

# Vietnam's Economic Restructuring in 20 Years of Renovation

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## 1. Economic restructuring by industry

Vietnam's economic restructuring has recorded significant achievements in 20 years of renovation, it is the trend of increased ratio of industry, stabilized ratio of service and reduced ratio of agriculture in GDP but the absolute value of each industry went up year after year.

the meantime, the secondary industry (manufacturing and construction) increased by 12%, from 28.88% to over 40%, or 0.60% per year, and the tertiary industry rose by 5% from 33% to over 38%, or 0.27% per year. Although the pace of economic restructuring over the past years was slower than expected, it was still faster in the fol-

lowing periods. In the 1986-1990 period, the primary industry declined 6.21%, the secondary industry increased 4.79% and the tertiary industry soared

ernization, the economy restructuring was still fast on the right track but slower than the previous period. In the 2001-2004, the primary industry saw a fall of 1.49%; the secondary industry up 2% and the tertiary was almost unchanged.

These results assure our feeling because two-thirds of economic restructuring targets set by the Party's ninth congress for 2005 have been reached and surpassed. The GDP restructuring plan for 2005 is the primary industry accounting for 20-21%; the secondary industry 38-39%. Only the tertiary industry has not yet accomplished its object (38.16% against 41-42%). Until the end of 2004, the 2005 targets set for GDP of agriculture, forestry, fishery, industry and construction have been attained.

The contribution of each industry to GDP has also recorded good achievements because of its fast restructuring, especially in recent years as indicated in the following table:

Table 1: Vietnam's GDP structure from 1986 to 2004 (%)

Industry	1986	1990	1995	2000	2003	2004
Total economy	100	100	100	100	100	100
Agriculture, forestry, fishery	38.06	38.74	27.18	24.53	22.54	21.76
Industry and construction	28.88	22.67	28.76	36.73	39.47	40.09
Service	33.06	38.59	44.06	38.74	37.99	38.165

Source: 2004 Statistic Yearbook, Thống Kê Publisher, 2005

Table 2: Industry's contribution to GDP growth (%)

Industry	1999	2000	2001	2002	2003	2004
Total GDP	4.80	6.79	6.89	7.04	7.26	7.60
Agriculture, forestry, fishery	1.20	1.10	0.69	0.91	0.72	0.80
Manufacturing and construction	2.60	3.46	3.68	3.45	3.86	3.90
Construction alone	2.90	2.72	2.81	3.00	3.21	3.20
Service	1.00	2.23	2.52	2.68	2.68	3.00

Source: 2004 Statistic Yearbook, Thống Kê Publisher, 2005

Table 3: GDP ratios by economic sector (%)

Sector	1999	2000	2001	2002	2003	2004
Total	100	100	100	100	100	100
State	38.74	38.53	38.40	38.31	38.2	39.22
Non-state	49.06	48.19	47.84	47.78	47.67	45.61
- Collective	8.8	8.58	8.06	7.98	7.49	7.11
- Private	7.1	7.31	7.95	8.3	8.23	8.39
- Individual	33.90	32.31	31.84	31.42	31.22	31.5
Foreign-invested	12.20	13.28	13.75	13.76	14.47	15.17

Source: 2004 Statistic Yearbook, Thống Kê Publisher, 2005

As a result, over the past twenty years, the national economy has faced positive changes. The percentage of the primary industry (agriculture, forestry and fishery) decreased by 17%, from 38.06% in 1986 to 21.76% in 2004, an average reduction of 0.90% per year. In

the 1986-1990 period, the economy did not have positive changes, for example, the primary industry increased 0.68%, the secondary industry fell 0.58% and the tertiary industry rose 5.53%. However, in the 1991-1995 period, implementing the resolution

of the Party's seventh congress and the ten-year (1991-2000) strategy of socio-economic development towards industrialization and modernization, the national economic structure faced faster improvements. In the 1991-1995 period, the primary industry declined 6.21%, the secondary industry increased 4.79% and the tertiary industry soared

## 2. Economic restructuring by sector

Over the past years, implementing the Party and Government's policy of multi-sector economic development, the national economy has made good progress in its alteration. The state sector still takes a lion's share (more than 38%). However, other non-state sectors also experienced robust development.

It is noteworthy that in the GDP structure, the ratios of the state, collective and individual sectors encountered a downward trend while those of the private and foreign-invested sectors increased over years. Until 2004, the state sector still accounted for 39.22% of GDP as compared to 45.61% of non-state sectors and 15.71% of the foreign-invested sector. The reason is attrib-



uted to positive effects of the Enterprise Law, Law on Foreign Investment, Law on Cooperatives, etc.

### 3. Economic restructuring by region

Regional economic restructuring has initially attained good results. The establishment and development of focal economic regions in the North, Central and South Vietnam has turned into strong engines to boost economic development in the direction of specialization, cooperation and alliance. The Southern Focal Economic Region has become the country's economic motivation. Its GDP and export earning ratios have increased fast. Its GDP ratio swelled to 50% in 2003 from 25% in 1999 and its export earning ratio up to 60% from 30% respectively. The remaining focal economic regions have also carried out positive changes though slower.

The specialized farming areas and concentrated industrial parks have revealed high efficiency in terms of economic and social achievements. After 14 years of developing industrial parks (IPs) and export processing zones (EPZs) from 1991 to 2004, there are now 125 IPs and EPZs attracting 2,319 investment projects from 40 countries and territories and thousands of domestic projects. These IPs and

EPZs have 69 infrastructure building projects with total investment capital of US\$500 million and VND4,500 billion. These institutions have offered 400,000 jobs including 300,000 jobs from IPs in provinces of Đồng Nai and Bình Dương, and HCMC. In the first years of the 21<sup>st</sup> century, IPs and EPZs have mushroomed in rural areas of agricultural provinces including Long An, Tây Ninh, Quảng Nam, Hà Tây, Vĩnh Phúc, Hưng Yên, Hải Dương, Thái Bình, etc., as well as suburbs of Hải Phòng, Hà Nội, Nam Định, and Cần Thơ. They actually help bring manufacturing businesses to rural areas and restructure the farming sector. The faces of economic regions including rural, mountainous, and distant areas have been increasingly renewed with higher civilization and progress. The labor and occupation structure of purely agricultural areas has changed in the trend of reduced ratio of farming and increased ratio of industry and service. The income and living standard of inhabitants have been significantly improved. A typical example of economic restructuring from agriculture to industry and service is Bình Dương Province with the positive role of its IPs and EPZs.

Nine years ago, it was a part of the former Sông

Bé, a purely agricultural province in the southeastern region with the farming sector accounting for 60% and the industry and service 40% of GDP. At the time of establishing the new province of Bình Dương (Sông Bé was separated into two provinces of Bình Dương and Bình Phước in 1996), its GDP structure still remained backward with farming 26.2%; industry 45.5% and service 28.3%. Nevertheless, the province's GDP saw a dramatic change in 2004. Its industry increased to 62%, farming plummeted to 12% and service 26%. As a result, the farming sector faced a yearly decline of 2% while the industrial sector rose 2.42% annually. This is the fastest and strongest pace of economic restructuring towards industrialization and modernization.

### 4. The primary industry's restructuring

The restructuring trend of the primary industry in recent years is the change from the purely agricultural production of self-supply and self-sufficiency with low output and efficiency into the production of commercial goods based on advantages of soil, water resources and farming experience of each locality. It is the trend of reducing farming ratio and increasing ratios of forestry and fishery in total production

value and added value of the whole sector.

The process of restructuring the primary industry over the past years is actually the transformation of small-size monocultural production into multicultural one with a large quantity of commercial products, high socio-economic efficiency, and sustainable ecological environment. The trend shows more advantages as compared to the previous food output-centered model. These bright results come from proper policies of the Party and the Government on restructuring the agriculture and rural areas in Resolution 06 of the Politburo (Term VIII) and the Government's Resolution 09/NQ/CP dated September 15, 2000 on restructuring the agriculture and rural areas, and sales of commercial farm produce.

The primary industry has altered from agriculture into fishery with slow but significant steps. The agricultural ratio dropped to 16.69% in 2003 from 20.8% in 1999, or 1% per year while its GDP absolute value still rose 2% annually. The forestry GDP ratio steadily fell to 1.1% but its absolute value still saw a slight rise, less than 1%. The fishery hit the fastest growth and restructuring, its GDP ratio rose to 4.01% in 2003 from 3.2% in 1999 and its GDP growth is 7% annually. This is a remarkable sign in the primary industry's restructuring.

### 5. The secondary industry's restructuring

The trend of restructuring the secondary industry is to raise the manufacturing ratio and lower the construction ratio in GDP and regional production value.

Table 5 will visualize this trend in recent years:

The GDP ratio of the manufacturing sector in the secondary industry increased to 85.3% in 2003

Table 4: Production value and added value of the primary industry from 1999 to 2004 (%)

Year	Production value			Added value		
	Agriculture	Forestry	Fishery	Agriculture	Forestry	Fishery
1999	81.5	4.6	13.9	82.0	5.6	12.4
2000	80.2	4.5	15.3	80.8	5.5	13.7
2001	77.4	4.7	18.9	80.1	5.3	14.6
2002	76.9	4.3	18.8	78.2	5.3	15.5
2003	75.3	4.1	20.6	76.5	5.3	18.2
2004	75.0	3.9	21.1	76.0	5.1	18.9

Source: General Statistic Office

Table 5: GDP-based restructuring of the secondary industry from 1999 to 2004 (%)

Industry	1999	2000	2001	2002	2003	2004
Total manufacturing and construction	100	100	100	100	100	100
Manufacturing	84.2	85.0	84.6	84.7	85.3	84.4
Construction	15.8	15.0	15.4	15.3	14.7	15.6



**Table 6: GDP structure in the service industry from 1996 to 2003 (%)**

Industry	1996	1997	1998	1999	2000	2001	2002	2003
Total services	100	100	100	100	100	100	100	100
Trade	37.30	37.00	37.00	37.00	36.73	36.34	36.67	35.66
Tourism and hotel	8.45	8.55	8.23	8.37	8.38	8.46	8.32	8.0
Transport and post	8.98	9.39	9.39	9.30	9.70	10.10	10.4	11.0
Finance and credit	4.45	4.10	4.10	4.10	4.67	4.76	4.74	4.8
Science and technology	1.40	1.30	1.30	1.20	1.37	1.40	1.46	1.45
Consulting and real estate business	11.67	11.60	11.70	11.40	11.20	11.55	11.86	11.4
State management	8.10	7.90	7.80	7.30	7.05	6.76	6.71	7.0
Education and training	8.50	8.50	8.80	8.70	8.67	8.80	8.80	8.45
Others	11.15	11.66	11.67	11.66	11.74	11.50	11.22	11.54

Source: 2003 Statistic Yearbook

from 84.2% in 1999, while the GDP ratio of the construction sector dropped to 14.7% from 15.8% in the same period. This is a positive trend resulted from higher growth of the manufacturing sector (16%) against 10% of the construction sector.

The manufacturing sector have also experienced a lot of changes in its structure. The processing sector made up the highest ratio (80.3%), the mining sector 15.1% and the electricity and water sector 4.6%. The processing sector steadily faced high growth over the past years. This helped keeps its GDP ratio stable and increased (78.7% in 2000 and 80.3% in 2004).

The processing sector's high ratio is resulted from new production with high growth like auto production accounting for 1.75% in 2000 and up to 3.4% in 2004, nearly doubling, production of motorcycles and other transport means from 3.98% to 4.05%, electric and electronic equipment from 2.29% to 2.76%. Several sectors faced increasing demand, so they expanded production and took higher shares, for example, metal production increasing to 3.53% in 2003 and 3.87% in 2004 from 2.72% in 2000, production of other metal goods (excluding machinery and equipment) 4.2% from 3.0%, clothing 4.51% from 3.42%.

The mining sector made up a modest share,

but its ratio went down to 15.06% in 2004 from 15.78% in 2000. This was mainly because the oil and gas sector accounting for 80% of the production value of the mining sector had its ratio down to 12.44% in 2004 from 13.51% in 2000. So although the output value of other mining sectors like coal, sand, stone went up, their effects were not significant to the whole sector.

#### 6. The tertiary's restructuring

In the 1991-1995 period, the service industry made significant progress. The trading sector re-

corded high growth from 4.8% in 1991 to 11.2% in 1995 and its GDP ratio up from 12.7% to 13.2% in the same period. If considering the whole service industry, the trading sector's ratio tends to go down, from 31% in 1991 to 29.5% in 1995. In the 1996-2003 period, the service industry experienced development steps as indicated in the table below:

In the service industry, the trading sector takes the lion's share, followed by consulting and real estate business, transport and post, education and training, tourism and hotel, state management, finance and credit, and sci-

ence and technology. The insurance sector remains embryonic.

Although changed, the service industry is still the trend of boosting traditional services. The development of high quality services including finance, banking, science and technology, and knowledge-based services is rather slow. The investment in these services is not compatible with their position and role; the investment structure inappropriate and several services unprofessional.

#### 7. Conclusion

In the years of renovation, especially in the 1996-2004 period, Vietnam's economic restructuring recorded a lot of achievements in the trend of industrialization and modernization. Until 2004, the major targets of economic restructuring for the five-year (2001-2005) plan had been attained. The GDP shares of farming, manufacturing and service are 21.76%; 40.09% and 38.12% respectively as compared to the plan: 20-21%; 38-39% and 41-42% and 25.43%; 34.49% and 40.08% in 1999. Therefore, there are two targets of the farming and manufacturing already accomplished while the third target has not been finished: the service ratio remains low and encounter a steady decline. It is a shortcoming not only in GDP structure of the whole economy but also in each sector and business. Although the restructuring moves toward industrialization and modernization, the size is not large and the speed not high as required, especially in agriculture. The effects of economic restructuring on socio-economic efficiency are still not distinct. The unplanned activities are common in several sectors, regions and localities. The Government role of regulation and orientation by economic and financial policies remains foggy. ■

