

***Vietnam in the Global Economy*. By Thomas Jandl. Boulder, Colorado: Lexington Books, 2013. Hardcover: 299pp.**

To the surprise of most contemporary observers, Vietnam's *doi moi* reforms succeeded brilliantly. Abandoning a disastrous decade-long experiment with central planning, in 1986 the Hanoi regime opted for “market socialism”, an odd amalgam that allowed domestic entrepreneurs and foreign investors to colonize the spaces not filled by Soviet-style state-owned enterprises (SOEs). Reform began raggedly, but the disintegration of the Soviet bloc left Hanoi with no option but to push forward. Led by labour-intensive export industries, Vietnam averaged around 7 per cent annual growth in GNP between 1990 and 2006. Per-capita dollar incomes rose by eight times.

What's not so obvious is why the reforms succeeded. Current scholarship, notably David Elliott's *Changing Worlds: Vietnam's Transition from Cold War to Globalization* (2012) as well as Thomas Jandl's new study, reveals *doi moi* to have been a desperate leap in the dark. Contemporary analysis did not offer great hope. Dependency theory forecast that the economy would continue to bump along the bottom while dodgy foreign investors and local elites split whatever rents — chiefly timber and minerals — could be easily harvested. Theorists of the East Asian development model regarded Vietnam as insufficiently Confucian — there was no honest and visionary elite able to take on and tame systemic corruption. Liberal economists looked in vain for civil institutions able to call leaders to account and compel a relatively efficient sharing of national wealth. The World Bank and the IMF were persistent, vocal skeptics.

“Success was serendipitous”, Professor Thomas Jandl of American University concludes (p. 265) after a close look at disaggregated data on investment flows, internal migration, per capita income, tax revenues and the like. His *Vietnam in the Global Economy* is a largely successful effort, drawing on harmony of interest theory, to explain what happened — Vietnamese elites restrained a natural tendency toward predation, reducing rent-seeking to a level that did not frighten off foreign investors and provided “good enough governance” — and to suggest why.

Jandl examines the behaviour of different groups of actors for evidence of cooperation in the pursuit of win-win outcomes. In successive chapters he draws four conclusions. First, political and business elites in cities/provinces with strong economic performance were willing to limit their rent-seeking in order to offer the credible

commitment to good governance that foreign investors demanded in return for investing in a jurisdiction (Chapter 4). Second, elites in nearby jurisdictions emulated these reforms, hoping thereby to also attract foreign investment to their own provinces (Chapter 5). Third, Vietnam's workers were typically young and mobile. If they saw better opportunities elsewhere, they would move on, or maybe move back home, concludes Jandl. Elites in the most successful cities/provinces therefore tended to "support their working classes", e.g., by prodding factory owners to pay decent wages, build worker dormitories, provide canteens, and by themselves ensuring an ample supply of kindergartens, medical clinics and other social services (Chapters 6 and 7). Fourth, national elites contributed by devolving considerable autonomy in economic matters to the provinces, including, crucially, the authority to approve proposals by foreign investors. At first that often meant *ex-post facto* ratification of unauthorized but successful initiatives at the province level. Importantly, however, Hanoi retained control of fiscal policy. It collected funds according to each jurisdiction's ability and reallocated them according to its needs (Chapter 8).

Good qualitative data is hard to come by in Vietnam. To build his argument, Jandl relied on two surveys conducted annually in Vietnam. One, the Provincial Competitiveness Index, collates views of local private businessmen and foreign investors. The PCI has been published since 2005 by VCCI, the Vietnam Chamber of Commerce and Industry, with US Agency for International Development support. A newer survey, the Provincial Governance and Public Administration Performance Index (PAPI) was launched in 2009, the product of collaboration between the UN Development Programme and various regime-linked researchers. It aims to provide "Vietnam's first publically available dataset providing an objective evaluation of governance from the perspective of citizens" (see [papi.vn/en/about\\_papi.html](http://papi.vn/en/about_papi.html)).

Jandl used PCI data from 2009 and PAPI data from 2011 to test his hypotheses. It is deployed in seemingly endless, often repetitive pages in the central chapters of *Vietnam and the Global Economy*. Readers in pursuit of implications for the present may wish simply to register that Jandl assembles a lot of support for his argument that economic actors in Vietnam limited predation to levels that investors from Taiwan, South Korea, Japan and Singapore did not find unreasonable (pp. 34–35). He credits this extraordinary forbearance with initiating a virtuous circle that has persisted to the present, drawing in a progressively better class of investors.

In Chapter Nine, *Lessons for Theory and Practice*, and the *Epilogue* that follows, Jandl ponders whether Vietnam's Communist Party, having brought off the *doi moi* miracle, now has the political vision needed to carry the nation past the middle income trap. "In the near future" he states, "Vietnam needs to temper inflation and speculative bubbles, deal with the state-owned enterprises, balance its development and adapt its fiscal system to the reality that some provinces attract migrants ... while others lose residents" (p. 249). The Party claims exclusive right to rule, but missteps in its management of the impacts of worldwide recession and the Internet-driven loss of its monopoly on information have combined to erode its legitimacy. It is now an open question whether the Party can summon up the economic dynamism and, as Jandl reminds us, the self-restraint needed to reach a higher and healthier level of development.

*Vietnam in the Global Economy* is a book that tests theories by crunching numbers. I would have relished it more if Jandl had in addition mined the Vietnamese media for examples that illustrated the conclusions he reached.

To digress for a moment, researchers vastly underutilize Vietnam's government-licensed press. Yes, a reader must bear in mind where a publication stands relative to the regime and also a shifting landscape of "no-go zones" where reporting (or the absence of it) is dictated by the media's political masters. That leaves, however, a broad area of human experience. The media, and particularly the two or three dozen dailies that sell enough advertising and copies to be financially independent, serve up story after story that illuminate the choices faced by factory workers, farmers and businessmen, local and central officials. For the perceptive reader, it is all there — fence-breaking, rent-seeking, boundary-maintenance — the devices and dilemmas that characterize a system far more sophisticated and subtle than can be captured by game theory.

*Vietnam in the Global Economy* is an extraordinarily fertile resource for PhD candidates, a book rich with propositions just begging to be tested. What was going on in Lao Cai or Quang Ninh or Lam Dong, for example, outliers where the results did not fit Jandl's theory? What drew the first Taiwanese or Korean garment-makers to Vietnam? When the state raised the minimum wage, which foreign enterprises left for Cambodia, Bangladesh or Myanmar, and which doubled down their investments? Why haven't Vietnamese companies muscled their way upward in value chains or hustled to supply inputs to the high-tech multinationals now setting up in Vietnam? What were the drivers of the 2007–08 real estate bubble?

Was the expulsion of Vietnam's Chinese population in 1978–80 a necessary step towards the “social cohesion” typical of the East Asian development model (p. 248)? In what other countries (Iran? India?) might the “harmony of interest” scenario outlined by Jandl apply?

Vietnam's *doi moi* period is effectively over; something new and as yet without a name is being born. In Hanoi or Ho Chi Minh City, speculation is rife that in January 2016, the next Communist Party Congress will reset the socio-political dynamics of the nation. As the Party struggles to redefine its mission in ways relevant to the Internet age, to reassert its legitimacy as the only elite capable of steering Vietnam safely towards a golden future, Jandl's analysis of what has gone before provides an essential foundation for understanding these events.

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