

There were many difficulties and challenges facing Vietnam in 1998: natural disasters (after the prolonged drought caused by El Nino to the whole country came storms and floods in Central Vietnam) leaving great damage and effects of the Asian financial crisis causing harm to the economic development.

Facing these difficulties that seem unsolvable, the Government adopted appropriate policies to surmount them and keep on reforming the economy, therefore many encouraging achievements were obtained last year.

The most outstanding achievement in 1998 was the growth rate of 6%, equaling the adjusted target set by the National Assembly and with this achievement, Vietnam became one of a few economies, besides China or Laos, that gained the highest growth rates found in Asia. IMF estimated that Asia-Pacific economies could rise only by 0.7% in 1998. By the year's end, Japan, the world's second strongest economy also failed to keep its growth rate positive and had to accept a negative one (-1.6%). Once well-known Asian Tigers shared the same fate: South Korea growth rate was - 7% in 1998, Thailand and Malaysia: 1 - 2%, Philippines and Indonesia also experienced a decrease. According to a report at the meeting of APEC Ministers of Economy in Kuala Lumpur in November 1998, the growth rates of 18 APEC members also showed signs of decline. The APEC average growth rate reduced from 3.7% in 1996 to 3.4% in 1997 and 3% in 1998 although this bloc has great potentials and includes

such economic powers as the U.S., Japan, Canada and China. Under the circumstance, a growth rate of 6% gained by Vietnam is a remarkable achievement. This growth could be easily found in all sectors and industries.

In spite of narrowing market for Vietnam's products and poor competitiveness of most local companies, the industrial output still rose by 12%: the publicly-run industries rose by 8.7%, non-public sector by 6.3% and foreign sector by 22.2%. Particularly, the public sector still plays the leading role in industrial production regarding its size and growth rate (it accounted for 47% of the total output). Important industries run by central authorities showed signs of improvements: electricity output rose by 13.9%, electric fan by 68.8%, bicycle by 40.5%, sugar by 18.8%, clothing by 12.4%, and alcoholic beverages by 19.0%. The foreign sector accounted for 31.3% of the total industrial output in 1998 in comparison with 28.7% in 1997. Industrial production by the foreign sector kept on increasing (by 22.2%

in 1998) and played an important role in keeping the growth rate of manufacturing industry at the 12% level. The output of most manufactured products from this sector was on the increase: oil rose by 22.9%, cement by 79.4%, steel by 16.0%, motorbike by 14%, detergent by 28.6%, cardboard by 21.7% and beer by 16.3%. Besides increases in quantity and value, this sector also introduced some new industries producing high-quality consumer goods and exports: car and motorbike assembling, electrical goods and electronic equipment, computer, telecommunications equipment of international standard, etc.

Stability and high growth rates found in state-run and foreign-invested industries have helped to maintain a high year-on-year growth rate of the whole manufacturing sector in 1998, especially in production of essential products.

All increases in production of essential goods came from intensive investment financed by both foreign and local sources. Contribution from each industry to the growth rate of the manufacturing sector was

A GENERAL ECONOMIC VIEW ON 1998

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apparent, but the positive factor that caused this development was the industrialization and modernization strategy based on internal economic resources and foreign investment in the manufacturing sector.

Besides quantitative increases in industrial output and diversification of industrial products, the manufacturing sector in 1998 also improved the product quality and design, thereby becoming more competitive in both domestic and foreign markets. In recent years, improvements in the quality of manufactured goods (from steel, iron, cement, electrical motors and appliances, processed food, confectioneries, alcoholic beverages, soft drinks, cars, motorbikes to such hi-tech products as computer, color TV, fridge, washing machine and cassette player) have become more notable. Many locally-made products have gained firm footholds in the domestic market and competed successfully against legal or illegal imported counterparts. Particularly, well-processed agricultural products have tended to reach the international standard. In 1998, 27 seafood processing factories that met European standard were allowed to export their products to EU. Products from most foreign-invested factories are also of high quality due to modern production lines and technologies.

Agricultural production, in spite of severe prolonged floods and droughts, kept on developing in 1998. The most outstanding and spectacular achievement was a year-on-year increase of one million tonnes in the food output causing it to top 31.8 million tonnes of rice. The growth rate of Vietnam's rice production was the highest found in ASEAN.

Main factors affecting the development of food production are new methods of doing intensive farming and increasing rice yield, improvements in irrigation, and the use of fertilizer and new, high-yield rice strains.

Besides technical innovations, the policy to give full autonomy to farmers and promote agricultural production is also a factor that encourages farmers to get the most from rice fields allocated to them by local governments.

Because the growth rate of food output is always higher than the birth rate (which stays around 1.9% per year), per capita food output in Vietnam increased from 372.8 kg in 1995 to 387 kg in 1996,

398 kg in 1997, and 408kg in 1998. The food output in 1998 reached 31.8 million tonnes, higher than the target set for the year 2000. The food security is ensured, shortage of food before harvest is solved, and increases in food reserve allow Vietnam to export rice in large quantities. Vietnam's export of rice topped the 3-million-tonne mark in three years running: 3.04 million tonnes in 1996, 3.6 million tonnes in 1997 and some 3.7 million tonnes in 1998, the highest mark ever seen (Vietnam exported 1.42 million tonnes of rice in 1989, 1.62 million in 1990, 1.03 million in 1991, 1.95 million in 1992, 1.72 million in 1993, 1.95 million in 1994 and 2.1 million in 1995), and became the world's second largest exporter of rice, coming after Thailand and before America and India. This meaningful achievement has enhanced Vietnam's foothold in the

of afforesting and caring forest. Some 250,000 hectares of bare land or hillside were afforested, and foresters all over the country planted some 500 million new trees. As a result, the proportion of forest land to the country's area rose from 27% in 1995 to 29.8% in 1997 and 30% in 1998.

Fishing and sea farming also have their own developments. Seaproduct output in 1998 reached 1.7 million tonnes, increasing by 6% as compared with 1997. The sea farming developed well in many provinces with diverse forms, mainly at family-business scale. In some coastal provinces in South and Central Vietnam, high-quality shrimp was produced in large quantities by shrimp farms. The output of sea farming business rose to 450,000 tonnes from 168,000 tonnes in 1991 and 417,000 tonnes in 1997.

Generally, the agricultural pro-



world rice market.

Besides quantitative increases, there are also improvements in quality and value of Vietnam rice for export helping to reduce the difference in price between Vietnam's and Thailand's rice. This difference was reduced from US\$40 - 50 per tonne in 1996 to 15-20 in 1998.

Production of fruits and perennials, especially coffee, rubber, tea and peanut, also made good progress. Animal husbandry was diversified and developed better than crop farming. Some 1.6 million tonnes of meat of various kinds was supplied to the market in 1998.

Forestry business, in spite of a lot of difficulties, also produced good results, especially in the task

duction in 1998 developed rather evenly and gained an annual growth rate of 3% on average. Although this growth rate is lower as compared with two previous years, it proved to be more stable and the increase is quantitatively bigger because the rice production was carried out on a larger scale.

As for the service sector, the development is stronger due to the participation of all social classes. The total retail sales reached VND180,500 billion, making a year-on-year increase of 14.2%. During the past three years, from 1996 to 1998, the annual growth rate of the total sales was 20%. The value added by the service sector increased by 9.3% in 1996, 8.6%

in 1997 and 4.99% in 1998.

Foreign trade prospered remarkably regarding the market share, volume and value of both exports and imports. Before 1995, Vietnam traded with some 100 countries and territories and this figure increased to some 120 in 1998. Due to many factors (firmer footholds in foreign markets, high growth rate and policy to promote multilateral trading relations), the volume and value of imports and exports have been on the increase in the past few years and reached unprecedented levels in 1998.



In 1998, there were no sudden changes in prices of goods and services and no gap between values of bank circulation and of total goods and services supplied because the supply-demand relationship remained stable. Increases in prices all year round were small and well kept at reasonable levels. That was why there was no rushes for any particular goods in 1998. The outstanding achievement in the task of controlling inflation during the 3-year period, from 1996 to 1998 was the fact that the increase in CPI was kept well under 10%, or more exactly, at 4.5% in 1996, 3.6% in 1997 and 9.1% in 1998.

Due to increases in GDP, well-controlled inflation rate, stable relation between supply and demand, the gross national income was big enough to not only cover consumption expenditures but also ensure a reasonable saving rate. In 1998, the disposable personal income equaled 79% of GDP. Personal saving was also higher. The ratio of personal saving to GDP increased from 27% in 1995 to 27.9% in 1996, 29% in 1997 and nearly 30% in 1998.

The high saving rate allowed the gross investment to rise to VND71,219 billion (53,219.1 billion of which came from domestic sources, increasing by 9.78% as compared with 1997). The scale of production became much bigger in comparison with previous periods. A series of large development projects based on domestic sources of finance have been completed and started to accelerate the economic development. The face of society in both cities and rural areas has changed: up to December 1998, the road network was extended to 90% of the amount

of villages all over the country, schools was found in 99% of villages, the electricity grid covered 70% of villages and 60% of households have been able to afford it, clean water was supplied to 40% of households. The living standard of people, except for areas affected by natural disasters, was improved remarkably. According to a report made by the General Department of Statistic in July 1998, the personal income in the past few years increased by 10 - 12.6% per annum. The amount of rich families increased while the proportion of poor families reduced by some 1% a year to 17.4% in 1998. Shortages of food and essential goods, even in depressed areas, were overcome basically. Living conditions and quality of life (housing, communications, education, health care, information and cultural life) were much improved as compared with previous years.

Besides the economic development, the Government and Party also paid attention to social progress, especially the problem of social equality, and took many measures to achieve this target. As a result,

the national income was distributed more evenly. This reflects itself in increases in the proportion of national income held by 40% of families with the lowest income: from 20.0% in 1994 to 20.09% in 1995, 20.97% in 1996 and around 21.0% in 1998. Comparing with standard set by the World Bank (under 12% means high inequality, from 12 to 17%: medium inequality, and above 17%: relative equality), Vietnam could be considered as a relatively equal society. This conclusion is suitable to the UNDP estimate of the world human development in 1998. This conclusion shows that Vietnam is making good progress and trying to couple economic development with social equality and keep to the socialist orientation while developing the market economy. The policy adopted by Vietnam is also a precondition for the stable and sustainable socio-economic development.

Generally, in 1998, Vietnam's economy was developed rather well, politics was stable, national defense and public order were maintained. The situation becomes a basic precondition for the economic reform and development. The Vietnam's position in the world arena is enhanced, therefore the WB annual report remarked that in 1998, Vietnam had overcome challenges and kept on developing.

Besides these achievements, however, there are many difficulties and shortcomings facing Vietnam: the growth rate tends to slow down, business performance of many industries is still poor, the spending power increases slowly, balance of payments is still unfavorable, the structure of industry changes slowly, the monetary policy doesn't produce intended results, waste of money and resources is common, there is almost no change in relations of production, success stories in all industries aren't summed up and disseminated opportunely, unemployment rate is still high, social evils are widespread, job-creation programs don't come up to expectations, gaps between different social classes and regions tend to widen, etc.

Fortunately, these difficulties and shortcomings aren't great and won't be able to prevent us from developing the economy. The Government and Party, instead of concealing them, have analyzed causes of the situation and work out solutions and measures to overcome these difficulties and keep on the economic reform with determination in the coming years. ■