



materials in Vietnam. This policy showed itself in a letter from Paul Doumer, the Indochinese Governor-General, to his Minister of Colonial Affairs on March 23, 1887, in which he mentioned three projects: organizing the machinery of government, establishing the tax system and building infrastructure for exploitation of natural resources. That is why top priorities were given to the building of roads and railways leading to provinces rich in minerals: the Trans-Vietnam Route, the 2,059-km railway system (operational since 1912), many wharves and ports in Saigon, Đà Nẵng, Hải Phòng, Hòn Gai, Cẩm Phả, Thị Nại, etc. In the South, a lot of rubber plantations developed and run by French settlers came into being. Certain factories needed for defense and communica-

VIETNAM A HUNDRED YEARS OF ECONOMIC DEVELOPMENT

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tions were also built, equipped with old machines and equipment. Commerce and foreign trade developed in big cities for the interests of settlers and compradors. These development seemed to make certain improvements to the picture of Vietnamese economy, but in fact the living standard of most people experienced no change. During 80 years under the French rule, including 45 years in the 20th century, Vietnam was trapped in poverty, backwardness and servitude. Some 90% of the population were illiterate.

Agricultural and industrial production, affected by the old-style colonialism, was very backward. In rural areas, French colonists maintained the feudal style of exploitation (by charging high land rent and taxes). Peasants were milked dry by both French settlers and local notables who owned most of farming land. The ruling class, equaling some 3% of the population, owned 52.1% of total area of farming land while peasants, representing some 97% of the population, controlled only 36%. In rural areas, 59.2% of peasant families had no land and had to work as sharecroppers and they could hardly make both ends meet. The



We are at the threshold of the 21st century. The Vietnam economy in the past century experienced a lot of ups and downs relating to certain historical events. The history of economic development in Vietnam could be divided into two periods, before and after the August Revolution.

1. Before the August Revolution (1945)

Under the feudal system and French rule, the Vietnamese economy in the first half of the 20th century was that of a colony, dependent on the mother country. After establishing its rule, French colonial government started large-scale programs to exploit cheap labor and raw

1945 famine that killed over two million people, most of them were in the Hồng Delta, was an evidence for the exploitation of poor peasants. There were only 12 irrigation works of small scale in the whole country, they could water only 15% of the area of farming land. Floods were frequent because of poor canal systems. Every two years, a portion of dike broke. The main farming technique was extensive farming, the yield was low. The yield in 1939 when the harvest was considered as the highest before 1945 reached only one tonne per hectare. The rice output failed to meet the demand but French traders could export some one million tonnes a year.

The industrial sector was of small scale, consisting of mining and light industries which aimed at exploiting cheap labor and raw materials. From 1930 to 1945, there were only 200 factories and some 90,000 workers, 60% of them were miners.

There was no metallurgy, engineering and chemical industries. Local industries could only produce some consumer goods based on local raw materials, such as sugar, clothing, paper, alcohol and processed rice. In 1938-39, the manufacturing sector represented only 10% of the GDP. Handicraft business was on the brink of ruin.

Social affairs were sad: of 10,000 people, there were 115 pupils in elementary schools, 210 pupils in primary schools and two in technical schools or colleges. The health care service was underdeveloped: there were only 213 doctors, 335 interns and 264 midwives; in other words, there was only 0.23 doctor and nurse for 10,000 people; and this service was mainly for French armed forces and their collaborators.

2. From August 1945 to 2000

The August Revolution and the birth of the Democratic Republic of Vietnam opened a new page of Vietnamese history. The economy, under the direction of the VCP, was oriented towards social welfare.

After taking power in August 1945, however, the new Vietnamese Government and people had to face greater challenges when all bad consequences of the colonial regime remained unsolved. In 1946, French troops returned and waged a new war against Vietnam. The resistance consumed most of Vietnamese material and human resources before the economy could recover.

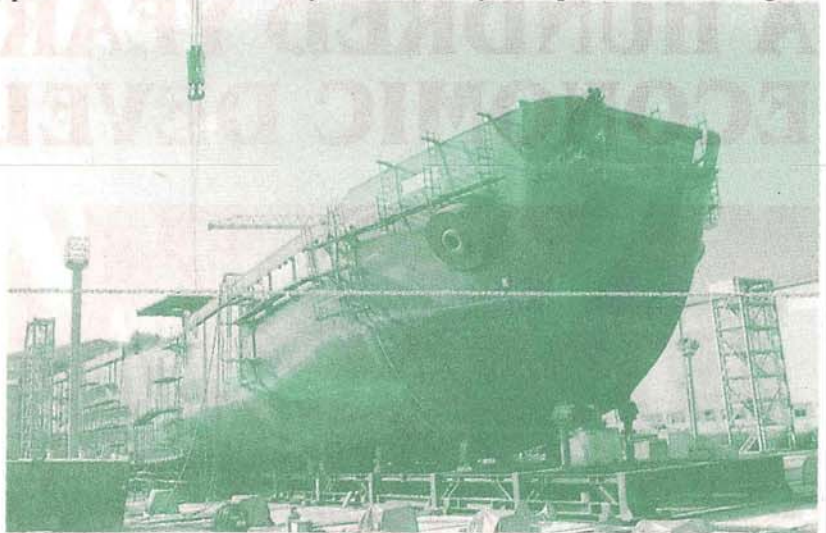
The economic policy adopted by President Hồ Chí Minh and his gov-

ernment was to increase the production (of food in particular) and wage a revolutionary guerilla war all over the country with a view to solving logistical problems. In this period, the agriculture and rural areas played the most important role. The revolutionary government introduced the first steps of the land reform to liberated zones (land rent and taxes were reduced). In 1949, to encourage peasants to promote food production, the edict reducing land rent and taxes was issued, and land belonging to settlers and Vietnamese landlords who had run to take shelter from the war in cities were shared out among the poor. This policy helped boost the agricultural production. In 1954, the food output reached nearly three million tonnes, increasing by 13.7% in comparison with 1946. In nine years of the resistance, the food output in the North rose by 10% a year on average. Many industrial concerns producing goods for both armed forces and people were restored and expanded. The defense industry in this

industrial output in 1975, in comparison with 1955, rose by 16.6 times (or 14.7% a year on average). All industries developed well in this period: electricity rose by 13.8 times, coal 4.8 times, cement 25.2 times, paper 14.5 times, clothing 4.8 times, sugar 4.0 times, etc.

In 1975, there were 1,335 state-run factories (323 higher than the number in 1960). Many of them had rather high capacity: 38 power plants with total capacity of 429,216KW; 292 engineering factories with 60,000 workers; 506 building materials factories with 86,657 workers; 74 chemical factories with 23,000 workers. The share of industrial output in the GDP increased from 32.7% in 1960 to 42.6% in 1975. During the war, the economic development of the North, from a low starting point, was really an encouraging result.

To erase all traces of the feudal system and boost the agricultural production, the Government took many strong measures including the



period produced 449,500 mines; 1,399,000 hand grenades; 139,000 shells; 2.3 million bullets; 2,030 grenade launchers; 20,000 tonnes of coke; 169 million meters of cloth; 31,700 tonnes of paper, etc. In the years 1950-54, tin output rose by 35%, coal by 96% and phosphate by 79%.

After peace was restored in the North (1954), the industrial production started to recover and develop. In three years of economic recovery (1955-57) and the 5-year plan 1961-65, many new industrial concerns were built. From 1965 to 1975, the industrial production kept on developing although the North was bombarded by the U.S. Air Forces. The

land reform: over 810,000 hectares of land belonging to landowners were divided among poor peasants, and this policy became a stimulus to better production of food. After three years of economic recovery (1955-57) the area of farming land rose by 23.5%, the average yield of rice by 30.8%, food output by 57%, per capita rice output by 43.6%, cattle by 44.2%, pig by 20% as compared with 1939. The most remarkable result is the fact that the per capita rice output reached 303kg in 1957, the highest level since 1939. This originated from the program "land for peasants" launched by the Government.

This golden age, however, was very short. In the years 1958-75, the

agricultural production and rural life were badly affected by the collectivist policy and American war against the North. The rice output in the North in 1974 reached 5.5 million tonnes, the average yield 2.42 tonnes per hectare, increasing by 8.3% and 6.6% respectively in comparison with 1959. The growth rate, thus, was very small. The per capita rice output was only 276kg, equaling 91% of the 1957 level. The North had to import some 1.5 million tonnes of rice every year, peasants' living standard and income fell gradually.

In 1975, the South was liberated, Vietnam was unified and started to build socialism. In the period immediately following 1975, a lot of time and resources were spent dealing with war damage and capitalist system in the South. The Vietnam-Cambodia border conflicts caused a lot of difficulties for the production. The centrally planned and subsidizing system proved ineffective. Mistakes in organization and direction of the administrative machinery, hasty collectivization in the South, and badly-devised adjustments to the monetary system in 1985 were main causes of economic recession in the years 1976-85. The inflation rate reached 774.7% in 1986 and Vietnam had to depend on foreign aid for its survival. The economic crisis broke out and tended to last for a long time.

The 6th VCP National Congress (December 1986) decided to launch an overall reform, starting a new stage of economic development. The Council of Ministers made the Decision 217 to provide state companies with autonomy in business encouraging them to develop independently instead of relying on grants-in-aid, reduce the number of targets set by the central authorities for them, and encourage non-state sectors to engage, and invest, in economic activities. In December 1987, the Foreign Investment Law was promulgated, and export business was encouraged with the result that the investment climate was improved. Production of key industries recovered and rose steadily gaining a higher growth rate. During the 5-year plan 1986-90, electricity output increased by 11.1% a year; cement 11.0%, steel 8%, and tin 10%. A new industry made its appearance: oil business with foreign direct investment. The crude oil output rose from 40,000 tonnes in 1986 to 2.7 million tonnes in 1990. The manufacturing sector developed well in the 1990s. In the years 1991-95, the industrial output increased by 13.7%, much higher than the

planned target (7.5% - 8.5%), this output in the public sector rose by 15% and in non-state sectors 10.6%.

In the years 1996-2000, the industrial production kept on increasing at high rate. Its output rose by 14.2% in 1996; 13.8% in 1997; 12.1% in 1998 10.4% in 1999 and 15.5% in the first half of 2000. The public sector still played the leading role while other sectors became more and more important.

The foreign sector with advantages of better machines and technologies, and of encouragement from the Government, has developed faster and more stable than local ones. Its growth rate in the years 1991-95 was 12%, and rose to 21.7% in 1996; 23.2% in 1997; 24.4% in 1998; 20% in 1999 and 15.7% in the first half of 2000. Its share in the total industrial output increased from 16.9% in 1991 to 23.65% in 1995; 24.4% in 1996; 28.5% in 1997; 31.3% in 1998; 34.7% in 1999 and 36.95% in the first seven months of 2000. This sector also created a lot of new jobs, introduced new organizational and managerial methods appropriate to the market mechanism in Vietnam.

Many industrial parks and export processing zones (referred generally to as IPs hereafter) were formed providing conditions for the development of key industries and export. Up to July 2000, there were 68 IPs housing 1,100 companies with total investment of US\$8 billion (6.5 billion from foreign ones and 1.5 billion from local ones). In 1999 and the first half of 2000, the output from these IPs was worth US\$1.5 billion representing 25% of the national industrial output. Their export earnings reached US\$1 billion, equaling 16% of the national export value. The development of the foreign sector and IPs forced local industries to enhance their competitiveness by applying new technologies and managerial methods, increasing fixed investment and looking for new market shares both at home and abroad. Up to July 2000, Linh Trung and Tân Thuận IPs in HCMC had 137 FDI projects with total capital of US\$677.3 million (legal capital was US\$368.5 million). Of these projects, 104 ones have come into operation employing 14,371 workers and exported US\$1,671 million worth of high-quality manufactured goods (79.9% of this sum from the Tân Thuận IP). In the first half of 2000 alone, they exported US\$198 million worth of goods. Increases in the industrial production in all sectors in the 1990s were one of the most re-

markable achievements by Vietnam in the past 15 years.

As for the agricultural production, the Government has adopted many progressive policies to encourage the commercial farming and many great achievements have been gained.

The greatest achievement in agriculture in 15 years after the economic reform was the fact that Vietnam, from a hunger- and poverty-stricken nation, has become the world's second largest exporter since 1989. The food production increased steadily, from 17.5 million tonnes in 1987; 19.6 million in 1988; 21.5 million in 1989; 21.9 million in 1991; 24.2 million in 1992; 25.5 million in 1993; 26.2 million in 1994; 27.6 million in 1995; 29.2 million in 1996; 30.6 million in 1997; 31.8 million in 1998; 34.3 million in 1999 and some 35.7 million in 2000. The growth rate of food production was 5% a year, higher than the birth rate making the per capita food output rise gradually: from 280kg in 1987 to 324kg in 1990; 372kg in 1995; 447kg in 1999 and 455kg in 2000.

Rice was the product that increased fastest. The area of rice growing land rose from 6 million hectares in 1990 to 7.65 million hectares in 1999. New techniques and strains helped increase the yield of rice from 3.2 tonnes per hectare in 1990 to 4.1 tonnes in 1999. This was the factor that caused the rice output to rise from 19.2 million tonnes in 1990 to 26.4 million tonnes in 1996; 27.5 million tonnes in 1997; 29.1 million tonnes in 1998; 31.4 million tonnes in 1999 and some 32.7 million tonnes in 2000.

Increases in the rice output in the past 15 years allowed Vietnam to ensure food safety even in years of bad weathers or natural disasters, put an end to shortage of food before harvest time, and increase its export of rice. In the period 1989 - 2000, Vietnam exported 30.5 million tonnes of rice, second only to Thailand.

Besides rice, production of other crops also developed well. In comparison with the period from 1985 to 1989, the peanut output in the 1990s rose by 34% while sugar rose by 74%, coffee by 280%, rubber by 87%, black pepper by 68%, tea by 27.3% and cotton by 238%. Particularly, the coffee output increased very quickly, from 119,000 tonnes in 1990 to 268,000 tonnes in 1995; 320,000 tonnes in 1996; 509,000 tonnes in 1999. Coffee became the second biggest earner of foreign exchange, after rice, for Vietnam. In 1995, earnings from export of coffee was higher than those from

export of rice because the price of coffee rose drastically on the world market. Vietnam exported 390,000 tonnes of coffee earning over US\$0.5 billion in 1997; 487,000 tonnes (worth US\$600 million) in 1999 and 660,000 tonnes in 2000 and became the world second biggest exporter of coffee, after Brazil.

Another farm product of high value exported by Vietnam is rubber. The dried latex output rose from 199,000 tonnes in 1998, 3.5 times higher than the output in 1990, to 248,000 tonnes in 1999. This increase was due to a larger area of rubber. Vietnam exported 194,000 tonnes of rubber in 1996; 197,000 tonnes in 1997; 195,000 tonnes in 1998 and 263,000 tonnes in 1999. It is the third biggest source of foreign exchange for Vietnam.

In 2000, the area of fruits was 512,800 hectares, increasing by 82% in comparison with 1990, with output of three million tonnes, two times higher than the output in 1990.

Animal husbandry business has developed quickly in recent years. The meat output in 2000 reached 1.8 million tonnes, two times higher than the output in 1989. In comparison with the average of five previous years, the number of buffaloes increased by 5%; cow 10%; pig 20%; poultry 25%. The output of meat of all kinds rose by 25% and egg by 33%. The number of dairy cows also rose quickly to 34,000 head in 2000; some 25,000 of them were raised in HCMC where the number of dairy cows tripled in the 1990s.

The foreign trade witnessed many improvements, especially in recent years. In 1955, the export value was US\$75.4 million, the import value was 399.9 million of roubles or dollars (a rouble was considered as equivalent to the dollar then) equaling 432% of the export value. These figures in 1995, respectively, were US\$5.3 billion; 7.5 billion and 41%; in 1999: US\$11.5 billion; 11.6 billion and 0%; and in 2000: US\$14 billion; 14.7 billion and 0%. From a subsistence economy with high trade gap, Vietnam has tried its best to improve its balance of trade. The ratio of export value to import one changed from 1:4 in the years 1976-80 to 1:2.8 in 1981-85; 1:1.8 in 1986-90; 1:1.3 in 1991-95; 1:1.5 in 1996; 1:1.26 in 1997; 1:1.22 in 1998; 1:1.06 in 1999 and 1:1.03 in 2000.

The average export value rose from US\$570 million in the years 1981-85 to US\$1,370 in 1986-90; US\$3,401 million in 1991-95 and US\$5,646 million in 1996-2000. The

export value was particularly high in 1999 (US\$11.523 billion) and in 2000 (US\$14 billion). The structure of exports was also improved considerably, the share of manufactured goods in exports rose gradually while the share of unprocessed goods fell. Up to now, Vietnam has trading relations with some 150 nations and territories. More and more Vietnamese goods with better quality and designs

rate was 3.9% in the period 1986-90; 8.2% in 1991-95; 9.34% in 1996; 8.15% in 1997; 5.8% in 1998; 4.8% in 1999 and 6.7% in 2000. The structure of industry has been improved gradually.

The society became more civilized and modern, the living standard was improved, the social equality was ensured to a certain extent. Up to 2000, the national grid has covered 99% of

Table 1: GDP by sector in the years 1991-2000 (%)

	1991	1995	1996	1997	1998	1999	2000
Primary sector	40.49	27.18	27.76	25.77	25.78	25.43	24.20
Industrial sector	23.79	28.76	29.73	32.08	32.49	34.49	36.90
Service sector	35.72	44.06	42.51	42.15	41.73	40.08	38.90

are saleable in foreign markets.

Foreign investment started to grow in 1988 with 37 projects and total investment of US\$371.8 million (legal capital: US\$288.4 million). The FDI reached its peak in 1996 with a total investment of US\$8,497.3 million in 325 projects. Up to the end of 2000, there were some 3,000 FDI projects in Vietnam (not including the Vietsovpetro joint venture) with total registered capital of US\$36 billion (realized investment was US\$16.89 billion) by some 700 companies from 62 nations and territories. The foreign sector paid US\$1.52 billion to the national treasury, produced US\$21.6 billion worth of exports, employed 320,000 workers and created some 1 million new jobs for indirect laborers, especially in the construction business. The FDI and ODA (some US\$7 billion from the ODA source has been disbursed) have become a big source of finance for the Vietnamese economy ensuring the development of all industries and service sector. In 1999, the foreign sector accounted for 10.7% of the GDP, 25% of export value and helped tap internal resources.

The formation and development of three focal economic zones in the North, South and Central Vietnam, and 68 IPs have become new models and bright patches on the picture of Vietnamese economy accelerating the favorable changes in the structure of industry and the growth rate.

The stable economic growth helped achieve most of targets set for the year 2000: the most remarkable achievements were the increase in food output, reduction in birth rate, success in struggling against poverty and illiteracy. The average growth

district towns, 70% of villages, 98% of houses in cities, and 70% of houses in rural areas. Networks of roads, railways and waterways have been developed and upgraded allowing transportation to all places, including remote zones. The personal income reached VND295,000 per month in 1999, increasing by 30.1% in comparison with 1996. In 2000, although floods caused great damage for the Mekong Delta and coastal provinces of the Central Vietnam, the personal income still increased by 10% as compared with 1999. Proportion of poor families fell from 13.3% in 1999 to 11% in 2000 and the target of poverty alleviation was thus achieved. All provinces damaged by natural disasters (the Mekong Delta, Lai Châu, Hà Tĩnh and Quảng Bình) received timely help from the Government and citizens from all over the country.

A century is a long time for economic development, but Vietnam only started its development in the past 25 years, after 1975 when it was unified and peace was restored, and real achievements were made during the last 15 years after the economic reform was launched. In other words, all economic achievements in the past century were realized in this 15-year period. One lesson could be drawn from the development in the 20th century: we need three factors to develop steadily and quickly, they are capital, techno-scientific advances and right policies, and the most important one is the right macroeconomic policy. Financial and monetary policies play a very important role. The Asian financial crisis in 1997-98 and realities in the Vietnamese economy after the economic reform verified this opinion. ■