

MIDDLE CENTRAL VIETNAM ECONOMY DIFFICULTIES AND SOLUTIONS

by NGUYỄN PHÚC

Speaking of Middle Central Vietnam (MCV), especially Quảng Trị, Thừa Thiên-Huế, Quảng Nam-Đà Nẵng provinces, stresses were usually given on historical tradition, geographical and human cultural characteristics instead of inherent difficulties. Perhaps, in order to attract investment, it's high time to speak of restrictive factors which should be paid full attention, because they would last long if we couldn't take a long view on them and find out practical measures to deal with them in the strategy for developing the socio-economic life of MCV.

This article will mention some issues of MCV with intent to say that our universities, research institutes and centers have to pay more attention to this region.

1. THE RESTRICTIVE FACTORS

Willy-nilly, MCV has been considered as a region of traditional agricultural economy. Its method and organization of production are obsolescent, its growth rate last year was around 5%. The agricultural production takes a high percentage in gross product of the region and it is still a monocultural one. The exports of the region are mainly raw materials. They bring in a low profit and a lot of potentials remain untapped. The living standard of the peasants is low, 44% of them are poor (compared with 40% in the North and 24% in the South). The socio-economic development is out of proportion: 78% of regional population are in the agricultural business but contribute around 34% of gross product; whereas the rest (22%) contribute 65% (23% from industries, and 37% from services). If compared

with the figures of The Statistics Yearbook of Republic of Vietnam (Saigon regime before 1975) published 33 years ago, the economic structure has changed too slowly. In 1959, 20% of regional population were in secondary and tertiary industries and contributed 69% of gross product, whereas 80% of population in primary industry contributed only 31%. Thus, in spite of being regulated by progressive taxes, per capita income of 22% of population in secondary and tertiary industries was still higher than that of 78% of population in primary industry. The per capita income of the latter was only one-third of the former.

These realities along with socio-economic and historical conditions made up naturally a lot of restrictive factors.

1. A traditional agricultural economy

No region in the whole country had been slower than the MCV in getting out of the traditional agricultural economy. Reports and surveys never give us the exact image of the traditional agricultural economy, we have to live with the peasants in the countryside in order to know it inside out. The traditional agricultural economy originated from monocultural rice farming and stayed self-sufficient for a very long time. The agricultural products for sale never surpass 20% of gross agricultural product. The bad habits of practicing slash-and-burn agriculture, deforesting for firewood... are widespread. Bare hills and wasteland haven't been reafforested yet. Animal husbandry hasn't been developed appropriately and it has only contributed 20 to 25% of gross income of the region. The fishery hasn't got

enough capability of fishing in the high seas. The mariculture hasn't made considerable progress. It was partly because this business wasn't taken as an inevitable trend. The handicraft wasn't developed, so that its efficiency and product quality were low; it brought in some 4 or 5% of per capita income. There was no main products for exports, and if any, they were usually exported on consignment. The per capita value of exports was far from US\$50 per year. The communications were poor, especially in the seaside and mountainous areas. The intellectual standard of the people was low; this gave bad effects on socio-economic and family planning.

2. A poor human resource

A lot of contradictory problems such as innovation and tradition; scientific thinking and empiricism, entrepreneurial motive and short-sighted pragmatism... have had profound effects on the human resource. The working population is only one third of the whole population and a high percentage of it is working in agriculture, while the percentage of the working people needed for a stable development is at least 40%. According to the UN sources, in France, Japan, Germany... in the 1960s and 1970s, their working population took 46 to 50% of the whole population. The problem will become more complicated if we take underemployment into account. In rural areas, the situation of tangible underemployment exists in many households, especially with female laborers. According to the latest statistics, in Quảng Nam-Đà Nẵng, the percentage of idle laborer in agriculture is between 30% and 50%. In cities and towns, the disguised underemployment is common



knowledge. It exists among persons who are unskilled laborers, either because the equipment was obsolescent and the businesses were done badly.

3. The disadvantage in foreign economic relations

In recent years, our country has passed the dangerous moment of the socio-economic crisis by innovating the economy and expanding the foreign economic relations. A lot of achievements in technology and economic management were applied and this helped raise export turnover and find out new markets. But MCV couldn't keep with this pace and it lagged farther behind two vital economic triangles (Hà Nội-Quảng Ninh-Hải Phòng and HCMC-Đồng Nai-Vũng Tàu). The unbalanced socio-economic activities and the backwardness in many fields are reasons why MCV was anxious about changing its economic structure. J.K. Galbraith affirmed that *"A purely agricultural area is likely to be unprogressive even its agriculture"*.

Surveying many Southeast Asian countries 20 years before or 2 vital economic triangles of our country at present, we saw that industrialization is the most important factor effecting on the strategy for foreign economic relations. This factor leads to a conclusion that: exportation is the best way to have equipment necessary for changing the economic structure when foreign investment run short.

In MCV, farm products for sale are small in quantity, low in quality but their costs are high because they are gathered up from various localities. There are no staple products for export and if any, they couldn't find markets for themselves or couldn't offer

competitive prices. In order to have foreign currency, MCV had to cut prices or export on consignment. Thus, the export turnover never surpasses US\$ 30 per capita (not including waste steel and iron).

II. SUGGESTION ABOUT SOLUTIONS

It's hard to attract attention of scientists to this problem. As with MCV, I would like to suggest 3 solutions which have close relation to one another.

1. Industrialization

In this process, stress must be put on manufacturing industry because it's hard to develop by exporting raw farm products or half-finished goods. Besides that, the central authority should help MCV develop assembly plants (to assemble electric and electronic goods, or big machines used for mining, communications and transportation).

Many economists agreed that one economy based on agriculture for a long time usually become stagnant and its energy is worn out. The weakness of the traditional agricultural economy is hard to eliminate. Prebish said that: *"Industrialization is not an end in itself, but the principal means at the disposal of those countries of obtaining a share of benefits of technical progress, and of progressively raising the standard of living of the workers"*.

Moreover, the prices of raw materials tend to go down because the technical progress made substitution of them possible. This phenomenon was called "the deterioration of the term of trade".

2. Expanding economic co-operation

This co-operation could take the form of group or union of enterprises in MCV in order to have big capital and

deal successfully with price depression. MCV can co-operate with the North and the South to exploit idle capacity (labor force, natural resources, material base and human resource...). These untapped resources are also a form of disguised underemployment at the first stages of industrialization.

By co-operating with other provinces, MCV can produce farm products in large quantity, enhance their quality, innovate technology and find out markets for the products of the newly-developed industries.

3. Diversification of exports

As we know, in open market, the prices of raw materials tend to move in a compensation way, therefore, diversification of exports is the best way to cope with unexpectedness of the market. In the process of diversifying exports, the government has a decisive role.

On historical and dialectical viewpoint, we saw that MCV can not depend on itself and its will or its potentials only to keep pace with other provinces which have had preconditions for industrialization. However, making good or bad progress depends on how it deals with its difficulties and how it taps its potentials. The position of MCV should be determined objectively and in accordance with common trend of the whole country and Pacific-Asian region as well. But above all, MCV should lean upon two vital economic triangles in the North and the South for help to accelerate the development; and to change the economic structure in a way appropriate to its well-selected targets and general planning of the whole country ♣