

ABOUT THE FALL BEHIND OF VIETNAM ECONOMY

by TRẦN BẠCH ĐĂNG

Vietnam is striving to catch up with developing countries in the region in the first decades of the twenty-first century. It will be more practical and meaningful in study to limit the comparison between these countries' economy with Vietnam's.

I. THE FALL BEHIND OF VIETNAM ECONOMY: FACTS, COMPARISON AND SOME IDEAS.

Comparison in basic figures

Table 1

Nation (1993)	Population (million)	GDP (US\$)	GDP per capita (US\$)	GDP growth rate (%)		Inflation (%)
				1993	1994 (estimated)	
Indonesia	194 (+1,9%)	156 billion	803 USD	6,4%	3,5%	8,5%
Malaysia	19,6t (+2,3%)	73	3.713	7,6%	7,4%	4,6%
Singapore	2,95t (+1,4%)	56,3	19.092	6,7%	6,3%	2,5%
South Korea	44t (+0,7%)	375	8.440	6,5%	7,4%	5,5%
Taiwan	21t (+0,1%)	251	11.900	7%	6,8%	4,3%
Thailand (1)	60t (+1,5%)	128	2.134	7,4%	7,6%	4,5%
Philippines	67t (+1%)	61	913	2%	4,2%	9%
Vietnam (2)	70,79t	33.164 billion VND	220	7,9%		

Source: (1) *Nghiên Cứu Kinh Tế* No 2 (April, 1994)
(2) 1993 Statistics Yearbook

Table 2

Nation	Year	GDP per capita (US\$)	Economic structure		
			Agriculture	Industry	Service
Indonesia	1950	122	55,6	12,1	32,3
	1960	148	55,3	13,2	31,6
Malaysia	1950	352	40,2	18,9	40,9
	1960	389	40	18,9	41,1
Singapore	1950				
	1960				
South Korea	1950	165	49,5	11	39,2
	1960	236	37,5	20,5	41,9
Taiwan	1950	270	32	24	44
	1960	372	28,3	29,1	42,6
Thailand	1950	138	57,2	15	27,8
	1960	185	39,8	18,5	41,7
Philippines (1)	1950	190	39	21	40
	1960	259	31,6	24,4	44
Vietnam (2)	1992		38,2	20,2	37,2
	1993	220	36,6	20,9	38,2

Source: (1) *Nghiên Cứu Kinh Tế* No 2 (April, 1994)
(2) General Statistics Department

Some ideas

1. The fall of Vietnam economy behind the above-mentioned countries is an apparent reality. If compared on per capita GDP in 1993, Vietnam in general only reached their level in 1960, that means it comes about 30 years later than them. For example, Indonesia had the lowest GDP per capita in 1993 in those countries (803 US\$), Vietnam needs tens of years to reach this number if its current growth rate kept unchanged and Indonesia

stops growing. This is impossible, therefore to keep pace with Indonesia in that period, Vietnam growth rate must be much higher than theirs in order to be able to bridge the gap of falling behind them.

2. In a marathon, no racers want to wait for one another. Vietnam is endeavoring to rush to make up for the lost time, the others also run but with their own stronger power and more favorable conditions built up tens of years before. Not mentioning the growth rates of Vietnam and these countries are equal at high level, even if Vietnam's rate is higher, Vietnam will lag farther and farther behind them in quantity and quality. This is not only the danger as concerned but also the obvious reality of the farther and farther fall behind. This trend, in the condition our economy develops most favorably, still be lasting and visible at least in the years to come. This is an eternal rule-the greater business, the greater danger-it's not dreadful to speak clearly. It's terrible if we dare not look at the truth and tackle.

3. When the above countries are on the way to NICs, Vietnam just sets about the stage of developing industry with low cost. In the economic race, before mentioning what to produce, the quantity and quality of products, we have to think basically of what means to manufacture and productivity along with workers' standard. Consequently, to tackle the fall behind of Vietnam's economy depends on pace, quantity and quality of the country's industrialization and modernization. We could

overcome these above countries when there are preconditions such as modern techno- scientific achievements, precious opportunities from international situation and our efforts in recent years, even in the period not so long as they have experienced. However, the decisive factor is how Vietnam could surmount its own challenge.

4. In fact, evaluating economic development of a country and comparing its economic standard with another can't help becoming one-sided if calculated purely on figures. The figures is crucial but the thing hidden behind them is much more important. That means aspects of politics, society, and the interactive relationship between socio-economy and politics. There are countries which developed well in economy but have ten millions of their people of low learning standard, ten

with them is an extremely difficult task but is not impossible if there are just line of steering, strategy and measures. Simultaneously, every basic social strata's response should be warmly made.

II. WHAT TO DO

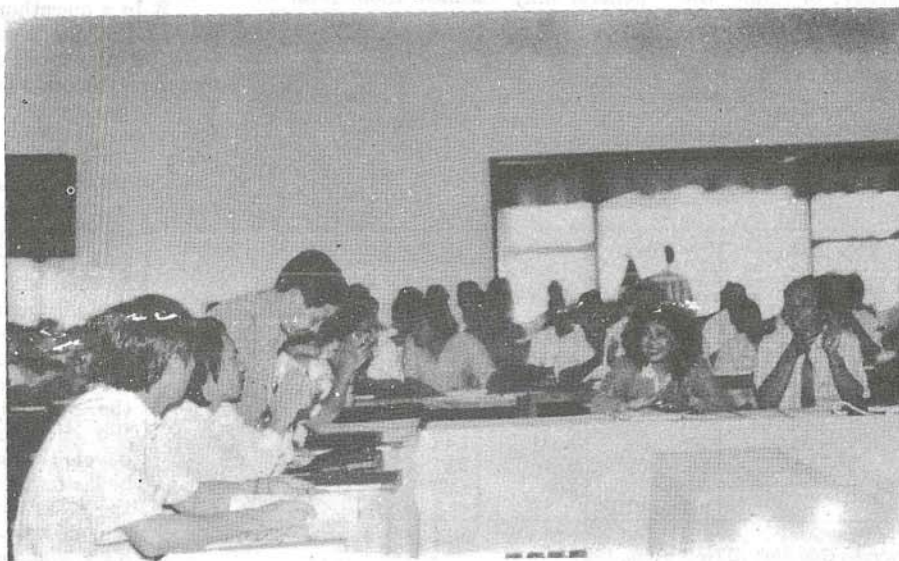
On the way of tackling falling behind in economic development, Vietnam is encountering severe challenges, along with ever development opportunities due to its geographical location, resources, labor, general situation, social rest... With such preconditions and real power if we don't win, then we will never do.

The Party's strategy and line on socio-economy presented in the seventh congress of VCP's representatives were brought into being, withstood vigorous challenges of life and will be completed. The initial socio-

About those basic prescriptions, there are major medicaments:

1. Solving the capital problem.

The capital originates in the country and overseas. The capital mobilized overseas is about US\$ 7 billion up to now. It's sanguin to mention it in the starting years of the open policy which is full of difficulty and to consider that hopeful step as the precondition for stronger leaps in future. Attracting foreign investment capital is popular in every countries and every stages but especially for poor countries like Vietnam, drawing foreign capital investment plays the more important role in getting over the fall behind in economy, giving initial impetus to economic development. But everything has their own cost. Also like other countries, Vietnam has to pay the much higher cost, that is hidden



View of
the meeting

thousands of homeless people. There are countries which was willing to push their young people into mercenaries, trade sex-tours,... in order to accumulate capital initially. Thus when arguing about measures to tackle the fall behind of Vietnam economy, it's necessary to pose the problem in that meaning.

The process of economic development in every country does not go smooth at all time. Every country has different effects and defects, advantages and difficulties and is affected inside and outside unsimilarly in every historical period. Not a few cases and specific manifestation were shown in the history.

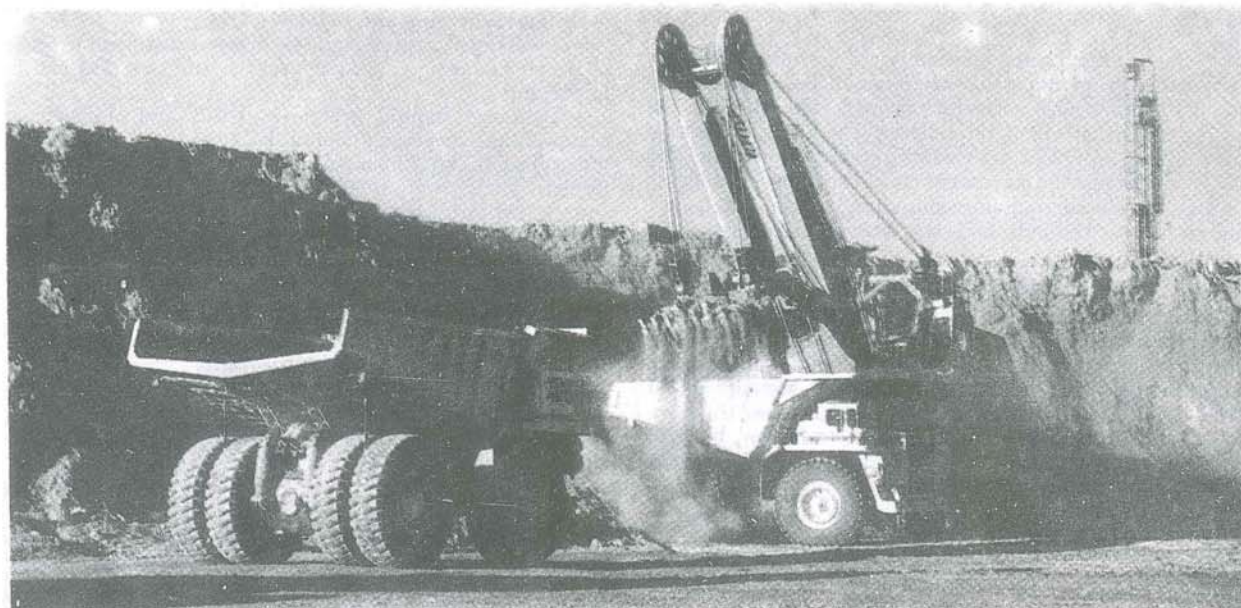
Therefore the above mention is meaningful in acknowledgement, and economic steering as well. To tackle falling in economy and to keep pace

economic achievements in recent years are enjoyable. But Vietnam economy is still fragile if there are mistakes in practical guidance. The economic and social contradictions appear in every places and every fields. The old ones haven't been settled completely then the new ones occur. In the practical guidance, we inevitably both do and study, and grope step by step. It's important to keep it in the Party's line.

We should focus on the general measures for the basic existing problems in the process of tackling the fall behind of Vietnam economy including the condition of lagging farther behind in the coming years. The Party's line has diagnosed Vietnam economic ills and set up orientations to treat them, at present the basic prescriptions to cure them is necessary.

dangers not only in economy and in advance. This is not to say that we avoid the benefit of attracting strongly foreign investment, but how we could pay less cost and if we cannot nullify then how we could limit at the maximum the bad effects that could happen beforehand and lastingly.

The role of domestic capital in receiving foreign capital represents in two sides: creating condition for receiving and using effectively foreign capital and making inner force to restrict dangers of foreign investment. To meet those two requirements, the ratio of home investment capital and foreign one depends on every country and every period, but is at least over 1/1. In China it is necessarily 5/1. In Vietnam it will be defined in the coming time. In 1994 Vietnam needs about US\$ 4 billion of investment capital and from



now to the end of the century, it needs US\$ 4 to 5 billion of investment capital per year to reach the target of doubling GDP estimatedly. The domestic investment capital from both the national budget and the people in 1993 didn't reach 1/1 compared with total investment (about US\$ 1 billion from the budget, US\$ 0.8 billion from the people), this year the investment capital for the budget is more difficult. Most of the people's investment capital isn't for direct production.

Mobilizing domestic investment capital by means of capital drawn from the budget, individuals, the people's savings deposits isn't new but to date there aren't a lot of results. We should analyze the original causes to take measures to overcome these obstacles. First of all we should review and renew series of matters from policy making and implementing, organizing and managing administrative agencies. Currently domestic investment capital is mainly taken from the national budget. Therefore it's crucial to increase revenue just in accordance with the policy and to save for investment. There are a lot of troubles right here. The state revenue source are mainly from tax and state businesses' profits. The collected tax at present is only the small floating part of a drifting iceberg. The sinking part is uneffectively drawn into the budget due to lack of measures, smuggling and corruption. Moreover, there are unknown surcharges and state businesses "pay to the budget" equivocally so as to invade taxes or to conceal their uneffective operations...Eventually, the honest

businesspersons have to suffer more payment to meet the state demand for expenditure. As for entrepreneurs trading by their own capital, from taxes stimulated by law to illegitimate surcharges, bribes, all are regarded as taxes and in turn, they have to invade taxes in order to survive. Whereas the state expenditure is seriously wasteful, not only in the construction field shown distinguishedly at present.

Consequently, correcting the state revenue and expenditure must be considered as a pressing task, usual and lasting task. Investment capital from the budget - holding the main share at present or decreasing proportion in future - at all time is a powerful source in economic fields which no private businesses could have, a strong and focusing tool which influences orientation of development in the market economy.

In the market economy, the private investment ratio is more and more increasing and holding most of the total domestic investment capital. In recent years according to statistics of the State Planning Committee, growth rate is initially optimistic. But the distribution of private investment capital isn't logical: 70% for building houses and home facilities, 30% for business-doing of which trading and services take the most. Although money used for spending, building houses and home facilities will indirectly push up production, but it's expected to change the tendency contrarily, that means most of the private investment capital should be put in production - source of economic power.

But really, private investment in manufacturing tends to decrease sharply. For example, up to early June, 1994, in HCMC there are 2,563 limited companies, joint-stock ones and private businesses having registered trading with total capital of VND 1,754 billion. Of which 53.8% (1,379 firms) are in commerce, only 678 (26%) in industry. The number of businesses and invested capital sharply lowered. The figures of 1992, 1993, and five first months of 1994 are respectively as follows: 427 firms with VND 295.5 billion, 447 with 333.4 billion, and 144 with 90.7 billion. Recently more and more businesses gave up in the markets. The reason -except for small size, less capital, limited technique- is our economic and law environment is not favorable and the consumer output is so difficult that they don't really feel at ease to invest in production.

The home market which was more and more expanded and the increasing public income should have been a dynamic source for production development and investment attraction, but the real situation is opposite. The state measures lack efficiency in making favorable condition for Vietnam commodities to compete and in protecting home products right in its country. In reality, home market is almost widely open to overwhelming foreign goods due to smuggling, tax-invasion, even foreign export subsidy to penetrate and impact on the home market. If these reasons are correct, then the measure of attracting strongly private investment inland must be to eliminate them ♣