

VIETNAM AND KAMPUCHEA TODAY — AN EYE WITNESS ACCOUNT

Bruce Matthews

At the 6th Party Congress in 1986 the Vietnamese decided to eliminate central planning and to initiate a series of reforms to create a market economy, a free enterprise economy. That was an irreversible decision. The die is cast. I was told by a number of authorities — both Vietnamese and Western diplomats — that reversing those decisions now is inconceivable. So the possibility of Tien-an-Men Square type situations developing, of the clock being really and deliberately turned back, is highly unlikely.

However, what makes the situation in Vietnam somewhat unpredictable is the fact that the Vietnamese are interested in trying to keep the political and the economic apart. They insist that these are two separate entities. The Soviet Union reformed its politics but not its economy and the Vietnamese reformed their economic system and not their political system and in both cases the result is chaos.

Today Vietnam is facing economic chaos. Though they are trying to build a market economy of sorts, they lack the most basic of infrastructure needed in a modern economy like communications, banking laws and a system of commerce that is based on a well worked out legal system. Still, businesses are allowed to function. This is a paradox. For example the green light has been given to go ahead with private banking but there's no private banking law. The people, especially in the South and Ho Chi Ming City, are finding this situation very frustrating. They

know that there is a great deal of opportunity which they want to use but there is also a lot of uncertainty due to the lack of proper material and legal infrastructure.

Vietnam is an enormous country. No European or foreign power can ever help them to build the infrastructure. It needs an international effort of enormous magnitude — at the IMF, World Bank level.



Heng Samrin:

Diego Taro

Vietnam now has a debt of 1.7 billion US dollars. Most of this is owed to the so called hard currency states. It's something that they have to keep in mind. Most economists I spoke to, argued that in 1991, when the New Five Year Plan comes into focus, there will have to be a big military budget cut because military expenditure comes up to about 15% — 30% of the total expenditure every year.

The economy is still run by the so called Planning Commission in Hanoi and its decisions are mostly poor, due to the lack of experience.

The way in which this can be offset even to some degree is by the cities taking on more and more responsibility of their own, i.e. economic decentralization. But still major decisions are made in Hanoi by the so-called Planning Commission.

Most of the trained economists in Ho Chi Minh City are unhappy with this state of affairs, but there's not much they can do about it except to try to persuade the bureaucrats in Hanoi to leave economic decision making to trained experts. It's hoped that trained investment and management experts might be invited to come in to help run some of the businesses which are being planned.

Vietnam get most of its produce from China. The Dong — the Vietnamese currency — is not controlled and there are no fixed prices any more and so there's no black market. In Vietnam you can go to any store and change your money. So there is a great deal of surplus US dollars pumping through the entire entrepreneurial economy of Vietnam. So there is a roaring trade even of luxuries.

In Vietnam a average family makes about 40,000 dong a month and that's about 12\$ US. The average village school teacher makes 27,000 dong a month — 5\$ US. In return they live in co-operative farms and they can rent land from the Government. In Vietnam, you rent the land according to the size of the family. You can will it to your children or to somebody else. But it can never be sold.

I visited a Vietnam co-operative farm. They are not called 'collective' any more. The families have been allowed to lease land from the state, so they all have a stake in the success of the farm. And they work very hard. They can keep 70% of their produce to sell. Only 10% goes to the government. 7% goes to village funds. The rest goes to pay bills like electricity etc.

History of the economic embargo

The US, Japan and therefore the IMF, World Bank, Asian Development Bank embargo is one of the most crucial circumstances confronting the Vietnamese. If we go back over the chronology of this, when Vietnam invaded Kampuchea in 1979 (I think that was a humanitarian thing to do) the Americans felt insulted for whatever reason and they cut their own assistance to Vietnam, which had only been in place for four years. Then they persuaded the IMF to suspend its lending in 1985. So for the last five or six years Vietnam had to face this comprehensive embargo. The two major forces behind this embargo are the United States and, curiously, Japan.

What makes the situation in Vietnam somewhat unpredictable is the fact that the Vietnamese are interested in trying to keep the political and the economic apart. They insist that these are two separate entities.

The Europeans in particular and also some of the Pacific Rim countries like Australia are probably not going to go along with this much longer and have already taken the first steps out. For example Sweden is giving a 100 million US dollars free grant between this March and the March of 1992. France for instance is planning of forty million dollar programme over a two years period. Australia, Denmark, Canada, Switzerland and Italy are also interested in going in with what I consider to be rather massive aid programmes. These aid programmes are loosely called humanitarian aid. A country like Canada can go ahead with a programme of aid citing humanitarian reasons because this way they can explain themselves to the United States. And I think aid from these non socialist countries will increase in the coming months.

Australia's stake right now in Vietnam is trying to solve the Kampuchean problem. They want the

Vietnamese economy to become more like a Pacific Rim economy and instead of being locked into the isolation where America has pushed Vietnam into.

In the last few days there seem to have been a refreshing change in the US attitudes towards Kampuchea – the fact that the US will not to back the tripartite group with the Khmer Rouge. Indirectly of course this will spill over to affect US policy attitudes to Vietnam. As you know US Congressional Elections are coming up in November. The issue of Vietnam is a very touchy one in America. Most lower middle class Americans and that is the majority – distrust Vietnam. They are still smarting from the wounds of the war. So there isn't a great deal of public support in the U.S. to change

the attitude towards Vietnam. It's not a high priority item with President Bush. And if there's a change in US policy attitude towards Vietnam, he might lose some of those congressional elections. So if there's some kind of change in the US policy towards Vietnam and a lifting of the embargo it'll most probably happen next Spring.

I was very impressed with the work that the Heng Samrin Government has done in Kampuchea to restore law and order and some sense of viable economy.

The US and Western embargo against Vietnam has forced Vietnam to find other sources of support and they found that in the Eastern bloc. But that source is drying up. So it looks as if they have no way out other than the Peoples Republic of China. And at the street level the economy is Chinese. All the goods come from the Peoples Republic of China. So there is already this close link with the Chinese economy at that level. US policy actually is hurling Viet-

nam at the PRC because there's nobody else turn to. The consequence of US policy is therefore defeating what America originally wanted and that is ironic. Hardliners in the US and in Vietnam feed on each other and strengthen each other.

I think the EEC, Australia, Canada etc. are going to take a line independence from America and are going to go ahead and do business with Vietnam. Already, for instance, Petro Canada is into oil exploration in Vietnam. And American oil companies are very unhappy about this. South East Asian Oil Exploration is a very lucrative business and American Companies are missing out on this and therefore passing control over to Canada, France and other countries. I think the US business community in the long run will have a bigger say with Bush and Congress than any other group. But so far this has not happened.

The Kampuchean Issue

US has used as an excuse for the embargo, a demand that there is a solution to the Kampuchean conflict. Now here they have acted with considerable duplicity because the initial demand was that Vietnam should withdraw from Kampuchea which they did in the September of 1989. Then immediately or very soon after,

instead of lifting the embargo, the US added this new caveat.

There have been several attempts recently at an international level to find a solution to the Cambodian problem. The first such attempt in the recent past was the Paris Conference of 1989 consisting of the so called P5 – the five permanent members of the US security council. Then there was the Tokyo meeting – just a few months after, and then on the

11th of July this year there was another P-5 meeting. So there were three high level meetings in one year on this issue of Kampuchea and none of those was able to make much headway which is depressing.

If one looks at the Tokyo meeting however there was a little more hope because Japan and Australia took the leading roles in trying to put ideas on the table and argued that the Kampuchean issue should not be the monopoly of the permanent Security Council of the UN – because what has France, for example, got to do with Indo China anymore? The council period is over. Much more relevant are countries that are close to Kampuchea like Australia and Japan – the Pacific rim countries. But nothing really came out of the Tokyo meeting either because the Peoples Republic of China wouldn't go along with the SNC proposals – having a provisional administration of 12 member, 6 for the present Hun Sen government, 2 for Sihanouk, 2 for Son San and 2 for the Khmer Rouge. So you'll have the tripartite group plus the present government of Phnom Penh co-operating together. It sounds reasonable, but neither the Khmer Rouge nor the Peoples Republic of China would accept it. Then Australia proposed the UN plan to send a UN body into Cambodia – like Cyprus or the Gaza strip. A UN force to keep law and order while a UN administration runs the country and organizes elections. Australia did a lot of work on this and has a well planned and articles strategy. But this too was turned down. So there was some disappointment.

What is happening in Kampuchea?

Like many visitors I will have to say that I was very impressed with the work that the Heng Samrin Government has done in Kampuchea to restore law and order and some sense of viable

economy. It's a very open economy though Kampuchea is still theoretically a Communist State. And though it is a one party system and there's very little evidence of a multi party democracy coming into being, nonetheless it is not a heavy handed government.

Khmer Rouge will have us believe that they are making big inroads into the interior of Kampuchea. This is absolute rubbish.

The Khmer Rouge have a very effective propaganda machine and for some reason people believe them. And when we were in Phnom Penh meeting with various people – including Western experts and NGO representatives – I thought the way in which Khmer Rouge had persuaded the West that they actually have control over the country side is extraordinary, **because it was clearly not the case.** The Khmer Rouge control at most 6% of Cambodia – at the very most. Yet if you listen to international news agencies – even the Voice of America – you will hear that the Khmer Rouge saying "last night we assaulted Battam bang and any day now we will capture the cities." This is rubbish. And people hearing this would think that the Khmer Rouge has a lot more popular support and control over land mass than it really does. I think however that some countries are waking up to this reality. Canada, for instance is planning to go into Kampuchea in a big way with aid packages etc.

I went from Ho Chi Minh Ville to Phnom Penh. Not many people do this drive. In Phnom Penh there's an economy, a micro economy, an economy at the fundamental, level which has turned every house which faces even a minor road into a store where you can buy Heineken beer and Coca Cola etc. These items come in from Indonesia, Singapore and Thailand.

In fact you can buy Hieneken beer cheaper than you can buy it in the US! I have never seen a more aggressive market – street

level economy – than I have been seen at Phnom Peng. But there's no environmental consciousness at all.

Cynics say that Heng Samrin is just a puppet government, but I don't agree with this point of view.

In 1979 as soon as Heng Samrin took over in Kampuchea within two or three years, they were exercising considerable independence from Vietnam in terms of economic policy. And Vietnam didn't seem to mind as long as the Kampuchean government policies didn't interfere with the status quo of the Vietnamese army. So Kampuchea's economy liberated itself before Vietnam economy did. Kampuchea started having a market economy before Vietnam did – in the early 80s. In Vietnam the change took place only in 1989 after the 6th Party Congress.

The Kampuchean economy didn't look sick or feeble to me. But as I said it's at a very micro level. But if you go beyond that you will confront the infrastructural problems which are much more serious than in Vietnam. For example there's hardly a communication system and there are no trained management experts at all. But still I feel that Phnom Peng can rejuvenate itself very fast – if the necessary infrastructure and expertise are provided.

Vietnam has a problem of over-population. – there's not enough arable land. In Kampuchea it's the opposite. It's underpopulated. You have a country that's more than twice the size of Sri Lanka with a population like what was here in 1900. The agriculture potential, economic potential of Kampuchea is considerable.

The Thai Factor

Incidentally why didn't the Thais play a role in ridding Cambodia

Contd. on page 28

Contd. from page 14 Major Economic Indicators: Socialist Republic of Viet Nam

		1986	1987	1988	1989	1990
Gross Domestic Product	% change	3.4	2.1	5.6	5.6	6.5
Agriculture		1.9	-3.4	4.2	3.5	4.5
Industry		4.6	11.3	10.4	10.0	11.0
Services		4.3	3.7	4.3	4.5	5.0
Gross Domestic Investment	% of GDP	10.3	7.4	7.0	10.0	11.0
Inflation Rate	% change in RPI	487	301	308	175	75
Exports	\$ billion	0.79	0.86	1.01	1.12	1.23
	% change	5.2	9.7	23.6	5.3	8.8
Imports	\$ billion	2.10	2.19	2.49	2.70	2.76
	% change	35.2	1.7	13.6	4.4	5.8
Trade Balance	\$ billion	-1.37	-1.33	-1.43	-1.48	-1.53
Current Account Balance	\$ billion	-1.42	-1.36	-1.49	-1.54	-1.59
Debt-Service Ratio	% of exports	51	49	77	67	63
External Debt	\$ billion	7.7	10.7	12.0	13.4	15.0

Sources: Government of the Socialist Republic of Viet Nam, The Central Statistical Office; and Staff estimates.

of the Khmer Rouge. If they kicked the Khmer Rouge out who would have punished them? So why didn't they do this! There are many theories about this. The one I find most interesting is that if the Thais took over the responsibility of invading Kampuchea to kick out the Khmer Rouge having got the green light from Vietnam - which would surely have given it - they probably would have been defeated by the Khmer Rouge. Because though the Thais have a huge army it's fighting capacity is poor. A few year ago they were defeated by the Laotian People's Army in a very interesting battle on the upper regions of the Mekong about 200 kms North of Vientiane. When the Vietnamese entered Kampuchea, the Khmer Rouge just collapsed like a house of cards - may be the Thais couldn't have done that.

The Khmer Rouge and the Killing Fields

Khmer Rouge will have us believe that they are making big inroads into the interior of Kampuchea. This is absolute rubbish. For example the LTTE can come down to Colombo and throw a bomb at any hotel or business. But that doesn't mean they can capture Colombo. Similarly anybody can go to Phnom Peng in the name of the Khmer Rouge and throw a bomb. In the last two or three months there was only one bombing incident in Phnom

Peng. But rumours say that the Government did it to get the people realize the possibility that the Khmer Rouge might come back and therefore get them more alarmed and alert because there is a certain lassitude that has crept in.

I don't think there's any support for the Khmer Rouge. Of course I personally didn't get the chance of speaking to the villagers. But I very much doubt it.

I was taken to the killing fields about 15 kms outside Phnom Peng. It's almost impossible to describe. There are these huge fields (there is a huge Buddhist Stupa now to commemorate the victory). You are invited to walk in the fields. And as you do it soon strikes you that what you are actually seeing sticking out of the ground are bones and little pieces of cloth. They still have not decayed after all it was only 10 years ago. Maybe in another 10 years these will not be there.

Teenagers were at the vanguard of Polpot's army. Polpot's power base was mainly very depressed youth from the North East of Cambodia and they had no civilization. There are chilling stories about how Pol Pot forces took over Battambang and Phnom Peng. Those who lived through it describes the silent stony faces of the young soldiers of the Pol Pot army as they went through towns. Then the Kampuchians didn't realize that they were visitors from hell.