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Business associations and the politics of contained participation in Vietnam

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The development of the private sector in Vietnam since the mid-1990s has accompanied the emergence of organised business interests, which is recognised as vital to pursuing the agenda of economic modernisation. This article aims to explore the significance of the interactions between the state and business associations representing small-and-medium enterprises. It demonstrates that business associations have transformed state–business relations in a way that is distinguishable from state corporatism or societal pluralism. The analysis examines the interplay between state actors and emerging non-state entities, and the deliberative capacity of intermediary organisations in the policy-making process, specifically through the Vietnam Association of Small and Medium Enterprises. It is argued that this process constitutes a new mode of political participation that reflects the entanglement of the state and private capital interests. It reveals features of contained participation and contributes to the research agenda on deliberative and governance practices in post-socialist transitional economies.

Keywords: business associations; small-and-medium enterprises; Vietnam; political participation; state–business relations

Introduction

The enactment of the Enterprise Law in Vietnam in 2000 is considered a policy milestone during the broad phase of economic reform that has given rise to the development of a private sector comprising small-and-medium enterprises. These enterprises have contributed greatly to Vietnam's industrial output and have 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 associated with their commercial activities. In the past few decades, they have engaged more actively in organised business groups, which helps to promote their collective interests in a policy environment which is more open but still largely technocratic.

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The key objective of this article is to examine how these emerging forces function in relation to the state bureaucracy and the theoretical implications these interactions have for relations between the state and business in a post-socialist context.

This article specifically addresses the question: How have state–capital relations in Vietnam changed, considering the rise of business associations that represent small-and-medium enterprises? How do we characterise the institutional role of business associations in a socialist market economy? Previous research concerning business and politics in industrial developing Asian states has demonstrated the causal link between the growth of market-driven interests and institutional change. Economic prosperity has driven the emergence of civil society and paved the way towards democratisation in countries like Taiwan, South Korea and Thailand, but 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 behaviour of private actors and the varying degrees of their influence on formal institutions within the state. During the early reform period in Vietnam, private business interests were completely dependent on the state, given the entrenchment of the party-state's economic management during the central planning era. However, the acceleration of market reform programs in the past 20 years has created the conditions for a thriving private sector and the proliferation of business networks.

The article starts with an analysis of contemporary perspectives on post-socialist industrialising institutions, which serves as a critique against conventional regime theory that demarcates elements of liberal and authoritarian states and which treats the state and society in a dualistic and corporatist fashion. This article proposes that interactions between the state and society in post-socialist institutions reinforce changes within the state as part of broader governance projects connected to economic reforms. Business associations in Vietnam, as representatives of private business, are clear examples of the way market-driven social forces penetrate into formal agenda setting and create a new deliberative mechanism between the state and business. The empirical section presents a pilot case study that reinforces the article's theoretical position and serves to develop the notion of contained participation in Vietnam. The article illustrates the framework by investigating one specific business association, the Vietnam Association of Small and Medium Enterprises (VINASME). In essence, I explore how associational activities and networks constitute a new political arena that allows for increased engagement between state and non-state actors. This case study highlights features of governance practices through intermediary associations, and outlines the importance and depth of the interconnectedness of the state and society for future analytical purposes.

State and business in Southeast Asia's neoliberal transformation

This article 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 examines, in particular, how the nature of state and business relations could foster or undermine institutional capacity conducive to long-term development (Evans 1999; Haggard 2004; Maxfield and Schneider 1997). Another strand of inquiry into Asian capitalism has focused on the political implications of market

transition, particularly through the emergence of new capitalist interests and their potential in triggering institutional reforms (Higgott and Robison 1985; Jayasuriya 1995). The rising middle-class culture in Asia's newly industrialising countries displays characteristics not previously observed in the Western liberal tradition. 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 (Robison and Goodman 1996; Rodan, Hewison, and Robison 2006). In the case of China and Vietnam where economic reformism encounters bureaucratic socialism, relations between the state and capital are paradoxically contingent, with both sides strategically adapting to the forces of neoliberalism 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 neoliberalism that extends beyond the conventional endorsement of a free market and private property rights. In-depth studies into state–business relations over the course of these economic and political adjustments have revealed instances of both the capturing and corrupting of public assets on the part of the state and the perpetuation of patron–client networks (Maxfield and Schneider 1997; Robison 2004). The nature of these changes runs counter to the notion of neoliberalism as the embodiment of minimalist state intervention with the ascendancy of an autonomous middle class. It is beyond the scope of this article to discuss how neoliberalism as a doctrine has been revisited and refined in Asia, but it is worth noting 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. In this sense, neoliberalism 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, and are caused by the absence of coalitions that might unite behind a neoliberal agenda. In their absence, coalitions may form that harness reformist pressures for the stability of authoritarian regimes. This hybrid conception places less emphasis on normative and institutional elements related to neoliberal ascendancy, and more on the endogenous shift of power relations among political and economic actors in pursuing their own agenda and interests.

Hybrid state–society relations and institutional change in late industrialising countries

The political implications of new market-driven interests in late industrialising communist states 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 preempting the growth of private socio-economic pressures. I argue, however, that neither of these interpretations capture the dynamics of transforming socialism or

adequately interpret its changing political landscape, which is embedded in neoliberal adjustment projects.

The political consequences of rapid industrialisation in transitional economies have raised important issues concerning the relational power between the state and industrialised society. 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 state capacity and the way that political elites respond to or resist reformist pressures from below. In communist contexts with 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. The next section briefly discusses the contemporary analysis of the new dynamics in Chinese institutions driven by capitalist transition and identifies some factors that are comparatively applicable to the case of Vietnam. In contrast to the presumptions from the liberal–democratic 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, there has been much discussion about the state’s political co-optation of private entrepreneurs into the party system and the mutuality of interests between political and economic elites (Dickson 2007). By recognising the significance of economic growth to its sustained legitimacy, the Chinese party-state has created conditions favourable to private business. This has given rise to the new capitalist class, while seemingly ensuring that its interests are not so distanced from the party-state agenda.

New power dynamics in post-socialist systems also take shape through the rise of intermediary actors, which come into being either as a new form of grassroots mobilisation or as an extended part of the corporatist arrangements controlled by the state. Specifically, business associations are regarded as embodiments of the extension of the state apparatus over socio-economic affairs, since representations of capitalist interests are considered essential to maintaining the state’s agenda (Dickson 2008; Unger and Chan 1996, 2008). In a state-corporatist model, the party or a governmental body officially sanctions the organisation of specific interest groups and grants them legitimacy in formal political engagements (Dickson 2008). 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 or regional governments in negotiating public affairs (Unger and Chan 1996: 123–25). Autonomous grassroots political mobilisation is increasing, but 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 long-standing peak organisations, including the Chamber of Commerce and Industry and the General Confederation of Labour. These organisations have 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 to the distinctive natures of these non-state agencies. 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 analyses 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 and quasi-state/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 towards 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.

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 identified by Jayasuriya (1995: 112), 'the point about capitalism in a late industrialising 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 induce change from *within* the political system.

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 and Rodan 2007: 776; Rodan, Hewison, and Robison 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 relations between markets and politics have been shaped. In Vietnam, the Communist Party started to decentralise 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. Socialist ideologies and an entrenched bureaucratic system, pre-dating 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). 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. The state and emerging social dynamics are not intrinsically oppositional in the 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 pursuit of their own interests and agenda and through their interacting realms, exhibit new forms of political participation that should be distinguished from the liberal–democratic trajectory.

Beyond regime classification: contained participation in post-socialist institutions

An analytical perspective that aims to transcend the conventional demarcation between liberal democracies and illiberal regimes is developed by He and Warren (2011) in an intensive study on China, proposing that the politics of deliberation could generate a more inclusive mechanism in decision-making in authoritarian regimes and transform the political status quo. 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 and Warren 2011: 270–72). 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. Thus, deliberation manifests within a pluralistic space designated by decision-makers to encourage discussion and accommodate ascendant issues into future decisions, constituting what is coined as ‘governance-level political participation, reflecting its problem-focused, issue and domain segmented nature’ (He and Warren 2011: 275). The outcome of such process could help to enhance the state’s governing capacity while inculcating trust and substance into state–society interactions yet, unlike democratisation scenarios, does not contribute to the need for independent oversight bodies, nor see the thriving of independent groups and organisations that might contribute to forms of civil society.

The conceptual development of deliberation in authoritarian contexts and the idealisation of deliberative authoritarianism presuppose that institutional change is transpiring inside the Communist Party that recognises the tactical deployment of political liberalisation when facing challenges from neoliberalism. By incorporating and politicising the mode of communication through deliberative influence, however, this framework underestimates other arenas beyond formal institutional arrangements that also affect state and society dialogues and reflexive changes. As argued by 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 by 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.

Following this logic, it is essential to reconfigure the notion of the state in order to understand state–society relations in transitional economies. From this analytical approach, state–society relations are complex and problematic since sections of the state ‘sometimes work more closely with non-state organisations than with other state sections’ and add more societal-based dimensions into the political process (Dauvergne 1998: 9–10). The state is, therefore, implicated in the social structure, which is heterogeneous and transformative and which also impacts on political deliberation. This is especially useful to apply in industrialising states considering the variegated levels of social forces and structure flourishing out of capitalist development (Migdal 1994). This leads us to question and further investigate the manner in which illiberal and non-democratic states in Southeast Asia accommodate these forces, not through direct control but via new administrative measures: through the creation of intermediary bodies or the inclusion of different groups into the business of the bureaucratic system (Jayasuriya and Rodan 2007). The ‘mode of political participation’ (Jayasuriya and Rodan 2007: 773) goes a step further from the ‘authoritarian deliberation’ framework in the sense that the former also examines how and why particular issues or actors are *excluded* from the process and how participation could be bolstered, not through persuasion-based discourses and influences but through the ‘organization of conflict’. Whether they are new administrative bodies or civil society groups with varying levels of connections to the state, these entities are all crucial constructs of the new pattern of contained participation, meaning that problem should be dealt with within the (extended) administrative realm or is sidelined from the institutional process.

The discussion so far aims to revisit and put forth hybrid forms of institutional development that do not necessarily comply with ideal democratic trajectory in late industrialising countries. They are typified by the extension of bureaucratic space, rather than political pluralisation and the emergence of democratic civil society that intertwines the state and non-state actors into the common institutional vacuum. The concept of deliberation places emphasis on the nuances and practices of sustaining legitimacy and consensus in authoritarian states, but the mode of participation draws attention to typifying the nature of the process in which state and non-state actors attempt to pursue their agenda and exert influence on the other. Key issues that are valuable for further analysis, therefore, involve both how influence is manifest in the decision-making process, and the extent to which it is embedded in the broader administrative spectrum that is crucial to remoulding state–society relations.

State–business relations in Vietnam

This section argues that neither the concept of societal pluralism nor that of state corporatism sufficiently explains relations between state and private capital at this stage of industrialisation in Vietnam and, as such, requires a closer examination of the nuances of the dialectical exchanges that are taking place and triggering the diffusion of power relations. The Vietnamese economy was exposed to greater calls for reform by international financial institutions and foreign donors after the Asian financial crisis. This put more pressure on the party-state to liberalise its policy regime and restructure the troubled state economic sectors (Painter 2005: 263–64). Thanks to

the surge of foreign funds, technical assistance and investment which contributed to some economic success, the state of Vietnam has introduced and endorsed a range of legislation to shore up the private sector's potential. Examples include 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 local-level authorities and non-governmental agencies. This is part of broader governance projects and administrative reforms that have been executed and ongoing since the early 1990s.

Having acknowledged the analytical significance of the interactive connection of the state and powerful non-state actors, the article now seeks to discover to what extent the state becomes enmeshed in 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. Entrenched alliances between the state and state enterprises has been well evidenced (Gillespie 2008; Nguyen and Freeman 2009), but new political connections also exist among emergent private business at the local levels, though less so in foreign companies (Gainsborough 2007: 12). What is at stake is the formation of accommodating mechanisms between the state and private business, either formally through sanctioned institutional means or informally through personalised networks. To address the new political economy of Vietnam, it is essential to incorporate these mechanisms into the broader dynamics arising from the neoliberal agenda. These mechanisms reflect hybrid patterns of state–capital alliances in which actors from the state apparatus encourage and constrain the participation of non-state entities and which give rise to bureaucratic pluralism.

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 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 and Rodan 2007: 781). The answer is rooted in the notion of neoliberal agenda as the essential platform for the new patterns of political and economic alliances, manifest in dialogical relations through greater frequencies of government–business interactions and more substance in policy debates and amendments. These patterns are reflected in the rise of networks of intermediaries which may be strategic to the state's attempts to adjust to and incorporate new interests arising from the society. Understanding forms of political representation and participation will enable us to examine how different issues are dealt with and how they constitute to shape the dynamics that reinforce or constrain the behaviours of state and society in non-democratic contexts. In post-socialist institutions, this process underpins the diffusion and restructuring of administrative power from the central state to societal-based agencies. Intermediary associations in practice are closely entwined with the bureaucratic system since they are central to broader governance projects, rather than passively subject to the consolidation of the political corporatist structures.

VINASME and new policy mechanisms supporting the private sector

According to statistics provided by the VINASME,¹ the private economic sector largely consists of small-and-medium-sized enterprises (SMEs), as well as foreign investment, which contributes to approximately 40 per cent of GDP and create one million new jobs every year. *Decree 56/2009/ND-CP Supporting the development of SMEs*, for the first time defined the status of SMEs, outlined governmental support programs and relegated tasks of implementation to a range of state and non-state agencies (Government of Vietnam 2009). Generally, small enterprises are those employing no more than 200 workers, with the total registered capital not exceeding 20 billion Vietnamese dong; medium enterprises are those employing no more than 300 workers, with the total registered capital not exceeding 100 billion dong (Government of Vietnam 2009). 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 market expansion, incorporating SMEs into supporting public services, enhancing information and consultation, human resources training, as well as more general supporting schemes for new enterprises.

VINASME, established in 2005, is a voluntary organisation of SMEs across different sectors nationwide and its operations are overseen by the Ministry of Planning and Investment. Its organisation, rules and objectives were authorised by the Ministry of Internal Affairs (MIA) under *Decision 102/2005/QĐ-BNV (MIA 2005)*. The association is important as a case study here because it demonstrates two important features characteristic of the transforming state–business relations. First, it is founded on a voluntary basis as a representative of SMEs and is directed by elected officials, not sanctioned by state institutions. Second, it is exemplary of intermediary agencies between the state and private small-and-medium business whose objectives conduct and are aimed at serving the interests of both sides. This critical analysis is guided by the following questions: How does VINASME operate as a business representative and in relation to the government? What role does it play in the policy mechanism? Which issues are dealt with and how? An examination of this association may reveal features that are particularly relevant to aspects of political participation and representation in examining the Vietnamese political economy. Further information for the case analysis are sourced from VINASME's official webpage, which includes 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
- 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 and participate in consultations concerning policy documentations on mechanisms and strategies in support of SMEs
- To provide legal advice, expertise qualification and training in business registration and day-to-day activities

¹The author is responsible for the translation of materials from this source in this and the following sections.

- To facilitate commerce and investment via events, conferences, market fairs and marketing assistance
- To keep members informed of governmental policies and agenda (MIA 2005)

The executive board of VINASME is elected at its general convention held every five years, and is currently composed of technocrats, experts and private entrepreneurs. Membership includes SMEs nationwide, other socio-professional organisations and foreign companies that are related or committed to the development of the private sector. The primary functions and activities of VINASME are best seen grouped under the following areas:

Operations and levels of participation

The association has organised joint conferences, forums and dialogues with participation from the state, business representatives and foreign counterparts. The main purposes of these events are 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. VINASME operations thus embody multiple connections with the Ministry of Industry and Trade, 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 in 2009 (VINASME [Vietnam Association of Small and Medium Enterprises] 2009). 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 its support services.

Issues concerning business activities

The association has conducted surveys and attempted to voice challenges and concerns relating to the potentials of production and competitiveness. Heated issues include access to loans and credit, customs and taxation, the need for human resource and skill training, and the call for establishing a development fund for SMEs. These issues are ongoing, having been embodied in the overarching objectives of enhancing the institutional capability to capitalise on the growing market. Beyond these existing themes, the association has also formulated new programs in technological innovation, promoting coordination within the small-medium sectors and foreign partners, and innovating schemes and structural adjustments to help business thrive sustainably (VINASME 2010, 2011c, 2011d, 2012, 2013b).

Representing business community

Through networking and participating in business associations, small-and-medium business owners are entitled to: (1) protection of legitimate rights and interests through raising their demands and participating in associational activities; (2) access to information about trade and production and participation in training, conferences and 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) elect administrative boards; debate and discuss agendas and decisions (MIA 2005). The rights and responsibilities facilitated 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.

Sub-level associations of VINASME have even 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 grass-roots basis, these sub-level associations demonstrate a greater level of interventions into daily business activities. It is beyond the scope of this section to give a detailed analysis of sub-level associations, but it is worth noting that relations at the lower levels are both horizontal (within business associations), and vertical (between associations and local ministerial bodies, councils and party committees).

Enhancing public–private and private–private partnerships

Meetings between officials, VINASME, member associations and private entrepreneurs have increased in frequency in the past two years. Regarding joint actions and partnerships, the Ministry of Industry and Trade, in liaison with VINASME, implemented the Operational Cooperative Program to facilitate the support of SMEs in trade and industry (Ministry of Industry and Trade and VINASME 2008). 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 agencies (VINASME 2013a). VINASME has also developed partnerships with Vietinbank Capital, a fund management scheme of the bank, in order to boost operational efficiency in credit assistance to business (VINASME 2011b).

Evaluating and recommending changes to policy decisions

Between March 2012 and April 2013, VINASME drafted 11 documents in evaluating and proposing changes to decisions and policy drafts of relegated national ministries (VINASME 2013c, 2013d). The calls for policy evaluations and recommendations are sent by the national ministry. In a close decision-making process, such institutional openness is giving way to pluralistic deliberative practices on the part of the government, as well as deliberative influence on the part of VINASME. The weight of its influence remains to be seen. The next section unpacks the case study in more detail to show how VINASME connections to the state provide both opportunities and constraints in its deliberative practices.

VINASME's impact on policy-making

The six themes discussed above 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 attended to in the broader agenda settings. Its operations have been embedded in various levels of participation that complement the existing ties and mutual recognitions between authorities and intermediaries.

Leadership is also instrumental in bolstering the associational status. The incumbent president, Cao Sy Kiem, used to serve as Chairman of the Vietnamese State Bank and is also a member of the National Assembly (VINASME 2011e). He is an active participant in national political forums and other multilateral talks regarding industrial policies and voicing business concerns. Both the president and the general secretary, To Hoai Nam, also frequently appear in media interviews and critically discuss state policies in relation to the status of business activities. The connection between VINASME incumbents and the party-state, at the very least, typifies a certain level of integration between business institutions and the authorities. Yet such relations should be distinguished from state corporatism since there are arenas of operations on the part of the association which extend beyond the formal designation of the state and which do not serve to promote certain political agenda. VINASME's president, in an interview in 2011, expressed confidence in the association's performance in four areas: (1) providing members with more understanding about trade, trade environment, economic integration and competition; (2) supporting members in the 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 to the state authorities, business and the community (VINASME 2011a). He emphatically conveyed the requirement for industrial development needs to go hand-in-hand with the moderation of interests between the state, business and labour, with more responsive governmental measures to address business concerns.

Contained participation and deliberation in the post-socialist political economy

In assessing the nature of VINASME's institutional role, it is essential to locate the association within the broader phase of economic decentralisation in Vietnam mixed with the state interventionist orientation. As mentioned before, *Decree 56/2009* includes the stated objectives of supporting the development of domestic private sector 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 businesses have been largely marginalised in mainstream decision-making (Gillespie 2008). Since the passage of the *Enterprise Law* and *Decree on SMEs* in 2009, 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, yet the political commitments in practice have not matched up with the economic realities. VINASME and its subordinate branches, partially run by private entrepreneurs, clearly illustrate the formal advocacy for private interests. The recognition of SMEs 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. Government decisions that followed in 2011, establishing a credit guarantee fund and a new scheme guaranteeing SME loans, are examples of the political commitments and have been met with positive responses from VINASME (VINASME 2012). Meetings between VINASME, business members, local authorities and representatives from local and

state banks have continued since, to evaluate the current progress of policy implementation and suggest amendments to the government on its practices.

From this examination of the functions of VINASME, two important issues stand out and open the scope for further discussion. First, VINASME has acquired a certain level of autonomy from the state in terms of operational and financial matters. Second, the leadership has had an increasing and more critical voice in policy forums. Yet they are not constituted as new societal 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 have noted, connections to the bureaucracy and state agencies are instrumental in negotiating and securing commitments towards trade and business development. These quasi-corporatist entities are accountable to both association members and the government, more so in attempts to address specific issues and problems relating to the mode of governing and policy implementation, than to promote any political agenda of their own. Interest representation, in this context, is aimed at improving the existing patterns of policy participation, rather than expanding the scope for contentious politics or independent political organisations, as in liberal democracies. Representation with non-democratic characteristics is mostly manifest at dialogical exchanges in resolving functional issues, and is instrumental in increasing levels of participation.

Incorporating an understanding of the emergent dynamics of state–business relations in Vietnam, how do we then characterise the role of business associations in the hybrid continuum of bureaucratic polity and capitalist incentives? VINASME can be positioned at the core of multilateral partnerships that engage state ministries, bureaucratic cadres, technocrats, financial institutions, foreign partners and the domestic private sectors in resolving trade-related issues. More broadly, business associations constitute dimensions of a process that accommodates organised interests stemming from market-oriented demands into formal politics and reinforces the entanglement between politics and market in post-socialist industrialisation. The polity of SME organisations in this case could be characterised as *contained participation* in a reform agenda helping to restructure rather than diffuse the administrative power of the state. An example could be taken from VINASME's suggestion to revise the regulations of SMEs credit guarantee fund under *Decision 58/2013/QĐ-TTg* (Prime Minister of Vietnam 2013; VINASME 2013d). Positive amendments have been made in terms of providing clearer designations for the rights and responsibilities of SMEs as the guaranteed, and the fund managers as the guarantors. Yet one vital suggestion, which was to list VINASME as one of the key stakeholders responsible for policy implementation and progress, was not included in the latest decision. The venues for participation emerge beyond the reach of the state, but they are strategically attached to the state, leaving intact the power of decision-making in the hands of central bureaus. In this sense, deliberative practices have been adopted when actors from state institutions and emerging hybrid actors join forces to reach certain levels of consensus, with the latter attempting to gain more weight in the policy-making process. It is interesting to see how participation at the governance level manifests from both sides at the absence of 'regime-level democratisation': that is, the lack of political agenda on the part of VINASME and the continuing bureaucratic entrenchment in economic decisions. VINASME differs from intermediary associations in democratic politics in the sense that it is not an independent body of a public space, but operates within an institutional

channel designated by the government. Such a channel allows for participatory engagements that aim to improve and rectify existing policy platforms, at the same time settling grievances and placing contentious issues under bureaucratic control.

The analysis of materials from VINASME and policy documents have revealed significant issues, but more intensive research is required to gain more insights into the actual deliberative process engaging the state, business associations and relevant stakeholders. This case nonetheless represents a preliminary test of the analytical framework proposed earlier to study state–business relations in Vietnam, given the rise of intermediary associations. The continuum of engagements between the state and business associations, in the end, constitutes a technocratic form of representation. State–business relations thus are gradually shifting from political symbiosis towards the form of contained participation induced by the need for better governance practices. In broader analytical terms, state–society relations in Vietnam are transitioning towards embedded dependency, featuring representative and participatory mechanisms manifest through hybrid actors in between society and the state. This is part of an institutional restructuring in which the regime feels greater need to resolve functional issues in pursuit of its key economic objectives through engagements with individuals and groups from the society.

Conclusion

The article proposes a framework for the understanding of state–society relations in terms of the state *in* society, rather than binary divides that have so far characterised liberal or state-corporatist frameworks in post-socialist industrialising economies. This framework suggests that the proliferation of private capital as a new social force has triggered the emergence of new institutional spaces through ongoing state–capital interactions, entrenching old alliances and generating new power dynamics. Within these institutional spaces, intermediary actors have been an interesting locus as the representation of private capital beyond the state-corporatist structures. This article has examined intermediary associations of domestic small-and-medium business in Vietnam – exemplified through the case of VINASME, illustrating how they are both autonomous and attached to the state, and how they reinforce the ongoing engagements between the state and private business. I have argued that business associations, as representatives of new private actors, have constituted a pattern of participation which sees the accommodation of private interests into state agenda-setting. The theoretical proposition should open the scope for empirical research in three arenas: (1) the mode of organising business at a more grassroots basis, particularly at municipal or sector-specific levels; (2) the influence of business associations in decision-making and the factors that account for such influence, and (3) how they serve to resolve conflicting interests between business and the authorities. 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 the entanglement of bureaucratic and private interests and the nature of contained participation characterising relations between intermediaries and the state. The case study demonstrates how contained participation sheds light on the emerging relations between the state and business. This is a promising approach to the analysis of organised business in Vietnam as part of governance-driven process intrinsic to market socialism. This concept promises to yield dividends for the analysis of state–business relations in

Vietnam and the broader understanding of market and institutional change in late industrialising economies.

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