embarrassed by this not to disclose his death immediately—he remained a national monument for having driven the French and Americans out of Vietnam. The young people who flocked to his house unbidden to pay their last respects—and by their reflexive action finally forced the government to announce his death—could safely demonstrate homage to Giap without signaling whether they were honoring the war genius or the critical thinker.

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The Sunday crowd of young people offers similarly apolitical answers when asked the origin of the name of Vo Van Kiet Street, Saigon's main avenue leading west to the Mekong Delta. One strapping youth in the high-school-reunion circle says confidently that Kiet was the commander who beat back the first Mongol invasion in the 13th century. Others shrug their shoulders. Only one replies correctly, "He was the prime minister from the south who introduced *doi moi* and rescued us." In fairness, it should be said that most of the young people could not name the current prime minister or president either. Political leaders today remain something of a blur. No

public figures have replaced the old icons, either in charisma or in re-imagining 21st-century politics.

At this stage, the key to anticipating where Vietnam will go next is probably not to be found in conventional economic or political analysis, which still leaves Vietnam's dynamism as something of a riddle wrapped in a mystery. Better clues can be found in what is already the middle-class mindset (if not yet in every case a middle-class income) of Duyen and his far-flung cousins and colleagues. Theirs is the first generation that has had to invent its own life instead of simply replicating its elders' subsistence farming or guerrilla privation. They are the first in their families to have chosen their own marriage partners rather than accepting a union arranged by parents. They are the first generation to adopt the custom of bringing the toilet from the outhouse into the middle of the home. They are the first to give their toddlers tricycles and blow-up plastic pools to splash in and let them watch Tom and Jerry cartoons on TV; the first to play a set of tennis before reporting for work in the morning; and the first to eat meals sitting on chairs at raised tables (except when grandparents are present and everyone dines on the floor, even in luxury apartments). And above all, they are the first generation in five millennia to have known only peace in their lifetime.

One member of this generation, Nguyen Hai Tho, lives with his accountant wife and their kindergarten and first-grade children in a rural district west of Hanoi that will soon be incorporated into the urban capital. He no longer shares his parents' views about a predestined clash between communism and capitalism. He appreciates the sacrifice of his elders for the liberation of the country, "but for our generation, we just think it's good for Vietnam to have good relations with every country, especially the West and America."

A European diplomat in Hanoi confirms this widespread Vietnamese affection for Americans in answering a question about how Vietnam's love-hate relationship with China differs from its love-hate relationship with the United States. "There is no love-hate relationship with America," the diplomat says. "Just love-love."

WIN-WIN FOR THE WEST

Today, the popular Vietnamese affection for America, coupled with the stability arising from the under-29s' pride in their parents' sacrifice for Vietnamese independence, offers an expanded win-win opportunity for Washington and Hanoi. Ever since the two countries restored diplomatic relations two decades ago, they have been building on an obvious commonality of strategic interest. Vietnam, which in 1979 ended its last (brief) war with China in the two countries' millennia-long history of conflict, is keen to persuade the U.S. to be its informal ally in seeking peaceful resolution of disputes with its giant northern neighbor over islands in the South China Sea. The United States is equally keen to implement its pivot to Asia by cooperating with as many Asian nations as possible in maintaining the region's maritime security.

With the maturing and consolidation of the new middle-class mentality of the under-29s in Vietnam, though, a dimension beyond just strategic mutuality is now opening. This half of the population saw how the party leadership responded to the black market that started spontaneously in the 1980s, by calling the phenomenon its own *doi moi* policy. Many of their number—including the 106,000

young Vietnamese who are currently studying abroad and the 500 Vietnamese who have been Fulbright scholars in the United States—surely bring to their careers a sense of empowerment as well as specialist knowledge when they return to their homeland. They will have a better chance to advance in their own fields because of the party leadership's responsiveness to rice roots initiatives two decades ago. In particular, because of the decision at that time to redistribute new wealth down to the poor rather than topping up the bank accounts of a first group of Russian-style oligarchs, these young people should not find their promotion at higher levels totally blocked by the first tranche of financial winners. Moreover, having lived and prospered through the *doi moi* changes, they have probably acquired some instinct for how party leaders operate. They will strive now to create facts on the ground and then lobby authorities to adopt policies that support their innovation.

Happily, Vietnam presents a case in which the West's existing low-key foreign policy is a good fit. The country's second market revolution is propelling Vietnam in the right direction. The West can relax, resist the urge to remold the Vietnamese system into its own image, and let the motorbike generation lead organic change from within. Whether by design or by neglect, the West's present approach of classic diplomacy is appropriate. It consists of simply watching the domestic dynamics, identifying emerging leaders who want to maximize meritocracy and fairness in governance, and discreetly reinforcing these innovators. For example, by funding as many student and youth exchanges as possible. ●