FROM RIDING A BUFFALO TO RIDING A TIGER

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The year of Buffalo waddled past with heavy steps on both national and international levels. In the world, the worst global financial crisis and economic recession since the Great Depression 1929-33 darkened lives of all peoples and hindered activities in all countries. Its shadow became grimmer when it was associated with the climate change, fluctuations in prices of fuel and food and gave signals of a crisis in these fields. As for Vietnam, the year of Buffalo brought about more difficulties and hardships than the past decade did when the heat of regional crisis spread to Vietnam.

So much literature has been compiled to explain developments, causes, consequences and solutions to the crisis that it's useless to repeat them. What are worth learning are lessons drawn from the crisis and predictions of happenings in the year of Tiger that can help us prepare ourselves for them.

It has been over two decades since the days Vietnam moved to the market economy and integrated into the world one. This transition provides us with great benefits and advantages but it also forces us to get accustomed to fluctuations, including recession and crisis of the national and international economies – companions of the market economy. An invisible hand, the market economy contains many unstable and elusive factors. To make the best use of advantages it offers, we should grasp laws that regulate it, keep a close watch on its fluctuation, predict them exactly, give advance warnings and deal flexibly with all happenings.

There is a problem that has been debated for over two centuries: relation between market and the state. Sometimes the role of the market is held in high regard, or even considered as most important, and sometimes stress is put on governmental intervention. Needless to say, the government in a centrally-planned economy always has an absolute power. What Vietnam and other countries had to deal with last year shows that the invisible hand is not omnipotent but the government has to reach its full potentials, especially on prediction, supervision and intervention.

The most sensitive part of all market economies, like nervous systems, is their monetary- financial systems. In the late 1920s as well as these days, the crisis came from these systems. They become increasingly sensitive when the information technology achieves unprecedented developments, the globalization reaches its peak, and financial transactions spread all over the world creating virtual money that is beyond control. And the lesson all countries should learn is that supervision, and even intervention, is very necessary to keep this wild horse well under control at national as well as global scales.

Under the market economy, the government should play well its role in such sectors but necessarily by employing instruments accepted by the market economy and guidance policies with a view adjusting behavior of businesspersons instead of doing things on their behalf. Just because of incessant and unfathomable fluctuations on the market, the act of regulating or adjusting must be flexible and predictable enough to ensure no shock to the public and business circles, which can put them at disadvantage and make them lose confidence and trust – an invisible but very important in economic activities. This is also a lesson to consider.

Vietnam, like numerous countries that have pursued the export-oriented strategies so far, has to take shelter from the storm in their domestic markets. Maybe nobody is unwise to thinks of a closed- door policy. the solution is only to adjust shares of foreign and domestic markets. As for Vietnam – a market of 85 million people with increasing income and export – import values – it should realize the motto "consider inner strength as decisive and external forces important." One more thing to consider is the fact that the agriculture is still a good shelter during the global crisis and domestic recession, because "Society gets unrest when agriculture falls" as the Vietnamese saying goes.

Stimulus package is a move employed by most countries to deal with the crisis and Vietnam is no exception. Questions to answer are at what degree the stimulus should be, who deserves some stimulus, and what form the stimulus should be so it can slow down the recession, reduce the unemployment , ensure the social welfare, help with the restructuring, deal with shortcomings, and create a basis for development of a medium, and even a long, term. Moreover, the stimulus measures should not distort the economy, create unfair competition and over-dependence among companies, and leave serious damage to macroeconomic balances.

Of course, many other lessons can also be drawn from the crisis, but it may take more time and discussions to go to the root of problems, that is, we can't do it now because we are having to deal with consequences of the recession and get prepared for the year of Tiger.

The year 2010 is a rather special one: It is the year the world passes its crisis and Vietnam witnesses the end of the economic recession. It is also the last year of the five-year plan and the time Vietnam completes its Socioeconomic Development Strategy for 2001-2010 before the VCP Congress in which the strategy for the next decade is worked out to turn Vietnam into a basically industrialized country with a new position – a country that joins the group of medium-income nations, although it is on the bottom rung.

For better or for worse, Vietnam has passed its hard time, and learned a lot of valuable experience. Its efforts are appreciated by international community, which shows itself in the fact that international donors, at the annual Consultative Group meeting, pledged more than US$8 billion in ODA to Vietnam for next year when the world hadn't entirely escaped from the crisis. In addition, there are reasons to hope that the world economy will surpass difficulties, the world market will be more active and foreign investment will increase, which make conditions more favorable for Vietnam.

Identifying exactly and implementing successfully targets set for the new year, however, is no easy task. Vietnam is still facing potential dangers regarding it macroeconomic balance because the budget deficit reaches its record peak, the trade gap repeats itself, the balance of payments is not favorable, and the inflow of capital, from export and foreign investment, is not promising. In such a situation, Vietnam has to handle satisfactorily, for the time being, the relation between expectation of gaining a high growth rate and the need to tighten the money supply to restore the macroeconomic balance. Moreover, because 2010 is a starting point and a springboard for Vietnam's higher developments in the next five or ten years, Vietnam must lay the foundation of its effective and sustainable development, thereby achieving modernization and industrialization, keeping itself from falling farther behind, especially in terms of quality of development■