

Business associations and new policy dynamics in supporting private sector development in Vietnam ¹

TU PHUONG NGUYEN ²

Abstract

The development of private sector in Vietnam since the mid-1990s has accompanied the state legislation of voluntary organisations of business interests which are recognised as vital to pursuing the economic modernisation agenda. The nature of state and business relations has changed as a result of emergent institutional dynamics and is open to further inquiry. This paper aims to explore the significance of the interactions between the state and business associations in creating favourable market conditions for small and medium enterprises. It argues that business associations have become strategic political actors in representing business interests in mainstream agenda. The analysis will adopt an inclusive framework that examines the interplay of traditional state actors and emerging non-state entities and its implications for political engagements. This framework also allows for further evaluation of the deliberative capacity of intermediary organisations in the formal policy process which should be distinguished from state corporatism or societal pluralism. The framework will be illustrated by evaluating the role and function of the Vietnamese Association of Small and Medium Enterprises (VINASME), established in 2005 on a voluntary basis to represent and support the business community. From the case analysis I argue that intermediary organisations constitute a new mode of political participation that reflects the entanglement of the state and private capital interests in a post-socialist context.

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² PhD Candidate at The University of Adelaide and Research scholar at Indo-Pacific Governance Research Centre. The author wishes to thank Prof. Kanishka Jayasuriya for his critical comments and support and an anonymous editor for proofreading.

Introduction

The enactment of the Enterprise Law in Vietnam in 2000 is considered a policy milestone during economic reform that has given rise to the development of the private sector comprised of small and medium enterprises. These enterprises have contributed greatly to Vietnam's industrial output and become vital to creating jobs, addressing poverty and diversifying the national economy. New private entrepreneurs have enjoyed greater recognition in the public sphere, not only for their economic contribution, but also for broader social commitments closely associated with their commercial activities. These commitments have proved beneficial to improving their productivity and created new opportunities for policy participation. The key question then relates to how the emergence of these social forces have prompted certain regulatory response from the state bureaucracy and what theoretical implications these interactions have for the relationship between the state and business in a post-socialist context.

This paper essentially focuses on evaluating the impacts of private capital on formal political arrangements in Vietnam. Previous research concerning business and politics in Asian industrialism has demonstrated the dynamic link between market-driven interests and institutional change, particularly exploring how capitalist transition fosters the growth of a new middle class capable of challenging authoritarian rule and triggering democratic process. While economic prosperity has driven the emergence of civil society and paved the way towards democratisation in countries like Taiwan, South Korea and Thailand, only marginal changes in the political status quo can be observed in cases like Singapore and China. From these experiences there is a need to examine closely the nature of the political behaviours of private actors and the varying degrees of their influence on formal institutions within the state. During the early reform period in Vietnam, any private business interests were

completely dependent on the state given the entrenchment of the party-state's economic management from the central planning era. However, the acceleration of market reform programs in the past twenty years has created conditions for the thriving private sector and the proliferation of business networks (Schaumberg-Muller 2005, Steer & Sen 2010). As in the case of China, the political implications of new market-driven interests in communist regimes are usually analysed through one of two contrasting perspectives: either as the flowering of civil society or as the continuation of state domination. From the liberal perspective, a new middle class would emerge and constitute a civil society that transforms the state in a democratic direction. On the other hand, state corporatism would prescribe a further consolidation of central power, coercing and pre-empting the growth of private socio-economic pressures. I argue, however, that neither of these interpretations capture the case of transforming socialism and do not adequately interpret its changing political landscape which is embedded in neo-liberal adjustment projects.

With an aim to address the political economy of state transformation in Vietnam, this paper argues that the specific political and economic structures of Vietnam have produced new spaces of governance that allows for the state engagement with and incorporation of capitalist interests into the state agenda. It starts with a brief overview of the discourse on business and the state in Southeast Asia, focusing on the rising political power of the new capitalist interests. This will be followed by an analysis of contemporary perspectives on post-socialist industrialising institutions, which serves as a critique against conventional regime theory in which there is a clear demarcation of democratic and illiberal states and which treats the state and civil society in a dualistic fashion. The proposition that institutional change should be examined through the dynamics of political participation and communication will substantiate further empirical analysis. This signifies the way market-driven social forces penetrate into formal mechanisms, not merely to witness certain regulatory response from

authoritarian regime but to enhance the deliberative influence of non-state actors. Such an analytical framework, which considers the state and societal interests as interwoven, is able to describe the dynamic political encounter between bureaucratic interests entrenched in the party state system and the private sector which has proliferated through the process of economic reform. The framework will be illustrated by investigating a business association founded voluntarily to represent the interests of small and medium enterprises. Established in 2005 and now the largest nationwide business association, the Vietnam Association of Small and Medium Enterprises (VINASME) has operated in close relation with both the business community and the state agencies in promoting private sector development. In examining the activities of VINASME, I will explore the importance of associational activities and networks in fostering trade productivity, and how they constitute a new political arena that allows for more engagements of state and non-state actors.

State and business in Southeast Asia neo-liberal transformation

This paper is located within the discourse on the political economy of Southeast Asian capitalist transformation. A developmental agenda that emphasises the role of private investment and key exporting industries has become a regional model for economic transformation. Establishing the link between institutional factors and market performance has been central to the discourse of Asian industrialism, which particularly examines how the nature of state and business relations could foster or undermine institutional capacity conducive to long-term development (Maxfield & Schneider 1997, Haggard 2004, Evans 1999). Another strand of inquiry into Asian capitalism has paid attention to the political implications of market transition, particularly through the emergence of new capitalist interests and their potential in triggering institutional reforms (Jayasuriya 1998, Higgott & Robison 1985). Indeed, the rising middle class culture in Asia's newly industrialising

countries (NICs) has carried characteristics not previously observed within the Western liberal tradition. In the case of China and Vietnam where economic reformism encounters bureaucratic socialism, the relationship between the state and capital is paradoxically contingent with both sides strategically adapting to the forces of neo-liberalism in a way that reinforces certain powerful political interests (Liew 2005, Painter 2005). These interests are entrenched in the mutual dependency of the party's industrial agenda and the state-owned enterprises in the early centralised economic management.

The diverse characteristics of institutional changes which follow the trajectories of market reforms in Southeast Asia thus require a reconfiguration of the political implications of neo-liberalism that extends beyond the conventional endorsement of a free market and private property rights. In-depth studies into government and business relations over the course of these economic and political adjustments have revealed instances of capturing and corrupting public assets on the part of the state and the perpetuation of patron-client networks (Maxfield & Schneider 1997, Robison 2004). The nature of these changes runs counter to the notion of neo-liberalism as the embodiment of minimalist state intervention with the ascendancy of an autonomous middle class. While it is beyond the scope of this paper to discuss how neo-liberalism as a doctrine has been revisited and refined in Asia, it is worth pointing out that market programs of privatisation and deregulation have given rise to hybrid institutional models reinforced by new dynamics coming from both within and outside the state. Rather, neo-liberalism should be considered as “a specific blueprint for the reorganisation of social and economic power and is supported by the fluid and shifting political alliance”, which creates conditions for “market hybrids” in transitional and post-crisis economies (Robison 2004:408). Such hybrids exist in circumstances of predatory behaviours on the part of the state and/or in state and business networks, caused by the absence of coalitions united behind neo-liberal agenda but the presence of coalitions that harness reformist pressures for the

stability of authoritarian regimes. This hybrid conception places less emphasis on normative and institutional elements related to neo-liberal ascendancy, and more on the endogenous shift of power relations among political and economic actors in pursuing their own agenda and interests. This more broadly reiterates what Brenner et. al. (2009: 37) hails as “variegated” pathways of the spread of neo-liberal projects, designating that market-driven regulatory strategies emerge within and reproduce the existing institutional mechanisms. It becomes analytically vital to explain uneven trajectories of institutional development on the basis of the making of policy regimes which are intrinsic in and responsive to market restructuring.

From this perspective, the new research agenda into Asian industrialised economies should take into account emerging dynamics that shape and transform the “power relationships” within the institutional arrangements rather than seek to identify structural characteristics that determine regime transformation (Jayasuriya & Rodan 2007:776, Rodan et al 2006:24). The spread and unfolding of capitalism catalyse the formation of new alliances over social, economic and legal issues that ultimately alter power politics over the course of production and capital accumulation. It is more helpful to unpack the transformative behaviours of state and society in pursuing their own agenda through their mutual mechanisms, and more importantly, explain how and why hybrid models of the relationship between market and politics have been shaped. In Vietnam, the Communist Party started to decentralise the state economic management in 1986 and further implemented a range of institutional reforms to encourage private investment since the mid 1990s. Now Vietnam is pursuing a market economy with a socialist orientation, which emphasises the pivotal role of central regulation and the contribution of state enterprises to national industrial output. The politics of neo-liberalism in Vietnam differs from the experiences of other countries in the region, in the sense that socialist ideologies and an entrenched bureaucratic system, pre-existing the reform

era, still dominate the mainstream agenda and party guidelines. Researchers have demonstrated how the state strategically co-opts capitalist interests and reformist pressures, maintaining political legitimacy and integrity through its socio-economic developmental propaganda (Gainsborough 2010, Painter 2005). Nonetheless the emergence of private interests has increasingly created challenges for the state bureaucracy. The state itself is not a static entity but is being constantly created and reconstructed in response to the pressures of market change. Thus it is still crucial to examine how private capital constitutes new social forces and the ramifications for state transformation. Indeed, the acceleration of market reform projects has created opportunities for new institutional spaces to emerge and allow for more political engagements between the state and non-state sectors. The state and emerging social dynamics are not intrinsically oppositional in a sense that state and non-state actors seek to dominate each other as their institutional endowments and capabilities allow. Rather, it could be anticipated that both sides, in pursuits of their own interests and agenda and through their interacting realms, create conditions for political pluralism within the state and foster new forms of political participation that should be distinguished from the liberal democratic polity.

Rethinking the state and society in post-socialist institutions

Hybrid state-society relations and the nature of institutional change

The political consequences of rapid industrialisation in transitional economies have raised important issues concerning the relational power between the state and industrialised society. As I have argued, political power, interests and alliances of the new capitalist class have been central to the trajectories of change, whether just a marginal liberalisation or a dramatic democratisation. This process is also contingent on the state capacity and the way that political elites respond to or resist reformist pressures from below. In communist contexts with very limited political spaces, we even witness the strange entanglement between the state bureaucracy and the rising capitalists, whose interests are mostly vested in their coalescence with the state. This section will briefly discuss the contemporary analysis of the new dynamics in Chinese institutions driven by capitalist transition and identify some analytical points comparatively applicable to the case of Vietnam. These countries' similar experiences of political and economic decentralisation are characteristic of "Asian socialism" that sees central state power and legitimacy now increasingly adapted to challenges from neo-liberal projects (Chan et. al. 1999). The state endorsement of private capital has created favourable conditions for new business, followed by institutional reforms that aim to create a level playing field between the state and non-state industrial sectors. In contrast to the presumptions from the liberal democracy tradition, the "new rich" in China and Vietnam have been unable to mobilise politically to foster the growth of a pro-democracy civil society. In China, much has been discussed about the state political co-optation of capitalist interests into the party system (Dickson 2008) and the limited capability of private entrepreneurs to confront state policies (Tsai 2007). However this does not mean that non-conventional interests are all swallowed by the state; indeed, the polity of post-socialism is taking shape of a hybrid model in which intermediary actors are central to the power shifting process.

While the reality of business association in China demonstrates the necessary attachment of such interests to the state bureaucracy for their survival, it also reveals the party state's strategic move to delegate its previous duties to the new intermediaries without loosening the grip on its power over the public sphere. Specifically, business associations are regarded as embodiments of the extension of the state apparatus over socio-economic affairs since representations of capital are considered essential to maintaining the state's agenda (Dickson 2008, Unger & Chan 1996 & 2008). In a state-corporatist model, the party or a governmental body officially sanction the organisation of specific interest groups and grants them legitimacy in formal political engagements. The state determines the constituencies, obligations and responsibilities of these associations which serve as key instruments in policy communication and implementation. Associations at the lower levels mobilise around a wider range of sectoral constituencies and are often subjugated to local/regional governments in negotiating public affairs (Unger & Chan 1996:123-125). While autonomous grassroots political mobilisation is increasing, its influence on decision making remains marginal and the activities are largely contingent on state agenda and policies towards a particular sector. Likewise in regard to the post-reform state-society relations in Vietnam, Stromseth (1998) made an insightful analysis into the long standing peak organisations including the Vietnam Chamber of Commerce and Industry and the Vietnam General Confederation of Labour. These organisations have shifted from their old function as a direct "transmission belt" for the state and become actively engaged with new associations at lower levels in mediating trade and labour relations. Stromseth argued that they represent a new form of "hybrid" corporatism in Vietnam, allowing changes in institutional patterns to occur from the top political hierarchy to accommodate emerging grassroots pressures.

Corporatist scholarship offers sophisticated insights into the politics of associations in China and Vietnam; however, it requires a better analytical approach into the distinctive natures of

non-state agencies, including both autonomous and semi-official organisations. Indeed, considering the bridging roles of associations in their operations on behalf of the state as well as representing their constituencies, these authors face the challenges of characterising these market-driven dynamics along the spectrum of societal and state corporatism (Dickson 2008:104). The differentiation of statist and societal corporatism implies that political communication is primarily a one-way process. Corporatist orthodoxies assume that state and societal realms are dichotomous and thus overlook the continuum of reflexive changes following the interplay of multiple actors, including state, non-state, quasi-state and quasi-social actors. The conception of hybrid corporatism supposedly aims to address such challenges by shifting the focus to interest representation at levels in between the state and society. In post-socialist authoritarian contexts, it suggests the toleration and responsiveness of state institutions toward more grassroots interests that have demonstrated a certain degree of political mobility. Yet the framework does not adequately address how and why such behaviours transpire and pays little attention to the distinctive nature of horizontal and vertical networks developed towards interest representation.

The blurring boundary between state and society

An analytical perspective that aims to transcend the conventional demarcation between liberal democracies and illiberal regimes is developed by He and Warren (2011), proposing that the politics of deliberation could generate a more inclusive mechanism in decision making in authoritarian regimes and transform the political status quo. In short, deliberation occurs when “participants in a political process offer and respond to the substance of claims, reasons, and perspectives in ways that generate persuasion-based influence” (He & Warren 2011:270). Deliberative politics was traditionally associated with the liberal model whereby certain power to rule making and amendments is vested in interest groups. In a centralised

political culture, deliberation is deployed as a means to formulate rules and policies with the absence of the intended transfer of democratic powers to those affected (He & Warren 2011:272). The conceptual development of deliberation in authoritarian contexts and the idealisation of deliberative authoritarianism are to some extent successful in resolving the dilemma of capitalism without democracy in China. They also presuppose that institutional change is transpiring inside the Communist Party that recognises the tactical deployment of political liberalisation when facing challenges from neo-liberalism. However, by incorporating and politicising the mode of communication through deliberative influence, this framework underestimates other arenas beyond policy formulation and influence that also affect state and society dialogues and reflexive changes. As argued elsewhere in Tsai (2006:117), “adaptive informal institutions” can be an important analytical point for justifying change within the system where a new extra-bureaucratic space is formed and represents “creative responses to formal institutional environments that actors find too constraining”. This analysis rests on the sequential and causal mechanisms between formal and informal institutional behaviours; in other words, structural constraints reinforce adaptive behaviours from non-state actors which subsequently propel adjustments from the state actors. Put more broadly, the continuum of these mechanisms highlights the fluidity of the boundaries between formal and informal politics. Such fluidity should draw our attention to the political behaviours of quasi-entities that emerge in the junctures of formal mechanisms and informal adaptations and that reinforce the continuities of structural constraints and opportunities in shaping a new political landscape.

A number of empirical studies of the politics of institutional reforms in Southeast Asia have run counter to the liberals’ causal mechanism of market-oriented economic reform and democracy. Identifying the distinctive characteristics of Asian political economy is useful to pave the way for a new approach to rethinking institutional transition with a focus on the

nuances of political contestation and participation rather than regime typologies. Conventional frameworks have placed much emphasis on the formation of a capitalist class within an autonomous society as essential counter-forces to authoritarianism. As a consequence, little attention is paid to interrogating the features of the institutional forces embedded within and also transforming the behaviours of political and economic actors. As critically identified in Jayasuriya (1998:112), “the point about capitalism in a late industrializing context is the blurring of the boundaries of the market, the state and civil society”. In this sense, conventional discourses tend to anticipate institutional change driven by market-oriented interests as a process that either leads to a transgression of the existing regime or a political regression followed by the consolidation of authoritarian rule. The alternative approach instead is more concerned with the endogenous process in which emerging interests and tensions are accommodated into mainstream politics and inducing change from within the political system.

From this perspective it is essential to reconfigure the notion of the state in order to understand state and business relations in transitional economies. This analytical approach allows the examination of the state as both a central and organisational entity in which political leadership and non-state institutional hierarchies are considered as equally important facets in the evaluation of state capacity (Dauvergne 1998, Foster 2001). In short,

States are not unitary actors and sections of states often work at cross-purposes, undercutting control and stalemating action. These sections sometimes work more closely with non-state organisations than with other sections of the state. Because of the multiple ways that state sections and societal groups interact, all states are both strong and weak depending on the dimension, sector, and time (Dauvergne 1998:9-10).

The state, therefore, is implicated in the social structure which is heterogeneous and transformative and which also impacts on political deliberation. This is especially useful to apply in post-colonial and developing states considering their variegated levels of social

control and structure. By the same token, the concept of “institutional amphibiousness” (Ding, 1994), especially relating to the late communist polities, also substantiates the blurring of institutional domains and the interdependence of multiple official, semi-official and voluntary actors in pursuing their own objectives. One typical manifestation of such hybrid institutionalism is “parasitism”, or the attachment of self-claimed autonomous organisations to the state for legal protection and other hands-on practical support. Research into varying types of voluntary and non-state associations in China demonstrates that the majority of these view being co-opted into authoritative agencies as essential to achieving their goals and facilitating long-term development objectives (Foster 2001, Solinger 1993). Specifically in the negotiation of trade-related issues, the intertwining of business associations and the bureaucratic system represents a “structure of opportunities and constraints”, in which the promising prospects of establishing close ties with authorities have been balanced against compromising the level of autonomy (Foster 2001:97). Indeed it is of greater concern to understand how institutional opportunities and constraints underpin the behavioural outcomes of agencies involved in the ongoing state-society interactions.

The hybrid corporatist approach aims to examine underlying institutional processes of societal agencies on the state transformation. This perspective sees how economic transition may pave the way for the creation of an overlapping field between statist and societal agendas and the institutionalisation of both public and private networks. My analytical stance recognises the significance of analysing the interactive connection of the state and powerful non-state actors, yet the focal point is to discover to what extent the state becomes enmeshed into those emerging forces and, as a consequence, transforms its internal structure. In other words the internal contests within the state apparatus are unleashed by capitalist transformation, creating new arenas and/or entrenching old agendas. Interests are now somehow external to these changes as implied by liberal or state corporatist conceptions. To

address the new political economy of Vietnam, it is essential to incorporate these processes into the broader dynamics associated with the hybrid patterns arising from the neo-liberal agenda. The emergence of new institutional spaces both in and outside the state has paved the way for an agenda of state transformation constituted through the process of accommodating mechanisms between the state and private business. It is within such mechanisms that hybrid entities intermediating between state and business take shape and constitute new patterns of political representation.

Understanding the politics of state and business relations in Vietnam

This section seeks to argue that neither the concept of societal pluralism nor that of state corporatism sufficiently explains the relationships between state and private capital at this stage of industrialisation in Vietnam and as such, a closer examination of the nuances of the dialectical exchanges that are taking place and triggering the diffusion of power relations is required. The Vietnamese economy was exposed to greater calls for reform by international financial institutions and foreign donors after the Asian financial crisis that put more pressure on the party-state to liberalise its policy regime and restructure the troubled state economic sectors (Painter 2005: 263-264). Thanks to the surge of foreign fund, technical assistance and investment in contributing to some economic success, the state of Vietnam now introduced and endorsed a range of legislations to shore up the private sector's potentials, a few examples including the Enterprise Law, the Law on Financial Institutions and the Law on Investment. The spread of market reform projects has allowed for the emergence of the new institutional dynamics coming from both within and outside the state that vest more power and functional leeway into non-governmental agencies. As discussed in the last section, these dynamics hardly signal the rise of a political pluralism which is detached from the state. On the other hand, this political exchange and shifting institutional hierarchy also go beyond the

state corporatist model in which state institutions enjoys absolute political legitimacy. Indeed, the interrelationship between the state and society in post-socialist polity is administrative rather than political, meaning that regulatory measures aim to monitor, rather than usurp, activities beyond the formal institutional domains.

Following this logic, how do we understand and conceptualise the political significance of intermediary associations in the context of a transforming one-party regime? If their roles and activism in representing their constituencies are neither grounds for democratic empowerment nor subject to state co-optation, to what extent can they be intrinsic to the process of institutional development? To be clear, such representation in authoritarian contexts does not necessarily result in the need for formalising grassroots mobilisation nor does it necessarily reflect the constituencies' capability to demand greater accountability from decision-makers (Jayasuriya & Rodan 2007:781). The answer is rooted in the notion of neo-liberal agenda as the essential platform for the new patterns of political and economic alliances. These new patterns are constituted by the way emerging interests are organised and incorporated into the state agenda. In other words, these patterns are reflected in the rise and networks of intermediaries which are central to the process of state incorporation over society. In post-socialist institutions, this process underpins the diffusion and restructuring of administrative power from the central state to societal-based agencies, responding to the rising needs of market development. This process then opens up the new space of governance that fosters further dialectical exchange and reflexive adaptations between state and non-state actors.

The theoretical framework to understanding the polity of organised business interests in Vietnam therefore needs to acknowledge the blurring boundaries of state and private capital in this transitional economy, and the transforming power relations which occur as a result of

their political accommodation within the state. It highlights the “mode of participation” framework that emphasises change within the political structure whereby contested institutional spaces are resurrected to allow for further participation (Jayasuriya & Rodan 2007). The plurality of market-driven interests, in this sense, does not herald democratic empowerment for the new middle class, but reinforces adaptive behaviours from both state and non-state actors. It is through the process of reflexive changes that a “deliberative turn” in policy making is observed, not only from state legislators but also from semi-state agents and new socio-economic entities. These procedural patterns have been shaped by the hybrid entanglement of bureaucratic polity and market development, which entails dialogical relationships not only between socialist ideologies and capitalist interests, but also an interaction between political contestation and participation. In short this thesis departs from the paradigms of state corporatism and societal pluralism in designating transitional institutions. My argument is that intermediate organisations are constituting a new space of governance and are central to the broader projects of restructuring administrative power within the state.

Vietnam Association of Small and Medium Enterprises and new policy mechanisms supporting the private sector ³

Private sector development, associational background and structure

The Enterprise Law in 2000 marked a legal milestone in Vietnam, mainstreaming the registration and operation of private companies, enforcing a regime of property rights and entitling various sectors to equal treatment (Schaumberg-Muller 2005:355). These legal reforms have been conducive to private investment, engendering the growth of capitalist interests in the industrial transition era and continuing to influence economic policies and

³ All materials in this section were translated by the author.

institutional arrangements today. Decree 56/2009/ND-CP, “Supporting the development of SMEs”, for the first time, clarified the legal status of SMEs, outlined governmental support programs and relegated tasks of implementation to a range of state and non-state agencies. Generally, small enterprises are those employing no more than 200 workers, with the total financial input not exceeding 20 billion Vietnam dong; medium enterprises are those employing no more than 300 workers, with the total financial input not exceeding 100 billion Vietnam dong⁴. The detailed schemes for assisting SMEs include the following: financial assistance, provision of land and venue for production, assistance to innovate technology and enhanced technical capability, facilitating with market expansion, incorporating SMEs into supporting public services, enhancing information and consultation, human resources training, as well as more general supporting scheme for new enterprises⁵.

The Vietnam Association of Small and Medium Enterprises (VINASME), established in 2005, is a voluntary socio-professional organisation of SMEs across different sectors nationwide and its operations are obliged to The Ministry of Planning and Investment. Its organisation, rules and purposes were authorised by the Ministry of Internal Affairs under Decision 102/2005/QD-BNV⁶. The association is selected for analysis as it demonstrates two important features characteristic of the transforming state-business relation in Vietnam. First, it is founded on a voluntary basis as a representative of SMEs and is directed by electable officials not sanctioned by the state institutions. Secondly, it is exemplary of intermediary agencies between the state and business community whose objectives and conduct are aimed at serving the interests of both sides. An examination of this association may reveal features that are particularly relevant to the broader theoretical propositions, showing how aspects of

⁴ Decree 56/2009/ND-CP

⁵ Decree 56/2009/ND-CP

⁶ *Bo Noi Vu*, 21/9/2005, *Quyết định về việc phê duyệt Ban điều lệ của Hiệp hội Doanh nghiệp nhỏ và vừa Việt Nam* [Ministry of Internal Affairs, 21/9/2005, “Decision on approving the constitution of VINASME”.]

political participation and representation are useful to examining the transformed relations of state and business in Vietnam.

According to VINASME statistics, there are 600,000 small and medium enterprises nationwide, accounting for 96 percent of the total enterprises. The association has three headquarters across the country and is in administrative control of other SMEs associations organised at the city or provincial level. It has established four official branches overseas, an individual research institute and publishes the “Magazine of Business and Integration” as an official information channel. Further information for the case analysis are sourced from VINASME’s official webpage, from 2009 until recently, which include associational agendas, bulletins, reports from conferences and meetings, and interview scripts.

The main functions of VINASME can be summarised as:

- To coordinate business members and encourage their mutual support in enhancing productivity and promoting sustainable development
- To mediate between members and governmental agencies or institutes in regard to legal affairs and seeking foreign trade opportunities
- To communicate business members’ opinions to the state departments and participate in consultations concerning policy documentations relating to mechanisms and strategies in support of SMEs
- To provide legal advice, expertise qualification and training in business registration and day-to-day activities
- To facilitate commerce and investment via events, conferences, market fairs and marketing assistance
- To keep members informed of governmental policies and agenda

- To expand partnerships with international associations ⁷

These operational guidelines serve to tally with growing commercial interests from the small-medium sectors and expedite the implementation of legislation designed to assist trade in a more privatised market. These interests represent the emergent social forces that are seeking to formally engage within the state's deliberative processes, seeking an institutional space conducive to their development. In addition, VINASME leadership also sets out six core objectives of their own pursuits. The first two objectives, those of supporting SMEs in applying technology and innovation in production, and promoting sustainable development – bear a resemblance to the governmental agenda and expectations in optimising SMEs capability. The other four – evaluating the effects of policy implementation; mediating interests of state, business, and labour; participating in public forums/debates concerning policy adaptation/reform; and developing independent SMEs funds – indicate the emergent private sector's need for its inclusion in the formation of policy mechanisms.

The executive board of VINASME is elected at its general convention every five years, and is currently composed of technocrats, experts and private entrepreneurs. Officials of the steering committee include the president, vice-presidents and general secretary, are nominated by the executive and are responsible for the organisational agenda. VINASME membership includes small and medium enterprises nationwide, other socio-professional organisations and foreign companies that are related or committed to the development of the private sector. The incumbent President, Mr Cao Sy Kiem, used to serve as Chairman of the Vietnamese State Bank and is also a member of the State National Assembly⁸. He is an active participant in national political forums and other multilateral talks regarding industrial policies and voicing

⁷ *Chuc nang, nhiem vu cua Hiep hoi Doanh nghiep nho va vua Viet Nam* [Functions and responsibilities of VINASME], <http://www.vinasme.com.vn/trang-chu/chuc-nang-nhiem-vu/>, accessed 1st October 2012

⁸ 3rd July 2011, *Hoi nghi Ban lanh dao Hiep hoi du kien gioi thieu nguoi ung cu Dai bieu Quoc hoi khoa XIII*, [The Associational Board's meeting nominates candidate to be representative of the National Assembly term XIII], http://www.vinasme.com.vn/trang-chu/hiep-hoi-dnnvv-viet-nam/hoi-nghi-ban-lanh-dao-hiep-hoi-du-kien-gioi-thieu-nguoi-ung-cu-dai-bieu-quoc-hoi-khoa-xiii_994/, accessed 1st October 2012

business concerns. Both the President and the General Secretary, Mr To Hoai Nam, also frequently appear in media interviews and critically discuss state policies in relation to the status of business activities. The political connection between VINASME incumbents and the party-state, at the very least, typifies a certain level of integration between business institutions and the central authorities. Yet such relationship should be distinguished from state corporatism since there are arenas of representation and operations on the part of the association that extends beyond the formal designation of the state. I will demonstrate this proposition with an analysis of VINASME's operations.

Supporting private sector development

Decree 56/2009 includes the stated objectives of supporting private sector development in Vietnam and is the foundational basis for VINASME's commitments to represent the private sector and strengthen its organisational capacity in public policy debates. This is a decisive move considering that small and medium business sectors have been largely marginalised in mainstream decision-making, lacking governmental support; state-owned and large enterprises have until now been the sole focus of state concern (Gillespie 2008). More official support to the promotion of private business has been demanded and recognised in the new agenda of the state-created Vietnam Chamber of Commerce and Industry (VCCI), yet the political commitments in practice have not matched up with the market pace and the economic conditions. VINASME and its subordinate branches, partially run by private entrepreneurs, are an interesting case that clearly illustrates the formal advocacy for small and medium enterprises in mainstream agenda. The recognition of small and medium enterprises as its core beneficiaries – which could hardly be seen in state corporatist associations – signals an important step to promote these sectors into policy concerns and channel appropriate resources to boost their business activities. The primary functions and activities of VINASME are best seen grouped under the following areas:

(a) Operations and levels of participation: The association has organised joint conferences, forums and dialogues with participation from the state and business representatives and foreign counterparts. The main purpose of these events is to debate and evaluate public policies, call for specific research and expertise in the field, and to propose reforms and innovations in trade-related issues towards government and state agencies. The association also implements joint programs with the trade ministry and foreign business chambers aiming to accelerate support and find resolutions suitable to Vietnam's industrial conditions. VINASME operations thus embody multiple connections with the Ministry of Commerce and Industry, professionals and experts, bureaucrats and related departments, local authorities, research institutes, the state bank and commercial banks. In addition, VINASME also implemented a project of "Improving capability in commercial policies" in conjunction with the German Business Chamber (SEQUA) in 2009⁹. The key objectives included improving expertise and qualifications of associational staff, establishing a consultative committee, developing the consultative qualification of VINASME in response to public policies and establishing a specialised sector for VINASME support services.

(b) Issues concerning business activities: The association has thus far conducted surveys and attempted to voice challenges and concerns relating to the potentials of entrepreneurial production and competitiveness. The heated issues include access to loans and credit, customs and taxation, the need for human resource training and skill upgrading, the responsiveness of government policies in supporting business and the urgency to establish development fund for SMEs. These issues are ongoing, having been embodied in the overarching objectives of enhancing the institutional mechanisms and capability to capitalise

⁹ 28th October 2009, "*Le khai dong trien khai du an Tang cuong nang luc chinh sach thuong mai cho Hiep hoi doanh nghiep nho va vua Vietnam*" [The inauguration of the project Improving capability in commercial policies for VINASME], <http://www.vinasme.com.vn/Le-khoi-dong-trien-khai-du-an-Tang-cuong-nang-luc-chinh-sach-thuong-mai-cho-Hiep-hoi-doanh-nghiep-nho-va-vua-Viet-Nam-1101-326.html>, accessed 1st October 2012

in the transitioning market. Beyond these existing themes, the association has also formulated new platforms and programs in regard to technological innovation, encouraging market expansion with foreign partners, promoting coordination within the small-medium sectors and innovating schemes and structural adjustments towards sustainability and social responsibility¹⁰.

(c) Representing business community: In official terms, participation in business associations has empowered the majority of small and medium enterprises with access to a dynamic network of collective interests and organisational activities. It is through networking and participating in business associations that entrepreneurs in small and medium sectors are entitled to: (1) protection of legal rights and legitimate interests through raising their demands and participating in associational activities, (2) access to information about trade and production and participation in training, conferences, forums, (3) assistance from the association with mediation with authorities in regard to policy mechanisms, (4) participation in associational activities, (5) seek dispute resolutions and (6) attend the general convention and elect administrative boards; debate and discuss agendas and decisions¹¹. The rights and responsibilities endowed through membership provide a new platform for private entrepreneurs to not only engage with their own networks but also gain formal access to legal and policy issues.

(d) Enhancing public-private and private-private partnerships: The Ministry of Trade and Industry, in liaison with VINASME, implemented the Operational Cooperative Program to facilitate the support of SMEs in trade and industry during the period 2008 to 2012¹². The

¹⁰ VINASME, <http://www.vinasme.com.vn>, selected news from October 2009 to April 2013.

¹¹ *Dieu, quyen loi va nghia vu cua Hoi vien* [Regulations and member responsibilities], <http://www.vinasme.com.vn/trang-chu/dieu-le-hoi-vien/>, accessed 1st October 2012.

¹² *Bo Cong Thuong – Hiep Hoi Doanh nghiep nho va vua Viet Nam*, 22/8/2008 “*Chuong trinh phoi hop hoat dong – Day manh cong tac tro giup phat trien doanh nghiep nho va vua nganh cong thuong giai doan 2008-2012*” [Ministry of Trade and Industry, 22/8/2008, “Coordinating action program – Accelerating the scheme of supporting SMEs in trade and industry period 2008-2012”]

program outlines six instrumental points for promoting trade and production within small and medium business sectors which had until then been directed by the state. VINASME is currently proposing the establishment of ‘sectoral clusters’ (cum lien ket nganh) as part of their resolutions to foster horizontal networking and mutual support among private entrepreneurs. In 2011, direct measures to assist industrial activities were implemented, as well as a program of inter-sectoral legal assistance designed to enhance business competitiveness and help resolve legal disputes. This is a coordinating program between business associations, the Ministry of Legal Affairs and local ministerial agencies¹³. VINASME is also conducting a number of actions without state interaction, such as developing contractual partnerships with financial institutions and external organisations in order to boost operational efficiency and reputation. While it is still too early to evaluate the impacts of these programs, they significantly signal an inclusionary trend in the formulation of policies and resolutions targeting at improving efficiency for non-state economic sectors.

(e) Internal networking: VINASME at the national level also effectively coordinates business associations of small and medium enterprises at the local levels. These sub-level associations have closer contacts with SMEs in their cities or provinces and are run by local private entrepreneurs. Their objectives and functions also entail representation and policy communication. With a more grassroots basis, these sub-level associations demonstrate a greater level of interventions into daily business activities. While it is beyond the scope of this section to give a detailed analysis of sub-level associations, it is worth pointing out that relationships at the lower levels are both horizontal (within business associations), and vertical (between associations and local ministerial bodies).

¹³ 11th April 2013, *Hoi nghi so ket 2 nam trien khai hoat dong cua Chuong trinh ho tro phap ly lien nganh danh cho doanh nghiep* [Evaluative meeting after two years of executing the program of inter-sectoral legal assistance for business], <http://vinasme.vn/Hoi-nghi-so-ket-02-nam-trien-khai-hoat-dong-cua-Chuong-trinh-ho-tro-phap-ly-lien-nganh-danh-cho-doanh-nghiep-1101-367.html>, accessed 1st October 2012.

(f) Evaluating and recommending changes to policy decisions: Between March 2012 and April 2013¹⁴, VINASME has drafted eleven documents in evaluating and proposing changes to the resolutions and decrees of relegated national ministries. The calls for policy evaluations and recommendations are sent by the national ministry. Most recommendations for changes have fallen within the interests of improving the institutional conditions tallying with SMEs interests. In the most recent proposals to Constitutional amendments, VINASME raised an important point of incorporating small and medium economic sectors into the constitution, recognising their significant contribution to national development agenda.

The six themes discussed above consistently demonstrate the emergent forms of representation and participation in the new institutional spaces unleashed by market reform projects. By raising issues concerning business activities and their legal entitlements, VINASME has legitimately advocated for its business constituencies in a manner that ensures business interests are incorporated into the broader agenda settings. Its operations have been embedded in various levels of participation that complement the existing deliberative mechanisms that have characterised mutual ties and recognitions between authorities and intermediaries. Most importantly, the last issue of policy evaluation and recommendations signals both a new institutional opportunity and enhanced deliberative capacity of VINASME as an intermediary agency.

Business associations and the transforming policy mechanism

VINASME President, in an interview in 2011¹⁵, has expressed confidence in the association's performance in four main areas: (1) providing members with more understanding about trade, trade environment, economic integration and competition; (2) supporting members in the

¹⁴ *Gop y van ban* [Feedback on policy documents] <http://vinasme.vn/Gop-y-van-ban/1504.html>, accessed 10th July 2013.

¹⁵ 1st Jun 2011, *Doanh nghiep nho va vua trong boi canh moi* [Small and medium enterprises in the new environment], http://www.vinasme.com.vn/doanh-nghiep-va-doanh-nhan/phat-trien-doanh-nghiep/doanh-nghiep-nho-va-vua-trong-boi-canhh-moi_854/, accessed 1st October 2012

application of technology and a new market model through information exchange, trade fairs and exhibitions; (3) promoting the acquisition of new skills, including administrative skills of labourers in specific sectors and (4) enhancing the association's reputation and image to the state authorities, business and social communities. He stated that the operations and activities of VINASME have demonstrated the importance of evaluating mainstream policies and legal environments in order to improve commercial activities. He emphatically conveyed the need for industrial development needs to go hand-in-hand with the moderation of interests between the state, business and labour, with responsive resolutions that address business concerns. He saw that political connections and the development of partnerships should be hailed as two vital determinants for the association to thrive domestically and expand its operations.

From this examination of the functions of VINASME, two important issues stand out opening the scope for further discussion. Firstly, VINASME acts as a two-way policy channel between the government and the business community, and secondly, it has acquired certain levels of autonomy from the state in terms of operational and financial matters. VINASME leadership has had an increasing and more critical voice in policy discussion. Its activities have shown how power relations are shifting from the state apparatus to organised entities beyond the state. Business associations like VINASME come into being to represent the business community's interests rather than serve as a political instrument to consolidate the interests of certain powerful corporate groups in mainstream agenda. This makes a clear difference between business associations and state corporatist institutions. Yet they are not constituted as new interest groups capable of mobilising and operating independently from the state. Their agendas, as reflected in the constitution and initiatives in policy recommendations, are informed by central guidelines. As VINASME leaders pointed out, connections to the bureaucracy and state agencies are instrumental in pragmatizing commitments towards trade and business development. The characteristics of quasi-

corporatist entities actually bolster the preposition that state and societal realms are malleable and interpenetrative in transitional economies. These characteristics then embolden the proposition that the political economy of institutional change in Vietnam should be examined through the nuances of political communication and participation rather than along the demarcation of liberal or illiberal elements in the state-capital nexus. In contemporary Vietnam, a range of state and business interactions are accumulating into the emergent political pluralism within the state that embodies a range of state and capital relationships and signifies the increasing role of representation and policy communication of intermediary organisations. However, this reflects the nature of non-democratic representation indeed when it is not aimed at empowering the particular grassroots entities, despite the fact that public institutions are being restructured to acknowledge and accommodate the new agendas arising from, and oriented by, the transforming market.

Incorporating an understanding of the emergent dynamics of state and business relations in Vietnam, how do we then characterise the role of business associations in the hybrid continuum of bureaucratic polity and capitalist incentives? From this case analysis it is argued that the foundation and evolution of business associations results in new institutional space being opened between the state and the emergent non-state sectors. VINASME can be positioned at the core of multilateral partnerships that engage state ministries, bureaucratic cadres, technocrats, financial institutions, foreign trade partners and the domestic private sectors in resolving trade-related issues and problems. These operations and cooperative behaviours have enhanced the deliberative influence of this association in its policy mechanisms which reveal coalescing rather than confrontational tendencies between the state and private capital. From multi-lateral meetings and dialogues between state ministries, VINASME, sub-level business associations, private entrepreneurs and relevant institutional stakeholders, we can see the interest of active engagement from the business community and

associations, as well as the interest of bureaucrats and decision-makers in attending to entrepreneurial concerns and their intention to address the problems. These activities demonstrate the dialectical realm where state and non-state actors have mutual interests in exchange and negotiation, at least in a formalistic manner. Business associations constitute dimensions of a process that accommodates organised interests stemming from market-oriented demands into formal politics and reinforces the hybrid entanglement between politics and market in post-socialist industrialisation. The polity of voluntary organisations in this case could be characterised as contained participation in a reform agenda helping to restructure rather than diffuse administrative power from the state. One implication of this process is that grievances and imminent tensions may be resolved via deliberative engagements between political elites and business associations.

Selected materials from VINASME and policy documents have revealed significant analytical issues; nevertheless, more intensive research is required to validate the findings and gain more insights into the actual deliberative process engaging the state, business associations and relevant stakeholders. It is still unknown whether such political openness will pave the way for SMEs to have a direct say in raising their grievances, as well as access to policy debates and amendments. Interest representation, in this context, is aimed at changing the existing patterns of policy participation rather than empowering bottom-up incentives. The venues for participation emerge beyond the reach of the state but are strategically attached to the state, which consequently produces new spaces of governance aiming towards political accountability and transparency. What can be seen ultimately is the deliberate incorporation of private business interests into the state interests which is conducive to promoting further dialogical negotiations between state and business. These negotiations are parts of an institutional restructuring in which the one-party communist

regime feels greater needs to engage with its constituencies in pursuit of its key macro-economic objectives.

Conclusion

This paper has contributed to understanding the characteristics of intermediary organisations in Vietnam and their growing significance in public governance. It argues that in an illiberal one-party state, institutional change is a part of the state restructuring project through the state actors' dialectical exchanges with non-state entities. This process entails numerous negotiation and accommodation and blurs the notion of either state or societal autonomy. The case of the Vietnamese Association of Small and Medium Enterprises has demonstrated the influences of voluntary associations in the policy debates and agenda setting that aim to benefit private sector development. It is anticipated that the ongoing interactions between bureaucrats, state agencies, VINASME and business community contribute to a new policy mechanism that could enhance the deliberative capacity of the multiple actors involved. As the paper has mostly relied on web-based secondary sources for empirical analysis, the concluding remarks are still subject to verification through more intensive fieldwork. However, it has established an appropriate framework to study the state and business in Vietnam which suggests that business associations, as representatives of new private actors to the government, have constituted a pattern of participation which sees the accommodation of private interests into the state agenda setting. The case of VINASME is only one example of the new dynamics that underpin the mode of political participation in Vietnam that is different from the state corporatist or liberal pluralistic models. These dynamics highlight that the hybrid entanglement of bureaucratic and market-oriented interests is unfolding a new space of governance that enhances the policy capacity of the government and intermediaries in pursuits of their convergent objective – supporting private sector development.

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