

LOOKING BACK THE VIETNAM ECONOMY IN 1994 AND THINKING OF 1995

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I. SITUATION IN 1994

Looking back our economy every year in order to see causes of both success and failure is always useful to the economic planning in the next year. Many features have appeared in our retrospective view:

1. Success

a. The most outstanding indicator of the health of an economy is its growth rate. According to the PM's report presented in the sixth session of the National Assembly (IX term), our GDP increased by 8.5 per cent (industry by 13 per cent and agriculture by 4 per cent). Thus, in the first four years of the five-year plan 1991-1995, Vietnam GDP grew by 7.8 per cent per year. This rate has never been seen before and it is twice as high as average growth rate of the world. Just because of such a growth rate in the past four

years, Vietnam has passed its crisis.

b. Gross investment: As we know, gross investment is in direct ratio to the growth rate. In 1994, Vietnam gross domestic investment increased by 36 per cent, foreign investment by 60%. Besides investment of enterprises in replacement and renovation of equipment and expanding their business, many major plans for developing electricity, cement, oil industries and communications have been or will be completed. They will improve technical infrastructure preparing the ground for the next step of development.

c. Being at a standstill for over ten years, our structure of industry in 1994 has changed favorably. The value of industrial output in GDP in 1994 climbed to 22.7 per cent from 18.8 per cent in 1990. The percentage of service industry in GDP increased from 36.3

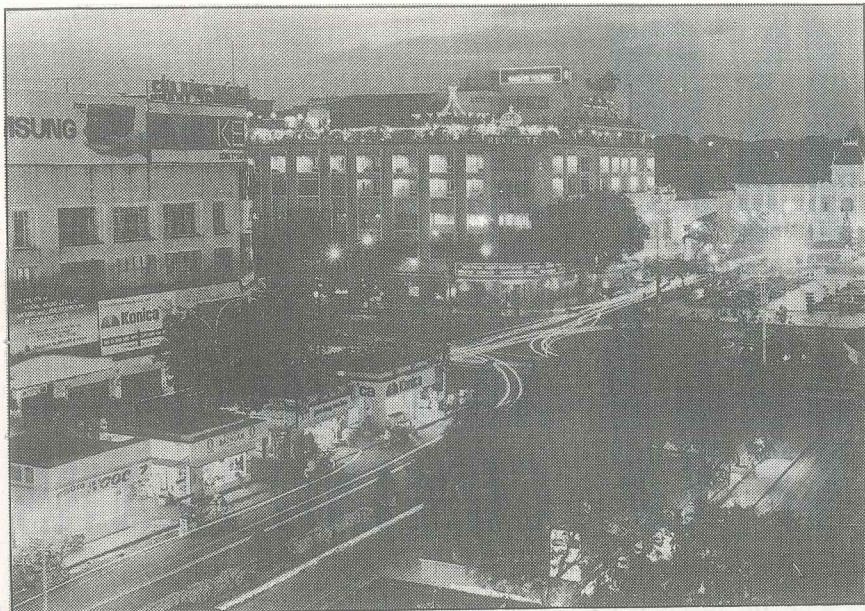
to 39.0 during the same period. The agricultural output is on the increase but its percentage in GDP was reduced from 40.3 to 35.0. Thus, our structure of industry has made some progress towards industrialization and modernization in every branch, sector, region and even in foreign co-operation.

d. Trading, price and inflation: In 1994, export turnover reached US\$3.6 billion, increased by 20.8 per cent and was three times as high as export turnover five years before. In the same period, imports and spending power of the people have been doubled. The volume of retailed goods in 1994 increased by 70 per cent whereas the price index grew only by 10 per cent, exchange rate and gold price had no wide fluctuation.

In addition, Vietnam foreign trade has been improved and diversified. Vietnam is engaging in trade with over 100 nations and territories all over the world, Vietnam has participated in many international organizations and is prepared for being member of many others.

e. Trustworthiness index: According to Frank Small and Associates, a group of researchers, trustworthiness index of Vietnam ranked second in the first ten developing nations in Asia. Calculating this index based on many indicators: domestic market, foreign market shares, profits and economic performance of surveyed company... This index is an objective basis for investors' decision on engaging in business with a certain country or company. A high index could ensure commercial and economic development of a nation.

In short, in 1994, Vietnam kept on developing its open market economy successfully. The causes of its success could be as follows:



Firstly, Vietnam is situated in the most active and fast-developed region in the world, so Vietnam has to do its best to bridge the gap between Vietnam and surrounding countries. On the other hand, the domestic market demand has increased so fast. Pressure from the inside and the outside have brought new dynamic to the economy.

Secondly, the market mechanism worked more and more effectively. It helped with tapping and employing our resources more successfully. Supply and demand relationship has produced effects on the economy. By fairly competition, enterprises should do their best to satisfy customers' requirements in order to take a fair market share.

Thirdly, managers and businesspersons from all sectors have gradually learned how to operate in the market economy.

Fourthly, The government has played the role of macro-economic management better through manipulating monetary and financial policies, making law and regulations, making plans...

2. Unsolved problems

Although we reached a fair growth rate but we continued to face the danger of falling behind and there are a lot of problems to deal with.

a. The national budget wasn't balanced: both missed income and unnecessary expenditure are big. We can collect only 50 per cent of planned tax-take. The total amount of national debt was VNĐ12,000 billion, US\$200 million, JPY10 billion and some thousands of gold taels. A deficit budget has weakened the economic

strength of the government and prevented it from realizing major plans to orientate and regulate the economy.

b. In foreign trade, we lacked both information about foreign markets and partners, and an effective strategy. So foreign trade (export and import) and co-operation produced only little result.

The imports are dear whereas the exports are cheap, and many of our products are exported through middlepersons who take a large part of our profits.

c. The administrative machinery is too clumsy and inefficient. Naturally it leads to red tape and corruption. This is one of main causes which makes Vietnam less attractive to foreign investors, reduces efficiency of foreign trade and weakens encouragement to domestic investment.

d. Some policies aren't in harmony with the law, many economic cases weren't punished strictly. So many businesspersons of well-managed enterprises felt unsatisfied.

II. OUR FUNDAMENTAL TASKS IN 1995

The year 1995-the last one of the five-year plan-our economy is coming to a crossroad, if it works well, it can grow by 9 per cent or more, if not, we can meet a depression. In order to keep our economy from falling farther behind surrounding countries, our aim in 1995 and the next few years is to accelerate the process of industrialization and modernization under the open market mechanism. our main tasks could be as follows:

1. Reforming the public administration in line with the new direction of economic development: We

have to solve four basic problems:

Firstly, eradicating the ministerial management and reducing number of ministries and departments of ministerial level: The mechanism of ministerial management and the existence of too many ministries have burdened the national budget with administrative expenditures, and hamstrung the activity and efficiency of enterprises, because these enterprises were intervened by too many governing bodies. On the other hand, their competitiveness and capital accumulation were limited because of big overheads expenses.

Secondly, the administrative procedures should be publicized. Responsibility of each civil-servant and government body should be stated clearly.

Thirdly, the administrative machinery should be reformed in direction of making it more efficient and economical. The civil servants should be trained and re-trained carefully.

Fourthly, Administrative Law and Administrative Court should be set up.

In short, the administration reform should solve four problems at the same time: organizational structure, administrative procedures, personnel and legal basis.

2. As to the public sector, along with dissolving loss-makers, many other state enterprises should be equitized in order to reduce budget expenditure and increase budget income. This can help the government carry out major economic plans.

3. Apart from industries concerning national security, the government can leave to the private sector other industries which private businesspersons can operate effectively. The government can take charge of industries which are necessary to the economic development but the private sector is reluctant to enter.

4. The government had better focus its activities on improving efficiency of using facilities for macro-economic management. These facilities are: law and regulations, economic planning, financial policies, and monetary policies.

5. Allowing the state enterprises and local authorities to have full autonomy in their activities.

6. Any industry or business of high economic performance can have priority over the others in receiving capital from the national budget.

Briefly, the Vietnam economy has reached the first stage of development, so the management mechanism, the public administration, laws, economic plans and policies should be changed in order to help it develop more quickly.