

**COMPARISON OF TWO REMAINING
SOCIALIST COUNTRIES –CUBA AND
VIETNAM: POSSIBILITY OF ECONOMIC
REFORM IN A SOCIALIST SOCIETY
AND ITS POSSIBLE IMPACT**

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INTRODUCTION

The disintegration of the Soviet Union and Eastern Bloc under the Cold War structure had a huge impact on the world, but most of all on all so-called socialist countries. The world witnessed the collapse of the USSR and its Eastern European satellites and recognized that their models were neither lasting nor universal. Around this time, China and Vietnam started to build a new variety of socialism: single Communist party rule with a market economy. It seemed that these two countries acknowledged that the socialist model of a centrally planned economy would never work. The conventional socialist model improves the distribution of wealth and makes the society more egalitarian, but results in a society where everyone becomes equally poor. China and Vietnam turned into market-oriented economies in 1979 and 1986, respectively. These countries have decided that, even if it is contrary to the theory of orthodox Marxist or Maoist socialism, economic needs cannot be ignored. (As Deng Xiao-ping once said, a good cat is the one that catches a rat.) Since then, the world has watched as these two countries have dramatically developed their economies, while politically they have maintained a single party system.

On the contrary, Cuba has maintained its orthodox centrally planned economic system, even after the collapse of the Soviet Union. Since the end of the Cold War, Cuba has had the most serious economic crisis in its revolutionary history since 1959, yet it has shown no intention to change its economic policy. When the Soviet Union disappeared and Cuba experienced both an economic and ideological crisis, many foreign observers expected that Cuba would introduce a Chinese-Vietnamese-style market economy, but this has not happened. The Cuban government repeatedly explains that it wants to maintain a more egalitarian society and is not able to tolerate

a worsening of the distribution of wealth via the introduction of a market economy.¹ This paper is focused on exploring the question of whether Cuba has the capacity to introduce a Chinese-Vietnamese economic model² and under what conditions this would become possible.

Cuba and Vietnam have some similarities. Both established socialist regimes as a result of their struggle for independence from imperialist powers. Their fights were widely supported by many sectors of the society because of their nationalistic stances, not necessarily because of Marxist ideas. Both are economically underdeveloped nations, but could accomplish socialist revolutions against orthodox Marxist theory, which claims that socialist and communist revolutions come after a country reaches a highly developed capitalist stage. Both countries confronted U.S. intervention during their socialist revolutions and suffered or suffers U.S. economic embargo (in case of Vietnam until 1995, and Cuba to present.) Yet Vietnam and Cuba are in many ways quite different. Vietnam's population is almost eight times as large as Cuba's, and even now 70 percent of its people are peasants. Its society is much more heterogeneous than Cuba's and difficult to integrate as a nation state. The author believes that these differences have led Cuba and Vietnam to choose different paths over the last 20 years.

As a case for comparison with Cuba, Vietnam is more appropriate than China, because Vietnam's size and historical background are more similar to Cuba. North Korea is another case of a remaining socialist country, but it is less likely to open its economy to market mechanisms even than Cuba, and its economy has never recorded robust growth. Furthermore, it is unlikely

¹Fidel Castro has repeatedly stressed the importance of "humanity" or the humane side of society. His socialism, he says, is focused on realizing a more humane society where every child, no matter who his parents are, is eligible to go to school and given adequate food and healthcare. The Cuban leader proudly declared that, even in the midst of the worst period of economic crisis, no hospital or school had ever been closed (Fidel's speech 20 March 1992 to the Cuban Association of Scientists).

²In this paper, this model means that the government exercises market-oriented economic reforms while the political regime is unchanged. Much of the private sector is allowed to pursue their own interests freely, but, at the same time, the government trims its social policy budget.

that the Cuban government would wish to see it as an interesting economic model. Therefore, the author thinks that Vietnam is the most appropriate nation to compare with Cuba, as Cuba can regard Vietnam as an alternative model of a socialist country.

To date, there have been very few published studies involving comparative analyses of Cuba and Vietnam. The work of Brundenius and Weeks [2001] is one of them. Their stance is basically to analyze Vietnamese and Cuban cases in the light of critical views on transitional economies in the former Soviet republics and Eastern Europe, which have introduced both political and economic reforms. These authors assert that the main cause of the problematic outcomes of these reforms was neo-liberal monetarist policy, and that both Cuba and Vietnam are alternatives to Russia and other transitional economies.

The critical stance of Brundenius and Weeks is reasonable, although the present author refrains from determining whether the neo-liberal policy itself is problematic, or other factors such as institutional defects have prevented Russia and other transitional economies from taking full advantage of neo-liberalism. The most comprehensive and critical answer to Brundenius and Weeks is Mesa-Lago [2000], who compares Cuba with Chile and Costa Rica, each of which represents a different economic model: socialist, capitalist, and mixed, respectively. He compares the economic and social indices of these three countries between 1960 and 1990 and asserts that neither Cuba's economic performance nor social development is the best among the three. He compares Cuba with Chile (as a very neo-liberal model) and Costa Rica (as a mixed, or social democratic model). He concludes that Cuba's economic performance is the worst among all three, and the best economic performance is in Chile, with its neo-liberal model. Surprisingly, Cuba's social development is not as good as Costa Rica's, even though Cuba's social policy is considered one of the most remarkable accomplishments of the revolutionary

regime. Mesa-Lago [2000] and Mesa-Lago and Pérez-López [2005] discuss many technical problems with Cuba's official statistics and try to empirically prove that the real situation in Cuba is worse than has been believed by some scholars, such as Brundenius and Weeks.

The common point of Cuba and Vietnam as socialist countries is the lack of political reforms. Cuba's economic policy has been marred by political objectives. Any policy that is considered politically harmful for the revolutionary regime has been avoided or eventually dropped, even if that policy is economically most appropriate. If market mechanisms adjust that economic imbalance as in Vietnam, political freedom and periodic judgments by the voters also adjust policy failure by the government. This has happened in Costa Rica, which has maintained one of the longest histories of democracy in Latin America. Mesa-Lago and Pérez-López point out that the Cuban government has never had to fear that it might be replaced through elections, and that, therefore, it been able to select policies economically inappropriate, but good for political survival (Mesa-Lago and Pérez-López [2005: 26]).

This paper deals mainly with the possibility of Cuba's adopting Vietnam-type reforms, i.e., a market economy without democratization. The U.S. government has maintained that democratization with a multi-party system and free elections is the first thing Cuba should do by way of reform.³ Thus, it seems that it assumes that economic reforms come with democratization, just as actually occurred in the former Soviet Union and Eastern Europe when their socialist regimes collapsed. A poll of the Cuban-American community also reveals support for this policy. According to a 2007 poll by the Cuban Research Institute of Florida International University, 35 percent felt that the U.S. economic embargo against Cuba should be lifted only

³For example, two pieces of anti-Castro legislation that passed in the 1990's, the Torriceli and the Helms-Burton Acts, both provide that the U.S. government will lift the economic embargo against Cuba only when the Castro brothers are out of power and Cuba has a democratically elected government. That means that political reforms will be necessary to have normal relations with the United States.

when both the political and economic systems change, while only the 6 percent said that it should be lifted when the economic system changes without political change.⁴ Yet examples of Russia and Eastern Europe show that swift political reforms may lead to confusion among political actors and, therefore, slow down economic recovery, too. For the present, the improvement of the lives of ordinary Cubans is the most urgent issue there, and this requires economic reforms under stable political conditions. Furthermore, the first reason for dissatisfaction on the part of the Cuban people has been economic difficulties, not the lack of political and civil freedom,⁵ and it is better to initiate reforms from the economic arena to ease their dissatisfaction and appeal for support for the government.

Another reason that the author believes that Vietnam-style reforms are more suitable for Cuba, at least more than reforms that aim at both political and economic changes together, is that democratization or drastic political reforms are more difficult for the current Cuban regime to accept than the introduction of a market economy without democratization. As noted above, the Cuban government tends to adopt economic policies that favor its survival. As Domínguez has pointed out,⁶ the first priority of Cuba's current regime is its survival, and, for this purpose, economic reform without democratization is more acceptable, and therefore, the process is more likely to be peaceful or less conflictive. The Costa Rican model presented by Mesa-Lago [2000] can be applicable to Cuba only after democratization, and, therefore, it is more likely that Vietnam-type reforms would be more acceptable there. The author of this study believes that

⁴This poll is conducted every few years. The results of the newest (2007) poll were taken from <http://www.fiu.edu/~ipor/cuba8/ExecutiveSummary.htm>.

⁵According to a poll conducted by the International Republican Institute (IRI) in October 2007, although there were some technical problems with the survey, the first dissatisfaction involved low wages and the high cost of living (42 percent); the second was lack of freedom (18 percent).

⁶Domínguez [1978] and Domínguez [1989] clearly assert that the Cuban revolutionary government has undertaken both domestic and foreign policy primarily for the revolution's survival.

political reforms could come later, after the living standard of the people has been improved thanks to market-oriented economic reforms. This paper deals with the possibilities for Cuba's introducing a Vietnam-style reform by analyzing the conditions in Vietnam when its government decided to introduce and maintain their *Doi Moi* reforms⁷ and evaluating whether those conditions are feasible for Cuba.

In Chapter 1, the present study will examine two kinds of conditions regarding the introduction of Vietnam's *Doi Moi* reforms: (1) what kind of favorable conditions Vietnam had in order to start the *Doi Moi* economic reforms, and (2) what conditions have brought about rapid economic growth. In Chapter 2, in order to ascertain to what extent Cuba may be able to follow Vietnam's path, we will see if Cuba shares some of the conditions that Vietnam has had. If there are not many conditions common between the two, the next question is what alternatives Cuba has to resolve the current economic crisis. Lastly, this article describes Japanese perspectives on this topic.

⁷The *Doi Moi* reforms, introduced in 1986 by a group of liberal party leaders, consisted of six major economic policy changes.

CHAPTER 1
WHY WAS *DOI MOI* POSSIBLE IN VIETNAM?
VIETNAM'S BACKGROUND OF ECONOMIC REFORMS
AND IMPLICATIONS FOR CUBA

Introduction of the *Doi Moi* Reforms: Origins and Supporting Actors

After the end of Vietnam War (1975) and the unification of the country, the socialist government launched a centrally planned economic policy for the whole nation. Vietnam has considerable regional diversity, its economy had been overwhelmingly agrarian, and the government aimed at more even development through a socialist economic policy (Beresford [2003]: 55). The former South Vietnam had enjoyed more agricultural production thanks to fertile plain land and lower population density, which made it possible for farmers to own more land and produce more than they would consume, while North Vietnam has frequently suffered from food shortages and inefficient agricultural management because of the small per capita acreage of farmlands. It is also easier to cultivate farms in South Vietnam, which, in contrast to North Vietnam, is not mountainous.⁸

Central Vietnam, which a mountainous area, is the least productive in agriculture, and the majority of its residents are ethnic minorities. It is the poorest among these three regions, and it was necessary for the government to deal with the poverty of these ethnic minorities, not only for the purpose of socio-economic development, but also for national security. Many ethnic

⁸Geographic conditions in North Vietnam are quite similar to those in Japan. In both cases, 80 percent of the land is mountainous, and only 20 percent is plain, yet most of the people live in that small plain area. Because of the difficulties involved in attaining adequate food production (rice), residents in both have formed village communities whose members dedicate themselves to village rather than individual interests. This collective culture does not exist in South Vietnam, and the socialist government found it very difficult to introduce collective farms to this region, much more so than when it had done so in the North starting in 1958, because culturally farmers in the South were not used to collectivism.

minority people also live over the borders with Vietnam's neighbors, and it is difficult to determine which members of an ethnic minority group belong to Vietnam and which to, for example, China or Cambodia, both of which have had border conflicts and wars with Vietnam for centuries. Therefore, it is very important for Vietnam's central government to accomplish the national integration of all the ethnic groups through economic development and centralized policies.⁹ The government wanted the three regions (North, Central, and South) to share more even development.

Yet, the centrally planned economic policy after the Vietnam War resulted only in more equal poverty among the three regions. Economic performance was disastrous, and there were protests, especially in the former South Vietnam, whose residents were accustomed to a market economy and higher living standard and who became the main actors in boosting economic development.

On the contrary, the Cuban government has been trying to sacrifice economic growth in order to maintain social equity. Cuba has refrained from introducing more than minimum market mechanisms and has maintained a highly centralized economy since 1991. In Cuba, even in the most serious period of economic crisis (in 1992-93), not even one person died of hunger, although its GDP declined 35 percent during the four years between 1989 and 1993.

Given these circumstances, this paper will analyze what conditions have made it possible for Vietnam to introduce and maintain a market economy and if it is possible for Cuba to do the same.

⁹Most ethnic minorities live in the border areas of Vietnam and its neighbors. For example, the Mon ethnic group lives in both Vietnam and China, and the Thai ethnic group lives in Vietnam, Thailand, and Laos. Each ethnic group has its own language and culture, and it is difficult to fully integrate them into the various nation-states that were established through French colonization in the 19th century.

Conditions for Launching Economic Reforms

There were five factors that made it possible for Vietnam to introduce a market economy:

- (1) Serious economic crisis;
- (2) Demonstration effect of a neighboring country (China in the case of Vietnam);
- (3) Degree of implementation of social policy to legitimize orthodox socialism;
- (4) Initiatives for reforms by rather conservative leader/s.
- (5) Weak state capacity, which allowed the people to try various economic activities without state intervention.

Serious Economic Crisis

In both China and Vietnam, the strongest motivation for the introduction of a market economy may have been very serious economic crises in the 1970's and 1980's, during which many people died of hunger. Such crises give the Communist leaders few excuses to legitimize their regime to their people, and so they had no alternatives other than drastic economic reforms in order to improve the people's living standard and to secure regime survival.

Vietnam's economic crisis before the *Doi Moi* reforms can be divided into two periods: the crisis in North Vietnam before the end of the Vietnam War and the unification, and the one after the unification. Vo Nhan Tri shows that North Vietnam's agricultural production was stagnated or decreased in most years after the socialist revolution, i.e., between 1958 and 1975 (Tri [1990: 18]). The real situation was even worse, as the population grew by 63 percent during this period (Tri [1990:21]), and per capita food production in some years was just half of the pre-revolutionary period. Tri states that the agricultural (paddy = husked rice) production of 1974 was worse than that of 1958 and 1959 (Tri [1990]: 18-21), when the centralization of agricultural

production started. He points out that the main reason for the economic crisis was that the government's investment was heavily dependent on the agricultural output, and they often did invest at the expense of the agricultural sector. Yet, because it was wartime, the reasons for the economic crisis and food shortage were not so clear.

At the unification of 1975, the Hanoi leadership expected that fertile South Vietnam would resolve the problem of food shortages.¹⁰ Yet, because of the rapid centralization of agricultural production¹¹ implemented in the former South Vietnam after 1975, the food production of the Mekong delta region decreased rapidly as a result of vast resistance of southerners against the centralization and of dissolution of the capitalist economic system of the South, which caused widespread confusion within the business and service sectors. South Vietnam's economy was dominated by several economic oligarchies of ethnic Chinese, and their assets were quickly confiscated by the state. Starting in 1976, many southerners (especially ethnic Chinese) started to escape from the newly unified Vietnam as boat people. Kirkvliet [2003: 41] explains that the reason that the South Vietnamese obeyed the new socialist government's orders is that they feared political difficulties if they refused to introduce a centrally planned economy.¹²

¹⁰Historically, the Mekong Delta in South Vietnam has been the most productive agricultural land in Vietnam, and the other regions, which have rarely succeeded in self-sufficiency for food, have depended on this area. After the Vietnam War, the Hanoi government naturally expected that South Vietnam would supply enough food (especially rice) for the North.

¹¹One of the reasons that the Hanoi government decided to centralize the Southern region's agriculture so hastily was to weaken the economic power of the wealthy anti-communist farmers and moderate anti-Hanoi political groups, who wished the separation of the North and South. Another reason was that the Hanoi government wanted to take control of the more developed industrial sector in the South, which produced various consumer goods, as well as its richer agriculture, forestry, and fishing sectors (Tri [1990]: 61).

¹²Culturally, farmers in South Vietnam were not used to collective farming, which was introduced after the establishment of the socialist government. Peasants in the former North Vietnam have been used to cooperation, as their villages are typically closed against outsiders and the residents have always worked together to survive in hard conditions. Northern village culture, thus, was collectivism. On the contrary, Southern villages are very open and each farmer works independently. They did not need to cooperate for survival, as the land was much more productive.

In 1976, the Hanoi government started a “great leap forward” in the agricultural sector, imposing strong measures to centralize agriculture in the former South Vietnam. The government met strong resistance, however, from Southern peasants, some of whom had helped Hanoi to confront the United States during the Vietnam War. They boycotted the formation of cooperatives, destroying farming machines and fruit trees, sacrificing cattle, etc. (Tri [1990]: 79). These acts of resistance seriously affected agricultural production in the South. The productivity of Southern agriculture dropped from 21.9 quintals per hectare in 1976 to 16.6 quintals per hectare in 1978 (Tri [1990]: 85).

As a result, the paddy production dropped from 11,827,000 tons in 1976 to 9,789,000 tons in 1978, then recovered in 1980 to 11,647,000 tons (Tri [1990]: 83), which was still below 1976, however. Furthermore, the population growth of the country was much higher than the production growth.¹³

The Hanoi government put its priority in development policy in the 1976 Fourth Congress of the Communist Party on heavy industrialization. The public investment in heavy industry increased by 59 percent between 1976 and 1980, whereas the corresponding figure for agriculture was only 18.6 percent. During those years, the government implemented rapid collectivization in agriculture, causing vast confusion and resistance. This was compounded by that fact that the small amount of investment certainly resulted in sluggish production in this sector.

The government also almost completely destroyed the capitalist economic structure of South Vietnam. The assets of both large- and small-scale capitalists and merchants were all confiscated by the state, and most of them were sent to “New Economic Zones,” which were

¹³Tri [1990: 84] points out that production declined by 1.6 percent between 1978 and 1980 because the population grew by 9.2 percent during that period.

established by the government in remote areas to develop agricultural land. Only a few major capitalists who had rather large assets and factories were allowed to remain in the cities as their assets and funds were used by the government to form state enterprises for heavy industry.

It is also necessary to note that all these reforms were realized just after the end of Vietnam War, when both the government and the people had to recover from the devastation of the loss of a great number of lives, damaged farmlands, etc. Furthermore, in 1978, Vietnam invaded Cambodia, and China attacked Vietnam in the following year. It was a period of uncertainty and instability, and the drop of production in the fertile South struck the nation's food supply. It is reported that tens of thousands of people died of hunger, particularly in rural areas. The situation was especially crucial in the beginning of the 1980's, to the extent that the conservative leadership in the Communist Party could no longer ignore the hardships.

In comparing the Vietnamese and Cuban economic crises in terms of the number of deaths from starvation, Vietnam suffered much more greatly than Cuba, because Cuba had no deaths from hunger even in the most difficult years of the first half of the 1990's. Yet the point here is the extent to which the people feel discontent with the government because of the crisis. Historically, the Vietnamese people (especially the peasants) have been used to a much lower living standard than the Cubans.¹⁴ Even if Cubans did not starve to death after the end of the Cold War, their experience may well have triggered as much discontent as among the Vietnamese in the 1970's and 1980's.

¹⁴Even now, the author was told that Vietnamese peasants dream of eating as much rice every day as they want. In Cuba, people take this for granted, but are dissatisfied that they cannot eat meat every day. At the same time, meat is a luxury for Vietnamese peasants even now.

Demonstration Effect of Neighboring Country(ies)

As a socialist state in possible crisis, Vietnam at the beginning of the 1980's had two different models: Gorbachev's Soviet Union and Deng Xiao-ping's China. It is reported that Gorbachev encouraged the Vietnamese government to introduce economic reform in 1984, when one conservative reformist leader Truong Chinh was making efforts to convince his hardliner party colleagues to realize the necessity of more drastic economic reforms (Furuta [1999]). It was when Gorbachev decided to greatly reduce economic assistance to Vietnam that, for financial reasons, Vietnamese leaders were obliged to seriously consider economic reforms. Yet Vietnam chose the Chinese model to study, as the primary conditions were more similar, especially in terms of the agrarian economic structure, although politically Vietnam was much closer to the USSR.¹⁵

When Vietnam sought a way to introduce a market economy, China as well as ASEAN (Association of Southeast Asian Nations) countries were useful models as they formed their own economic policies. On the one hand, Deng Xiao-ping's drastic economic reform of the PRC starting in 1979 clearly demonstrated that a socialist country can open its markets without changing political regime. The Vietnamese Communist Party always pays attention to what new policy its Chinese counterpart presents each year. In particular, every five years, when the Party Congress is held, Vietnam holds its Congress several months later, observing what policy is announced in China, and then determines its own policy on that basis. This is partly because the Vietnamese Communist Party is subordinate to the Chinese group, but also because Vietnam regards China as its model.

¹⁵Since the unification, Vietnam has had a subtle balance in its relations with the USSR and the PRC. Under complicated regional relations, including Cambodia's civil war and border conflicts with the PRC, Vietnam basically chose the USSR as its economic supporter, but at the same time successfully maintained good relations with the Beijing government, except during the Sino-Vietnamese war of 1979.

ASEAN capitalist economies are another model that Vietnam could have become if it had not had chosen a socialist system.¹⁶ While Vietnam was suffering from serious economic crisis in the 1970's and 1980's, most of the ASEAN countries, especially Singapore, Malaysia, and later Thailand and Indonesia, started and have continued on the path of economic growth. These countries have geographically similar conditions to Vietnam, and they show Vietnamese leaders that its capitalist neighbors are also capable of development.

In addition, these countries have formed the ASEAN regional framework to strengthen their development, and Vietnam found a strong incentive to join them. In order to join ASEAN, Vietnam needed to coordinate its system and institutions according to ASEAN standards. In this sense, regional integration in Southeast Asia stimulated Vietnam to reform its economy.

The demonstration effect of both China and ASEAN surely convinced Vietnamese leaders that: 1) the Communist Party could survive after introducing a market economy (from the Chinese case); 2) the formerly underdeveloped Southeast Asian countries could advance under a capitalist system and regional integration could take place, and 3) therefore, the current Vietnamese regime would be able to survive both politically and economically.

Degree of Implementation of Social Policy to Legitimize Orthodox Socialism

Vietnam could implement a much less universal social policy for its people than Cuba. Free education was established only after the unification of 1975. Free healthcare and old-age pensions (social security) were given only to the urban formal sector. Eighty-five percent of the

¹⁶This sentiment is especially obvious in the Southern region. The former South Vietnam enjoyed a rather high standard of consumption. Many of inhabitants of Saigon (the former capital) had refrigerators, and many more automobiles were seen there than in Hanoi, the Northern capital. Saigon was called the jewel of Southeast Asia.

Vietnamese population lived in rural areas in the 1980's, most of them were peasants, and they were out of reach of the government's social policy.

Even in North Vietnam before 1975, where the Hanoi regime under the leadership of Ho Chi Minh started to exercise socialist policy nationally in the late 1950's, most schools were built by villagers, not by the government, and all the costs of the schooling were borne by each village.¹⁷ The government started to support them only in the 1980's. Social security and healthcare were also only for the urban public sector. This means that almost all the peasants, that is, some 85 percent of the population, had to survive entirely by themselves with little assistance from the socialist state, both in North Vietnam before 1975 and in Unified Vietnam after 1975. The peasants never felt that they owed anything to the socialist government and were much more autonomous from the government than the Cubans.

On the contrary, Cuba has been able to provide very generous and universal social services to every citizen, in both urban and rural areas: free education, free healthcare, very inexpensive rationed food, universal old-age pensions, etc.¹⁸ Cuba is quite an urbanized country; 60 percent of the population lived in cities in the 1950's, just before the revolution of 1959. Still, it is remarkable that the revolutionary government succeeded in providing free education and healthcare for all citizens, including the 40 percent of inhabitants in remote rural areas. Just after the revolution, many upper- and middle-class Cubans escaped from the country, and it is said

¹⁷The author conducted interviews in June 2006 in three villages, one on the outskirts of Hanoi, another in Hanoi Province, and the third in Ninh Binh Province. In all three, I asked the village head about schools (primary schools). They all answered that their primary schools were built in the 1950's and 1960's (earlier in the villages closer to Hanoi) by themselves, and that the government started to finance them in the 1980's.

¹⁸Yamaoka [2004] analyzed the extent to which the Cuban government offered benefits to its people through its socialist policy. Mesa-Lago [2003] has shown that the quality of the social policy has drastically worsened since the collapse of the Soviet Union. Yet Yamaoka still believes that even that lowered quality of the social services has had a significant impact on its people to prove the legitimacy of the revolutionary government.

that more than half of the physicians and most university professors left.¹⁹ That means that the government needed to educate new physicians and teachers as quickly as possible in order to meet the urgent needs for education and healthcare.

One of the main reasons that no Cuban citizen died of hunger after the disintegration of the USSR is that state social policy functioned as a minimum social safety net. The ration system worked to guarantee a minimum supply of food, although many of the items in the ration book were delayed or did not come at all during the worst period (1992-94), and free healthcare secured the minimum medical services for every citizen. The food rationing and other social means to provide nutrition to the entire population was a little below the level recommended by the United Nations until 1998 (2,244 versus 2,400 calories), but since then, it has surpassed the recommended level (Alvarez and Máttar [2004: 141]). To date, this policy has not changed, and the Cuban government has tried to improve the quantity and quality of social policy²⁰ since 2002 when Cuba started to receive assistance from China and Venezuela, while it has more strictly limited individual efforts to increase income. Thanks to the redistributive social policy, one can conclude that at least there is very little (if any) extreme poverty in Cuba. Poverty in Cuba is relatively mild, to the extent that people are guaranteed the means to survive. Ferriol Muruaga introduced the concept of “population at risk,” who are covered by the government’s social protection, yet have little income to do more than purchase the basic food basket and minimum necessities. According to her, the ratio of “the population at risk” in urban areas increased after

¹⁹According to Pérez [2006: 261], approximately half of all physicians and teachers and a third of the dentists left Cuba by the early 1960’s. Among all economically active Cuban immigrants to Florida in 1962, 81 percent were professionals.

²⁰Alvarez and Máttar [2004: 133] showed that the government expects to improve the food ration program. For example, it plans to increase the quantity of meat to be distributed through the ration system. Their interest is how to increase the supply of animal protein, such as eggs, dairy products, and meat, rather than rice or other basic staples.

the disintegration of the Soviet Union, but still was less than 15 percent in 1996 (Ferriol Muruaga [1998: 11-13]).

The author cannot prove that the calculations of Ferriol Muruaga's Cuban case and the World Bank's Vietnamese poverty rate were based on the same standard, and it is difficult to make a comparison between the two nations. Yet still one can say that Vietnamese poverty has been declining thanks to the nation's economic development, and that the poverty rate was 21 percent in 2004. Even then, after such robust economic growth, it still remains higher than Cuba's ratio of people at risk in 1996 (15 percent). The author has not been able to obtain Vietnamese poverty rates in the 1970's and 1980's, before *Doi Moi* was introduced, but one can easily assume that poverty in Vietnam before *Doi Moi* was much more severe than during the worst period of economic crisis in Cuba in the first half of the 1990's.

The Cuban government can utilize its social policy to legitimate the socialist system with minimum market mechanisms, because it shows examples of market-oriented social policy in the United States and Chile, where, it says, that only those who have adequate financial resources can buy privatized social services such as pensions, healthcare and education. Mesa-Lago [2001] indicates that a country can achieve good social indicators without introducing market-oriented liberalist social policy, referring to the case of Costa Rica. Costa Rica is probably the closest to Esping-Andersen's social democratic regime among all Latin American countries.²¹

²¹Esping-Andersen [1990] categorizes welfare states into three regime types. One is the social democratic regime in which the government bears the entire responsibility for its people's social welfare; this is typically observed in Scandinavian countries. The second regime type is conservative in which the government promotes the male-breadwinner model and extends support mainly within that framework. This is observed typically in Germany. The third type is liberal in which the government role is minimal, leaving most social policy in the hands of markets. The United States, Australia and, partially, the United Kingdom are included in this regime type. Cuba is believed to have aimed at constructing a social democratic regime although it has never reached the level of the Northern European welfare states (Yamaoka [2004]), and Chile is seeking to pursue a liberal regime, with a privatized old-age pension system, private healthcare, and the voucher system for education.

Most scholars agree that Cuba had a high standard of social policy before the disintegration of the Soviet Union. Many praise social development as the most formidable accomplishment of the Cuban Revolution (Pérez [2006: 272]). As a result of the redistributive effect of social policy, Cuba has accomplished the most egalitarian society in Latin America (Mesa-Lago [2003: 76]). Espina Prieto points out that Cuban social policy had virtually eradicated poverty by the end of the 1980's (Espina Prieto [2004: 209]). In a book written by groups of specialists in Cuba and at the United Nations, the authors declared that Cuba put priority on social development rather than economic growth (Alvarez and Máttar [2004: 59]). Among all the categories of social policy, healthcare is perhaps the sector to which the government devoted the most resources. A United Nations report on Cuba admits that some of the progress in healthcare in Cuba had reached internationally high levels (ECLAC [2000: 362]).

Notwithstanding, Cuba's generous universal social policy became financially possible because Cuba used to receive generous Soviet aid (ECLAC [2000: 359], Yamaoka [2004]). As Cuba has a very important geopolitical position for the Soviet grand strategy, the USSR gave half of its aid for the Third World just to Cuba. According to CIA estimates shown in Table 1, throughout the 1980's, Cuba received three to five times as much Soviet aid as Vietnam. But Vietnam's population was six times as large as Cuba's. Thus, Soviet aid per capita for Cuba was indeed 20 to 30 times as large as that for Vietnam. Therefore, Cuba had considerably more resources for its social policy than Vietnam did.

In addition, Vietnam had to spend most of its resources for wars. Vietnam had to fight against France for independence for many years (1946-54, the First Indochina War, which legally established the two Vietnams) after World War II. Then North Vietnam had to fight against France in 1959-64 (the Second Indochina War), then with U.S. intervention, the Vietnam

War (1964-75). After unification, Vietnam was attacked by the PRC in 1979 (the Sino-Vietnamese War) (Table 2). Thus, during the second half of the 20th century, Vietnam was invaded four times, roughly once per decade, and each invasion or war lasted for five to nine years, while Cuba was invaded just once, a few years after the Revolution, and it lasted only for several months. Therefore, the Vietnamese government had considerably fewer resources than Cuba did to spend for social policy, and, after each war, the government and the people were too preoccupied with recovery to pay much attention to social development. In addition, the Vietnamese government had few resources to maintain a state-led centralized economy, and perhaps the introduction of a market economy was the only alternative for the Hanoi government to improve the people's living standard; letting individuals solve their problems on their own, more on their own than before the *Doi Moi* reforms.²²

On the contrary, Cuba has not been forced to introduce a market economy because the government gives much more social benefits to its people. The Havana government is able to show its socialist legitimacy with this generous redistributive social policy, and Cubans have been able to survive utilizing many fewer market mechanisms, depending on the government's social policy.

Initiatives for Reforms by Rather Conservative Leaders

As with the "Nixon-China effect,"²³ conservative leaders often bring about drastic policy change that had previously been supported mainly by reformists or liberals. This was true in the

²²Interestingly, the Hanoi government withdrew most of its spending for social policy after introducing the *Doi Moi* reforms. Now they guarantee only compulsory education (primary and secondary schooling) for free, and all citizens, including public sector workers, need to pay quite significantly for healthcare and their children's education from high school on.

²³Conservative U.S. President Richard M. Nixon (1969 – 1974) is the one who opened diplomatic relations with the PRC, an accomplishment that his liberal Democratic predecessors could not achieve. It is much easier for

case of Vietnam's introduction of a market economy. *Doi Moi* was proposed by a famous conservative leader of the Communist Party, Truong Chinh.

Truong Chinh was a renowned conservative party leader who was one of the founding members of the Vietnamese (Indo-Chinese, at that time) Communist Party in 1935 and General Secretary of the Party after the establishment of North Vietnam in 1954. He was known first as a party ideologue, a faithful Maoist during the anti-colonial struggle in the 1940's. He published well-known party documents on Marxism and its application to Vietnamese reality. He was not even considered as a pragmatist then, often confronting General Vo Nguyen Giap, the top leader of the pragmatist fraction of the Party. In spite of his early years as a conservative advocate for Maoism and as a Marxist theorist, he became the initiator of reforms in the 1980's.

He was the key person who submitted the first proposal for the *Doi Moi* economic reforms to the Central Committee of the Communist Party in 1984 (Furuta [1999]). In 1982 and 1983, Truong toured various rural areas, where he witnessed the starvation of peasants and the devastated situation of agricultural production, as well as liberal reformists' unofficial efforts in the former South Vietnam. After this, in May 1984, he organized a study group consisting of mid-level economists and bureaucrats who had studied in the Soviet Union and Eastern Europe. All of them had acknowledged the necessity of economic reforms after living in European socialist countries.²⁴ Some economists in the group, in particular Dao Xuan Sam and Vo Dai Luoc, believed that it was inevitable to introduce a market economy. Although they could use the word "market" to avoid direct confrontation with real conservatives in the Party, they succeeded in passing their reform proposal two years later, at the 6th Party Congress in 1986.

conservatives to obtain support from their colleagues in the legislature and also in the whole country, because they can easily earn the trust of conservatives and have them believe that such a policy is really necessary.

²⁴It has been reported that Truong told the group's members that he should have met with them much earlier (Furuta [1999]: 7).

One opportune development for Truong and his supporters was the 1986 death of Le Duan, then General Secretary of the Party and the top Vietnamese leader. Le Duan was an orthodox Marxist who had opposed Truong's reform ideas. He died in July 1986, a few months before the Party Congress, and Truong, who had been the No. 2 leader after Le Duan in the Party, became the next provisional General Secretary of the Party.

Before the Party Congress, Truong had presented his reformist ideas mainly to the Central Committee, such as the 6th General Meeting of the Central Committee of the Party of July 1984. He criticized the double pricing system (subsidized low prices and high prices on the black market), but his opinion was purged from the official statement by the Committee Secretariat. Yet Furuta [1999] points out that, even if Truong's opinion had remained a minority view among party leaders, his political status was not jeopardized. Or rather, the leaders regarded his reformist opinions as useful proposals to resolve the economic crisis (Furuta [1999]: 9). At the 8th General Meeting of the Central Committee of the following year (June 1985), Truong's proposal to reform the pricing system to single prices according to supply and demand was partially realized because the Committee decided to reduce state subsidies and to reform monetary policy.

And, upon Le Duan's death in July 1986, Truong became the provisional General Secretary of the Party; his term was to last only until the 6th Party Congress of 1986. Furuta believes that Truong could become General Secretary in spite of his minority reformist opinions because: 1) he was No. 2 in the Party next to Le Duan; (2) he was a respected leader among many factions; and (3) his term was considered only provisional until the 6th Party Congress (Furuta [1999]:16).

In comparing Cuba with Truong's case, that is, a powerful reformist from a conservative leadership group, the first key actor may be Raúl Castro, provisional president at this moment. Some specialists believe that Raúl is a reformist, because it is thought that he was the leader who persuaded his brother Fidel to introduce some economic reforms including approval of self-employment and promotion of foreign direct investment in the first half of the 1990's. Those who support this view point out that it was Raúl who publicly announced most of those economic reforms between 1993 and 1995. In addition, Raúl has been Defense Minister since the beginning of the 1960's, and supposedly has support from the military. This is important because the military is the strongest political institution in Cuba (Latell [2005: 241], JICA [2002]).

Of course, it cannot automatically be assumed that the person who announced the reform is the one who drafted it, and there is a controversy among scholars as to whether Raúl is a reformist or not. In March 1996, when Cuba shifted its economic policy in a much less reformist direction, it was also Raúl who announced the policy change, although his criticism was mainly related to political problems, such as corruption and U.S. influence on certain Cuban bureaucrats. Some argue that Raúl then criticized only political impacts, such as the corruption of government officials and foreign (U.S.) interference in Cuban domestic affairs. rather than the economic reforms themselves. Those who support this viewpoint believe that Fidel, not Raúl, was the key to suspending economic reforms. Others assert that economic reforms were suspended starting from that speech of Raúl at the Central Committee, and that, even if Raúl did not explicitly criticize Cuba's economic reform, which had been underway for the previous three years, Raúl was surely responsible for the suspension. Since March 1996, Cuba has not effected policies that

might lead to a market-oriented economy, or rather, it has headed toward a more centrally planned economy.

Cuba has definitely observed the process of economic reforms of the PRC and Vietnam, but Fidel has made it clear that Cuba should take its own path and that they had learned that it was dangerous to adopt others' policies after seeing the failure of the Soviet model in Cuba. Although Fidel acknowledged that he and other leaders in Cuba have observed and analyzed many cases in other parts of the world, it is unlikely that the Cuban government will adopt the Vietnamese model as long as Fidel is alive.

On the other hand, some believe that Raúl's views may differ from those of his brother. Dr. Nobuo Miyamoto, former Japanese ambassador to Cuba and one of the few Japanese who established a close personal relationship with Raúl Castro, wrote as follows:

At his last meeting with Raúl during his mission as the ambassador in August 1993, Miyamoto noted that he had recommended since the beginning of his mission that Cuba introduce more drastic economic reforms like China and Vietnam. At their first meeting in 1991, according to Miyamoto, Raúl was indifferent to this advice. Yet in 1993 Raúl replied, "Things are heading in the direction that you indicate. Please wait for a while, as we are preparing (for reforms) now."(Miyamoto [1996: 184])

Miyamoto is one of the specialists who believe that Raúl is capable of introducing a market economy to Cuba.

Weak State Capacity

There may be another explanation for the fact that the Cuban socialist regime could survive after the Cold War, i.e., the strong capacity of the government. Its powerful ability to control the people has prevented Cubans from resorting to more drastic or violent means of

protest, and the government has been able to maintain its orthodox socialist principles. Indeed, although the first half of the 1990's was the most difficult period since the successful revolution of 1959, there has been only one riot, which occurred in June 1994 in Havana. That riot was quickly resolved by mass organizations such as the Committee of Defense of the Revolution (CDR) and the Brigade of Rapid Reaction of each quarter, whose members form voluntary militias and are loyal revolutionaries.

Charismatic leadership must have also helped in maintaining orthodox economic policy. The 1994 riot was quelled immediately, according to reports, when Fidel Castro appeared with tanks. His eloquent speeches and charismatic ability, as well as his ability to use power to control people,²⁵ must have worked to some extent to tame the Cuban people's dissatisfaction and frustration.

Also, government control must be easy to assert because of Cuba's policy to send dissidents abroad. Unlike the former Soviet Union and Eastern Europe under Communist governments, or today's North Korea, Cuba has allowed most of its dissidents to leave. Once this happens, it becomes very difficult to organize domestic dissident movements. In addition, U.S. immigration policy, introduced during the Cold War, has given Cubans special favorable immigration status, i.e., they are the only citizens from Latin America and the Caribbean who can obtain U.S. residence almost automatically. Because of this special situation, more than 4,000 Cubans left their country on rafts bound for Florida in 1994, and, even now, many more Cubans continue to come across the Florida Straits hoping to reach U.S. soil before the U.S.

²⁵Edward Gonzalez called Fidel's ability "socialist caudillismo." According to Gonzalez [1974], Fidel's strong control comes from his ability to use power very effectively, rather than his personal appeal to the people.

Coast Guard finds them.²⁶ Those who are not content with the current economic system can relatively easily immigrate to the United States. This means that Cubans do not have to wait until their government introduces economic reforms in order to obtain better living standards, but can move to the United States instead.

In Vietnamese politics, on the other hand, it is widely believed that even Ho Chi Minh did not have such charismatic power over the population, as he was in exile in China and Russia for many years and thus could not lead the people who had remained in Vietnam during his absence.²⁷ During his rule and even more after his death in 1969, the tradition of Vietnam's communist leadership is ruling by a group rather than a single person.²⁸

Furthermore, it is more difficult to exercise strong rule over the entire nation in Vietnam than in Cuba, because each region of Vietnam has its own history and the nation has historically been divided by many external actors such as China and France. There are more than 50 minority groups, each with its own language, and it has been difficult for the Hanoi government to communicate their orders to them. Vietnam is a part of the Indochina Peninsula, not an island like Cuba, and it always receives pressure from neighboring countries, especially the PRC. It is

²⁶Until August 1994, all Cuban nationals who succeeded in leaving Cuban waters were automatically given permanent residence in the United States. This regulation triggered the 1994 Rafter Crisis, when more than 4,000 Cubans immigrated to the United States. Yet after the crisis, the Clinton Administration decided to limit that law to those who succeeded in touching U.S. soil (dry-foot policy) before being caught by U.S. authorities. Still, though, Cubans are more privileged than others who cannot obtain U.S. residence even if they reach U.S. soil without being caught and are often sent back to their home countries because they are in the United States without any authorization.

²⁷This interpretation is from Prof. Hue Tam Ho Tai's course on the History of Modern Vietnam at Harvard University. Japanese scholars usually explain this for cultural and historical reasons, that is, Vietnamese society does not accept strongman-type leaders.

²⁸Tsuboi [2002]: 48. He explains that this is because of historical cultural and reasons. Before French colonization, each village was ruled by a group of leaders from three different backgrounds: heads of villages and communes who were usually respected older residents; others from bureaucrats who passed the lower levels of Mandarin exams; and others who had retired from the bureaucracy.

very difficult for any Vietnamese government to shut down interaction with external actors. Furthermore, the traditional village structure encourages a degree of local autonomy.

Conditions for Maintaining Economic Growth After Introducing a Market Economy

As noted in the Introduction above, introducing market mechanisms is one thing, while realizing record high economic growth in the aftermath is another. There are five conditions that the author believes were important for Vietnam to achieve rapid economic growth.

- (1) Sector familiar with capitalist economy and with the experience of doing business or running a manufacturing industry, and farmers autonomous from the government;
- (2) The relatively low cost of labor;
- (3) The high educational level of the people;
- (4) The young population; and
- (5) Investment by overseas Vietnamese.

These five conditions have been quite useful for Vietnam to maintain robust economic growth.

Sector Familiar with Capitalist Economy

When a government determines to implement economic reforms and to introduce a market economy, who will lead this new economic activity? This question is very important to ascertain whether a society can accomplish sustainable economic development. It is a matter of human resources and institutions. Firstly, a country that has just introduced a market economy needs some people who are familiar with capitalist mechanisms. They should be risk takers and somewhat self-reliant, in other words, have a spirit of entrepreneurship. Secondly, they need to have some economic basis for investing in new ventures. If they are at the subsistence level,

preoccupied with everyday survival in material terms, they do not have the extra resources necessary to invest in new markets.

It is widely acknowledged that the former South Vietnam has led the development of the market economy in the unified nation. People in the former South Vietnam lived under the socialist system for just a decade, from 1976 to 1986, and most of them remember how a capitalist economy works. Furthermore, South Vietnam had a much-better-developed and more advanced economy than its northern counterpart, and it had the majority of capitalists and industrialists in the nation. Some of them did leave the country, but many remained in Vietnam even after the new socialist government confiscated all their assets.

Some 80 percent of the population in the 1980's were peasants and farmers. In both the North and South, this group is considered to be more autonomous from the state than Cuba's agricultural workers in state farms. Vietnamese peasants sold their products to the state, yet their living was quite independent from the government, as the state could not provide them with social services. It is widely believed that Vietnamese peasants, including those in the North who have lived under socialism for almost 50 years, are more likely to comply with their village's rules than with those of the central government. Northern villages, in particular, have been highly autonomous from the central government since the era of monarchy and French colonization. So one might assume that they are used to working independently from the state and are, therefore, ready to adapt to the capitalist system. On the contrary, however, it has taken much more time for the Northern Vietnamese to learn how to plan their production, how to invest, etc.

Scott's classic study on the Vietnamese peasantry notes that, historically, peasants have lived under very severe conditions and that they tend to secure first the minimum income for

survival in preference to taking risks even if they might obtain higher gains. He shows this by presenting an example of their selection of tenure system (Scott [1976]: 7, 20-22). According to him, peasants choose a way to share the risks with the landowners, even if this results in lower income, because their first concern is how to secure the minimum subsistence level, not to gamble their income to seek more. Popkin, on the other hand, argues that even peasants, once they can feel secured of a minimum subsistence level, resort to private investment to guarantee the economic security that the government cannot provide, (Popkin [1979: 20-21). Yet his fieldwork was conducted in the 1960's in South Vietnam, where peasants were richer and whose living standard was much higher than in the North. His argument, therefore, is good to describe the peasants and farmers in the Mekong Delta, but not necessarily applicable to those in North (Red River Delta) and Central Vietnam.

The author should note that, when most peasants have lived at a subsistence level, they cannot quickly become entrepreneurs who need to take risks related to investments in new areas of production because they need more learning time and experience to do so. Yet, in general, they are also not heavily protected by their master landowners or feudal rulers, either. Many villagers had to be independent, although, as Scott claims, many peasants, especially in the (former) North Vietnam, were not affluent enough to be concerned about their livings beyond the subsistence level. This means that, in one sense, they lack the spirit of entrepreneurship, but also that they have the experience of surviving by themselves, only with mutual help from inside their own village. This could be a source of a self-help spirit, through which the peasants do not expect much from the state and try to make their own way without the government.

So here in this section, the evaluation of the importance of former South Vietnamese and Northern peasants is that those who contributed most are definitely capitalists, industrialists, and

richer farmers and peasants in the South, yet peasants in the North are quicker to learn the new system than agricultural workers who do not exist in Vietnam. In Cuba, 85 percent of the people who work in the agricultural sector are agricultural workers.

The Relatively Low Cost of Labor

The cost of labor in Vietnam has been as low as China's. This means that Vietnam can imitate a similar industrial strategy, i.e., labor-intensive industrialization focusing on clothing, shoes and other light industries. The source of the low labor costs is the lower income class of peasants in rural areas. They (many of them young women) come to the cities to increase the income of their extended family in their villages.

It is difficult to estimate the real labor cost in Cuba. For now, the government controls wages in both state entities and joint ventures with foreign investment. The wage level of Cuban workers who work for joint ventures and offices of foreign firms is relatively high, twice as high as in Mexico's *maquiradora* free trade zones. Cuban labor costs are not competitive in the region, but are controlled by the government, and it is unclear how high wages would be if the labor market were liberalized. Still, generally labor costs in the Caribbean are internationally high, and it is unlikely that wages in Cuba will go down to the level of China and Vietnam. This means that it will be difficult for Cuba, as well as other Latin American and Caribbean countries, to compete with Chinese products in the world market. Cuba will need to seek other ways to participate in international commerce and markets.

The High Educational Level of the People

Vietnam has shown relatively good social indicators, despite its history of wars and economic difficulties in the 1970's and 1980's. The adult literacy rate (15 years or over) is now 90.3 percent, while its combined primary to tertiary school enrollment rate is much lower at 63.9 percent.²⁹ While its ranking of GDP per capita is 122nd, at U.S.\$3,071 in 2007, the ranking of the adult literacy rate is 57th, and that of the school enrollment rate is 121st. Yet in the 1980's, the school enrollment rate was higher, 76 percent in 1986-88, while the literacy rate data for that period are not available. On the other hand, the life expectancy has been steadily improving, from 44 in 1960, to 53 in 1975, 62 in 1987, 67.8 in 1998, and 73.3 in 2007.

These figures are more meaningful when compared those of its neighbor Thailand. The GDP per capita of Thailand (\$8,677 in 2007) has been always higher than that of Vietnam. Yet Vietnam's school enrollment ratio was higher than Thailand's until 1998 (Table 3). As for the adult literacy rate, Vietnam's has been consistently higher than Thailand's since the UNDP Human Development Report's initial publication in 1990, although the gap has been narrowed. In Southeast Asia, Vietnam has accomplished relatively high social development.

This fact shows that economic liberalization and the withdrawal of the state from the social sector have negatively affected access to education, because all schools after compulsory secondary education charge fees.³⁰ When the government started *Doi Moi* in the 1980's, all

²⁹U.N. Human Development Report of 2007-8
<http://hdrstats.undp.org/countries/country_fact_sheets/cty_fs_VNM.html>.

³⁰In Vietnam, most schools (especially compulsory primary and secondary schools) have only half-day classes. In order to save space in the school buildings, students are assigned to either morning or afternoon classes. Yet many students feel that normal (free) classes are not enough to pass the entrance exams for high schools and universities, and they go to private after-school classes. Those after-school classes are usually held in the same school buildings, and given by the same teachers, who are looking for extra income to compensate for the low salaries paid by the government. This means that students and their parents need more money to pass high school and university entrance exams.

economic actors could utilize a labor force with relatively high educational levels, thanks to the socialist government's social policy, but later this advantage gradually declined.

Although Vietnam's education level has been declining since the beginning of the *Doi Moi* reforms, it is still not low for Southeast Asia, especially for its income level, but the government will need to allocate more money for education or receive foreign aid in order to improve the situation.

The Young Population

Vietnam did not have an aging population when the *Doi Moi* reforms were introduced in the 1980's. At that time, the government tried to promote birth control in rural areas to counteract any population increase. In the 1980's, Vietnam's population rose from 60 million to 70 million, and, in the 1990's, to 80 million. Until the late 1990's, Vietnam's population pyramid was typical of a high birth rate, high mortality rate, fewer people over 65, and many families with five or six children. According to U.N. data, Vietnam's annual rate of population increase between 1985 and 1990 was 2.0 percent. A country with a young population has two advantages: it can expect good supply of young workers, and the government does not have to allocate a large part of its budget for social spending such as pension payments and healthcare for senior citizens. These two advantages help to create economic growth. Of course, if the population growth is greater than economic growth, this will have a negative impact on the economy, but generally an aging population has a rather negative influence on economic growth.

The aging of Vietnam's population started in the late 1990's, and now it is advancing with extreme velocity. The birth rate in 2000 was 1.51 percent, and the total fertility rate was

2.50, according to a U.N. estimate. Yet, at least for the first two decades after *Doi Moi* was introduced, Vietnam could take advantage of a young population.

The aging of Cuba's population started in the mid-1980's, and it is clearly irreversible. Cuba's population growth decreased especially markedly after 2000: 2.0 per 100 inhabitants in 2001 to 1.0 in 2004, 0.2 in 2005, and -0.4 in 2006.³¹ Like Japan, the total population has already started to decline, and the government's statistics agency estimates that the population will continue to decrease (-0.2 percent in 2015 and -0.3 percent in 2020). This demographic shift has been generated by two factors: the low birth rate and longer life expectancy thanks to generous social policy and very effective family planning programs, and the continuous emigration of young people to the United States. If the Cuban economy improves significantly, perhaps many young people will decide to remain in the country, but the general trend to a lower birth rate is unlikely to change.

With regard to economic development, population aging is generally considered more negative than positive, because: 1) it means fewer production workers, and 2) the government's expenditures for healthcare and old age pensions increase. The fact that Cuba has already seen its population age means that the nation has a few more negative factors for economic development than Vietnam does.

³¹Oficina Nacional de Estadísticas (ONE: National Office of Statistics of Cuban government). The data are shown in its website: <<http://www.one.cu/aec2006/anuariopdf2006/capitulo2/II.1.pdf>>.

Investment by Overseas Vietnamese

There are 2.7 million overseas Vietnamese (*Viet Kieu*) around the world, and half of them live in the United States. It is said that those who immigrated to the United States and Canada, in particular, have higher living standards. The relationship between the socialist government and the overseas Vietnamese community officially started in 1980, when the Vietnamese economy was in crisis and Hanoi was obliged to approve economic assistance (mainly remittances) from exiles, including from those who were not in favor of the socialist regime (Furuya [2002]).

Now capital inflow from overseas Vietnamese has reached a very significant level. Many overseas Vietnamese have transferred capital via family remittances since the end of the Vietnam War. The Hanoi government did allow such remittances even before *Doi Moi* as a useful means of easing the difficulties of its people,³² but their expectation was rather in investment and knowledge for national economic development (Furuya [2002]: 81-82). The government passed the 1987 Foreign Investment Law and then the 1994 Domestic Investment Promotion Law, according to which overseas Vietnamese enjoy several rights that are closer to local Vietnamese as compared with other foreign investors. Yet investments by overseas Vietnamese did not increase so dramatically as family remittances. In 2004, the Vietnamese government decided to encourage investment and ruled that all remittances from overseas Vietnamese would be deductible from income tax. Consequently, remittances in 2005 were more than U.S. \$4 billion, increasing to \$6.820 billion in 2006, representing 11.2 percent of the

³²Just like Cuba, the Vietnamese government has welcomed family remittances. In January 1980, in the middle of a severe economic crisis and foreign reserve shortages, the Hanoi government (Council of Ministers) passed resolution No.32 to promote family remittances by overseas Vietnamese (Furuya [2002]: 78). In October 1987, the government even distributed aerogrammes to each citizen so that they could send communicate with their overseas family members to ask for remittances. The mailing cost of an aerogramme was equivalent to three to four days' wages of a worker and was paid by the government. Forty thousand aerogrammes were sent, and half of the overseas Vietnamese who received them indeed sent remittances (Furuya [2002]:84).

GDP. This amount is equivalent to the total amount of Official Development Assistance (ODA) that Vietnam received that year. At a ceremony held at the 2005 Tet (Vietnamese New Year) season to welcome overseas business groups, Prime Minister Phan Van Khai declared that overseas Vietnamese are indispensable for the Vietnamese economy and that the Communist Party and the government both guarantee the rights of overseas Vietnamese to the maximum degree and will assist their businesses in Vietnam.

It is unclear how many Cuban exiles, many of whom reside in the United States, will play a similar role once the Cuban government opens its economy. As shown in the case of overseas Vietnamese, even during the U.S. embargo before 1995, they sent large remittances, yet their investment started to ascend when the government provided favored regulation for their investment. Furuya [2002], in a pre-2004-regulation publication, asserts that the reasons why overseas Vietnamese had been reluctant to invest was that they could be generous with humanitarian assistance and family remittances, though less willing to do business with the Hanoi government, just as is said in the case of the Cuban-American community. Yet, in 2004, when the government announced new regulations extending favorable conditions for overseas Vietnamese investment, the amount of investment started to grow. That means that, even if the communist government remains and political disagreements between the government and exiles have not yet been solved, the investment can increase.

Total annual remittances by Cuban exiles to their families in Cuba have averaged U.S. \$400-500 million dollars, according to U.S. media estimates.³³ The amount has been almost the same for the past 10 years, no matter what policy each U.S. administration has taken to restrict or liberalize regulations on such remittances. At the same time, the total is only 10 percent of that

³³According to the *Miami Herald*, remittances by Cuban-Americans in 2005 totaled U.S. \$460 million (*Miami Herald*, 31 May 2006).

by overseas Vietnamese in recent years, but this may change, as it did with Vietnam, once both the U.S. and Cuban governments institute some new policies.

It is also unclear whether many Cuban-Americans have accumulated enough capital to invest. According to Lisandro Pérez, most Cuban-Americans do not have enough money to invest in large projects in Cuba, and presumably they would be able, at best, to help family businesses such as restaurants and small retail stores.³⁴ Yet there are other means to participate in investment: (1) technology and knowledge transfer; and (2) capital inflow via the stock and other markets. In Vietnam, the government expects overseas Vietnamese not only to invest, but also to transfer knowledge (Ishizuka [2003]: 271). This is particularly true for those who were educated in the United States in such fields as electronics and computer engineering.³⁵ Now Vietnam has a stock market, like China, and it is considered one of the optimum situations for capital investment in Asia. When one asks for consultation in Japan on investment in Asian markets, Vietnam is always recommended by financial managers. The conditions created by the Vietnamese government have encouraged foreign investors overall, and one does not need to invest a large amount of capital.

³⁴Interview with Perez at Florida International University, November 2007.

³⁵At the Kwan Chan Software Park located in Ho Chi Minh City, usually the income tax for companies that invest in this park is 25 percent, but those owned by overseas Vietnamese are charged only 5 percent. Japan Institute of Labor, Ministry of Labor <http://www.jil.go.jp/jil/kaigaitopic/2001_01/betonamuP03.htm>.

CHAPTER 2

WHAT PATH IS POSSIBLE FOR CUBA?

In this section, we will deal with the question of whether Cuba, especially post-Fidel Cuba, would be able to adopt Vietnam-type reforms. As noted in Introduction, Mesa-Lago [2000] concluded that, among Latin American countries, neo-liberal Chile has achieved better economic performance than socialist Cuba and that social democratic Costa Rica has implemented better social development than Cuba. So one can conclude that the Costa Rican social democratic model is the best to accomplish good social development with moderate economic development, while one should pursue Chile's neo-liberal model for the high(est) economic growth. Yet both models come from politically democratic countries with multi-party systems, and, given the socialist Cuban regime's survival instincts, neither of them is likely to be adopted in Cuba.

Therefore, the next argument here is to what extent Vietnam-type reforms are feasible in Cuba. Fidel Castro has been against any kind of market-oriented reforms because he believes that introduction of market mechanisms would cause income disparity among the people, and, in spite of difficulties in the daily lives of most Cuban citizens for the past 17 years, the current regime has not introduced any reforms related to more market mechanisms. It is unlikely that the Cuban government will implement any kind of economic openings as long as Fidel is politically active. Thus, the possibility that Cuba might introduce market-oriented economic reforms like Vietnam will become a real argument only after Fidel becomes politically inactive or passes away.

Evaluation of the Vietnam Model for Cuba

Can Cuba Introduce a Market Economy?

Firstly, the conditions to introduce a market economy will be examined. Table 4 summarizes and compares all the conditions. The table shows that the first two conditions, (1), serious economic crisis, and (2), demonstration effect, are applicable to both Vietnam and Cuba. Yet (3) social policy was poor in Vietnam while it has been generous in Cuba. This means that the Cuban people owe the current Cuban government much more for its social services, and the government is able to present its social policy to the people as a way to legitimize the Cuban socialist Revolution. When the Cuban government claims that no citizen was abandoned by the government during the most severe period of the economic crisis, it means that the government did not fail to supply the minimum level of food via the rationing system and continued to give education and healthcare to every citizen, even if the quality of the services was poor.³⁶ Still, Cuba's socio-economic development is better than that in Vietnam before the *Doi Moi* reforms. That means that the Cuban government has given concrete benefits to its people, and it can present these accomplishments as a good reason to maintain the socialist regime. On the other hand, the Vietnamese government was not able to do the same and had to let its people find their own ways to survive. It has been particularly difficult for those living in rural areas to receive benefits given by the government. Agriculture was sacrificed for industrial development, peasants suffered to a great extent from starvation, and village community and religious institutions were the only systems of mutual assistance. It is much more difficult for such

³⁶For example, even if schools are always open to every child, textbooks may be old, and scarcity of school supplies, such as schoolbags, may be serious. It is also well known that a patient can see a doctor free of charge, but most hospitals and pharmacies have suffered from serious shortages of medicines and other supplies. There is a wait of several or more months for surgery, and the situation is somewhat similar to public healthcare services in other capitalist Latin American countries.

peasants, who comprised 80 percent of the population in the 1980's, to acknowledge the importance of maintaining a socialist economy.

As to condition (4), initiative by conservative reformists, the question is whether leaders who succeed Fidel Castro could be from a conservative background, but still reformists. This condition may cause more discussion. The official successor to Fidel Castro is his younger brother Raúl. Raúl has a conservative background because he was a member of Cuba's communist party (Partido Socialista Popular: Popular Socialist Party) before the 1959 Revolution. Indeed, this was when Fidel was not a communist, or at least when he was not known as a communist to the Soviet Union.³⁷ Raúl was known as a communist and had already had some communication with Moscow before Fidel clarified his Marxist ideological stance. In this sense, until the beginning of the 1959 Revolution, Raúl was considered a more conventional Marxist than Fidel.

Raúl's stance on economic reforms after the end of the Cold War can be interpreted in two adverse ways. One is to judge him as a reformer with stable and rational support from the military. If this is correct, it is more likely that Raúl will launch economic reforms after taking full control of power. The other is to see him as a loyal follower of his brother Fidel's ideological path. If this is correct, it is unlikely that Raúl will undertake reforms. The former view is based on Raúl's participation in announcements of economic reforms in 1993-94. It was Raúl who announced several drastic economic reforms, such as the introduction of foreign investment, approval of the possession of hard currency, approval of some self-employment, and re-opening of the farmers' markets. He presented himself as a reformer of the government

³⁷This was proven by Fursenko and Naftali [1997] using newly disclosed documents from the former USSR.

presented him as such. The latter view is mainly based on Raúl's policy changes toward suspension of political and economic openings in March 1996.

It was also Raúl who presented the announcement (*Informe*) of March 1996 by the Communist Party Politburo,³⁸ which denounced the U.S. Congress's new passage of anti-Cuba legislation (Helms-Burton Act) and explained the background of and justification for Cuba's shooting down of private aircraft sent by an anti-Castro organization in Miami.³⁹ This announcement is important because, subsequent to it, the government's economic policy shifted from reforms to introduce more market mechanisms and openings for foreign capital toward a more centralized economic policy with considerably fewer private economic activities. Also, this announcement was presented by Raúl Castro himself, who had also introduced various important economic reforms over the previous few years. This means that his self-portrayal as a reformer was reversed at that moment.

Yet the interpretation of this announcement in terms of its impact on economic policy varies. The text of this announcement (*Informe*) emphasizes the ideological and moral importance of the revolutionary regime and national sovereignty, mainly accusing the United States of historical aggression against Cuba after the Revolution of 1959, including clandestine activities by Cuban-Americans. But the announcement never directly mentions economic re-centralization and new restrictions on private economic activities (black market activities in many cases), which had become more and more active at that time. Some observers believe that Raúl Castro, who presented this announcement at the Politburo, left some room to reinstitute

³⁸Informe del Buró Político, *Granma*, 27 March 1996.

³⁹That Miami-based, anti-Castro organization, Brothers to the Rescue (*Hermanos al Rescate*), repeatedly violated Cuban territory over a period of several months. In February 1996, the Cuban Air Force shot one of the three aircraft that had been sent. Cuba justified its action as self-defense for national sovereignty. Later, the International Air Transport Association (IATA) organized an investigating committee and expressed its regrets for Cuba's actions.

economic reforms in the future; others claim that Raúl is responsible for this major shift in economic policy.⁴⁰

This *Informe* asserts the moral discipline of the regime and the people and implies that activities in the black market are contrary to this principle. Because domestic trade and circulation of all kind of materials, including their supply and pricing, are largely controlled by the government, and also as many primary goods cannot be produced domestically and are imported through state agencies, people who wish to produce certain products privately need to obtain materials from the state sector. It is well known that many products made in the private sector or sold in the black market are made from materials that are state property, and, therefore, that these materials have been stolen from state warehouses. This kind of robbery was commonly observed in almost all state retail stores, factories, and warehouses, and could be viewed as moral decline, although many workers in the state sector were obliged to steal such materials in order to compensate for their extremely low salaries.⁴¹

Nevertheless, the main reason that the Cuban government justified curtailing self-employment activities after this March 1996 announcement is that most black market traders and even licensed self-employed workers broadly utilized stolen materials from the state sector. So it is still unclear if the government was against market-oriented economic activities simply because of moral decline, or if it was against market mechanisms themselves. But it is obvious that, if the government had had wished to promote more a market-oriented economy, it should have

⁴⁰Mesa-Lago and Pérez-López [2005] have stated that Raúl Castro strongly criticized the market-oriented reform process in March of that year (21).

⁴¹At the moment of this announcement, Cuban workers' minimum wage had long been just 100 pesos, or U.S. \$4 a month. They were able to live on this low income partly because of generous social policies including free healthcare and a subsidized food ration system, but also because they sold stolen materials on the black market. The authorities had to overlook this pilferage because it is obvious that no one can live on only U.S. \$4 or even \$10 a month, even if all Cubans are guaranteed benefits of state social policy and have some security that most Latin Americans do not enjoy. The only exception would be cases in which one receives hard currency remittances from families abroad. Now the minimum wage is almost twice as high, yet it is still not enough to survive.

prepared more institutions and programs to guarantee, for example, supply channels other than the black market.

Nonetheless, it is very difficult to know how Raúl is planning to manage the economy if and as he takes full power. Based on Truong Chinh's example, he needs to have enough respect among conservatives and a strong support base. If Raúl's background as a member of the first generation of the revolution and his extensive experience in the government and military gain respect and support from the conservative bloc of the country, he will be able to be Cuba's Truong Chinh.

Lastly, (5) weaker state capacity paradoxically helped Vietnam to leave its people to seek their own way to survive. The government has collective leadership who manage the country after mutual consultation, rather than a single strongman-type leader. The society is more heterogeneous and more difficult to be integrated and led under state production goals than Cuba. In short, it is more difficult in such a society to have a centrally planned economic system. On the contrary, the Cuban regime has a stronger capacity to plan and exercise the economy under the central government's authority.

Can Cuba Maintain Economic Growth After Introducing Market-oriented Reforms?

The conditions that have made it possible for Vietnam to attain record economic growth are mostly not present in Cuba (Table 4). There were many capitalists and wealthy farmers in the former South Vietnam, and these southerners spent only a decade under the socialist economy, a short enough time for them to remember the mechanisms of a capitalist economy [Condition (1)]. As for the (2), low cost of labor, once the government suspended wage controls, it became unclear if Cuba had lower labor costs than its neighbors or internationally. Generally,

wages in the Caribbean countries are higher than the average of developing countries. Their exports are usually competitive only through favored trade agreements with the EU and the United States. In the transitional process from a controlled economy to market-oriented economy, Cuba will need to determine if its labor costs are low enough for labor-intensive industrialization, or, if not, the government will need to seek other ways to secure competitiveness, such as service exports. Examples of such measures include: (1) exports of healthcare workers, as the Philippines has done for many years, utilizing highly educated human resources for the recipient country's healthcare needs⁴²; (2) establishing knowledge-based service industries, such as Spanish-speaking customer-service departments of U.S. companies⁴³; and (3) promoting tourism, Cuba's traditional hard currency earner. Condition (3), high level of education of its people, would also greatly contribute to these possibilities.

Condition (4), aging of the population, will be one of the major stumbling blocks for Cuba. Any future government will be obliged to spend greater sums for healthcare for senior citizens as well as social security payments.

As a whole, among all four conditions that contributed to the rapid economic growth of Vietnam, only one is a clearly positive condition: (3), high level of education. Condition (2), the low cost of labor, could be positive, too, but (1) and (4) have a negative impact in Vietnam's case. Condition (1), experience of capitalists and wealthy autonomous farmers, in particular, may be critical for short- and medium-term development, because knowledge and experience in

⁴²Filipino healthcare workers have been very competitive in international markets, because the Philippines exports highly educated people in this field. Even medical doctors in the Philippines work as nurses abroad. This idea of connecting Cuban reality with the Philippines is originally from a comment from Prof. William Grimes of Boston University at the author's presentation on this theme on 10 May 2007.

⁴³Personal interview with Prof. Jorge Piñon of the University of Miami, 4 June 2007. Piñon cited the example of Costa Rica, which has many Spanish-speaking bilingual customer service representatives for U.S. companies.

human resources cannot be quickly reinforced. The Cuban revolutionary government had to educate professionals very rapidly in the first decade after the revolution, as half of the people in this category had left the country. Yet this time, the government needs to educate capitalists and independent risk-takers through education or other means. Cuban-Americans may help in the current situation, but it may take a long time. Even in the case of Vietnam, it is said that people in the former North Vietnam are still in the middle of the learning process, 20 years after *Doi Moi* started. It is very likely that Cuba will also confront the same problem once the government decides to institute similar reforms.

Problems of the Status Quo and of the Vietnam Model

The Cuban government has had a rather centrally planned economy with generous social policy until now. The economic crisis obliged them to modify its path partially, yet it has not changed its basic policy. Especially since 2002, Cuba has received very favorable trading conditions with Venezuela (petroleum) and China (manufactured goods) with long-term loans. Cuban social policy deteriorated in the 1990's, but, after 2002, it again improved to some extent as it became financially possible. Cuban social policy, however, the main pillar of the revolution especially after the end of the Cold War, is financially possible only when Cuba has assistance from abroad. Thus, it is not guaranteed institutionally and could be easily disrupted with a change of regime in Venezuela or in Chinese foreign policy.

The Vietnam model also has two main problems: (1) social equity and (2) gradual political reforms.

Social Equity

As a result of the introduction of a market economy through *Doi Moi*, Vietnam has chosen the policy of development through economic growth rather than social equity. This strategy has been successful, as the poverty rate dropped dramatically, from 60 percent in 1993 to 25 percent in 2004. Yet the income disparity tends to be widening. The Gini coefficient in Vietnam was 0.39 to 0.42 between 1999 and 2002 versus 0.36 in 1993, so it has been steadily worsening.⁴⁴

Luong states that the inequality in Vietnam during the 1990's broadened by region, between urban-rural, and also inside both urban and rural areas (Luong [2003: 88]). On the other hand, the World Bank asserts that the ratio of the population who live in poverty declined dramatically in Vietnam during the same period. In 1990, more than 80 percent of the Vietnamese lived on U.S. \$2 or less per day, but by 2007, this figure had decreased to only one-third (World Bank [2006: 10]). Agricultural production tripled between 1980 and 2000, while the GDP quadrupled, according to a U.N. estimate.⁴⁵ This means that more and more Vietnamese have benefited from the fruits of the market economy, while people have to tolerate the fact that some are much better-off than others, a situation that is contrary to socialist principles. The Cuban revolutionary government has been particularly anxious to claim its legitimacy through social justice, in particular, social equity.⁴⁶ Thus, if the government allows for widening income distribution, it will lose its main legitimacy for the revolution following the

⁴⁴ODA Report on Vietnam by Japan's Ministry of Foreign Affairs. The data were taken from World Bank reports (35-36) <http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/kunibetu/gai/vietnam/pdfs/kn06_02.pdf>.

⁴⁵From the U.N. general statistics database <http://unstats.un.org/ezpl.harvard.edu/unsd/cdb/cdb_country_prof_results.asp?crID=704&cpID=11>.

⁴⁶Cuba's Gini coefficient in the 1990's was rather high (0.25 to 0.55, depending on analyst, but mostly less than 0.4) compared to Vietnam, yet among Latin American countries, the majority of which have the highest Gini coefficients indices in the world (higher than 0.5), Cuba accomplished a more egalitarian society. The 0.25 is from Ferriol Muruaga [2000] and 0.55 is from Fabienke [2001].

disappearance of the Socialist Bloc and the Cuban government's suspension of its frequent references to Marxist-Leninist ideology.

Political Reforms

The main reason that the Vietnam model is relatively acceptable for the current Cuban government is that, as explained in the Introduction, the government is able to implement economic reforms alone without political reforms or democratization. This does not necessarily mean, however, that Vietnam has avoided any political reforms. In recent years, Vietnam has a better record in political freedom than Cuba. According to a 2007 Freedom House world report, both nations scored 7 in political participation, but Vietnam had 5 in civil liberties against Cuba's 7 in that category.

While the Vietnamese constitution approves only the Communist Party as the single legal political party, it deleted the clause pertaining to "rule by the proletariat" starting from the 1992 Constitution. There are many private newspapers and journals, though controlled by the government, and these media function as important channels for gauging public opinion. In Vietnam, when one wishes to criticize corruption in the bureaucracy or the party cadre, he or she can write to a newspaper, and the editor can put that letter in the "voices of readers" section. Indeed, many corruption charges were brought forward after newspapers and journals began to take readers' letters.

A single party system is no longer regarded as inevitable in Vietnam. In fact, it was reported that a plural party system was seriously discussed at the 10th Congress of the Party in 2006. The party organized the 10th Scientific Project (KX10) to study the possibility of a plural

party system in 2005, and sent a mission to Japan, China, and Sweden.⁴⁷ In Japan, they mainly studied the Liberal Democratic Party (LDP), not the Japanese Communist Party.

Therefore, Vietnam has not been free from political reforms, but has realized them gradually. Some argue that many people are satisfied with economic prosperity alone, but this notion has not been proved. With a market mechanism, the people will reflect more diverse interests and naturally wish to form more than one political party. This indicates that economic openings may lead to further political freedom, and that, if Cuba introduced similar economic reforms, it is likely that the Cuban Communist Party would also face demands for political reforms. Vietnam-style reforms may be able to forestall political reforms, but this does not mean that the government can be indifferent to the latter.

⁴⁷Shushoku Shiki-ho, web version written by Boichi Izumura, 6 April 2006
<<http://job.toyokeizai.co.jp/izu/27vietnam.html>>.

CONCLUSION (FROM THE JAPANESE PERSPECTIVE)

Although Vietnam and Cuba are both socialist countries, the conditions that pertain in each of them are quite diverse. Cuba has more conditions favorable to the introduction of a market economy, but does not have many of those needed to maintain robust economic growth under Vietnam's labor-intensive, export-oriented development policy. The greatest concerns among all differences in those conditions is probably in Cuba's lack of people who know the capitalist economic system and have the experience of doing business under such a system, because it will take a long time to educate people and it is difficult to transfer such expertise from abroad. It will be impossible for Cuba to imitate entirely what Vietnam has done, but the Cuban government must implement more reforms to improve its people's standard of living.

The question of whether or not Cuba will be able to introduce a market economy depends mostly on the next leader's capacity. Economic centralization enhances the government's political power through employment and control over trade and centralization of resources. In other words, the introduction of market mechanisms will divest the government of that power to a considerable extent. Therefore, the leader must make a difficult political decision. Based on the experiences of China and Vietnam, political reforms can be postponed over the short and medium term, and the leader's ability to convince conservatives to accept a market economy as the best alternative to ease the people's dissatisfaction will be very important.

U.S. policy toward Cuba will be another very important variable in Cuba's reforms. All U.S. administrations, whether Democrat or Republican, have urged that democratization under the multi-party system and free elections is indispensable for Cuba and have stated that the U.S. government is ready to cooperate with Cuba in political transition. It seems that neither the U.S. government, nor the Cuban-American community, which heavily influences U.S. policy toward

Cuba, approve of economic reforms taking place before democratization. Yet it is likely that democratization will dissolve the socialist regime and most likely cause social and institutional instability.

The U.S. government has tolerated undemocratic socialist regimes in China and Vietnam mainly because of its economic interests. The major reason that the U.S. government lifted its economic embargo against Vietnam in 1994 and established diplomatic relations in the following year is Vietnam's rapidly growing economy and investment opportunities. Both China and Vietnam are excellent suppliers of inexpensive manufactured goods and huge markets for U.S. products. So the best way for Cuba to realize only economic reforms under the current regime without U.S. intervention is to achieve rapid economic growth to the extent that the U.S. government cannot ignore its economic interests in favor of its democratic principles.

Although the Japanese government also shares democratic values with the United States, and one of its principles for governmental assistance is the promotion of democracy, Japan has been pragmatic enough to become the largest donor to the PRC and one of the largest to Vietnam. Japan's trade relations with Cuba have stagnated because of the large amount of debt (second largest among capitalist countries after Argentina), but intergovernmental relations have the potential to develop. Japan can encourage the current Cuban government to promote economic reforms as swiftly as possible and to become an attractive market and supplier of goods and services for the United States.

Table 1

Soviet Aid (million U.S. dollars)

| <u>Year</u> | <u>1980</u> | <u>1982</u> | <u>1984</u> | <u>1986</u> | <u>1988</u> | <u>1990</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cuba | 3,243 | 4,340 | 5,153 | 3,280 | 3,270 | 3,955 |
| Vietnam | 935 | 1,000 | 1,040 | 1,325 | 1,365 | 585 |

Source: CIA Handbook

Table 2

War History of Vietnam and Cuba

Vietnam

- 1945 **The end of World War II, withdrawal of Japan**
Declaration of Independence by the Ho Chi Minh cadre, but in reality France continues to control most of Vietnam.)
- 1946-54 **The First Indochina War (against France)**
- 1949 Republic of Vietnam established in South, with the former emperor as president
- 1955 Democratic Republic of Vietnam established in South with President Ngo Dinh Diem
- 1959-64 **The Second Indochina War (against France)**
- 1964-75 **U.S. intervention and the Vietnam War**
- 1975 Unification
- 1978 **Vietnam's invasion of Cambodia**
- 1979 **Sino-Vietnamese War**
- 1986 *Doi Moi* reforms introduced.

Cuba

- 1868 **Independence War**
- 1898 **Spanish-American War**
- 1902 Independence, but virtually controlled by the United States
- 1952 Batista dictatorship starts.
- 1959 Cuban Revolution
- 1961 **Bay of Pigs Invasion** by Cuban exile groups with U.S. assistance
- 1967 **Che Guevara dies in Bolivia**
(End of export of revolution in South America)
- 1974 Military assistance to Angola
- 1991 Disintegration of the USSR
- 1993-96 Partial economic reforms
- 2002 PRC and Venezuela start assistance to Cuba.
Re-centralization of Cuban economy.

Note: **Red** represents invasions by external actors. **Blue** incidents are those in which Vietnam and Cuba themselves sent troops to foreign countries.

Table 3

Education in Vietnam and Cuba

| <u>Year</u> | Adult literacy rate (%) | | | | Combined primary, secondary and tertiary gross enrollment ratio (%) | | |
|----------------------|--------------------------------|--------------------|--------------------|--------------------|--|--------------------|--------------------|
| | <u>1970</u> | <u>1985</u> | <u>1998</u> | <u>2007</u> | <u>1986-88*</u> | <u>1998</u> | <u>2007</u> |
| Vietnam | n.a. | n.a. | 92.9 | 90.3 | 71 | 63 | 63.9 |
| Cuba | 87 | 96 | 96.4 | 99.8 | 98 | 73 | 87.6 |
| Thailand | 79 | 91 | 95.0 | 92.6 | 64 | 61 | 71.2 |
| Dominican Rep | 67 | 78 | 82.8 | 87.0 | 95 | 70 | 74.1 |

(Source: UNDP Human Development Report, 1990, 2000, and 2007.)

Note: *Data for 1986-88 of combined school enrollment ratio represent only primary and secondary enrollment.

Table 4

Conditions of Vietnam's Introduction and Maintenance of Market Economy and Applicability to Cuba

| Conditions <i>to introduce</i> market economy | Vietnam | Cuba |
|---|-----------------------|---------------------------|
| 1. Serious economic crisis | Yes | Yes |
| 2. Demonstration effect | Yes | Yes |
| 3. Social policy | Poor | Generous |
| 4. Powerful conservative leader's initiatives | Yes (Truong Chinh) | Unclear (Raúl Castro?) |
| Conditions <i>to develop</i> market economy | | |
| 1. Sectors familiar with capitalist economy | Yes (South) | No |
| 2. Low cost of labor | Yes | Unclear |
| 3. High education level | Yes | Yes |
| 4. Population aging | No | Yes |
| 5. Investment by emigrés | Yes | Unclear or Yes |

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