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The Implausibility of the ‘Vietnam Model’ for North Korea: The Security Factor

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By Khang Vu

During the first summit between North Korea’s Chairman Kim Jong Un and South Korea’s President Moon Jae-in in April 2018, Kim mentioned that he preferred the “Vietnam model” of economic development to that of China. This is because the North wants to maintain a good relationship with the United States in order to attract Western investment. North Korea paid close attention to the “Vietnam model” again in 2018 when then-North Korea Foreign Minister Ri Yong-ho visited Hanoi. Commentaries on the eve of the 2019 Hanoi summit between Kim and U.S. President Donald Trump raised the profile of the “Vietnam model” significantly, as the Trump administration wanted North Korea to be the next Vietnam. Even though the Hanoi summit was ultimately a setback in the denuclearization talks, Moon’s push for a revival of diplomacy with the North under a Joe Biden presidency in the United States may rekindle hope for a small but pragmatic deal between Washington and Pyongyang, in which North Korea could receive partial sanctions relief in exchange for a freeze of its nuclear program.

However, a key question remains. Can North Korea really adopt the Vietnam model? Analyses of the model tend to look at North Korea’s domestic social control as a reason Kim cannot decentralize the economy. In other words, regardless of how external conditions develop, the regime’s internal contradictions and fear of losing control would render economic reform impossible. Still, this argument ignores the fact that North Korea has to impose strict internal control on its population because it is technically still at war with South Korea. Examining the Vietnam model in its entirety tells us that the external security factor, namely wars against South Vietnam, Cambodia, and China, was a key reason Hanoi could not implement economic reforms before 1989 even though it contemplated those reforms many times. So long as South Korea exists, North Korea cannot demobilize its military to reform the economy like Vietnam did in the late 1980s.

The Correct Vietnam Model

North Vietnam emerged from the 1954 Geneva conference with a weak economy. Much of its economic development under French colonial rule was destroyed in World War II and the First Indochina War. Hanoi began to modernize its economy through collectivization of agriculture, construction of a centrally planned economy, and a focus on heavy industry. North Vietnam wanted to unify with South Vietnam after the country’s partition in Geneva and it had two options: either to concentrate on building a socialist economy in the North and reunify with the South peacefully, or pour resources into an armed struggle against Saigon. For a country drawing

15-20 percent of its budget from foreign aid in the early 1960s, North Vietnam did not have the resources to do both.

Internal conflict among the Vietnamese Workers' Party (VWP) elites over the next step mirrored the two difficult options. Advocates of the first option, including President Ho Chi Minh and General Vo Nguyen Giap, argued that spending resources on the southern front while the North's economy was still fragile would impede building socialism in the North. On the other side, supporters of the second option, namely First Secretary of the Party Le Duan and member of the Politburo Le Duc Tho, contended that fighting the South while the Saigon government was still weak would be more rational.

As the United States increased its presence in South Vietnam in 1964, North Vietnam considered a full-scale war with the United States inevitable and proceeded to increase its attacks against the South to destabilize it and to boost morale against a much stronger enemy. Hanoi ultimately opted for the second option under the slogan "Everything is for the frontline, everything is to defeat the American invaders." News of South Vietnam's planned "March North" in 1964 further consolidated Hanoi's will to prioritize security over economic development. Throughout the Vietnam War, North Vietnam prioritized defense spending over agricultural collectivization and industrialization even though it could not meet the demands of its own population.

After unification in 1975, Hanoi contemplated economic reforms in the late 1970s due to the economic crises caused by the expensive war against the Khmer Rouge in Cambodia and the border war against China. In the Fifth Plenum of the Communist Party of Vietnam (CPV) Central Committee in 1979, the leadership acknowledged the legitimacy of individual interests to generate growth for domestic businesses. After the Sixth Plenum, the government encouraged private enterprises to function independently of the state and practiced small-scale decentralization. From the early to mid-1980s, Hanoi carried out similar micro-level reforms to abolish domestic barriers to trade and boost agricultural production, but the structure of a centrally planned economy was still intact. Vietnam only implemented macro-level reforms (the "Doi Moi") at the Sixth National Congress of the Communist Party of Vietnam in 1986 to decentralize the decision-making process and open up its economy for foreign investors. However, the security factor continued to hinder the reform agenda after 1986.

Large-scale economic reform demanded a massive cut in the defense budget, which would see the downsizing of the military from 1.2 million to just 600,000 men, in order to free up men and resources for the economic sector. The military establishment opposed such a move, arguing that economic development should not come at the expense of national security. Vietnam was still occupying Cambodia and worried about another Chinese invasion at the time. There was thus a strong connection between Vietnam's foreign policy and its domestic economic renovation. Vietnam could not attract foreign investments if its relations with neighbors were bad. Economic reform thus required a reorientation of foreign policy away from the Cold War paradigm and a weakening of the military-first faction. This explains why only after Vietnam withdrew its troops from Cambodia and normalized relations with China and other Southeast Asian neighbors, as well as cutting the defense budget in the late 1980s and early 1990s, could Hanoi really reap the gains of its 1986 economic reform agenda. In other words, an improvement of the security environment is a must for economic reforms to work.

North Korea's Lingering Security Concerns

North Korea at present is not in the same position that Vietnam was in 1986, in large part due to differences in the security environment. The country faces an existential threat from South Korea in the same way that North Vietnam did in the 1960s, which justifies the strict domestic control and heavy spending on the military in the first place. North Korea has devoted more than 20 percent of its gross domestic product (GDP) to defense and has enhanced the power of the military establishment under the Military First (Songun) policy rather than weakening it like Vietnam did in the late 1980s to prepare for reform. Vietnam's withdrawal from Cambodia and normalization with China were possible because such moves would not put regime security at risk, but North Korea cannot give up its nuclear weapons, which the regime views as its only means of survival, when its conventional power cannot compete with that of the South.

It is not wrong to attribute the failure of North Korea's economic reforms to the regime's fear of losing control over its population after decentralization. However, outside information has permeated the country in a good enough amount for the population to know that the country is backward compared to the rest of the world. What hinders the population from rebelling against the regime is the concern for their own security that even after Kim is gone, they may have to live under an "evil" South Korean government. North Korean elites and even well-off commoners would lose their social status and may face prosecution for human rights violations. Consequently, individual security concerns, not necessarily for the North Korean state but for themselves, justify reluctant support for the regime and a continuation of the status quo.

The security factor as a hindrance to economic reform means that the Vietnam model is not applicable to North Korea. Even if North Korea gets a security guarantee from the South and the United States under a peace treaty, it still has reasons to doubt whether the South would march North to unify the country when the situation permits. This is because Pyongyang may not have oriented its foreign policy away from a Cold War paradigm and intentions are inherently unknowable.

However, the Vietnam model may be suitable for the North if it reunifies with the South. In the potential situation of a North Korea collapse, the new Korean government should not integrate the South and the North too quickly. The northern half of Korea should adopt a socialist-oriented market economy distinct from the South's system for the population to familiarize themselves with the fundamentals of a capitalist system first and to protect its workers from fierce competition from higher-quality South Korean laborers or a colonization by the South Korean way of life.

To conclude, improvement in the security environment that can best guarantee regime survival is a must for a North Korean economic reform. The Vietnam model when examined in its entirety proves to be too early for Pyongyang at this point.

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