

The regional financial crisis has increasingly affected our economy. The export markets shrank, earnings went down due to a drop in the world's prices; foreign investment declined; and balance of payments was strained. However, while region economies were badly influenced, ours remained rather high growth; the value of local currency was stabilized; production, business and public life faced less turmoil. This proved great efforts of macro- and micro-levels to restrict fierce impacts of the crisis.

As usual, the *Economic Development Review* compiled top-ten events in 1998.

# 10 OUTSTANDING EVENTS IN 1998

by KIỀU ANH



## EFFORTS TO INVIGORATE INVESTMENT CLIMATE

Last year, the Government has taken positive measures to increase the charm for the foreign investment climate in Vietnam such as organizing meetings with investors to help them remove their obstacles; setting up two centers in HCMC and Hà Nội to settle troubles concerning foreign investment activities; allowing loss-making joint ventures to shift to 100% foreign-owned companies; lowering land rent; reforming administrative procedures; and expanding the range of investment projects. As a result, the mobilization of foreign capital has not went down sharply with 260 licensed projects, or 78.5% of those in 1997; and the total registered capital of US\$4.805 billion, equaling 89.9% of that in the previous year.

## THE U.S. WAIVED THE JACKSON-VANIK AMENDMENT

On March 10, 1998 U.S. President Bill Clinton waived the Jackson-Vanik amendment against Vietnam. This amendment was a major stumbling block in trade relations between the two countries. The removal will allow American companies to receive investment funding from Eximbank, OPIC and other U.S. government-funded institutions when doing business in Vietnam.

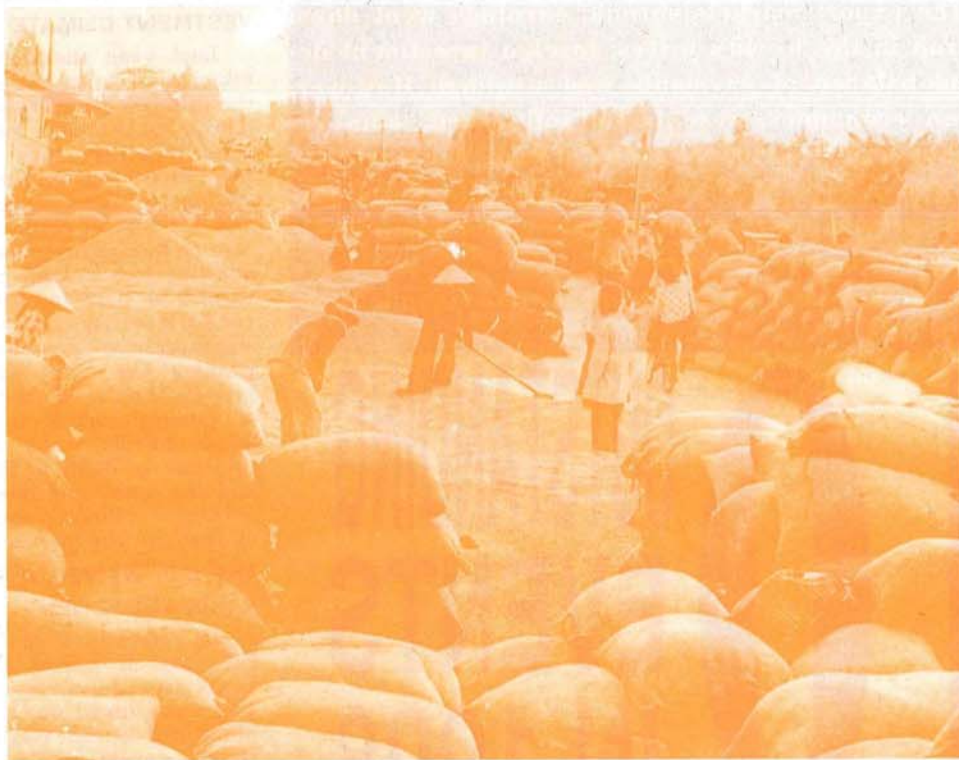
## POSITIVE MEASURES TO STABILIZE THE FOREIGN EXCHANGE MARKET

In 1998, the Vietnam State Bank devaluated local currency two times, first from VND11,175/US\$1 to VND11,800/US\$1 since Feb 16, 1998 and second to VND12,998/US\$1 since August 7, 1998. By September 1998, the forex market enjoyed a boom, the prices of US dollar in the black market rocketed to VND15,000/US\$1. In such a circumstance, the Government ruled that enterprises had to sell at least 80% of their foreign currency to banks within 15 days. The forex tense situation was eased. The gap between prices of U.S. dollar in banks and the black market were steadily narrowed. In addition, the interest rates of deposits in foreign currency were reduced much as compared with those in local currency, especially for economic entities.

## VIETNAM JOINED APEC

Vietnam became a full member of the Asia Pacific Cooperation





(APEC) forum on the eve of the sixth APEC summit in Kuala Lumpur on November 17-18. At present, APEC members are major trade partners of Vietnam, accounting for 80% of foreign trade turnover, 75% of total foreign investment capital and over 50% of the whole official development assistance (ODA) given to Vietnam.

#### **DONORS PLEDGE VIETNAM US\$2.2 BILLION**

Vietnam has been pledged US\$2.2 billion for 1999 by the country's multilateral donors meeting in Paris. In addition, the donors attending the Sixth Consultative Group Meeting for Vietnam have offered to provide another US\$500 million to support the implementation of an accelerated program of economic reform. The commitments were better than expected given the difficulties among the donors and the competition for ODA among recipient countries.

#### **ASEAN SUMMIT WAS FIRST HELD IN VIETNAM**

On December 15, 1998, the Sixth Summit of the ASEAN was opened in Hà Nội with the participation of Heads of State and Government of ASEAN members and Cambodia.

After a two-day meeting with intensive work, the 6<sup>th</sup> ASEAN Summit ended with the approval of the Hà Nội Plan of Action and Hà Nội Declaration, the two important documents affirming ASEAN's determination to build a strong ASEAN capable of dealing with emerging challenges in the global market place.

#### **IMPORTANT PROJECTS FINISHED**

In 1998 many important projects were completed and put into operation such as Hòn Chông Cement Plant with a capacity of 1.8 million tonnes per year and total investment capital of US\$353 million; Dinh Cố LPG Plant producing 380 tonnes of condensate per day and 629 tonnes of liquefied petroleum gas (LPG) per day; Gianh River Bridge on the National Highway 1A in Quảng Bình Province, 746 m in length and 12.3 m in width, with total investment capital of VND230 billion and Fr25 million; and upgrading the first section of the National Highway 14 from Đồng Xoài to Buôn Ma Thuột. The section will shorten the distance between HCMC and Buôn Ma Thuột by 270 km and boost the socio-economic development of the Central Highlands.

#### **DEVASTATING TYPHOONS**

The storms Chip, Dawn and Elvis, Faith battered into Vietnam's central provinces. They were the worst on record in 34 years and caused ten thousands of billions of Vietnamese đồng (hundreds of millions of U.S.dollars), killing more than 300 people, destroying 100,000 homes and millions of hectares of crops.

#### **NEW RECORD IN RICE EXPORT**

Even though droughts, storms and floods lashed the country, the country's food production remained high, reaching 31.8 million tonnes, raising per capita output to over 400 kg. Rice export grossed 3.8 million tonnes, highest since Vietnam began to export rice in 1991

#### **GROWTH RATE DECLINED**

In 1998, the growth rates of all economic sectors dropped as compared to those in 1997. The gross domestic product (GDP) rose 5.8%; agro-forestry-fishery production up 2.7%; the value of industrial production up 12.1%; especially export earnings up 0.9% only while these indicators in 1997 were 9%; 4.8%; 13.2% and 24% respectively. The 1998 inflation rate is 9.2% against 3.6% in 1997.