

## Overview of Modern Liberalism Theories about the Impact of Economic Reform Vietnam

Pratiwi Mulido\*, Enggar Furi Herdianto

Department of International Relations, Universitas Islam Indonesia, Yogyakarta, Indonesia  
E-mail: 15323035@students.uii.ac.id

---

### Abstract

Vietnam has been carrying out economic reforms or Doi Moi since 1986, as Vietnam has changed the orientation of the country that previously focused on ideology and political power in maintaining the communist state towards economic rehabilitation due to the crisis within the country and because of postwar destruction. With the ideological politics adopted by Vietnam, the country was isolated and communist ideology was the cause of changes in the implementation of the communist party congress in Vietnam. Economic reform policies are made to cope with the economic crisis and social problems in a country where economic policy, more open markets and a centralized economy changes to a market economy. This paper will answer one major question: how the review of Modern Liberalism theories about the impact of economic reform Vietnam from 1986 to 2017. The Modern Liberalism concept will see the economic system carried out in Vietnam as a free market with government interference such as government policies in Doi Moi.

**Keywords:** *Doi Moi, Modern liberalism, Economic growth*

---

### 1. Introduction

Vietnam became one of the countries that experienced a very long domestic war from 1957-1975 (BBC, 2000), namely North Vietnam supported by the Soviet Union and South Vietnam supported by the United States, and the end of the war was won by the communist forces where they managed to evict the United States out of Vietnam. Although there was no domestic, there was a major problem after the war that was poverty which hit the people and the destruction of the country due to the war and the United States carried an embargo to Vietnam which filled the condition of the domestic crisis especially in the economic crisis. Because of these problems the government made an economic reform called Doi Moi in 1986 (Funston, 2001).

Under these conditions it demands Vietnam to change its orientation which formerly focuses on ideology and political power in defending the communist state to shift towards economic rehabilitation due to the crisis in the country and due to the devastation after the war. With ideological politics embraced by Vietnam, its isolated country and communist ideology became the cause of change in the implementation of Vietnam's communist party congress. Economic reform policy was created to tackle the problems of domestic economic and social crisis where economic policy was more open to the market and there was a centralized economic change to the market economy (Beresford, 2006).

Government policy in Doi Moi's economic reforms comprises several elements namely: (1) in a market-oriented socialist economy aimed at improving the right economy as a place for economic development to improve the living conditions of every resident; (2) an attempt to maximize profits in the form of ownership with the state sector as a primary actor in order to release production pressures and suppress all potentials and resources available for development. In this case, Vietnam's SOEs also play an active role in significant state business towards the development and importance of most of the population such as mining, construction, heavy industry agriculture; and (3) promotion of international economic cooperation on the basis of mutual benefit and priority in mobilizing the potential of all domestic resources, as this policy has brought about a change (Arkadie and Mallon, 2003).

Based on the above description, the author wants to analyze the impact of Doi Moi in Vietnam given that Vietnam's economic reforms have some economic policies to tackle the problems of their country. This

paper will discuss the impact of Doi Moi in Vietnam with Modern Liberalism, where this theory is in accordance with the case that the author made because Modern Liberalism is the complement to the theory of Liberalism. This paper will discuss the economic system carried out in Vietnam is a free market with government interference such as the government policy in Doi Moi. Government played a part in the role of the state as is still needed to regulate the country in time of a crisis. In this theory state takes part in economic activities because if there is a problem, the state can regulate it.

## **2. Objectives**

1. To know the impact of Doi Moi in the Vietnam
2. To know the effectiveness of the modern liberalism theory in Vietnam in the past

## **3. Materials and Methods**

### **3.1 The impact of Doi Moi in the country**

Massive economic reforms in Vietnam in 1986, known as the Doi Moi reform, made Vietnam's economy grow and always has increased, but Vietnam's economy is now on track with new challenges of reform that will determine the fate of economic development in Vietnam's future. Doi Moi's economic reforms are an important 'milestone' in making changes to the economic system planned by Vietnam's centralism to a more market mechanism (mechanism market), reducing the role of the government, increasing the role of the private sector and continuing the liberal economic approach (Economic Liberalization ) in 1990 communist rule in Vietnam began to diminish. Therefore Vietnam began its free market economy (Market Socialism) as practiced by China (Funston, 2001).

The Doi Moi Reform Policy carried out by the Vietnamese government has succeeded in making Vietnam's economy a success from 1992-1998. The country's average GDP growth rate per year was 8.4%. And in agriculture 4.5% and the average industrial growth was 13% per year year (World Bank, 1999), making the country whose initial income was only generated by agriculture after the Doi Moi reform of state revenues increased from industry revenue developed domestically. Vietnam's annual GDP growth rate in 2006 grew by 7% per year (IMF, 2018) making the country which was originally a poor country an intermediate country and there were economic opportunities that opened up free markets to foreign investors, because of the country's economic growth in in 2007 Vietnam became a member of the WTO.

With the economic reforms, the government allowed farmers to do unlimited farming by the government, and in 1989 Vietnam exported rice for the first time since 1945 (Funston, 2001). Until now, government policies in agriculture have made rural communities develop their economies by providing facilities to farmers. This policy has brought positive change and made it to the country over the past two decades after Vietnam imposed a Doi Moi policy (Van Arkadie B. & R. Mallon, 2003). The development of Doi Moi did not last long, because it was based on a Vietnamese report that the development of the Vietnamese economy had developed unstably (Fforde, 2016).

Lack of quality in various fields such as human resources, inadequate labor and corruption in the country, which is one of the weaknesses of Doi Moi where this caused the financial crisis in 2008-2011, and this economic crisis that occurred, was due to the large inflation and deficit rate and the trade balance had an impact on hunger and poverty. Domestic factors have also become the root of the economic crisis which caused a large inflation rate due to an imbalance in supply and demand as Vietnam is in the condition of the highest inflation crisis in Asia reaching a 16% inflation rate.

The economic crisis that occurred in this country was also due to domestic political problems and influence to the economy, as unstable and often problematic structures in the communist government or under the control of the Vietnamese Communist Party (PKV) impacting the country's economy. Vietnam had to adjust the Dong currency to increase exports, as its capital began to not be trusted in the market so that investors could withdraw from Vietnam, as a result the country was hit by a crisis and the average GDP growth in 2008 ranged from 5.7%. This made the government take action with the implementation of more attractive



foreign investment in the tax holiday and this tax allowance in practice GDP growth in Vietnam's economy has decreased in 2012 annual average GDP growth of 5.3% (IMF, 2018).

### 3.2 Real GDP growth

**Table 1** Real GDP Vietnam

2006	2007	2008	2009	2010	2011	2012
7%	7.1%	5.7%	5.4%	6.4%	6.2%	5.3%
2013	2014	2015	2016*	2017*		
5.4%	6%	6.7%	6.1%	6.2%		

There is a GDP growth in Vietnam from 2006 until 2017. The Vietnamese government already knows this, and starting from the declaration of a strategic plan for economic and social development 2013-2021 with the aim of creating economic stability, developing world-class infrastructure (World Class Infrastructure), producing quality labor, and creating stability for institutions and organizations 'market' (Strengthen Market-based Institutions). Furthermore, by focusing on exports, capitalist markets, and paying attention to quality monetary policy, they avoided economic instability that had occurred in the previous year. This goal was considered 'Unlocking' to Vietnam for further development in the field of economy with quality.

## 4. Results and Discussion

### 4.1 Modern liberalism analysis of the effects of Doi Moi in Vietnam

After the war in the country which destroyed the country's infrastructure, there was no input of aid funds from the outside world because the country was closed. Because the destruction that occurred in the country demanded the government to issue a policy, Doi Moi brought the Vietnamese state towards more advanced and this was proven by the practice done by the government since the declaration of economic reform has made this country more open to free markets. We can analyze that the Vietnamese government sees opportunities and benefits, and if they are open to the outside world and engage in cooperative relations they can provide greater opportunities for economic and defense improvement his country.

The practice of the Vietnamese government in taking a policy believes in a rational principle, because the rational principles that are believed by liberals can be used on international issues, as this principle produces great benefits for all circles of society in the country and abroad (Jackson Robert, 2013). The country whose ideology is communist does not care about the strength of its socialist political system. This writer can conclude that basically a country cannot fulfill its country's needs independently. With economic reforms, the previously closed economy has become more open to foreign investors, due to government interference. Data in 2012 showed the value of export partners produced was the United States 17.8%, Japan 11.8%, China 11.2%, South Korea 5%, Malaysia 4.1% (Export Genius, 2018). This paper uses the modern liberalism theory in analyzing this case. According to a liberal figure, John Maynard Keynes, said that in the economic sector it is given to the private sector where the government does not withdraw from the economy and plays an active role in influencing the movement and direction of the country's economy. For example, in times of crisis the role of government is very necessary, and needed to reorganize the country's economy by conducting various programs such as free markets (Scott et al, 2005) which can absorb labor, even though the state must issue subsidies which prevent unemployment will have an impact on social life (Sustina, 2014).

This theory is in accordance with modern liberalism seen from the economic system that is run by this country, namely the government opens opportunities to open free markets but is still being interviewed by the government where business capital is owned by the private sector but is still held by the government considering this country has communist ideology, because the government believes that the private sector has not been able to undergo economic development without assistance from them.

After Doi Moi it turned out that the government succeeded in its policies, but the success did not last long when the financial crisis occurred in 2008-2011, and the country's inflation was very high because there was still a lack of stability in several fields and instability in the domestic politics. This proves that even though there is interference from the government in the economic sector that cannot guarantee future conditions, the government should carry out its policy to continually look at the condition of the country every year, because state conditions are constantly changing, both from outside and domestic influences.

After the crisis, the government saw and tried to develop its economy, with efforts to issue new policies such as carrying out strategies on economic development with its policies by focusing more and paying special attention to exports, capitalist markets, and monetary policy in order to avoid the economic instability that had occurred in the previous year. In May 2017 it became the all-time high Point in Vietnam reaching 17931 USD. Here we can understand that the government cares about the problem, and this is in accordance with the modern theory of free market liberalism with the intervention of the government.

Modern liberalism means that it can only be applied perfectly or well if the government is stable, for example stable domestic politics, even though Vietnam uses the communist system but the state system is not the reason for instability because the stability of the state can be of quality management.

## 5. Conclusion

This paper has answered the Problem Formulation that the author has written. What is the impact of Doi Moi in Vietnam? Doi moi developed in Vietnam because of its free market, and with economic reforms giving private and public rights to the agricultural and industrial sectors to carry out production and development of resources applied by government policy but from that success brought failure namely Vietnam's return to unstable in GDP growth, as this made the government issue a strategic plan for economic and social development. With the approach of Modern Liberalism theory, it can be explained that the government took part in economic activities and was responsible for the crisis, which is in accordance with the modern theory approach free market liberalism with the intervention of the government.

## 6. References

- Arkadie V. B. & Mallon, R. (2003). *Vietnam: A transition tiger? The introduction of Doi Moi*. Australian National University Press: Asia Pacific press at.
- BBC. (2000, November 16). *BBC News*. Retrieved January 31, 2019, from Vietnam 1945: <http://news.bbc.co.uk/2/hi/asia-pacific/1026782.stm>
- Beresford, M. (2006). Vietnam: The Transition for Central Planning. In d. Garry Rodan, *The political economy of southeast asia: market, power and contestation*. Oxford University Press .
- Export Genius. (2018). *Vietnam export trade data*. Retrieved February 1, 2019, from Expor Impor Trade Data : <https://www.exportgenius.in/export-import-trade-data/vietnam-export.php>.
- Fforde, A. (2016). Vietnam: economic strategy and economic reality. *Journal of Current Southeast Asian Affairs*, 35(2), 3-30.
- Funston, J. (2001). *Government and politics in southeast asia*. Singapore: Institute of Southeast Asian Studies.
- IMF. (2018, October). *International monetary fund* . Retrieved January 31, 2019, from Vietnam : [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/VNM?year=2006](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/VNM?year=2006)
- Jackson, R., & Sorensen, G. (2013). *Introduction to the study of international relations*. Yogyakarta: Pustaka pelajar.
- Scott, B., Linnklater, A. Devetak, R. (2005). *Theories of international relations*. New York: Palgrave Macmillan.
- Sustina, A. (2014). Classical liberalism and modern. Retrieved from [https://www.academia.edu/8845088/Liberalisme\\_Klasik\\_dan\\_Modern](https://www.academia.edu/8845088/Liberalisme_Klasik_dan_Modern)
- World Bank. (1999). *Viet Nam - Development report 2000: attacking poverty - country economic memorandum (English)*. Washington, DC: World Bank.