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Four Faces of Vietnamese Communism: Small Countries' Institutional Choice Under Hegemony

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Since 1975, Vietnamese communism has changed face three times. These frequent and radical institutional permutations have been unprecedented among communist countries. This paper argues that hegemonic dependence, domestic economic imperative, and elite idealism are the three main factors that determine Vietnam's institutional configuration. Among the three, dependence on a hegemon means the dominance of the developmental model and institutional preferences of that hegemon. Only when there is no hegemonic dependence do domestic economic imperative and elite idealism emerge as the crucial factors in determining institutional arrangements. Historically there have been four developmental stages for Vietnam's communist regime: independent socialism (1975–1977), orthodox socialism (1978–1985), glasnost socialism (1986–1990), and market socialism (1991–now). Among the four stages, orthodox socialism and glasnost socialism are the direct result of Hanoi's dependence on Moscow. After examining Vietnam's historical experience, we conclude that small countries' institutional choice under hegemon is extremely limited, but they regain latitude when hegemonic dependence is removed. © 1998 Elsevier Science Ltd. All rights reserved

Historically there have been four developmental stages for Vietnam's communist regime. We shall characterize them as the stage of independent socialism, orthodox socialism, glasnost socialism, and market socialism. Independent socialism refers to the period 1975–1977, a time when the new socialist country kept equal distance with both Beijing and Moscow. Orthodox socialism began with the rapid deterioration of the Beijing–Hanoi relationship and culminated in the Chinese “punitive war” against Vietnam, which was followed by Hanoi's decisive tilt toward Moscow. Because the Soviet Union between 1978 and 1985 was ruled by a conservative regime, socialist Vietnam put on a straight institutional jacket during that period of time and suffered from the inevitable drawbacks of the traditional Soviet system. Then, with the launch of the reform movement in the Soviet Union under Mikhail Gorbachev, Hanoi changed its course again, embracing glasnost socialism from 1986 to 1990. However, Gorbachev's program did not serve the reformers well in the Soviet Union, let alone in Vietnam. After a period of intensive intra-party struggle, the Vietnamese communists opted for a Chinese-style reform,

separating the economy from politics and concentrating on economic reform. From 1991 on, Vietnam embarked on a new course of market socialism.

Vietnam's abrupt institutional permutations in a short time span is quite unique among socialist countries. The presence of strong international factors makes the case even more interesting. China, Japan, France, the United States, and the Soviet Union were all active players on Vietnam's political stage, fighting with one another and buttressing local political forces as their allies. Vietnam was for a long time on the front line of the Cold War, epitomizing superpower struggle. Under tremendous international pressure, the Vietnamese communist regime nevertheless remained staunchly nationalist, enjoying an unbeatable record of boldly fighting against the Japanese, the French, the Americans, and the Chinese consecutively without ever losing a war.

The case of Vietnam is understudied today because, with the end of the Vietnam War and ultimately the Cold War, Vietnam has slid back to a status of a poor third world country with an inefficient communist system. It did not even produce gross human tragedies of the North Korean proportions that attracted global attention. However, it can be argued that the communist regime in Vietnam has, up to this point, successfully adapted to the collapse of the Soviet bloc, a rare achievement among socialist countries. How did it do it? What were the international and domestic factors that accounted for such a grand shift? These questions can be answered only by exploring the developmental path of the Vietnamese communist regime.

In this paper, we begin by identifying three main approaches found in the literature. We then present our analytical framework that concentrates on three factors: hegemonic dependence, domestic economic imperative, and elite idealism. These factors agitate for specific policy orientations. They are also positioned in a hierarchy, so that a high-level factor overwhelms a low-level one when the two operate in different directions. The resultant institutional configurations are what we have presented at the beginning of the article: independent socialism, orthodox socialism, glasnost socialism, and market socialism, following a chronological order. In the conclusion, we postulate the rules that determine small countries' institutional choices under hegemony.

Contending Approaches

In the study of Vietnamese political development, one finds three major schools. The elitist theory argues for the centrality of the preferences of the ruling communist elite. The economic model finds the driving force of political change in the economy. The internationalists claim external political factors determine the outcome in the final analysis.

Since the Vietnamese regime is a party dictatorship, it is only natural to concentrate on the ruling elite. The economic plight of the early 1980s is thus attributed to the misjudgment, passivity and corruption of the leadership. In the aftermath of unification, the revolutionary leaders found no common enemy to fight. Their idealism soon dissipated and their personal ambition rose above the concern for public well-being. The nation then slid into rapid decay (Huynh, 1989).

The elitist model not only attributes political and economic decay to the ruling elite, it also finds the cause of the 1986 reform in elite initiative. The reform package was based on a consensus reached in 1980 among top leaders (Jin, 1990; Kim, 1989). Its smooth implementation suggested a widely shared belief in structural reform (Stern, 1989; Ayoob and Samuda-

canila, 1989). The party leadership responded to the changing environment with vision and determination. They steered the country through difficult transitions.

Another variant on the same elitist theme is offered by those who apply generational model to elite politics. It is asserted that the revolutionary old guards were deeply committed to building socialism in Vietnam and would not yield even in the face of crisis. It took the death of general secretary Le Duan, in July 1986, to initiate a transfer of power from the old guards to the reform-minded Young Turks. The reform was then set in motion at the Sixth Party Congress held in December 1986, when the remaining veteran revolutionaries Truong Chinh, Pham Van Dong, and Le Duc Tho were forced out of the Politburo while Nguyen Van Linh took over as the new general secretary (Porter, 1990, 1993, ch. 5; Tian, 1993, ch. 4). A change of guard brought about a change of basic party line.

Vietnam's post-1975 political development can also be explained in terms of the changing economy. In this scheme party leaders adopted reformist policies not by their own volition, but out of desperation. Vietnam was poorly endowed to pursue a draft industrialization cum collectivization of the Stalinist version. Its resources were quite limited and unevenly distributed. Its capital was extremely meager and diffuse (Ronnas and Sjoberg, 1991). Disastrous economic policy brought about famine in the late 1970s. In 1978 Vietnam's grain production came short by 7 million tons, and the regime had to depend on aid from fellow socialist countries to muddle through (Niehaus, 1979, p. 88). The Second Five Year Plan (1976–1980) was a total failure which led the regime to tinker with its first agricultural reform. Because the reform measures were superficial and inconsistent, very little was achieved. This, plus a galloping inflation and a rising deficit, persuaded the leadership to launch a second wave of reform in 1986 (Than and Tan, 1993, ch. 1; Cima, 1989; Elliott, 1992).

The economic school believes that political elite does not have much leeway when it comes to undertaking reform measures to head off an economic crisis. Personnel changes in the top echelon have been the result of policy failure which in turn was caused by objective economic conditions (Vu, 1994, pp. 8–9). Factional struggle and generational change in the leadership have reflected economic difficulties. Following this interpretation, the reformers gained the upper hand and launched the new economic policy in response to objective economic conditions after the failure of the centralization policy of 1982–1986 (Khng, 1993). Each time political power was distributed among the elite according to the relative effectiveness of their economic policies.

The international approach stresses the impact of external factors in determining institutional change in socialist Vietnam. Thus the founding father Ho Chi Minh's nationalist revolution gradually evolved into a socialist revolution under the influence of Moscow and Beijing whose support Ho depended on (Kimura, 1989, ch. 3). Vietnam's adoption of the Stalinist mode of development could also be explained in terms of Hanoi's dependence on the Soviet Union. After the unification of 1975, Vietnam was under great pressure from Beijing to side with the PRC in curbing Soviet hegemonism. At the same time, Communist China persuaded Cambodia's Khmer Rouge regime to provoke Hanoi. Vietnam then plunged into a protracted intervention in Cambodia and found itself completely isolated. The cost of the war and the international trade embargo could hardly be compensated through aid from the Soviet Union and fellow socialist countries. The economy was sent into a tail spin, and the political leadership was badly shaken (Evans, 1989). The subsequent changes in policy and personnel were thus rooted in the external environment.

The role played by the Soviet Union in prompting Hanoi to change its course is undeniable.

Mikhail Gorbachev's *glasnost* and *demokratizatsia* tilted the balance in the high-echelon power struggle of the Vietnam Communist Party (VCP)¹. The political ascendancy of the reformers Nguyen Van Linh, Vo Van Kiet, and Nguyen Co Trach at the Sixth Party Congress may be directly associated with the pressure from Moscow (Luo, 1987). The reformers' policies of openness, institutional reform, and new thinking were derived from Gorbachev's official line (Li, 1990). Later, with the decline and ultimate demise of the Soviet Union, Hanoi stopped its tinkering with political reform, and shifted to a Chinese-style, two-prong policy of "reforming the economy while tightening political control." It also attempted to reach an rapprochement with the United States. These policy shifts were actually imposed on Vietnam as it had lost the support from Moscow (Schellhorn, 1992; Yeong, 1992; St John, 1993). In sum, all major political changes in post-1975 Vietnam were caused by external factors.

No one can deny the fact that elite preferences, economic performance, and external factors all played an important role in shaping the course of Vietnam's political development. However, how these factors relate to one another, and how much they weigh against one another in the political process are critical questions that are usually left unanswered in the literature. The best we can get is a "laundry list" of domestic and international factors that bear on the political process, without any structuring of the items on the list that yields satisfactory explanation of the historical patterns (Gu, 1995; Williams, 1992).

Evolution Under Hegemon

After investigating the four developmental stages of the Vietnamese communist regime, we find three critical factors that are of particular importance in shaping Vietnam's post-1975 development. They are hegemonic dependence, economic imperative, and elite idealism. Hegemonic dependence denotes the existence of a dominant hegemon on which Vietnam is totally dependent. This means that Hanoi would have to adapt to the institutional preferences of the hegemon. If the hegemon itself is experiencing institutional reform, then Vietnam is under great pressure to follow suit. It is not necessary that there be a dominant hegemon. Hanoi has been good at keeping equal distance with both the Soviet Union and the PRC, thus maintaining its independence. In this way, Hanoi was playing the role of a "pivot," and both Moscow and Beijing were the "wings" (Dittmer, 1981). However, if one of the "wings" becomes too threatening, and Vietnam is forced to side with the other "wing," then a "senior-junior partnership" is formed, and Vietnam comes under the influence of a dominant hegemon. From that time on, the logic of hegemonic dependence begins to work, namely Hanoi has to pay heed to the hegemon's institutional preferences.

We can operationalize Vietnam's hegemonic dependence in the context of history. It can be either "yes" or "no." When there is a dominant hegemon, then its institutional preferences can be either "orthodox socialism," or "glasnost socialism." Orthodox socialism implies a set of Stalinist institutions including centrally planned economy, elimination of private property, one-party dictatorship, and totalitarian political control. Glasnost socialism, which first appeared in the Soviet Union, and then spread to the satellite countries, includes introduction of market (or market socialism), marginal privatization, one-party pluralism (multiple-candidate elections), and political tolerance. These were the dominant features of Gorbachev's reform of 1985–1991. When Vietnam, or East European countries, were under the hegemonic depen-

1. The Vietnamese communists changed their party name from Vietnam Workers' Party (VWP) to Vietnam Communist Party (VCP) at the Fourth Party Congress held in Hanoi on December 14–20, 1976.

dence of the Soviet Union, they were heavily pressured to adapt to Gorbachev's institutional preferences.

Economic pressure has always been present in Vietnam's post-1975 development. However, here we are mainly concerned with whether the economic situation has reached a crisis level, and whether there is an imperative to reform the economic system. It is assumed that when socialism presented hope in the early years of the communist regime, economic pressure was low. But when socialism failed to deliver economic benefits, as it promised to do, and in fact plunged the country into an economic crisis, then there was an imperative for a change in the country's economic policy, leading to a restructuring of the economic system. Hence, economic imperative can either be "present" or "absent." When it is present, there will be strong pressure for economic reform of at least a market socialism type. When there is no economic imperative, the regime is without strong motive to push for painful economic reform.

The third critical factor is elite idealism, by which we mean the revolutionary goal of building socialism in Vietnam. This is the factor that sustained Hanoi's strenuous efforts to, first, fight against French colonialism, and then American intervention. It denotes socialization of the means of production, collectivization, draft industrialization, and delinking with the capitalist world. Elite idealism was strong initially, but then it declined rapidly.

Now we can spell out the institutional implications of the three variables. When there is hegemonic dependence, and when the hegemon is practising orthodox socialism, the institutional implication is "no reform, either political or economic." If there is hegemonic dependence but the hegemon practices glasnost reform, then the institutional implication is "economic reform cum political reform." When there is economic imperative, "economic reform" will be put on the agenda. When elite idealism is high, there will be "no reform of either the economic or political kind."

What if the institutional implications of the three critical factors conflict? This brings us to the inter-relations and relative weight of the three factors. We find that hegemonic dependence carries the greatest importance and outweighs the other two factors when they are in conflict. This means, for example, that when Vietnam is dependent on an orthodox hegemon, then even though there might be an economic imperative, no significant and lasting reform measures will be taken. Economic imperative is on the second level in the hierarchy, being less important than hegemonic dependence, but more significant than elite idealism. Hence, if there is an economic imperative, then market reform measures will be taken irrespective of the elite's commitment to socialism. For its part, elite idealism occupies the lowest rung in the hierarchy, capable of exerting influence only when the other two factors are absent, or when the direction of the other two's impact is the same as elite idealism, i.e. building socialism.

In the remaining part of this paper, we shall scrutinize the four developmental stages of Vietnamese socialism after 1975. Each stage and its shift to the next stage are interpreted as the result of a particular configuration of the three critical factors: hegemonic dependence, economic imperative, and elite idealism. At the first stage of independent socialism from 1975 to 1977, Vietnam was able to navigate between Moscow and Beijing, thus preserving its independence. As a result, there was no hegemonic dependence. The same period also witnessed the euphoria of national unification and triumphant socialism, which temporarily blinded the nation to an impending economic crisis. Under these circumstances, the communist elite's commitment to building socialism carried the day. Elite idealism became the dominant factor in determining the institutions of the new socialist country because of the absence of hegemonic dependence and economic imperative.

The stage of orthodox socialism began with Hanoi's decisive tilt towards the Kremlin.

Antagonism between the newly unified Vietnam and the PRC precluded the possibility that Hanoi could play a “pivot” role between Moscow and Beijing and forced Vietnam into the arms of the Soviet Union. Here the logic of hegemonic dependence began to work. As the Soviet Union from 1978 to 1985 was ruled by the conservative octogenarians Leonid Brezhnev and Konstantin Chernenko (separated by a short reform interlude of Yuri Andropov), Vietnam’s hegemonic dependence on Moscow meant that it could only duplicate at home the Soviet institutions of state socialism. Interestingly enough, the economic imperative brought about by the inefficiencies of the socialist system and the international isolation imposed on Vietnam as a result of its invasion of Cambodia did force the leadership to launch a reform package in 1979. That seems to suggest the significant impact of economic imperative despite Vietnam’s hegemonic dependence. However, the conflict between the two critical factors was soon resolved with the reformers purged in 1982. That shows the primacy of hegemonic dependence over economic imperative when the two opt for different directions.

The third stage of development is glasnost socialism, which clearly bears the hallmark of Soviet hegemony. During this period, Vietnam not only launched a thorough economic reform, but also tinkered with political openness and a certain degree of liberalization. This package of “doi moi” was clearly modeled on the Soviet experience with glasnost and demokratizatsia. There was also pressure from Moscow that tilted the balance between the reformers and conservatives in the VCP. Thus, one saw a major institutional shift originating in the hegemon, and not formed domestically. Hegemonic dependence again demonstrated its effectiveness in setting the parameters for institutional changes in Vietnam. At this time, glasnost met some resistance from the old guards (elite idealism), but it soon overcame the obstacles.

The last stage of Vietnam’s post-1975 development is market socialism. This is a set of institutions that pushes economic reform down the line, but reverts the trend toward political pluralism. The shift from glasnost socialism to market socialism was set in motion by the decline of the Soviet power and the danger that glasnost clearly presented to the VCP regime. This shows that hegemonic dependence was no longer present, and the economic factors on the second tier were elevated to primacy. With the economy still in bad shape, the regime was pushed to deepen its economic reform. At the same time, since the Soviet reformers were no longer in a position to dictate their Vietnamese comrades, the VCP could shrug off the dangerous political aspect of the original reform package, and concentrate on economic reform. The result was a two-prong reform package: economic restructuring cum political regimentation. Hanoi also broke away from the time-honored policy of confronting the United States, and shifted to strenuous efforts to improve Washington–Hanoi relations. All this was dictated by dire economic conditions. With the once formidable Soviet hegemon breaking into 15 nations and dozens of autonomous republics, economic considerations now rule supreme.

Independent Socialism (1975–1977)

During the Vietnam War period, Hanoi had carefully kept both Moscow and Beijing at arm’s length while soliciting their active support. Though receiving a great amount of aids from the Soviet bloc countries, Vietnam had resisted pressure from Moscow to join the CMEA². This basic position did not change during the initial years of the postwar period. As it turned out,

2. During the Vietnam War period, Hanoi received 65% foreign aid from the Soviet Union, 25% from the PRC, and 10% from Eastern European countries. See Pike (1987), pp. 122, 196.

Hanoi's ability to keep its "pivot" position was of paramount importance in safeguarding its independence.

When the Vietnam War finally ended, the top priority for the communist leadership was to revive the economy that had been shattered by the protracted war. The North had relied on aid from fellow socialist countries for 60% of state revenue. Trade deficit at unification stood at 400 million rubles³. The South's economy recovered from war much more rapidly than the North. However, it also suffered from the termination of American aid, hyper inflation, and record unemployment (Donnell, 1976, p. 9). Besides the urgent need to revive the economy, the VCP leadership also faced the task of integrating the South's economy into the North. The two had entirely different economic systems: while in the North the state sector accounted for 73% of the economy, the South was overwhelmingly private. The ratio of heavy to light industry in the North was 57 to 43, while in the South light industry produced 90% of industrial output.

Hanoi's original strategy was to gradually integrate the South into the North, following Lenin's NEP model (Jin, 1990, p. 55). However, triumphal idealism and the adverse domestic and international environments prompted the communist leadership to accelerate economic unification by expanding the central planning system to the South. The bourgeois class was targeted for political persecution and saw their property confiscated. The "remnants of the feudal landowning class" were eliminated. A currency reform wiped out the savings of the capitalists. The Second Five-Year Plan (1976–1980) set exceedingly high growth targets: 16–18% for industry, 8–10% for agriculture, and 14–15% for the overall economy. In order to reach those goals, the leadership launched mass-scaled collectivization in the countryside, heavy industrialization in the cities, and built a Soviet-style command economy⁴. In short, one saw a typical recipe of communist revolution applied to South Vietnam in the aftermath of unification (Vo, 1990, pp. 58–72)⁵.

It is worth noting that in 1975–1977 Vietnam was not subject to hegemonic dependence, and thus its development strategy was not dictated by either Moscow or Beijing. The economic situation was dire, and yet it had not reached a crisis level. The end of the war also provided superb opportunities for production to be resumed as soldiers were demobilized. Most important of all, there were options available to the VCP regime. Hanoi could go rapidly toward full state socialism, as it did; it could move towards the same direction and yet in a gradual manner; or it could opt for a mixed economy in the South, content with gaining "commanding heights" in the economy but leaving small production, agriculture, retail trade, services, and many other sectors not directly bearing on the state's domination of the economy in private hands. The fact that Hanoi implemented rapid socialization plans was mainly due to the elite's commitment to state socialism and draft industrialization that they had practised in the North for decades. Here we saw the importance of elite's preferences, but only in the absence of genuine economic imperative and hegemonic dependence.

3. North Vietnam's trade deficit had been on the rise since the 1960s. In 1960–1964 the deficit stood at 40–50 million rubles. The deficit again jumped to 300–400 million rubles.

4. There was intense debate among those who were for a traditional Soviet developmental strategy and those who were in favor of a go-slow strategy. See Pike (1987).

5. Vietnam was officially unified on July 2, 1976, 14 months after the fall of Saigon.

Orthodox Socialism (1978–1985)

Vietnam's hegemonic dependence on the Soviet Union began with the rapid deterioration of its relations with the PRC. In the 1950s and 1960s, Hanoi received large quantities of military and economic aid from Beijing. Chinese technical advisors also played an important role in building North Vietnam's industrial infrastructure. Since the mid-1960s, however, the warm relations between the two countries began to cool down. The Cultural Revolution, the rift between the Soviet Union and the PRC, and Chinese rapprochement with the United States at the height of the Vietnam War all alienated the VCP leadership from their comrades in Beijing. This being the case, Hanoi still managed not to take sides in the Moscow–Beijing conflict prior to its conquest of the South in 1975. After unification, however, the comradeship between the two countries dissolved at an accelerating speed.

The conflict between Hanoi and Beijing concentrated in three areas. The first one was a territorial dispute over the Paracel and Spratly Islands in the South China Sea. Even though there were several talks between the two governments between October 1977 and August 1978, no agreement was reached (Guo, 1995; Chen, 1987; Liu, 1988). Another grave conflict was about the ethnic Chinese in South Vietnam⁶. The “socialist transformations” engineered by the VCP hit hard the Chinese population in the South, causing waves of “boat people” drifting in the sea. Their numbers rose from 40 000 in April 1978 to more than 160 000 in mid July (Amer, 1993, p. 318). In May 1978, Beijing informed Hanoi that it would divert funds originally committed to twenty one development projects in Vietnam to support the Chinese refugees. Then the PRC's State Council spokesman accused the Vietnamese authorities of persecuting ethnic Chinese indiscriminately. More project funding was later cancelled by the Chinese in early June. Even though there were vice-ministerial talks from August 8 through September 26 on the refugee situation, nothing was agreed on. By the end of 1978, more than 20 000 ethnic Chinese had crossed the border into mainland China.

The catalyst of armed hostilities between the PRC and Vietnam was Cambodia. The relationship between the VCP and the Khmer Rouge resembled that between the CCP and the VCP, in that the big brother (the CCP and the VCP in the two respective cases) always took a domineering attitude and caused resentment in the junior (the VCP and the Khmer Rouge respectively). The conflict of interest in the two pairs of relationships was mitigated by the necessity to defeat the pro-Western governments in South Vietnam and Cambodia. However, when Saigon and Phnom Penh fell in communist hands, the latent tension could no longer be contained. Since Beijing found unified Vietnam a potential threat, and the Khmer Rouge resented Hanoi's high-handedness, it was only natural that the Chinese and the Cambodians should form an alliance against their common enemy⁷.

Supported by Beijing, the Pol Pot regime made several incursions into the Vietnamese territory in the South and provided sanctuary for the anti-VCP forces. Hanoi soon found the Khmer

6. For the historical background of the ethnic Chinese population, see Xu (1993).

7. The VCP had never been forthcoming in its support of Khmer Rouge. When Prince Norodom Sihanouk was the ruler of Cambodia, he tried to please Hanoi by allowing transit of materials and personnel from North Vietnam to the South via Cambodia. His calculation was that the best scenario for Cambodia was to keep Vietnam divided, so that Cambodia would not be overwhelmed by its historical arch enemy (Withington, 1972, pp. 104–105; Smith, 1971, p. 55). A divided Vietnam would also guarantee Cambodia's strategic importance for the United States (Smith, 1974, p. 505). As a result, Hanoi refrained from lending active support to Cambodia's communist movement, and acquiesced in Sihanouk's suppression of communism in his country. Hanoi also trained a group of Khmer Viet Minh fighters and sent them back to Cambodia. Khmer Viet Minh necessarily took a pro-Vietnam position and was the favorite of Hanoi. Khmer Rouge and Khmer Viet Minh fought for leadership in the Cambodian communist movement. This added to the conflict between Khmer Rouge and the VCP. See Luo (1991); Gu (1995); Beresford (1988).

Rouge's provocations intolerable. After failing to topple the Pol Pot regime, Hanoi decided to seek a military solution. On December 25, 1978, the Vietnamese army invaded Cambodia in a blitzkrieg and occupied Phnom Penh on January 7, 1979. A puppet regime headed by Heng Samrin was set up and the People's Republic of Kampuchea was established. That prompted the PRC to react. After receiving tacit American agreement, Beijing took the offensive against Vietnam in the "punitive war" that lasted 18 days. The Chinese People's Liberation Army did not perform well in the major battles. However, they thoroughly devastated Vietnam's northern provinces and caused tremendous damage to the economy. The seriousness of the impact was to be realized in the following years.

As Hanoi and Beijing were heading for a showdown, Vietnam could no longer keep the enviable "pivot" position between the Soviet Union and the PRC. It tilted decisively towards Moscow. In June 1978, Vietnam joined the CMEA to become its third non-East European member state. Beijing responded with cutting off all economic aid to Vietnam and calling back all the Chinese advisors (McGregor, 1990, p. 266). At the Fourth Plenum of the Fourth Central Committee held in July, an intense intra-Party fight erupted and the pro-Soviet camp scored victory. In November, Vietnam signed a 25-year friendship and cooperation treaty and six agreements with the Soviet Union for economic and military aid and cultural exchange. In 1979, with the "punitive war" going on, Soviet ships entered the naval bases in Da Nang, Qui Nhom, Nha Trang, and Cam Ranh Bay (Long, 1990, p. 91). In August 1979, the pro-Beijing veteran revolutionary Hoang Van Hoan fled the country under the pretext of seeking medical treatment in Eastern Europe. The elimination of Hoan's influence suggested the downfall of the "China faction" in the VCP⁸. Vietnam had turned itself into a satellite country in the Soviet bloc, and gradually lost its autonomy in determining domestic institutions.

During the period of independent socialism of 1975–1977, Vietnam opted for a Soviet-style developmental strategy out of self-conviction. In the following years of orthodox socialism, however, that institutional choice became a necessity. Thus, one finds institutional continuity across the two periods. In the Second Five-Year Plan period (1976–1980) state investment decisively tilted towards industry, especially the sector of heavy industry (see *Table 1*). This was the hallmark of Stalinist developmental strategy. Heavy industrialization thus became a

Table 1. State investment in the economy, 1976–1980

	Total investment (million Dong)	Investment in agriculture (%)	Investment in industry (%)	Investment in heavy industry (industry = 100%)	Investment in light industry (industry = 100%)
1976	2979.4	20.0	31.9	67.1	32.9
1977	3719.7	26.3	31.5	76.2	23.8
1978	4064.5	24.0	32.2	68.9	31.1
1979	3964.5	23.8	35.9	72.1	27.9
1980	3712.9	19.0	40.7	72.5	27.5

Source: Vo (1990, p. 76); Beresford (1989, p. 196).

8. Hoang Van Hoan was a founding member of Ho Chih Minh's "Indochinese Communist Party" in 1930. He was North Vietnam's ambassador to Beijing and a Politburo member in 1957–1976. He was excluded from the Politburo at the Fourth Party Congress in 1976 as a result of his conflict with General Secretary Le Duan. After he disappeared on his trip to Eastern Europe, Hoan reappeared in Beijing and criticized Vietnam's policy towards ethnic Chinese (Donnell, 1980).

national obsession, as witnessed by the 40.7% of state investment in 1980 that went to industry, as compared with the 19% for agriculture. In that year, heavy industry accounted for 72.5% of state industrial investment, as compared with light industry's 27.5%.

The VCP leaders figured that this kind of draft industrialization could be sustained only with total state control of the economy, and by extracting agricultural surplus from the South. Thus Le Duan issued the "X2" directive in July of 1977 to eliminate small private businesses. Private trading was also banned in March 1978, followed by unification of currency in May (Niehaus, 1979). By the same token, collectivization was implemented on a large scale. It met minor resistance in the central provinces but faced strong opposition from peasants in the south. The angry peasants butchered poultry and destroyed crops to boycott the regime's collectivization drives (Beresford, 1988, pp. 157–159). As a result, in 1980 only 9.2% of farms and 5.8% of arable land in the South were collectivized (Song, 1995, p. 471). The disappointing result of collectivization, the drop of grain production⁹, the deteriorating trade balance, and the alarming stagnation of industrial growth (averaged 0.6% for 1976–1980 compared with the plan target of 16–18%) revealed the ineffectiveness of the Soviet model as applied to the backward Vietnamese economy¹⁰. A US-led embargo that limited Vietnam's world trade and deprived the country of international capital, the discrimination against ethnic Chinese who were such an integral part of South Vietnam's business class, and the damaging effect of the "punitive war" further compounded the economic disaster. In 1980, as Vietnam's GDP declined by 3.7%, economic crisis loomed large.

Here we find an interesting situation. As Vietnam rapidly developed its hegemonic dependence on Moscow, the Soviet Union was in the final years of Leonid Brezhnev's rule. Stability of the Stalinist system laid down half a century ago was considered a paramount goal by the Soviet regime. Hence the strong pressure to keep course towards orthodox socialism in Vietnam¹¹. However, economic crisis bode ill for the VCP regime which then had to resort to some kind of economic reform to avert total collapse of the system. Obviously, the requirements of hegemonic stability and economic imperative conflicted in this case.

The result was a lukewarm economic reform that temporarily held sway in 1980–1982. After Ho Chi Minh's death, a collective leadership emerged in the communist party that was composed of Le Duan, who succeeded Minh as general secretary of the Party, and four other senior Politburo members, Truong Chinh, Pham Van Dong, Pham Hung, and Le Duc Tho. Struck by the severe economic crisis of the late 1970s, the old revolutionary leaders were persuaded by the South-based reformers, most prominent among whom were Nguyen Van Linh and Vo Van Kiet, to experiment with economic reform in 1979. Quite like the Chinese reform launched roughly at the same time, Linh proposed a contract system in agriculture that guaranteed a fixed quota to be delivered to the state, but then allowed the peasants to freely dispose of the above-quota production. Small-scale family enterprises were allowed to form and operate.

9. Agricultural production dropped from 13.5 million tons in 1976 to 12.9 million tons in 1977. It then stagnated at the same level in 1978. In terms of rice production, the output in 1976 was 11.9 million tons. It dropped for the following two consecutive years to 10.9 million tons in 1977, and 10 million tons in 1978 (Kimura, 1986, p. 1047).

10. The same happened in the PRC at the end of its First Five-Year Plan period (1953–1957). The agricultural sector was exhausted, unable to provide the necessary surplus for rapid industrialization. Mao Zedong then resorted to spiritual mobilization and egalitarianism in an attempt to overcome this developmental barrier. He failed miserably in the notorious Three Red Flags that resulted in the great famine of 1960–1962. For a comparison between the Chinese and Vietnamese cases, see Wu (1994a).

11. For the various influence exercised by the Soviet advisors to guide Vietnam towards orthodox socialism, see Pike (1987).

State-owned enterprises (SOEs) were granted greater autonomy. Limited price reforms were also implemented.

The 1979 reform revived agricultural production which grew by 4.2% and 10.6% in 1981 and 1982, respectively. Self sufficiency in grains was achieved. However, the performance of industry was less remarkable. At the root of the problem was the lack of financial discipline by state enterprises, that is, the soft budget constraint, and a complicated incentive system that encouraged the employment of more workers to raise the wage fund. As enterprises increased their demand on the factor markets and wage increases gave rise to greater consumption, unprecedented inflation ensued. The adoption of a two-tier price system also provided a hotbed for corruption and inflation¹². Finally, state subsidy for SOEs and urban consumers forced the government to increase money supply which further fueled inflation. The consumers price index rose from 60 to 100% in the early 1980s. Even more to the chagrin of the communist elite was the rapid revival of private businesses. At the end of 1982, state controlled only half of retail trade, while private production in the South rose to 70% of the gross output (Chanda, 1984, p. 30; Duiker, 1984, p. 410). Furthermore, the 1979 reform had not received full endorsement from Moscow and critics were not hesitant in soliciting support from the conservatives in the Kremlin to undermine the reform¹³.

The side effect of the reform, that is, inflation, etc., brought pressure on the party leadership to think twice about their economic policy. From October to December of 1981, the VCP held three consecutive central committee plena to debate on the Party's economic reform. The following Fifth Party Congress saw the sacking of Nguyen Van Linh from the Politburo, and the demotion of many of the reformers in the presence of a huge Soviet delegation¹⁴. However, Vo Van Kiet was appointed head of the State Planning Commission, suggesting persistence of reformers' influence even in retreat. During the retrenchment period of 1982–1985, a re-collectivization drive was launched, heavy industry was again given top investment priority, allocation of materials was recentralized, and private businesses were suppressed. Thus, the state, by April 1985, had gained control of 80% of national income and 70% of small manufacturing and retail trade in Ho Chi Minh City, and 75% of the South's farms had been collectivized (Duiker, 1986, p. 110). Besides economic retrenchment, there were also ample signs of political regimentation, in contrast with the more relaxed atmosphere in the preceding reform period. From the latter half of 1982 to the end of 1983, the VCP leaders made repeated stern warnings against opportunists, saboteurs, and cadres collaborating with the bourgeoisie. Arrests were made of the "counterrevolutionaries" in Ho Chi Minh City and in Hue Province. There were even rumors that Kiet would be purged. The economic and political conservatism was reinforced by the regime's external security concerns. In 1982–1985, Vietnam found itself trapped in the Cambodian War, threatened by Chinese hegemonism, and besieged by the America-led "international imperialism." Feeling isolated and threatened, Hanoi found itself increasingly dependent on Moscow for the survival of the regime. Import dependence on the Soviet

12. It was commonplace for reforming socialist countries to adopt a two-tier pricing system in which part of prices were set free from government control while part was still determined by the state. The purpose of such a system was to introduce competitive prices while reducing the shock to the consumers.

13. It is true that the Soviet Union launched an economic reform in 1979, but the scope of that reform was limited. What Vietnam did in its 1980–1982 reform went beyond the Soviet precedent and was frowned upon by Moscow. Even Gorbachev expressed his disappointment with Hanoi's tinkering with market reform when he led a Soviet delegation to the VCP's Fifth Party Congress in March 1982 (McWilliams, 1983, p. 66).

14. Such as Communications Minister Dinh Duc Thien, Materials Minister Tran Sam, Light Industry Minister Tran Huu Du, Finance Minister Hoang Anh, Director of the Inspection Commission Tran Nam Trung, etc. (Gu *et al.*, 1995, pp. 149–150).

Table 2. Vietnam's trade dependence on the Soviet Union, 1980–1986

	Total import (billion \$US)	Import from the Soviet Union (billion \$US) and import dependence (%)	Total export (billion \$US)	Export to the Soviet Union (billion \$US) and export dependence (%)
1980	1.58	0.70 (44)	0.40	0.24 (60)
1981	1.70	1.01 (59)	0.39	0.23 (59)
1982	1.87	1.11 (59)	0.54	0.28 (52)
1983	1.70	1.21 (71)	0.52	0.32 (62)
1984	1.77	1.23 (69)	0.56	0.32 (57)
1985	2.05	1.41 (69)	0.66	0.34 (52)
1986	2.51	1.88 (75)	0.74	0.42 (57)

Source: Kimura (1989, p. 94).

Union ranged from 59 to 71%. Export dependence was between 52 and 62% (see *Table 2*). Moscow also provided massive economic and military aid (see *Table 3*). Small wonder the Soviet developmental model dominated Vietnam. Under these circumstances, economic crisis in itself was not sufficient to bring about a structural change in Vietnam. Either Vietnam's dependence on the Soviet Union would have to be lessened, or Moscow would have to change its own institutions for Hanoi to make a sustainable structural reform.

Glasnost Socialism (1986–1990)

The retrenchment of 1982–1985 did not solve the country's economic problems. Industrial growth dropped from 22.8% in 1983 to 13.2% in 1984. Agricultural production grew by an average of 3.5%, which was considerably lower than 10.6% of 1982 (Vo, 1990, pp. 138, 148; Tan, 1985, pp. 37–38). Urban residents suffered from a severe shortage of daily essentials, and the communist leadership was under great pressure to make some change. However, the reformers still faced an unfavorable balance of power which would shift only with change of policy in Moscow.

In March 1985, Mikhail Gorbachev succeeded Konstantin Chernenko as general secretary of the Communist Party of the Soviet Union. He soon launched a series of reform policies under the name of "perestroika." As he proceeded with the reform, his conservative opponents

Table 3. The Soviet aid to Vietnam, 1980–1986 (billion \$US)

	Economic aid	Military aid
1980	2.9–3.2	0.8–0.9
1981	0.9	0.9–1.0
1982	1.2	1.0
1983	1.3	1.2
1984	1.4	1.3
1985	1.6	1.7
1986	1.8	1.5

Source: Pike (1987, p. 196).

were outmaneuvered and ousted¹⁵. All the East European satellite countries received signals from Moscow as the communist hegemon changed direction. The reforming wing in many communist parties gradually gained the upper hand with support from their Soviet counterparts, and with the development of domestic politics coinciding with the bloc trend toward reform (Wu, 1990). Perestroika was adopted by some Eastern Europeans, and the same happened in Vietnam as Hanoi had developed a hegemonic dependence on Moscow to an extent that surpassed its East European brethren. This was the background of the second wave of the Vietnamese reform.

In June 1985, the Eighth Plenum of the VCP's Fifth Central Committee elected Nguyen Van Linh back to the Politburo and passed a resolution to launch a sweeping economic reform. Prices were deregulated, subsidies for state enterprises were to be phased out, wages were to be paid in cash and not in kind, and budget constraints were tightened (Luo, 1987, p. 64). A new "Dong" was introduced and the exchange rate dropped from D1.2: US\$1 to D15: US\$1 (Stern, 1988, p. 8). This reform package was intended to bring down inflation rate and improve economic efficiency of the state enterprises. However, the result was opposite from the intention. Because enterprise discretionary power increased, wage level rose sharply. Monopolistic enterprises then passed the increase in wage cost to consumers by raising product prices. The wage increase also generated greater demand for goods and services and brought about inflationary pressure. The devaluation of the Dong made imports more expensive, thus adding to trade deficits, dwindling reserves, and price increases. The outcome of the price reform was that the state had given up administrative leverage to constrain prices, resulting in galloping inflation. At the end of 1985, annual inflation rate rose to 91.6%. It jumped to 350% in the spring of 1986, and to 700% towards the end of that year (Esterline, 1987, pp. 92–93). This situation was typical of an economic reform in a socialist country that introduced market without privatizing state enterprises, viz. market socialism, as became clear with many East European countries that embarked on a similar route toward economic reform in the following years (Wu, 1994b, ch. 3). Without ownership restructuring and demonopolization, it is only natural that inflation will follow price deregulation.

The dismal economic situation in the aftermath of the 1985 reform prompted the Vietnamese reformers to rethink their strategy. Under the strong demonstration of Gorbachev's reform, and reasoning quite like their Soviet counterparts, they concluded that the major obstacle to structural reform was the opposition from the conservatives, and the best strategy to overcome this obstacle was to mobilize social support for reform¹⁶. In July 1986, Le Duan died and Truong Chinh succeeded him. This was an arrangement not acceptable to the South-based reformers. After serious intra-party infighting, Nguyen Van Linh was able to get himself elected general secretary at the VCP's Sixth Party Congress, in December 1986. Reformers Nguyen Co Thach and Tran Xuan Bach also joined the Politburo. Truong Chinh, Pham Van Dong, and Le Duc Tho all retired from their leadership position. Even though Premier Pham Van Dong was replaced by another veteran revolutionary, Pham Hung, the real power fell into the

15. Gorbachev first allied himself with Yegor Ligachev, Viktor Chebrikov, Nikolai Ryzhkov, and other political leaders promoted by Yuri Andropov to retire the Brezhnev generation (such as Grigorii Romanov and Nikolai Tikhonov). He then recruited his own cadre corps, composed of Boris Yeltsin, Eduard Shevardnadze, Aleksandr Yakovlev, Vadim Medvedev, Yevgenii Primakov, etc. After the purge of the Brezhnevites, Gorbachev then pushed the Andropov appointees aside, and put his men in strategic positions in the party and the government (Wu, 1996, ch. 4).

16. At the 27th Congress of the Communist Party of the Soviet Union, Gorbachev launched his "glasnost" campaign with a fanfare. Followed by "demokratizatsia," this line of political reform succeeded in whipping up popular participation in criticizing the old system and in unseating the conservative officials.

hands of the First Deputy Prime Minister Vo Van Kiet, who then became the economic czar overseeing reform¹⁷.

Linh's political ascendancy suggested the resurgence of the reform line (Luo, 1987, p. 66). He was comparable to Gorbachev in his commitment to economic reform, and his strategy to mobilize social support as a major means to overcome opposition by the conservatives. In a sense, Linh was Vietnam's Gorbachev. At the Sixth Congress, Linh launched "Doi Moi" (renovation), the Vietnamese version of perestroika, and accelerated the economic reform. Peasants were given the right to negotiate with the government over the price of their agricultural produce, and they could also go to the market. The quotas for compulsory delivery were lowered. The contracts between the peasants and the government were brought under the protection of the law (Cima, 1990, p. 93). A law on foreign investment was enforced that provided tax incentives and guaranteed that joint ventures would not be nationalized. In the financial sector, a central bank system was established, and private banks were allowed to form. Cooperative and private enterprises were given tax and credit preferences. Apparently the reformers realized that the 1979 and 1985 reforms were not thorough enough, and that there should be an ownership reform.

Linh's radical reform undermined the socialist property structure, and conjured up the specter of mass unemployment, besides the galloping inflation that had already been plaguing society. It is only natural that Doi Moi faced strong opposition within the party, hence the need to mobilize social support. Like under Gorbachev's glasnost in 1987, Linh began relaxing control over mass media, and encouraging criticism of corruption. Linh also liberalized the Party's cultural policy, permitting exposure of social problems and abolishing the censure system. Non-party social groups and mass organizations were allowed to form. The National Assembly was transformed from a rubber stamp to a debating and legislating body, even though it was still under the general guidance of the party. Its sessions were extended, the unanimity rule was dropped, secret balloting was adopted, the standing committees that supervised the government's various branches were strengthened, and live reporting of the sessions was permitted. Doi Moi reached its climax when, in 1988, the National Assembly elected the successor to Premier Pham Hung. There Do Muoi, the Party's candidate, barely defeated Vo Van Kiet, the number two reformer.

Up to this point, Vietnam had followed the Soviet example. However, the rapid changes in Eastern Europe and in the Soviet Union, in 1989 and 1991, meant that the socialist system and the communist regimes of those countries could not be salvaged by the political reforms envisaged by Gorbachev. On the contrary, one after another, communist regimes collapsed in a series of peaceful revolutions that swept the Soviet bloc countries (except for Rumania). As the Kremlin's power dwindled both domestically and overseas, two things happened. The first was that Hanoi faced less pressure from Moscow to toe the party line. The second was that perestroika had sufficiently discredited itself and the demonstration effect became transformed from a positive to a negative one. It was at this point that Vietnam's dependence on the Soviet Union was lessened, and economic considerations assumed prominence in the ruling elite's calculation.

17. For an analysis of the faction politics following the Sixth Congress, see Pike (1990, p. 118).

Market Socialism (1991–)

Economic considerations prompted the regime to continue with the economic thrust of Doi Moi, but not the political one. The economic reform had brought some positive result toward the end of the 1980s. In 1989, Vietnam's economy grew by a robust 8%, up from 5.1% of 1988. The inflation was brought down from 394% to a low of 35% (see *Table 4*). In 1989, Vietnam also turned from an importer of rice to an exporter (in 1993 Vietnam became the number three rice exporter in the world). All the Vietnamese troops were withdrawn from Cambodia, removing the major obstacle in the way of good relations with the ASEAN countries. Foreign investment began to pour in. Inflation had been successfully suppressed. Political liberalization was of little use now, since economic situation had significantly improved and it would be counterproductive to insist on risky political reform. As it turned out, demonstrations were reported throughout the country from the end of 1988. Many of the former landowners wanted to get their land back. In May 1989, Vietnamese college students, encouraged by their Chinese counterparts demonstrating at Tiananmen Square, started to form organizations independent of the party's control. In the National Assembly, various autonomous political groups emerged. The Party's former underground agents working in the South formed The Club of Former Resistance Fighters. They published *Resistance Tradition* and released open letters criticizing the Party's arrogance and alienation from the masses (Cima, 1990, p. 94). Tran Xuan Bach and other radical reformers in the Party advocated multi-party democracy. These phenomena and the collapse of the European communist regimes in the following months vividly demonstrated the danger inherent in any political reform of a one-party system. A change of line was in order.

In response to the social unrest, Nguyen Van Linh began a crack down campaign. In 1989, he began criticizing liberalism, denouncing multi-party democracy, and tightening up political control over mass media. The authorities rounded up more than 1000 political dissidents in 1990 alone. The famous political reformer Tran Xuan Bach was dismissed from the Politburo at the Eighth Plenum of the Sixth Central Committee held in March 1990. This was followed by the forced retirement of Nguyen Van Linh (together with seven of the twelve members of the Politburo) at the Seventh Party Congress in June 1991. He was replaced by Do Muoi. In July Vo Van Kiet took premiership and continued overseeing economic reform.

The new leadership installed at the Seventh Party Congress had a clear technical and bureaucratic profile. It was oriented toward continued economic reform cum authoritarian political control. The new leaders avowedly denounced multi-party system, political pluralism, and

Table 4. Vietnam's economic performance, 1987–1994

	GDP growth (%)	Rice production (million tons)	Foreign trade (\$US)	Inflation (%)
1987	3.9	15.1	3.31	390
1988	5.1	17.0	3.80	394
1989	8.0	19.0	4.52	35
1990	5.1	19.1	5.15	67
1991	6.0	19.6	4.21	68
1992	8.6	21.6	5.12	13
1993	8.1	22.8	5.87	6
1994	8.8	23.5	8.10	14

Source: Li (1996, p. 8); Song (1995, p. 480); Gu (1992, p. 130); Tian (1993, p. 119); EIU (various) *Country Profile: Vietnam 1996–1997*, pp. 51, 57.

opposition parties (Luo, 1991, p. 21). This was exactly what Deng Xiaoping in China had proposed and practised and was a considerable aberration from the Doi Moi policies modeled on the Soviet perestroika. In essence, Vietnam shifted from the Soviet reform model to the Chinese model at the turn of the decade (Wu, 1995, p. 148). This is “market socialism,” meaning introducing market to the socialist system without the regime forsaking its monopolistic grip on political power.

Conclusion

Vietnam’s experience demonstrated the great impact of the hegemon on small countries’ institutional choices. Numerous studies dealing with Soviet control of East European regimes confirm that most of the East European communist regimes were dominated by Moscow and could not determine their own institutions. Vietnam has not been studied in the same light. Our research attempts to do that. Vietnam’s case is particularly interesting because the country was able to reduce hegemonic dependence and then got out of that status 13 years later (*Table 5*). This was unique among the communist regimes. By analyzing Vietnam’s developmental trajectory, one gains a deeper understanding of how a client country is institutionally dependent on its patron, and how it regains institutional latitude when hegemonic dependence is removed.

The case of Vietnam demonstrates the importance of hegemon in determining a small country’s institutional choices. However, since at one time, Vietnam was not in a hegemonic dependence relationship, we are in a position to explore other factors which contributed to determining Vietnam’s institutional mix. It turns out that economic imperative and elite idealism exerted their respective influence on the Vietnamese development, but only when they did not contra-

Table 5. Vietnam’s post-1975 development

Hegemonic dependence	Determinants Economic imperative	Elite idealism	Commanding principle	Outcome	Historical reference
Yes conservative hegemon	Yes	Yes	Hegemonic dependence	Orthodox socialism	1978–1985
Yes conservative hegemon	Yes	No	Hegemonic dependence	Orthodox socialism	n.a.
Yes conservative hegemon	No	Yes	Hegemonic dependence	Orthodox socialism	n.a.
Yes conservative hegemon	No	No	Hegemonic dependence	Orthodox socialism	n.a.
Yes reforming hegemon	Yes	Yes	Hegemonic dependence	Glasnost socialism	1986–1990
Yes reforming hegemon	Yes	No	Hegemonic dependence	Glasnost socialism	n.a.
Yes reforming hegemon	No	Yes	Hegemonic dependence	Glasnost socialism	n.a.
Yes reforming hegemon	No	No	Hegemonic dependence	Glasnost socialism	n.a.
No	Yes	Yes	Economic imperative	Market socialism	n.a.
No	Yes	No	Economic imperative	Market socialism	1991–now
No	No	Yes	Elite idealism	Independent socialism	1975–1977

dict the preference of the hegemon. We can even weigh the relative importance of economic imperative and elite idealism as they sometimes conflicted in the case of Vietnam and only one force prevailed. The hierarchy of hegemonic dependence, economic imperative, and elite idealism is firmly established in our study of the development of Vietnam.

Although outside the scope of this study, we postulate that the three factors that determined Vietnam's institutional development are also the major factors shaping other small countries' institutional choices. The case of Taiwan can be instructive. Heavily dependent on the United States for its entire post-WWII development, the Kuomintang government never exerted full control over the institutional development of the country. The land reform, the export-driven industrialization, the local elections, the gradual political liberalization, the opening-up of the domestic market, and the ultimate democratization of the whole political system were instituted under Washington's tutelage. This is a good example of the effect of hegemonic dependence on economic and political development.

Just as in Vietnam, in Taiwan, hegemon's preferences have not been the only factors shaping the institutional development of a small and dependent country. Economic imperative and elite idealism also mattered. In Taiwan, there was a happy coincidence of America's preferences and Taiwan's developmental needs when the island moved from import-substitution to export-expansion, and later to internationalization. Sometimes the KMT elite held ideals that ran counter to Washington's preferences, and one finds conflicts between the two trends, as in the case of Chiang Kai-shek's insistence on reunifying China and maintaining a martial law system. However, it was always the hegemon's preferences that ultimately prevailed and Taiwan saw its unification urge dampened and its political system liberalized along the American preferences under Chiang Ching-kuo and Lee Teng-hui, the successors to Chiang Kai-shek.

The case of Vietnam and Taiwan are good examples in demonstrating the influence of international hegemons on small countries' institutional development. One cannot jump from these limited cases to claim that international influence exhausts explanations of small countries' development, since they may act against the tide, and lose. Also one has to take a look at the small countries' ruling elites. For quite a long time, Hanoi was able to navigate between the Soviet Union and the PRC and thus gained considerable leeway in asserting its own policy preferences. In Taiwan's case the lack of maneuverability vis-à-vis Washington has been the direct result of the absence of an alternative hegemon that Taipei could turn to for help. As a result, Taipei's dependence on the United States is almost total, and its institutions and policies are even more conformist than Hanoi's when the latter was dependent on the Soviet Union.

Our study attempts to contribute to the understanding of small countries' institutional development in contemporary world. The case of Vietnam, thus, has a broader theoretical implication than a simple empirical case study. In a world where political and economic influence move around rapidly, one suspects that international influence on all countries increases tremendously, as testified by the current Asian crisis and its global consequences. It is thus interesting to investigate the mechanisms through which such influence is exerted. The case of Vietnam is particularly illustrative in this respect.

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