

A Salute to the Year 2007

by Ass. Prof., Dr. NGUYỄN SINH CÚC

Vietnam enters into the year 2007 after a year full of difficulties and disasters: droughts, storms (including three super typhoons) and other natural disasters cost some VND30,000 billion. Plant diseases led to a loss of one million tones of rice in the Mekong Delta making the rice price rise to the highest level in the past three decades. The bird flu and foot-and-mouth disease spread all over the country, including economic centers, such as HCMC, Hà Nội, Đà Nẵng, Bà Rịa – Vũng Tàu, Hải Phòng, Quảng Ninh and the Mekong Delta. The heaviest damage that amounted to trillions of dong, was suffered by the aquatic product business and agriculture.

In spite of these adversities, Vietnam gained encouraging achievements. Its growth rate in 2006 reached 8.2% ranking second among Asian economies and second only to China (10.4%). Manufacturing and service sectors kept developing steadily. The domestic market, including regions damaged by natural disasters, was stable and experienced no fevers. Personal income and quality of life were improved remarkably. Proportion of poor families was reduced to 13% while proportion of peasant families suffering shortage of food before harvest cut by half in comparison with 2005. Most targets set for the year were obtained or surpassed and results of some fields were beyond expectations, such as export earnings, FDI, budget income, inflation control, job creation, environmental protection and health care. The social and political life was stable and foreign relations were improved considerably. Vietnam has never won so many friends and business partners as it did in 2006. In the 14th APEC Summit, Vietnam's achievements were appreciated by the world's economic leaders. At the meeting of Vietnam's Donors 2007, an UN representative in Hà Nội estimated that Vietnam today was four times stronger than it was in two decades before. This was one of reason why international donors agreed on the ODA of US\$4.45 billion – a record level – for Vietnam in 2007. In the last months of 2006, Vietnam became a center of attention in terms of investment and trading opportunities. Its accession to the WTO, and success in organizing the 14th APEC Summit and winning the PNTR from the U.S. Congress ensured a better position for Vietnam in the world arena.

In 2006, Vietnam expected a new wave of foreign investment. During the 14th APEC Summit, many delegations of high-ranking officials from the U.S,

China, Japan, Russia and Chile paid official visits to Vietnam. Following their economic leaders are hundreds of companies with large-scale investment and cooperation projects. The APEC Summit was really an opportunity to promote the foreign investment at national level. And as a result, Vietnam entered cooperative agreements that were worth some US\$7.6 billion. Many major projects were licensed, including a US\$1.1 –billion one by Vitel in Vũng Tàu. According to a recent estimate by JBIC from Japan, Vietnam ranks third in Asia in terms of investment prospects, after China and India, up one position in comparison with the previous year, replacing Thailand. Its economic growth and political stability allowed Vietnam to carry out successfully the UN Millennium Development Program, contribute to the UN fund for struggle against natural disasters, and HIV/AIDS, and offer some food to countries damaged by natural disasters.

In 2006, the Vietnam ranked 109th among 177 countries in terms of HDI. Asian countries have named Vietnam as the only candidate for a temporary seat in the UN Security Council of the 2008-09 term. The U.S. State Department has removed Vietnam from its CPC list. International economic leaders at the APEC Summit appreciated success achieved by the host country and its activeness in the socioeconomic life. The English Financial Times on November 20 said that by organizing the APEC Summit, Vietnam removed the doubt that its economic growth was only estimated as false development. Objective assessments by international observers have beefed up the confidence of the people in the future.

But all of us know that besides achievements, there are a lot of shortcomings: the economic growth is not stable, waste and corruption are widespread, many social problems do exist, the rule of law is not ensured, the human resource develops quantitatively; not qualitatively, the administrative reform gains poor results, knowledge of the WTO and PNTR is poor among both business circles and civil servants, and the infrastructure is poor. However, many programs and measures have been carried to deal with these problems.

In its 11th session, the NA of the 10th term passed a resolution on targets for the socioeconomic development plan, and the planned growth rate set for the year 2007 is 8.2% - 8.5%. With new and favorable conditions gained in 2006, the prospects for economic growth in 2007 seem encouraging. Re-

sources for development, especially financial ones from ODA and FDI sources are expected to rise considerably in 2007. Some international analysts have predicted that investment from American companies in Vietnam will double and from South Korea triple. New flows of capital will go to manufacturing sector, and banking; insurance and financial services in particular. Foreign trade will be busier in comparison with 2006 when preferential tariffs are given to some 10,000 categories of exports from Vietnam by 149 WTO members. Quotas and trade barriers set by the U.S. and EU on Vietnam's export staples, such as catfish, shrimp, and footwear, will be removed.

Besides investment and export, industrial and agricultural production and services in Vietnam will make good progress because the planned growth rate of 8.5% in 2007 is within their reach. The economic growth will provide more resources for job creation, development of health care and education services, and poverty alleviation.

Vietnam, however, still faces its existing difficulties. El Nino will be a great menace to the agricultural and service sectors. Plant and animal diseases are unpredictable. In 2007, foreign goods and services will flood the domestic market while competitiveness of local ones is still very poor. The budget income from import duties will reduce by some VND1,000 billion according to a rough estimate while other sources of income can't increase to offset the gap. Demand for public expenditure will be higher because of programs to repair damage caused by natural disasters and epidemic, reform

the wage scale, repay foreign debts, protect the environment and provide more social benefits.

To overcome difficulties and turn potentials into a reality, all ministries and sectors should mobilize all possible resources to deal with losses caused by natural disasters, and plant and animal diseases. More investments must be put in business and major project to enhance quality of products, reduce immediate costs and improve the competitiveness of local goods and services. The legal infrastructure should be improved and perfected, and the administrative reform must be accelerated in order to create a better business climate for investors and businesspersons. Incentives could be given to encourage investors to put their money in making goods of high quality. New policies must be adopted to attract investment from Vietnamese expatriates. All governmental bodies must practice thrift in order to concentrate sources of finance in the building of infrastructure, especially for vital economic zones. Strong and bold measures must be taken to enforce laws, struggle against corruption and smuggling, and carry out land clearance for major construction projects. At the macroeconomic level, all forms of monopoly must be removed in order to ensure a good environment for fair competition between sectors, either domestic or foreign ones. The education service must be beefed up to supply the human resource needed for changes in the structure of industry and industrialization. As for peasants who suffer consequences of urbanization and industrialization, there must be programs to provide them with training courses in new occupations. ■

Pho to by Huỳnh Tho

