

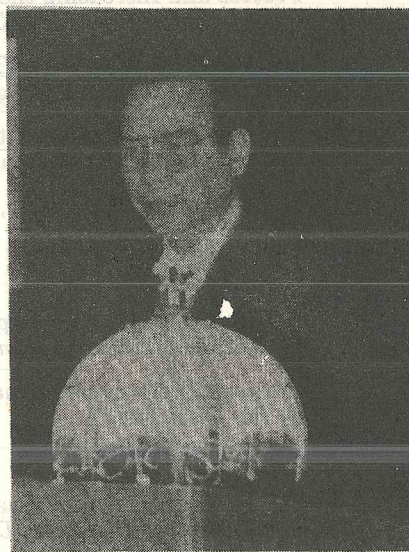
ACCELERATING THE RENOVATION PROCESS AND INCREASING THE GROWTH RATE

The following is a speech given by Deputy Prime Minister Phan Văn Khải at Vietnam Economic Forum held in HCMC on April 7 and 8, 1995 by the World Economic Forum and the Vietnam Government.

1. In response to requirement of the country, with a view to escaping from socio-economic crisis and developing the economy in the changing situation of the world and the region, the Renovation policy of the VCP was introduced ten years ago and increasingly developed and perfected. This policy aimed at building an open market economy; diversifying and multilateralizing foreign relations; making a government of the people, by the people and for the people; and democratizing all socio-economic activities.

2. Changing to the market economy under the management of the government is an intensive reformation which took place in various aspects:

- Forming new policies and mechanism favorable for the development of the market economy under the management of the Government; putting an end to the centrally planned economy directed mainly by the administrative measures; and carrying out reforms in the administrative machinery in order to make it



appropriate to the market economy.

- Developing a multi-sectoral economy with different ownership in order to mobilize all resources of the people to develop the country.

- Building a nation-wide open market with good economic relations with foreign countries; orientating the economy towards exportation and integration into the world and regional economies.

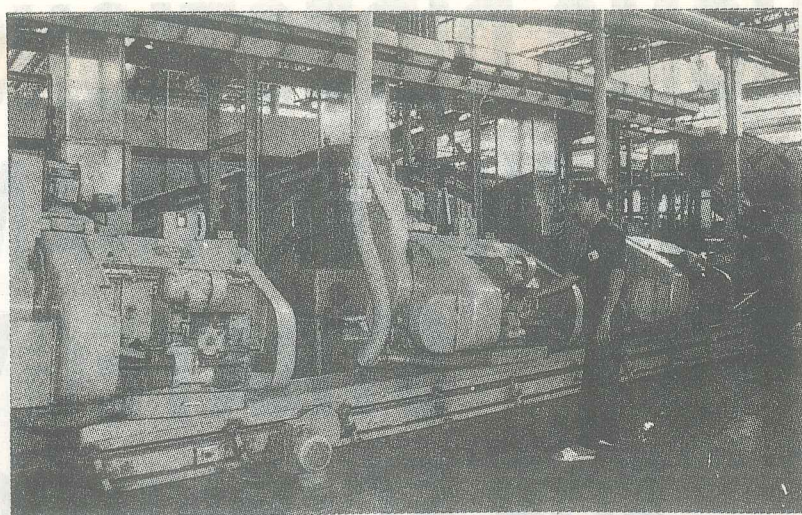
3. Under existing conditions of the country, selected measures taken in the process of economic reformation aimed at building a reasonably structured economy; exploiting Vietnam's comparative advantages; maintaining a high and stable growth rate; co-ordinating the economic development and social progress; increasing the living standard of the people in an increasingly equitable and civilized society.

In order to integrate into the

world and regional economies, Vietnam supports a fair competition for development and co-operation, and welcomes all foreign sources of capital and technology which are essential to development of local technology, science and managerial skill.

4. After ten years of economic renovation, main constituents of the market economy have come into being, the productive forces have been partly liberalized and all resources of the people have been tapped for improving basically the socio-economic life. These factors have helped the country defeat big difficulties, especially dangerous ones facing us in 1990 and 1991, and create new bases necessary for the next stage of development.

- In the period between 1991 and 1995, Vietnam's GDP increased by 8% annually (agriculture increased by 4.2%, industry 12.6%, service 8.6% and export 20%). From a big importer of rice and food, Vietnam became the third biggest exporter of rice since 1989 and exported from 1.5 to 2 million tonnes of rice annually. Its structure of industry tended to change favorably with an increase in the importance of the manufacturing and service sectors. In agriculture, there is an increase in the importance of animal husbandry and perennials used for agro-industry. Market gar-



dening has showed signs of development.

- In building the market mechanism, the financial and monetary system became stabler, the inflation was curbed and reduced, the consumer price index was reduced from 800% in 1986 to around 10% in the past three years, the budget income increased year by year with its main sources coming from tax and fee.

- Foreign economic relations were developed: Vietnam traded with over 100 countries and territories; export turnover in 1986 was equivalent to 36% of imports, this percentage rose to 85% in the period between 1991 and 1994. Up to the end of 1994, total capital of licenced foreign projects rose to US\$12 billion and one-third of which was realized. Vietnam will receive US\$3.8 billion from ODA sources from many countries and international financial organizations.

- The people's life was stabilized and improved gradually, hunger was overcome basically and the percentage of population living in poverty was reduced remarkably.

5. However, besides these said achievements, there are a lot of difficulties requiring much effort to overcome them. They are: the market economy in Vietnam is only at its early stage of development and can't operate smoothly and properly; the financial and monetary system is weak; the macro-economic management hasn't met requirements of the renovation process; the administrative machinery is cumbersome and the society makes slow progress.

6. We realize that Vietnam is facing big challenges of the race for economic development in the world with a keen competition while our level of economic development and technology is low, our sources of capi-

tal are limited, the socio-economic infrastructure is poor.

On the other hand, the achievement of the renovation process and the improvement of Vietnam diplomatic relations have created many opportunities of which we should take advantage to modernize and industrialize our economy, accelerate the growth rate, make radical changes in the society and improve the people's living standard. As for the Vietnam people and Government, the strongest aspiration and also the order given by the life is: to escape from poverty and backwardness, and to keep ourselves from falling behind neighboring countries. The situation becomes more urgent when Vietnam wants to be a member of ASEAN.

7. The achievements of the renovation process, especially in the period from 1991 to 1994, enable us to come to a new stage of development focusing on accelerating the modernization and industrialization, and increasing our GDP in 2000 by 250 or 270% compared with 1990 (In the Strategy for socio-economic development from 1991 to 2000, the planned target was to increase the GDP by 200% compared with 1990).

In the plan for socio-economic development from 1996 to 2000 which is developed now, we hope to increase the GDP by 10 or 12%; exports by 24%; imports by 22%; gross investment will rise to somewhere between US\$50 and 55 billion and represent around 28-30% of GDP. Over 50% of the gross investment will come from domestic sources and nearly 50% from foreign ones (including ODA and FDI sources). By 2000, the CPI will be kept at 10%; the population at 82 million; life expectancy of an average person will be 70 years; illiteracy will be defeated basi-

cally, the laborers will be ensured at least the primary education.

From now until 2000, Vietnam agriculture should be changed to ensure food supply and increase the importance of animal husbandry, perennials and fruit trees. The agriculture should be connected with the manufacturing and service sectors in a reasonable structure. Manufacturing industries will increase by 15% annually, some of which will have a higher growth rate; fuel, power, building materials, textile, consumer goods for export, mechanic, electronic, agricultural product processing, food and mariculture for example. Various EPZs and industrial estates which are under construction now will supply favorable conditions to foreign and local investors. The Government will invest intensively in infrastructure, especially in power and water supply, roads and communications. By 2000, all villages in deltas will be equipped with telephone and 80% of mountainous villages with electricity.

8. In order to cope with the challenges and take advantage of the opportunities, we should accelerate our economic renovation and reform our administrative machinery. Our most urgent tasks in the next stage of the renovation process are:

- Liberalizing the productive forces radically in order to exploit all resources of the people for capital formation and investment.

- Rearranging the public sector and improving its efficiency.

- Supplying more favorable conditions to foreign investors.

- Reforming the financial and monetary system in order to improve ability to control inflation.

- Reforming the administrative machinery with a view to perfecting and stabilizing the legal system.

- Building a strong and healthy administrative machinery.

- Reinforcing law and order in economic and social activities.

The economic structure and management mechanism should meet demands of the open economy and of the integration into the world and the region. With the motto "Vietnam wants to make friend with all countries", Vietnam is pleased to take part in the struggle for peace, national independence and development. We appreciate helps and goodwill of our friends, welcome foreign businesspersons who want to invest in, transfer technology to, trade and share experience with Vietnam. We appreciate your opinions with a view to perfecting conditions for doing business in Vietnam and for a stable and effective co-operation between us ■