

In the past 10 years (1986-96), the Vietnamese economy has experienced important and radical changes and assumed the following characteristics:

1. The Vietnamese economy has changed from a centrally planned and closed economy to a socialism oriented and open economy

The sixth VCP National Congress launched the socio-economic reform in 1986, before that, the Vietnamese economy, like other socialist states, had the following characteristics:

- All means of production were under the public ownership.
- The socio-economic development was planned by the state.
- The economy had export orientation.
- The state undertook goods dis-

tribution and social services.

43% of which was public investment, 30% was private investment and 27% was foreign direct investment.

- From 1.0 to 1.2 million new jobs were created every year. The adult literacy rate reached 90%.

In Vietnam, the mixed economy under the socialist orientation is characterized by:

- The domination of the public sector, especially in industry and infrastructure.

- Diversified systems of cooperatives, including agricultural, credit, consumers and small producer's cooperatives.

- A developing private sector operating in agriculture, handicraft, trading and service.

- A newly developed private sector operating mainly in commerce,

1990 to 30.7% in 1996, service percentage increased from 38.6% to 42.1% in the same period while agriculture percentage decreased from 38.7% to 27.2%). In each industry, the structure of products has also changed. Many new products have been marketed and many occupations have come into being.

Local economies, especially in big cities and vital zones, have started to be industrialized. Up to 1997, 33 industrial parks and export processing zones have been built.

3. Integration of the Vietnamese economy into the regional and the world economy

Up to the end of 1996, Vietnam has established diplomatic relations with 156 countries and trade relations with 120 countries, and some 60 countries have made direct in-

VIETNAMESE ECONOMY AFTER A REFORMING PHASE

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tribution and social services.

After the sixth VCP National Congress, the economy was turned into a mixed economy under the socialist orientation and state management. The Government adopted long-term strategies to develop the economy and establish an equal and mutual beneficial relationship with other countries.

In 1991, the seventh VCP National Congress concluded that the economic reform had made good progress but Vietnam hadn't passed its socio-economic crisis.

In 1996, the eighth VCP National Congress remarked that Vietnam had passed the socio-economic crisis but still faced many serious problems. Its escape from the crisis reflected in the following data:

- In the years 1991-95, the GDP increased by 8.2% on average, passing its development targets and reached 9.4% in 1996. It's estimated that the growth rate in 1997 would be over 9.0% and Vietnam would be the ASEAN country with the highest growth rate.

- The inflation rate reduced from 67.1% in 1991 to 12.7% in 1995 and 4.5% in 1996. It's estimated at below 5% in 1997.

- In the past five years, the gross investment passed US\$18 billion;

service and real estate business.

- A corporate sector in which private businesspersons work under the close control of the state.

Those sectors are usually formed into the public sector and non-public sector.

In the past five years, contribution from the public sector to the GDP tended to increase (from 32.5% in 1990 to 42.2% in 1995), that is, contributions from the non-public sector decreased. The public sector controlled the best part of manufacturing industry (51.4% in 1996) and service industry (54.5%), but its role in agriculture was small (2.9%).

In this phase, the Vietnamese economy has obtained preconditions for a new phase of development: industrialization and modernization.

2. From a purely agricultural economy to industrialization

Before 1985, Vietnam was a purely agricultural economy and the agricultural production was considered as the most critical task. In the years 1985-90, the economic reform started but there was no remarkable change in the structure of industry. From 1990 on, industrial and service sectors have become larger (the percentage of manufacturing industry and construction in the GDP increased from 22.7% in

vestments in Vietnam. Good relations with both developed and developing countries, Vietnam's membership of the ASEAN, and the normalization of the US-Vietnam relation have helped Vietnam to expand its trade relations, thereby increasing its GNP, exports and imports. Vietnam has become an important exporter of rice, crude oil, coffee, rubber and clothing in the world market.

At the end of 1996, Vietnam's GDP reached US\$20 billion. Up to August 1997, a total foreign investment of US\$30 was licensed and one third of it has been realized. In the 10-year period between 1986 and 1996, Vietnam's export increased by 25% annually. Vietnam's air and sea transport has also been developed. Many airports and seaports in Vietnam have been upgraded and expanded.

These are main features of the Vietnamese economy in the past 10 years. However, Vietnam still faces many difficulties: a shortage of capital and new technologies, poor infrastructure, a high birth rate, prolonged trade gap, imperfect law system, etc. but past achievements allow us to believe that Vietnam will be able to solve its problems well before the next century.