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Outstanding Economic Events in 2003

by TRUNG ANH



The resolution of the National Assembly, Term XI, fourth session at the end of 2003 affirmed: "In 2003, although the country was faced with a lot of difficulties and challenges, its economy still reached a rather high growth rate. Most of major planned targets of socio-economic development has been achieved and surpassed, industrial production and export earnings rose sharply. Resources for development investment were well mobilized, contributing to the acceleration of economic restructuring in favor of industrialization and modernization. In addition to these

achievements, the national economy remains a lot of inadequacies and restrictions. Its growth quality and competitiveness are not high, and the pace of industrialization and modernization slow. The environment for investment, production and business encounters a lot of defects, and the efficiency of using state and public investment capital is low. The management of basic construction shows many shortcomings and large wastes which were slowly overcome. The tasks of planning and planning management are not well implemented. The economic restructuring

tries and second in Asia. Its major achievements include: food production with a record of 37.5 million tonnes; highest export value of US\$21 billion (exported rice grossed 4.2 million tonnes, 700,000 tonnes more than the planned target, helping Vietnam regain the second position among the world's rice exporters); many industries with high export earnings consisting of crude oil US\$3.7 billion, clothing US\$3.6 billion, footwear and leather goods US\$12.6 billion, aqua products 2.1 billion. The inflation rate was curbed at 3%.

2. HIGHEST-EVER ODA CAPITAL

International donors have showed their commitments of offering an ODA capital of US\$2.84 billion to Vietnam in 2004. The Vietnam government and more than 40 donors considered it as a great success of Vietnam. The highest-ever ODA commitments showed the world's strong support to the country's cause of economic reformation, hunger eradication and poverty alleviation, and acceleration of GDP growth.

3. INCREASING PACE OF INTERNATIONAL INTEGRATION

Vietnam has begun its pace in the integration process: reducing import tax rates for nearly 750 items in accordance with commitments when joining the ASEAN Free Trade Area, completing the seventh negotiations on admission into WTO which focused on the open market and the implementation of bilateral negotiations with 20 countries, showing Vietnam's determination of its WTO membership, signing with Japan an agreement on investment protection and promotion, and signing with the US an air transport agreement.

4. COMPLETING MANY IMPORTANT TRANSPORT PROJECTS

Many important transport projects have been completed. The Stage 1 of Hồ Chí Minh Highway, for example, was finished, trans-Asian road (through Vietnam) and Cái Lân Port inaugurated. Especially, the Hải Vân tunnel, the largest in Southeast Asia and the 30th largest in the world, was technically inaugurated after 25-months of burrowing. Work on the US\$251 million tunnel began in August 2000, with 85 percent of its funding drawn from official development assistance loans from the Japan Bank for International Cooperation. The main tunnel has two lanes of 6.3m wide and 7.5m high. Running

has not caught up with the requirements of development and international economic integration. The service sector has not yet developed in accordance with available potentials. The revenues of state budget is not firm, credit activities are not really healthy..."

As usual, the *Economic Development Review* profiles 10 outstanding economic events as follows:

1. HIGHEST-EVER GDP IN THE PAST SEVEN YEARS

Vietnam's GDP growth rate reaches 7.2% year-on-year, it ranks first in the Southeast Asian coun-

alongside the main tunnel is a 4.7m wide emergency tunnel. The inauguration of the tunnel will open great opportunities for Đà Nẵng to develop its economy. Completion of the tunnel will also hold great influence on Thừa Thiên -Huế's socio-economic development.

5. COMMERCIAL BANKS RUSHED TO INTEREST RATE ESCALATION

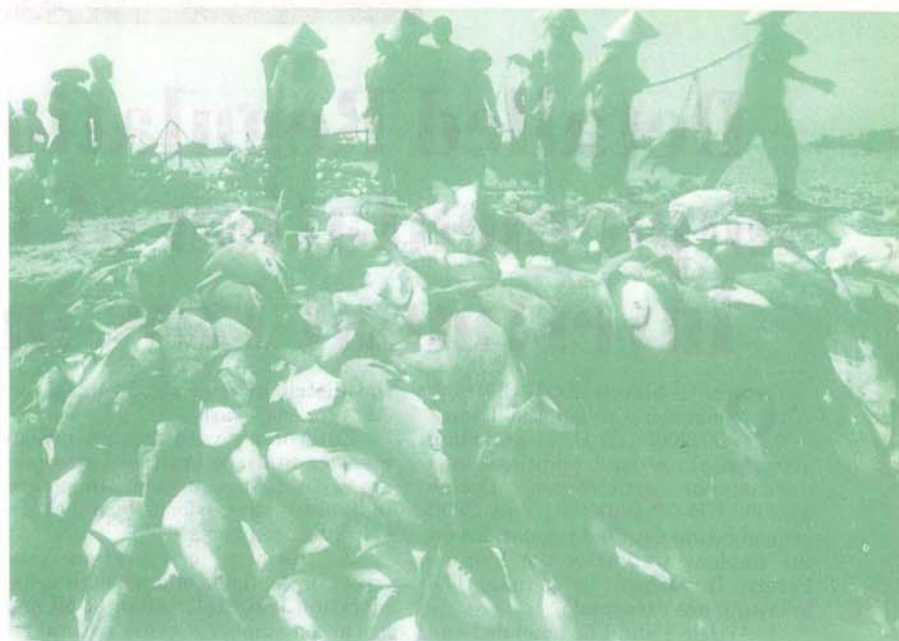
From January to July 2003, due to a pressure of capital and harsh competition in the money market, Vietnamese commercial banks competed with each other in increasing deposit interest rates. At the beginning of July 2003, the interest rate soared to 0.78%/month, or 9.36%/month. This is the highest-ever rate in the past four years. Until the end of August 2003, the fever was cooled down thanks to several intervention measures of the central bank and impacts of the Association of Bankers.

6. GARMENT SHOCK FROM THE US MARKET

As from May 1, 2003, according to the Vietnam-US garment pact on introducing the quota regime on Vietnamese garment and textile exports to the US with the quota of US\$1.7 billion for 2003. After rushing to large investments in factory buildings, equipment and machinery to produce commodities for an easy and potential market as the US, this quota-based export has confused local garment enterprises in seeking new export markets besides the US. The quota distribution to Vietnamese enterprises also indicated a lot of inadequacies and triggered off many complaints about unfair practice.

7. LOCAL FISH PROCESSORS ENCOUNTERED DUMPING LAWSUITS FROM AMERICAN PRODUCERS

On July 24, 2003, the US International Trade Commission ruled that Vietnamese exporters were dumping frozen catfish fillets in the US. This ruling resulted to an unfair decision of the US Department of Commerce on far higher tariff rates of between 36.84 percent and 63.88 percent on Vietnam's "tra" and "basa" fillets sold in the US market. The decision has destroyed the hope of basa producers in the Mekong Delta to enter and accept a fair competition with American counterparts. The Ministry of Fisheries planned to work with the trade and foreign affairs ministries and Vietnam Association of Seafood Producers and Processors



(VASEP) in preparing their case if a proposed dumping lawsuit against 12 shrimp exporting countries, including Viet Nam, is brought by two American bodies, the Louisiana Shrimp Association and the Southern Shrimp Association.

8. ACB CUSTOMERS RUSHING TO WITHDRAW MONEY DUE TO FALSE RUMOR

A false rumor that ACB general director Phạm Văn Thiệt had fled the country led to anxious ACB customers and depositors rushing to withdraw their money from the bank. The rumor's aim was to damage operations of the country's leading commercial joint stock bank and the country's banking system and affect social and economic stability, State Bank Governor Thuý said. However, customers had calmed down four days later, after Thuý issued a statement declaring that all deposits were safe. In response to the situation, Thuý signed a State Bank commitment to meet any ACB requests to cover withdrawals in Viet Nam đồng, US dollar or gold from ACB. The State Bank had transferred VND500 billion to ACB and procedures were being made for the transfer of another VND450 billion so that ACB could fully meet customer demands. This event is also a precious lesson on providing transparent information on time to invalidate false rumors, especially in sensitive areas like banking.

9. COINS CLINK AGAIN AFTER 18 YEARS, POLYMER NOTES ON WAY

Currency coins make a comeback in Viet Nam for the first time since 1985. On December 17, The State Bank of Viet Nam issued coins of VND200, VND1,000 and VND5,000 denominations, and also new notes, made of polymer, of VND50,000 and VND500,000 value. The VND500,000 note is the biggest denomination ever issued. The polymer is hoped to prevent counterfeiting, a risk with large-value money, and wearing out, which often happens to low-value money. The bank said the new bank notes have high durability and contain 15 special security features, including for the vision-impaired. Governor Lê Đức Thuý also allayed fears that the large-denomination notes would fuel inflation, assuring that the rate would be no more than 3 per cent for the year. The people were eager to see and obtain new coins and bank notes although the issue caused a hike in gold and dollar prices.

10. A SHARP RISE IN GOLD PRICES

Gold prices from VND6,300,000 per tael at the end of 2002 suddenly rocketed to about VND8,000,000 per tael in the early days of December. For many years, the prices of gold on the local market have been in the same trend of gold prices on the foreign markets (the world price of gold is now at the peak in the past seven years). In the first time, the central bank had to offer its reserve of greenback to local gold traders for importation in order to stabilize gold prices.