

**Vietnam's Foreign Economic Policy:  
Implications for Economic and  
Social Development (1991-1994)**

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**CERTIFICATE**

This is to certify that this dissertation entitled "Vietnam's Foreign Economic Policy: Implications for Economic and Social Development (1991-1994) submitted by Mr. Tenepalli Hari in partial fulfilment of the requirements for the award of the degree of Master of Philosophy, has not been previously submitted for any degree of this or any other University. This is his own work.

We recommend this dissertation be placed before the examiners for evaluation.

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## PREFACE

Vietnam followed closed economic system during 1975-1988. This system did not allow for the optimum use of natural and human resources. The new economic policy which envisaged radical economic reforms eliminated the distortions of the past and resulted in the all-round development of Vietnamese economy and society.

This study is an attempt to study Foreign Economic Policy. Its implications for economic and social development, 1991-1994. This work has been divided into four chapters. The first chapter entitled "Vietnam Under the Coldwar Era" is devoted to the study of various causes which led to economic backwardness. It also deals with the 1986 economic reforms which were initiated to tackle various social and economic problems which had their origin in the closed economic system. The Second Chapter "Foreign Economic Policy (1991-1994) studies the salient features of Foreign Economic Policy of Vietnam and its differences from the previous policy; also takes note of the response it elicited from the international community. The third chapter, "Economic and Social Development 1991-1994" deals with the contribution of new economic policy to economic, social development. The last chapter gives the major findings of the study.

During the course of this research work several persons inspired and helped me. Thanks are due to all of them. First of all I express a high sense of gratitude to Dr. Bhagwan Dass Arora, my Supervisor, for his valuable guidance, comments and suggestions in the entire process of completing this dissertation. He took lot of pains in going into details of this study at various stages in the preparation of this dissertation. He deserves all credit for his unstinted cooperation he gave ungrudgingly.

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CHAPTER - I

VIETNAM UNDER COLD WAR ERA

Vietnam, located on the eastern coast of the Indo-China peninsula, possesses a varied topography and climate. The annamite mountains form a natural western border separating the country from Laos and Kampuchea, while another mountainous range in the north separates it from China. The Red River in the north and the Mekong in the south provide both transportation and fertile valleys. Monsoons occur during both the hot summers and considerably colder winters.<sup>1</sup> The indigenous population was of mixed descent, including Chinese, Khmer and tribal groups<sup>2</sup>. Vietnamese was the official language, although French was also spoken. Much of the population had traditionally followed Buddhism and Taoism, with a minority practising Roman Catholicism. However, religion was discouraged by the state.

Ho Chi Minh declared Vietnam's independence from French rule on September 2, 1945, following the Japanese surrender which ended world war II, the formation of Democratic Republic of Vietnam (DRV) was proclaimed in Hanoi. The return of the French, however, precipitated the first 8-year war between the DRV and France from 1946 to 1954. This came to an end with the signing of Geneva Accord of July 1954,

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1. Arthus S. Banks, Vivian Carlip, Economic Hand Book of the World: 1981 (New York, 1982), p. 499.
  2. D.R. Sar Desai, Vietnam: The Struggle for National Identity, Boulder (Colorado), Westview Press, 1992.

which provided inter-alia nation-wide elections in July 1956. The elections were never held and Vietnam got divided into two political entities, the Democratic Republic of Vietnam (North Vietnam) and Republic of Vietnam (South Vietnam). For the next nine years of internecine fighting the two major communist states, the Soviet Union and China supported the DRV and the US, did the same for the RV.<sup>3</sup> In 1965, the US committed its armed forces to the war in Vietnam, where they remained until 1973. The Paris agreement signed in January 1973 ended direct American involvement. But fighting between the Vietnamese Communist forces in the north and pro-American forces in the South continued until April 30, 1975. The day when communist troops captured Saigon, unified the country and renamed it in 1976 as Socialist Republic of Vietnam.<sup>4</sup> Through the war, the American intensive "carpet" bombing had demolished factories, dykes, hospitals, schools and laid waste the entire agricultural lands. This required enormous capital and technical.<sup>5</sup> The foremost task before its leaders was social and economic reconstruction.

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3. ASIA 1994 Year Book, Far Eastern Economic Review (FEER), p.219.

4. The Far East and Australasia - 1994 28th edition, Europa Publication (London), p.969.

5. B.D. Arora, "Indo-China, ASEAN and Great Powers" as from T.N. Kaul edited "India and Indochina: Perspectives of Cooperation, Indian Centre for Studies on Indo-China, New Delhi, 1987, p.64.



After unifying two Vietnamese countries into one, they dismantled the political structure of the South, but not its economic system as such.<sup>6</sup> In 1976 the Socialist Republic of Vietnam took over south Vietnam's seat in the International Monetary Fund (IMF) and World Bank.<sup>7</sup> In 1977 it sought western investment in Vietnamese industrial projects. During the same period there were moves towards normalization of relations between Vietnam and the USA which seemed to abandon its opposition to Vietnamese membership of the U.N. Vietnam was subsequently admitted to the UN in September 1977, Vietnam had maintained balanced relationship between Soviet Union and China. This had helped it in getting large scale aid and assistance from both these countries for its economic development.

But Soviet insistence on playing the dominant role, and China's unwillingness to take second place forced Vietnam to choose between its two powerful allies. The failure of Vietnamese then Prime Minister Phamvam Dong to secure a major commitment from France in the spring of 1977, combined with the breakdown of talks with the US and a congressional

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6. Beres Ford, Melanie, National Unification and Economic Development in Vietnam, New York, 1990, p. 296.

7. Economic Hand Book of the World: 1981 edited by Arthus S. Banks, Vivian Carlip, New York, p.501.

resolution (May 1977) which prohibited any grant of economic aid to Vietnam.

As a result Vietnam sought a special relationship with the Council for Mutual Economic Assistance (CMEA) in July 1977 and joined as full member one year later.

Vietnam also joined as full member in the International Bank for Economic Cooperation (IBEC) and the Soviet-sponsored International Investment bank.<sup>8</sup>

To seek more Soviet aid, Vietnam had started unifying of two different models of economy into one in mid-1978. It posed the biggest hurdle in Vietnamese development. By this Hanoi blocked themselves off from possible multilateral economic assistance. They had to take upon themselves all responsibility for running the economy in the south. Thus while this need for economic cooperation and assistance was increasing. They were narrowing their range of choices. As a result North Vietnam "killed the goose that paid the golden eggs".<sup>9</sup>

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8. Iovchuc, S.M. Salient features of the co-operation between European Members of CMEA and Vietnam, 1988, p.17.

9. Dean and Nigel Thrift, The Socialist Third World: Territorial Organization, Regional Development and the City Vietnam, 1987, p. 108.

Economic integration also forced the 140000 Hoa Chinese in saigon and Cho Lon to leave the country. The overseas Chinese in South Vietnam were as much hated by the local people as they were elsewhere in south-east Asia, because of their superior economic standard. Many of them were skilled workers, including miners, physicians, government employees and experienced traders with that the country had lost valuable human resources.

China retaliated on July 3, 1978 by terminating all its economic, military and technical assistance to Vietnam and ordered the Chinese personnel there to head home. Vietnamese consulates in Canton, Nanning and Kunning were ordered closed.<sup>10</sup> China labelled Vietnam the "Cuba of Asia" and satellite of the Soviet Union, helping it to achieve its strategic aims in Asia.

The cambodian proxy war that ended in 1978 cost Vietnam a lot and almost arrested its efforts towards development. To retaliate its act, China invaded Vietnam in February 17, 1979 within a week they had occupied four provincial capitals.

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10. D.R. Sar Desai, South East Asia: Past and Present, pp.438-439.

On March 16, 1979, China had withdrawn its forces from Vietnam's soil. War resulted in massive economic damage to Vietnam. Mining operations as well as numerous villages and crops were damaged during the war. It later contributed to a fertilizer shortage that further hightened the problems of agriculture.<sup>11</sup>

**Economic Development from 1979 to 1985**

During this period second five-year plan and third five-year plans were implemented.

The following are the average annual growth rates achieved.

**AVERAGE ANNUAL GROWTH RATES DURING THE  
SECOND AND THIRD FIVE-YEAR PLANS**

	Second Five- Year Plan	Third Five- Year Plan
Gross social Product	1.4	7.5
National Income	0.4	6.4
Gross agricultural product	0.9	4.0
Gross industrial product	0.6	9.5

Source: Tetsusaburo Kimura, The Vietnamese Economy, 1985-86 Reforms and international relations, Tokyo, 1989, p.30.

11. Arthus S. Banks and Vivian carlip, n.4, p.500.

Note: Gross Social Product was a commonly used economic concept in the COMECON Countries and was the value of all material goods produced by the material goods production sector of the economy. National income was calculated by subtracting from the gross social product the value of the means of production, that were consumed in the production process. Thus the gross social product was not same as GNP.

The Vietnamese economy had suffered a severe decline during 1976 & 80 and then made a recovery between 1981 and 1985. Food production grew from 14.4 million tons in 1980 to 18.2 million tons in 1985. This increase brought about a significant decrease in Vietnam's food imports. For industrial crops, 600,000 hectares were planted in 1980; in 1985 this had increased to one million hectares. Electric power generation in 1985 as compared with 1980 had increased by 1.5-1.6 billion kilowatt hours, chemical fertilizer production had increased from 313000 tons in 1980 to 488000 tons in 1985 while sugar product went up from 175000 to 450000 tons.<sup>12</sup>

From 1978 upto 1990 Vietnam had received from the Soviet Union both military and non-military aid worth more than US\$ 10 billion. This aid was not properly utilised for its development. The major share of it had gone in for unproductive expenditure. In 1978 the debt with Soviet Union

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12. Tet-Susaburo Kimura, Vietnam's International Relations and Economic Development Tokyo: Institute of Developing Economies, 1987, p.103.

accounted for 21 per cent of its entire debt; by 1985 the Soviet Union's share had grown to 77 percent. (US \$ 1557 million to US\$ 4411 million). Vietnam's total deficit for its second five-year plan came to US \$ 4853 million, an annual average of US\$ 971 million. For its third five-year plan, the total was US\$ 6194 million or US\$ 1240 million annually.

Aid to Vietnam from sources other than that from the Soviet Union, especially from International Organizations for the period 1976-80 totalled US\$ 1368 million, equal to an annual average of US\$ 274 million. For the four years from 1981 to 1984 it fell to US\$ 593 million. By the end of 1981 vietnam's foreign reserves had fallen to US\$ 16 million. Thereafter they were held at this level. As of July 1982 Vietnam's total accumulated debt was US\$ 3.5 billion, US \$ 1.3 billion of this was owed to the west. The amount due for repayment in 1982 had reached US\$ 240 million. By the end of 1984, IMF figures showed that Vietnam's total debt had risen to US 6.79 billion, the amount scheduled for repayment coming to US\$ 383 million. The country's foreign reserves stood at US\$ 17 million.

After 1981 Vietnam was no longer able to repay its debts. In January 1985 the IMF halted its lending to Vietnam. On June 6, 1985 a group of twenty-six Japanese

banks concluded a contract with the Bank for Foreign Trade of Vietnam to defer payment on a debt of about US\$ 160 million.

Vietnam's expanding population posed another problem. Its growth rate had been 2.2 per cent annually. The labour force had increased by 3.5 per cent annually.<sup>13</sup> It was found necessary to overcome these problems which had arisen from the policies pursued under the socialist model of development. From 1986 Vietnam had started moving towards market model of development. The leadership had recognised that the market model was ultimate solution for all its decades old problems.

The significant sixth party Congress in 1986 which formally recognised that economic and political reforms were necessary if the party was to have a future<sup>14</sup>, acknowledged:

"Numerous difficulties still beset the life of our people, especially workers and public employees, many of people of work age are jobless or still not fully employed. Many legitimate and minimal requirements of

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13. Tet-Susaburo Kimura, The Vietnamese Economy 1975-86. Reforms and International Relations Tokyo, Published by Institute of Developing Economies, 1989, p.125, Tokyo, 1989.

14. James Elliott, "The Future of Socialism: Vietnam", Third World Quarterly, Vol. 13, No.1, 1992, p.132.

the people's material and cultural life have not yet been met. The countryside is running short of common consumer goods and medicines, housing, sanitary conditions and cultural life in many areas still leave much to be desired.<sup>15</sup>

The Congress put much of blame on the Centrally planned model in these words:

"The bureaucratically centralised management mechanism based on state subsidies, which has been in force for many years now, far from creating a driving force for development, has weakened the socialist economy, limited the use and transformation of the other economic sectors, put a break on production, lowered labour productivity, product quality and economic efficiency, put distribution and circulation in a state of chaos and given rise to numerous negative manifestations in our society".<sup>16</sup>

From 1986 to 1990 the Government in Hanoi had initiated ambitious economic and financial reforms. It was called "Doimoi" program. The objective of the reforms was to free

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15. Vietnam, Sixth National Congress of The Communist Party of Vietnam, December 15-18, 1986 Hanoi, 1987, p.16.

16. Ibid, p.71.



the economy from state control and government intervention and to establish policies to encourage a free market model of development.

The reforms were introduced in key sectors like finance, agriculture, industrial sectors with these reforms the dismantling of the country's decades-old centralised system had started.

### **Reforms in financial Sector**

#### **Devaluation of Currency and freeing the exchange rate**

There were repeated devaluations and demonetizations to improve the financial position, but inflation had continued to rise. The national currency, the "dong" was devalued in April 1985 from US\$ 1.00 = 11.7 dong to US\$ 1.00 = 100 dong. But the value of dong in the market varied much low. (US\$ 1000 = 375 dong)<sup>17</sup>. About five months later, in September 1985, Vietnam took the radical decision to demonetize its currency. This completely shattered the process of economic growth. New currency notes were introduced, the value of one new dong being made equal to that of ten old dong, with fifteen new dong were considered

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17. Nhan Dan (Hanoi), September 23, 1985, A statement relating this made by him, Came in Kessing's Contemporary Archives, London, Vol.32, No.1, January 1986, p. 34101.

to be equivalent to one American dollar. A second devaluation of currency made in November 1986 from US\$ 1.00 = 15 dongs to US\$ 1.00 = 80 dongs.<sup>18</sup>

### Banking System

The banking system upto 1986 had followed Soviet model reforms in this system had allowed the establishment of autonomous commercial banks pioneering the Central Bank under a board of directors and the interest rates and dispositions to be determined by market forces. The reforms permitted public sector bank tie-up with private owned banks also that foreign banks could operate in the country.

### Price De-Control

Prices of goods were decontrolled and those of food and other products were raised to reflect the new situation. However some products' prices were still determined by non-market forces.

### The Reforms in the Agricultural Sector

All land had been formally nationalised since 1981, although by 1983 only about 30% of cultivated land in the south was collectivised. Thus the majority of the country's most productive land, that of the Mekong Delta, remained

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18. The Times London, December, 17, 1986.

privately owned<sup>19</sup> nearly 2,000,000 hectares of land in south Vietnam was too inhibitive for cultivation. It was due to American aerial bombardment.<sup>20</sup> In the rest of the country, land was organized into Producers' co-operatives which significantly increased their output in 1980's, when they were permitted to sell excess produce on the free market.

In April 1988 through the promulgation of Decree No. 10 by the Party Politburo, the Government recognised the family farm as the basic unit of agricultural production. Centrally planned production targets had been abolished. Farmers had been given tenure to land for up to 15 years for annual crops and 50 years for perennial crops.<sup>21</sup> Price controls had been abolished. Farmers were allowed to sell the surplus production in the open market. Compulsory membership of cooperatives had been abolished.<sup>22</sup> Cooperatives and state farms had been given financial and managerial autonomy and steps had been taken to increase the

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19. Consumer Markets in the Far East, Euromonitor, 1985, London, p.413.

20. Asian Economic Hand Book, Euromonitor, London, 1987, p.158.

21. Dinh "Vietnam's Policy Reforms and its future" Journal of Contemporary Asia, vol.23, no.4, 1993, p.4.

22. Dinh "Rural Credit in Tuyenquong" IFAD Working Paper 1992, p.183.

level of monetization of the rural economy.<sup>23</sup>

#### Reforms in Industrial Sector

Radical changes were introduced in the industrial sector. The role of Socialist sector (public sector) had significantly reduced and the industries which were running in red were partially privatised. Many public sector industries were running in model of private industries. This explains how several public sector industries were delivering good results. Also, Government had allowed private participation in the industrial sector on a large scale. In December 1987, again in July 1988, the Government had introduced a set of reforms which were aimed at promoting private sector.<sup>24</sup>

#### Results of Economic Reforms

The economic reforms were not yielding rich dividends mainly because of low level of tapping of both natural and human resources. The government during this period failed to mobilizing both internal and external resources of capital. From 1988 to 1990 there was less (pledged) Foreign Direct Investment which had flowed into the country's economy.<sup>25</sup>

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23. UNDP / FAO World Bank, "Vietnam Agricultural and Food Sector Review" as from C.P. Timmer, Food Policy and Economic Reform in U.N. Harvard University, May 1991.

24. Ebel Wickramanayake and Tran Thi Ben, Private Industries in Ho Chi Minh City, Vietnam, South-east Asia Studies, Vol.31, no.3, December 1993, p.285.

25. See Table No.1 in Chapter 2.

The Gross Domestic Product (GDP) rate of increase had fallen 6.1% in 1988 to 4.5% in 1990. The agriculture sector had registered very low rate of growth in 1990. It was result of the drastic fall in fertilizer imports from former Soviet Union and natural disaster. The industrial growth rate had also fallen from 9.0% in 1988 to 3.7% in 1990. The service sector growth rate had also fallen from 17.3% in 1989 to 8.2% in 1990.

The private sector was not well developed. But it had started playing important role in the forward march of the country's development enabling it to become a new emerging dragon in the Indo-China region.

At the same time, the external debt problem had increased. Vietnam's debt to non-convertible areas had grown since 1988 and the country was still facing serious inflation problem. The inflation rate which was 700 percent in 1986 was reaching about 1000 percent in 1987. By April, 1988, the price of high quality rice (the staple food of the Vietnamese) per kilogram was 600 Dong as compared to 30 Dong in 1986. Similarly, the price of a kilogram of Pork was between 1000 and 2000 Dong depending on quality. As regards salaries for public officials in early 1988, a captain in the army was receiving 10000 Dong. At the free market

exchange rate, this equalled to mere 3 US dollars<sup>26</sup>. Even a bicycle, most people's only form of transport, could cost as much as \$ 100.<sup>27</sup> Eventhough it had made significant progress in curtailing inflation rate through reducing the budget deficit directly and reducing subsidies indirectly.

Encouragingly, however, for the overall development of the country, the Vietnamese leaders had started taking decision regarding economic matters vary quickly. They also recognised the fact that foreign investment and aid were crucial for its development. To achieve that end, Vietnam had started resolving the Cambodian problem as early as possible and then moved towards settling the problems with all international financial institutions. One must remember that institutions like IMF had suspended aid in 1985, when Hanoi was unable to repay the US\$ 300 million outstanding debt.<sup>28</sup>

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26. B.D. Arora "Vietnam: Challenge and Response" as from Sushil Kumar Editor Gorbachev's Reforms and International Change, School of International Studies, JNU, New Delhi, 1983, pp. 181-182.

27. International Herald Tribune (Paris), November 13, 1986.

28. Anika Begum, "Reforms in Vietnam: Imperatives and Responses", Biss Journal, Vol. 13, No. 1993, p.98.

Economic Growth by Sector Percentage (%)

GDP (% of Change) of which	1987	1988	1989	1990
GDP	4	6.1	7.1	4.5
Agriculture	-0.6	4.0	6.9	1.8
Industry	11.0	9.0	-7.2	3.7
Service			11.3	11.1
Ext Debt. (billion US \$)	6.34	7.30	7.84	8.27
Ext. Debt of which Convertible areas	2.92	3.23	3.41	3.73
Arcans non-convertible areas	1.45	1.87	2.16	2.18
Inflation rate			34.4	61.5

Source: Journal of Contemporary Asia, Vol.23, No.3, 1993, p.537.

Asian Development Bank (ADB) ??? 1993, p.537.

CHAPTER - II

FOREIGN ECONOMIC POLICY OF VIETNAM 1991-1994



Until mid-1980's the world-view of the Vietnamese communist party was based on Orthodox Marxist Leninist beliefs that world politics was a class struggle between the proletariat and the bourgeoisie. From its inception, the Vietnamese communist leaders saw the world primarily as a moral struggle between imperialistic states and revolutionary states.

Economic problems which were facing the country since 1975 became acute after 1988. The Soviet Union was the main aid donor and with whom vietnam had carried out its major foreign trade was no longer in a position to continue providing large sums of aid and assistance.

At the same time the Soviet Union's economic ties with china had started growing on a large scale during 1988-1990. Another factor in the process of decline in economy was the Cambodian question which was still sapping the resilience of the Vietnamese strength. These factors forced the Vietnamese Communist Party to change its earlier assumptions, regarding the world scene.. The worsening situation in economy thus prompted the Vietnamese leaders to have a serious thinking on the limited options that were available. Only withdrawal of forces from Cambodia could lead to normalisation of relations lead to removing the political and economic embargo imposed on it, and normalisation of relations with

China and the United States and all the ASEAN neighbours in the region. One could say that it was the requirements of economic development that led to a change of the world view in Hanoi. What it meant was choosing a new path of economic development between independence and dependence, the path of interdependence based not on communist dogma but on market economy.

Until the mid-1980s, the Vietnamese Communist Party (VCP) leadership shared an orthodox Leninist view of world politics as a struggle between socialism and capitalism to determine "who will defeat whom". But in the past few years, the VCP had been engaged in a major debate on fundamental Leninist thesis and has revised its world-view. The transformation from an earlier rigid ideological policy position to the flexible market of capitalism was not a smooth process in Vietnam. The process had been going on since the founding of the Democratic Republic of Vietnam (DRV) in september 1945. The Vietnamese leaders identified four major contradictions in world politics as between imperialist countries and the USSR between the bourgeoisie and the proletariat between colonialism and the oppressed people and among imperialist countries themselves.<sup>1</sup> Even as

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1. Gareth Poyter, "The Transformation of Vietnam's World-view: From Two camps to Interdependence" Contemporary South-east Asia, Vol.12, No.1, June 1990, p.2.

the newly established DRV (1975) courted the United States as a source of support against France, it identified the US as aiming to "establish a front to encircle the Soviet Union".<sup>2</sup> By January 1988, the Vietnamese had concluded, in line with the Soviet analysis, that the forces of "imperialism had gradually become two clear-cut blocs".<sup>3</sup> As the "democratic and socialist system" became a world system stretching from central Europe through the Soviet Union and China to the DRV in southeast Asia, the VCP viewed the anti-French struggle as "only part of the struggle between the post-war II anti-imperialist and imperialist anti-democratic blocs" and the DRV itself as the "advance post" of the system "on the line of defense against imperialism in southeast Asia.

The origins of the revised Vietnamese world-view lie in the Vietnamese response to global economic interdependence. The issue of whether socialist and capitalist systems were two separate systems or were integrated into a single world market had long been a divisive issue within the socialist camp.

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2. Motso Hieu Biet Ve Chu Nghia Cong San, Some Knowledge about communism, Hanoi: Vietnam Worker's Party, 1973, pp.54-67

3. Lich Su Cang San Vietnam, History of the Vietnamese Communist Party, Vol.2, 1945-1954, Hanoi, p.6.

In a 1951 text book, Josef Stalin had put forward the thesis that, as a consequence of world war II, the all-embracing world market had disappeared, and that two totally separate markets - one socialist, the other capitalist had emerged.<sup>4</sup>

In the Soviet Union itself, specialists on the world economy began to acknowledge without fanfare in the early Brezhnev period that there was a single world market, as east-west trade began to expand rapidly.

It was not until the Gorbachev period that the Soviet communist party officially embraced the view that there was a single world market.<sup>5</sup>

The Vietnamese acceptance of the Stalinist thesis had been a core component of its world-view. In the 1950's and 1960's, the Vietnamese party leadership had viewed the socialist world economic system as operating on completely different principles from those of the capitalist world economy. It rejected Soviet suggestions of a division of labour within the socialist international system, because it feared that the world would relegate Vietnam to the function

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4. Elizabeth Valkenier, The Soviet Union and the third world, An Economic Bind, New York, 1983, pp.39-40.

5. Ibid, pp.40-54.

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of providing primary products to the Soviet Union and other socialist bloc countries in return for manufactured goods. Hanoi demanded that its relations with the socialist economic bloc permit each country to become a sovereign economic unit developed to a high level -- meaning that each member of the bloc would have a heavy industry sector that would make it independent of more developed states for most basic manufactured goods.

In the meanwhile, Vietnam's accumulated foreign debt, mostly to the USSR, grew as its annual trade deficits mounted. It constituted a mounting pressure on Hanoi to change its perspective on the world economy. In response to the need to export a much higher volume of products, the VCP leadership finally abandoned its dream of rapidly building up an economy with a highly developed heavy industry sector. It conceded that there was no alternative for Vietnam but to accept its role in the global economic division of labour on the basis of its existing economic assets.

Vietnamese rethinking about change in its orientation toward the world economy was reflected in the decision of the Sixth Central Committee Plenum of July 1984 to make increasing exports a task of "paramount importance" to the country. General Secretary Le Duan pointed to the fact that Vietnam was building socialism in a "New World Situation"

with three major characteristics: first, a division of labour was being achieved within socialist "world system" on an "ever growing scale"; secondly, there was a single world market, in which socialist and capitalist economies were becoming increasingly "inter-dependent and each had an increasingly direct effect on the other, and thirdly the global scientific and technological revolution was making it possible for developing countries to take "relatively short paths" to economic modernization.<sup>6</sup>

The world economy "is entering a period of the most profound changes since the industrial revolution some 200 years ago". Thach observed that the economies of various countries were now "linked with one another into an integrated whole which is the world economy." The significance of economic interdependence, the internationalization of production and the new stage of the scientific technical revolution since the mid-1970s, he asserted, was not that they sharpened the contradictions between the two socio-political systems but that they were "forcing all countries to restructure their economies", in order to "find for themselves the optimal position in the international division of labour",<sup>7</sup> Thach was thus moving

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6. Speech by the Duam, July 3, 1984, FBIS, Asia and Pacific, August 20, 1984, p.4-5.

7. Nhan Dan, december 19, 1986: translated in JPRS-SEA 87-066, May 9, 1982, pp.232-33.

away from the traditional Vietnamese view of the world as a struggle between two camps for dominance to one in which states with different systems of development faced similar challenges in a single overarching economic system.

Thach also emphasized that the scientific-technological revolution offered underdeveloped countries "a new road to industrialization", requiring less time, capital and mutual resources than the traditional road. Thach was acknowledging in effect, the route to industrialisation pursued by the newly industrializing countries of Asia and that it was made possible by foreign investment from advanced capitalist states and exports to major capitalist markets.

Vietnam opened its doors to world market system. The aim of the policy was to seek access to foreign investment, aid, technology and managerial experience from the capitalist countries, Vietnam during the cold-war era had failed in achieving, economic development due to lack of foreign investment, and aid, better technology and managerial experience. The Country's natural and human resources had not been tapped at high level, Vietnam during that period had received investment and aid, science and technology and managerial experience mainly from the Soviet Union and other socialist countries. Outside the socialist bloc countries was Switzerland, India had low technology and

less amount of aid which did not fulfill its needs. On the other hand mismanagement of economy by the communist leaders led to economic- social problems which became uncontrollable. Political leadership and administration moved towards creating favourable environment to get good impression from foreign investors. It was seen from Hoang Ngu Yen's statement and the way of approaching administration towards foreign investors and aid donors.

Vietnamese officials actively sought foreign advice on a wide range of issues to gain the objectives of open door policy and introduced changes which were necessary to attract foreign investment and aid were considered as foreign investments, aid technology for development.

Vietnam started taking measures to promotion environment congenial for foreign investment and aid. This meant to transform the economic system had been transferred into market economy and away from the socialist model economy.

**Salient Features of Vietnam's new Market Economy:**

These were as follows:

1. A multi-component economy:

The state sector was limited to such key branches and fields as a foundation, for regulating and stabilizing



socio-economic conditions, and to those which were unprofitable for other sectors to dealing individual and family economy was encouraged to develop without limitations in fields which were not forbidden by the state.

2. An economy of diverse markets such as currency capital, labour, means of production and consumption services.
3. An economy in which prices, rates of exchange and interest rates were determined by the market under the state's regulation.
4. An economy which was open to intercouse with regional and world markets.
5. The state's role was to provide orientation and control of the economy through the instruments of planning, finance, currency and laws, not through commands.

The second most important measure was the introduction of the Law on Foreign Investment in 1988 which had been motivated to promote the establishment of enterprises with 100 per cent foreign capital and Joint ventures between foreign investors and state and privately-run economic organization.

Joined in all international organizations like UNDP, UNIDO, IMF WB, ADB. It had helped in strengthening economic ties with outside forces. Vietnam's Foreign Economic Policy during 1991-94 got created good impression. Foreign

investment and aid, which had flowed into country economy was best example for its success.

#### **Foreign Investment 1991-94**

Foreign Direct Investment (FDI) started flowing into Vietnam in 1988. This year the State Committee for Cooperation and Investment (SCCI) had approved 37 projects belonging to various countries other than the US. In 1989 externally imposed isolation got eroded following Hanoi's military withdrawal from Cambodia. The impact of change in country's foreign policy regarding Cambodia had contributed significantly for economic development. From 1989 Vietnam foreign economic relations had started strengthening. As a consequence, foreign direct investment and aid had started flowing into the more than 69 projects were approved and value of capital was more than US\$ 366 million. It went up in 1990 to 108 projects, with investment valued at US\$ 600. A significant change in FDI in Vietnam had began in 1991 and continued upto 1994.

Foreign Direct Investment which was pledged between 1988 and 1990 was less than US\$ 600 million. In 1991, it had grown by US\$ 323 million. Vietnam's impending legislative changes relevant to FDI which included a land ownership law 1993, permission for "build-operate transfer" FDI projects,

further tax reforms and a privatisation programme<sup>8</sup> had helped attracting huge foreign direct investment in 1991-94<sup>9</sup>.

The US economic and trade embargo on Vietnam had for long prevented American investors investing in Vietnam. Only a small number of representative offices had emerged since permission to establish them was granted by Washington in december 1992. Some might have invested through third parties, whilst others had undertaken extensive preparatory work in anticipation of Washington's lifting its economic sanctions.<sup>10</sup> Finally, America lifted its economic and trade embargo in February 1994, not quite surprisingly there was a small amount of FDI invested by the Americans in Vietnam. From 1988 to 1994 Vietnam's state committee for cooperation and investment (SCCI) had issued more than 1000 licences to 50 countries. They had a prescribed total capital of more than US\$ 10 billion. Two US\$ billion or 30 percent of the total prescribed capital had already actual been invested in Vietnam.

#### Major Sources of FDI

Upto 1990 European Community (EC) investors dominated

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8. Vietnam Courier: April, 1991, No. 18, p.17.
  9. See Table No.1 at the end of this Chapter.
  10. Nick J. Freeman, Vietnam and China: FDI Parallels, Communist Economies and Economic Transformation: Vol.6, No.1, 1994, pp.75-95.

FDI in Vietnam, largely as a consequence of oil and gas exploration activity by such companies as British Petroleum, Shell, Enterprise Oil and others. At the end of 1989 Europe accounted for around 59% of total pledged FDI in Vietnam, although this dropped to just over 26% by late 1992. The strength of EC presence in the late 1980's could largely be attributed to US economic sanctions, which at that time were also being respected by Japan and to some extent the Asian Pacific newly industrialized economies (NIEs). FDI in Vietnam doubled from roughly 29% at the end of 1989 to just over 58% by the end of 1992. This reflected that the region was gradually shifting from the US position of economic embargo against Vietnam and was a consequence of Hanoi's successful foreign policy. By October 1992 the asia-pacific NIE's alone accounted for just over 40 per cent of FDI. The ASEAN states were the source of about 8% and Europe stood at 28 per cent.

During 1992-94 NIE's continued as the largest investors in Vietnam. Within them Taiwan was leading the next place was occupied by Hongkong followed by Singapore. But officially Hongkong was considered as a largest investors.<sup>11</sup> Many Hongkong owned project licences were revoked later

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11. See Table No.2 at the end of this Chapter.

period.<sup>12</sup> France ranked first among the western countries investing in Vietnam. By August 1994 there were 51 projects owned by the french. Capital valued US\$ 488 million. There were numerous small-scale FDI which had also been undertaken in Vietnam, often through family contracts without gaining licensing approval.<sup>13</sup>

TEN LARGEST FDI PROJECTS IN VIETNAM IN APRIL 1993 WERE:

The Taiwan-owned cement production company occupied first rank with total investment worth US\$ 288 million. The next rank was occupied by same country owned food processing unit with investment worth US\$ 183 million. Third place was occupied by south Korean company which involved in television tube manufacturing with investment valued at US\$ 170 million.<sup>14</sup>

**Sectoral Distribution of Pledged FDI in Vietnam (% by Capital Volume)**

Share of agriculture sector had been falling since 1992. In 1991 share of agriculture was more than 21.4% of the total pledged investment. It had registered 6.2 per cent in 1992, 6.0% in 1994 (upto August).

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12. Michael Vatikiotis, For Eastern Economic Review (FEER) September 22, 1994.

13. Nick J. Freeman, n.9, p.81.

14. See Table No.3 at the end of this Chapter.

Vietnam's law on land ownership was amended in 1993. Upto 1993 private property right was prohibited. But land was given to farmers on fifteen years lease base. It was expected that change in land ownership act would attract more FDI in the near future.

### Industry

From 1991 to 1994 share of industry sector was less investment capital. Investment concentrated mainly in the oil and gas and hotel sectors. From 1991 onward, investments in industry increased "remarkably" with 518 projects representing 70 percent of all investments. foreign investments had flowed into 19 industries, including information technology, telecommunication, oil and gas, chemical, mining, electricity, electronics, textile and leather and garments.<sup>15</sup>

In June 1991 industrial sector share was 44.9 percent. It went upto 67.0 in 1994. Within industrial sector manufacturing industry had attracted major share. In 1991, its share was 24.9% out of the total 44.9% per cent of industrial share. It jumped to 37% in 1994 out of 67% percent of industrial share.

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15. SWB, FEW / 0365 PWB/1, January 4, 1995.

The next major sector in industry which had attracted major FDI was the energy sector. Energy share from out of total industrial share was 24.0 per cent in June 1991 had reached to 30.0 percent in 1994. Out of total industrial share of 67.0 per cent.

Service Sector: This sector was one of major areas which had attracted huge pledged FDI since 1991. Within service sector Tourism and Hotel constituted major share of service sector in 1991 was 23.4 per cent increased to 28% in 1994. As compared to 1991 share of service sector registered an increase of 4.6 percent.<sup>16</sup>

#### **Regional Distribution of FDI**

By the end of 1994, 48 out of 53 provinces and cities in Vietnam had foreign invested projects.<sup>17</sup>

Dong Noi province had licensed 65 foreign invested projects with a total pledged capital of US \$830 million. The largest was an investment of US\$ 246 million by Taiwan to build a food seasoning industrial complex. The second largest followed by a Malaysian investment of US\$ 242 million in the Hualon textile-dying enterprise. Most of the foreign investment projects were concentrated in the Bien Hoah area, about 30 km north-east of Ho Chi Minh city.

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16. See Table no. 4 at the end of the Chapter

17. SWB, FEW / 0350 PWB/5, September 14, 1994.

In Bien Hoah 330 ha area had been an industrial base since 1962 but most of the 65 factories there had become absolute since 1989. It had been expanded by another 396 ha and upgraded in infrastructure. In this same province had got the long Binh and go Dau industrial area which were spread nearly 700 ha. and 350 ha. in size, respectively. Both had developed blue prints for infrastructure development. A number of foreign investors had reserved plots of land for their development projects. Apart from these industrial areas, Dong Nai had vast areas mostly located near Bien Hoa city or at Highway connecting Ho Chi Minh city where investors could select sites for their projects.

Upto beginning 1994 many foreign projects were concentrated in the south, largely in Ho Chi Minh city and its surrounding provinces. The main factor which was behind was the well developed infrastructure, however in 1994 82% of FDI inflows were destined to the northern provinces and were in many mining extraction industries and major car parts assemble plants, television manufacturing and the Hai Phong export processing zone concentrated in the north.

To achieve balanced regional development Vietnam Government had followed a series of preferential incentives



for FDI projects in those provinces and cities that had not enjoyed sizable inflows; all of these were in northern and central regions (including the capital Hanoi and the Port City of Haiphong).

In the north, government had undertaken so many measures to attract FDI. The measures were the two-tier incentives permit between two and four years profit tax (commencing from the first year of profit) exemption, followed by two to four years with a 50 percent tax reduction.

#### **Major Obstacle Facing Vietnam in FDI**

There were

1. The lack of a modern banking system;
2. Inadequate infrastructure, excessive bureaucracy; and
3. Rising foreign debt.

#### **DEBT**

In 1991 the        was US\$ 17,713 million It had increased to US\$ 19,550 million in 1994.<sup>18</sup>

#### **Foreign Aid**

Washington's decision in July 1993 to stop blocking international lending to Vietnam marked a big boost to the country's economy since the communist party launched its

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18. See Table No.5 at the end of this Chapter.

free-market reforms in 1986. In September 1993 Vietnam had cleared its US\$ 142 million debt to the International Monetary Fund (IMF), with the help of a US\$ 57 million grant from seven countries including France and Japan and a US\$ 85 million commercial bridging loan from an international consortium of 18 banks. In August 1993 the IMF, the World Bank and the Asian Development bank had pledged new loans totaling over US\$ 800 million. The IMF's US\$ 223 million credit was intended to support the country's economic reforms, including liberalising foreign exchange and trade policies, restructuring state enterprises and developing the legal frame work. The bank loans focussed on rebuilding the country's shattered infrastructure and restoring deteriorating social services. In addition to this Vietnam received pledges of low-interest loans worth US\$ 1 billion at a conference of donor countries and international organisations in Paris in November 1993. Japan pledged the largest amount, worth US\$ 550 million. South Korea ranked second with US\$ 65 million, followed by Britain with US\$ 60 million and France with US\$ 50 million.<sup>19</sup>

One side Foreign Direct Investment and on the other foreign aid flow into the economy made possible the country's all-round development.

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19. Asia 1994 Year Book, p.223.

TABLE - 1 : PLEDGED FOREIGN DIRECT INVESTMENT IN VIETNAM

Year	Age of FDI	Number of Projects	Pledged Capital US \$ million
1988	1	37	366
1989	2	69	538
1990	3	108	600
1991	4	150	1221
1992	5	192	1905
1993	6	230	3000
Sep. 1994	7	301	US\$ 3.1 billion

Source: Nick J freeman: "Vietnam and China: FDI Parallels, Communist Economies & Economic Transformation, Vol.6, No.1, 1994, pp. 75-95.

TABLE - 2 : THE MAJOR INVESTORS IN VIETNAM

COUNTRY	NO. OF PROJECTS	TOTAL APPROVED INVESTMENT (US\$)	(FROM 1988- AUGUST 1994)
1. Hong Kong	204	1.75 billion	
2. Taiwan	152	1.71 billion	
3. South Korea	85	782 million	
4. Australia	45	760 million	
5. France	63	739 million	
6. Singapore	69	578 million	
7. Malaysia	27	559 million	
8. Japan	59	517 million	
9. Netherlands	13	380 million	
10 Switzerland	16	247 million	
11 Thailand	52	220 million	
12 Russia	49	174 million	
13 Indonesia	11	161 million	
14 US	16	159 million	

Source: Machael Vatikiotis "Economies" Romance Meets Reality, FEER 22, September, 1994, p.73.

TABLE - 3 : TEN LARGEST FDI PROJECTS IN VIETNAM, APRIL 1993

COUNTRY	PROJECT	CAPITALISATION (US \$ MILLION)
Taiwan	Cement Production	288
Taiwan	Food Processing	183
South Korea	Television Tube Manuf.	170
Hong/S Africa	Resort Construction	97
Taiwan	Ho Chi Minh City Export Processing Zone	87
Australia	Telecommunications [OTC]	86
Netherlands/UK	Oil & Gas Exploration (Shell)	79
Australia	Soda Production	76
South Korea	Oil & Gas Exploration	74
Australia, Japan, Malaysia & French	Oil Exploration	1 billion

Source: Nick J. Freeman: Ibid.

TABLE - 4 :       SECTORAL DISTRIBUTION OF PLEDGED FDI  
 [1% BY CAPITAL SIZE]

	JUNE 1991	DECEMBER 1992	AUGUST 1994
Agriculture	21.4%	6.2%	6.0%
Industry	44.9%	66.2%	67.0%
Manufacturing	20.9%		37.0%
Energy	24.0%		30.0%
Service			
Tourism & Hotel	23.4%	16.5%	28.0%

Source:   Nick J. Freeman, Ibid.

TABLE - 5 : EXTERNAL DEBT OUTSTANDING

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1990	US\$	17.348 Million
1991	US\$	17.713 Million
1992	US\$	17.678 Million
1993	US\$	17.678 Million
1994	US\$	19.550 Million

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Source: Asian development Outlook, 1994: Published by Asian Development Bank

CHAPTER - III

ECONOMIC AND SOCIAL DEVELOPMENT



The open Economic policy from 1991 to 1994 elicited good response from international community in the form of investment and assistance on one side foreign direct investment and on the other side aid from both sources bilateral and multilateral flowed in large scale made revolutionary changes in economic and social development in Vietnam during this period.

In 1991 the corner was turned when the vietnamese economy shed off its instability and became stable. The G.D.P. had increased from 6.0 percent this year to 9.0 percent in 1994.

The main sector of economy registered quite impressive growth. Side by side with the rising level of economic development, social development also took place. During this period, country witnessed all-round development.

#### **Agriculture growth 1991-1994**

Agriculture remained fundamental to the Vietnamese economy. It engaging 73% the country's labour force in 1993. the cultivable area was limited as compared to the countries of South-East Asian mainland, Thailand and Myanmar. The total cultivable land was estimated by the food and Agricultural Organisation (FAO) at some 6.6 million ha in 1989.

The agricultural sector of economy had not improved in 1980's mainly because of fall of investment and lack of private participation. From 1981 to 1988 Vietnam had followed contract system in agriculture. In 1988 fifteen years lease system had been introduced, under the lease system. Private user rights on arable land were firmly recognised. However, the sale purchase, seizure and lease of land for rent was prohibited. This Prohibition of private land transfers together with the limitation of the tenure period had hampered efforts to concentrate lands in the hands of efficient users through market transactions and reduced incentives for private investor for land conservation and improvement. The lease system attracted more foreigners in 1991. From 1991 to 1994 the share of pledged investment in total had fell drastically from 21.690 to 6%. To overcome problems this sector was facing, the Government undertook a major revision of the land law. This culminated in the land law of 1993. The new law allowed private transfers of land use rights including "exchange, transfer, lease and mortgage"<sup>1</sup>

In Agriculture sector scientific improvement had not occurred, farming depended heavily on human and animal

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1. Randolph Barker, Agricultural Policy Analysis for Transition to a Market Oriented Economy in Vietnam, Food and Agriculture Organisation of U.N. Rome, 1994, p.9.

labour, and pressure on agriculture had been increasing. It led to slow growth rate. In 1991 growth of 2.2 percent had moved slowly to 3.3 percent in 1993. In 1994, however, growth rate had jumped to 6.5% doubling as compared to that in the previous year.

### **The Major Change in Agriculture Production.**

1. Changes in Food crops Production  
Rice, Maize
2. Changes in commercial crops Production  
Rubber, Tea, Coffee, Soyabean, Sugar cane
3. Changes in Fishery Production  
Inland, Ocean
4. Changes in Mining Production  
Coal, Oil.

### **Rice**

Rice is the major food crop in Vietnam. Production of rice had increased during 1991-94. In 1991 production accounted for 19.225 million metric tonnes increased to 25 million tons in 1994.

Vietnam Since 1986, had been exporting rice. Three years later, it had reached third place in world rice exports. In 1993 it had exported 1.8 million tonnes<sup>2</sup>.

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2. Summary of World Broadcasts SWB / FEW / 0315 PWB / 3, January 12, 1994.

Traditional market for its rice exports were Germany, Russia, Malaysia and India. In 1994 it had signed a major contracts with the US and Brazil. As a result, it exported 700,000 tonnes of rice to the US and 300,000 tonnes to Brazil annually.<sup>3</sup>

### **Maize**

The next major food crop after rice was maize. Production of maize during 1991-94 was not impressive. its production in 1994 accounted for 1 million tonnes. As compared to previous year, the production had registered a growth rate of 80 percent.

Maize is not an export product in Vietnam. Production is very limited.

### **Rubber**

Vietnam had 235,000 hectares of rubber plantation in 1993, of which 199,000 hectares were under the management of the general Department of Rubber. More than 102,000 harvestable hectares yielded an average of 736 Kg of latex each year, the rubber sector contributed 150-200 billion dong (Vietnamese currency) to the state budget<sup>4</sup>.

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3. SWB FEW / 0350, PWB /5, September 14, 1994.

4. Vietnam Information Bulletin, Vol.4 April, 30, 1994.

The state had set the target of expanding the rubber production area averaging to 500,000 ha by the year 2000. This aimed at providing more employment to farmers, helping the multi-ethnic highlanders settle down to sedentary farming and developing infrastructure facilities and public utility works. The plan would also help to regreen part of an estimated 10 million hectares of bare hills and denuded land all over the country. In the central coastal areas and the central highlands. There were about 5 million hectares of bare hills and denuded land, of which about over the past 15 years, the Vietnamese rubber industry had grown 160,000 ha of new plantation and replant 20,000 ha of old ones, produced 571,000 tonnes of dried latex, exported 477,300 tonnes of raw rubber through that it earned US\$ 353 million in 1990 alone.

The rubber sector had during 1991-94 tried to broaden its cooperation with UN agencies, international and national organisations and NGO's to gain their financial support. As a result, the Malaysian Government had since 1990 granted aid in the form of equipment and funds worth 100,000-200,000 francs each year.

The UN Food and Agriculture Organisation had made US \$ 2.1 million available for project VIE 80/007 for the restoration and development of natural rubber sector.

In 1993, the rubber sector actively stepped up its cooperative activities with foreign partners in joint investment.

All total, 252 foreign delegations came to Vietnam to explore possibilities of cooperation in investment, trade and technical and scientific research in rubber cultivation. These included 30 delegations of national organisations, 193 groups of foreign corporations and companies, and 29 foreign businessmen. They came mostly from Malaysia, Taiwan, France, India, Singapore, Russia, Thailand, Indonesia and Eastern Europe.

The rubber industry was considering Joint Venture with Taiwan to manufacture sport balls and with India to expand rubber companies in the Central Highlands and at Dong Phu rubber company in Soni La provinces, it had also discussed with the World Bank for a low-interest loan of US\$ 31 million, to expand rubber cultivation and processing at the rubber company in eastern South Vietnam. This project had been approved by the Government.

Every year, Vietnam exported more than 10,000 tons of dried latex. In 1993, it exported 13,269 tons of latex for US\$ 11,406 million. The projected production of rubber-based consumer goods would bring more profit to the rubber

industry to further expand its production.

**Trends in rubber output, sown area, yield, Vietnam**

Year	Output (000 T)	Area (000 ha)	Yield T/ha.
1976	40	76	0.53
1977	43	78	0.55
1978	41	84	0.49
1979	42	83	0.51
1980	41	88	0.47
1981	44	85	0.51
1982	46	94	0.49
1983	47	115	0.41
1984	47	148	0.32
1985	48	180	0.27
1986	50	202	0.25
1987	52	204	0.25
1988	50	211	0.24
1989	51	216	0.26
1990	58	222	0.29
1991	65	221	
1992	74		
1993	50		
1994			
1995			

Source: Statistical Data of Vietnam's Agriculture, 1956-1990. Vietnam Statistical Yearbook, 1992.

**Tea in Agricultural Sector**

In 1993 the tea-growing area increased by 3,500 ha, taking the total area under tea to 7,100 ha. In total 37,000 t of dried tea was produced in 1993. Vinta tea ran 21 enterprises specializing in all aspects of tea production. It had three factories dedicated to the production of tea for export in Hanoi, Haiphong and Ho Chi Minh city. In 1994

Vinta tea (Vietnam state owned company) planned to put 4,000 more hectares under tea, increasing exports to 22,000 Tonnes.

**Trends in Tea output, sown area, yield, Vietnam**

Year	Output (000 T)	Area (000 ha)	Yield T/ha.
1976	17.3	38.7	0.45
1977	18.3	43.0	0.43
1978	20.0	48.9	0.41
1979	22.5	48.0	0.47
1980	21.0	46.9	0.45
1981	21.2	44.3	0.48
1982	25.4	48.3	0.53
1983	24.6	49.0	0.50
1984	27.4	49.4	0.55
1985	28.2	50.8	0.56
1986	30.0	58.1	0.52
1987	29.0	59.2	0.49
1988	29.7	59.1	0.50
1989	30.2	58.3	0.52
1990	32.2	60.0	0.54
1991	33.1	60.0	0.55
1992	31.9	71.0	
1993	31.0		
1994			
1995			

Source: Statistical Data of Vietnam's Agriculture, 1956-1990. Vietnam Statistical Yearbook 1992.

**Coffee in Agricultural Sector of Vietnam**

In 1993 production had registered 130000 tonnes. Vietnam had become one of the largest coffee-producing countries in the Asia-Pacific region after Indonesia and India.



**Trends in Coffee output, sown area, yield, Vietnam**

Year	Output (000 T)	Area (000 ha)	Yield T/ha.
1976	5.8	18.8	0.31
1977	5.6	19.8	0.28
1978	5.4	20.0	0.27
1979	5.1	22.5	0.23
1980	8.4	22.5	0.37
1981	4.6	19.1	0.29
1982	4.6	19.8	0.23
1983	5.0	26.5	0.19
1984	4.2	29.4	0.14
1985	12.3	44.7	0.28
1986	18.8	65.6	0.29
1987	20.5	92.3	0.22
1988	31.3	111.9	0.28
1989	40.8	123.1	0.33
1990	59.3	119.3	0.50
1991	67.0	115.0	0.58
1992	79.5		
1993	130.0		
1994			
1995			

Source: Statistical Data of Vietnam's Agriculture, 1956-1990. Vietnam Statistical Yearbook, 1992-93.

**Soyabean Output in Vietnam**

It is one of the most important cash crops of Vietnam. It supplemented protein to the masses especially where meat (animal protein) is in short supply. The topography, soil and climate of Highland Vietnam is very suitable to the production of soyabean. Besides, Soybean is widely grown in the northern part of the country. In 1970s both the yield and output was poor. The net sown area under soybean increased 21.2 times. from 40,000 hectare in 1975 to 98.0

hectare, the yield had been more improving further. The output had quadrupled from 20,000 tons in 1975 to 80,000 tons in 1994.

The domestic market of soybean was vast and not much was left for export.

**Trends in Soyabean output, sown area, yield, Vietnam**

Year	Output (000 T)	Area (000 ha)	Yield T/ha.
1976	20.7	39.4	0.5
1977	21.5	42.3	0.5
1978	21.8	41.7	0.5
1979	20.0	36.2	0.6
1980	32.1	48.8	0.7
1981	55.0	74.3	0.7
1982	76.9	103.0	0.8
1983	63.6	96.7	0.7
1984	69.2	90.5	0.8
1985	79.1	102.0	0.8
1986	84.7	106.5	0.8
1987	95.8	118.1	0.8
1988	85.3	103.0	0.8
1989	82.0	100.2	0.8
1990	86.6	110.0	0.8
1991	80.0	101.0	0.8
1992	78.7	98.1	0.8
1993	79.0		
1994	80.0		
1995			

Source: Statistical Data of Vietnam's Agriculture, 1956-1990. Vietnam Statistical Yearbook 1992.

**The Output of Sugar cane in Vietnam**

Sugarcane is a commercial plantation crop of Vietnam. It is widely grown in the deltaic seasons of Red river,

Black river and Mekong. All such sugarcane belts were irrigated. Further they were nearer the sea. The high degree of humidity in the coastal area keeps the sugar content high because there is no temperature variation to disturb plants growth.

However, the area under sugarcane cultivation has doubled in the last twenty years since 1975 the total output also had doubled. As far as yield per hectare was concerned, no breakthrough was evidenced.

**Trends in Sugarcane output, sown area, yield, Vietnam**

Year	Output (000 T)	Area (000 ha)	Yield T/ha.
1976	2986	74	40.1
1977	2817	73	38.8
1978	2732	71	38.3
1979	3491	88	39.9
1980	4359	110	39.7
1981	3964	110	36.0
1982	4577	121	37.9
1983	5690	146	39.0
1984	6567	165	39.8
1985	5560	143	38.8
1986	4965	125	39.6
1987	5470	137	40.0
1988	5700	142	40.1
1989	5345	131	40.7
1990	5398	131	41.3
1991	6131	144	42.7
1992	6199	144	42.9
1993			
1994			
1995			

Source: Statistical Data of Vietnam's Agriculture, 1956-1990. Vietnam Statistical Yearbook 1992.

For overall development of Agriculture sector mainly depended on large foreign investments and aid. The main priority areas in agriculture were investment was singled out as singled out research and development of rural infrastructure.

**Fishing:**

Fishing areas constitute islands and the Pacific ocean. In 1989 total 868 metric tons live weight fish had been caught. From 1991 to 1994 fish catch had rapidly increased.<sup>5</sup>

Vietnam since 1980's had been exporting different fish products to the world market. In 1991 it had exported 58.3 metric tonnes to different countries. Country fish exports had increased in 1993, earning US \$200 million. "Bloc Shrimp" product covered major share of sea product exports.<sup>6</sup>

**Changes in Mining Production**

Hard coal, crude petroleum are major mining products.

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5. FAO, Year Book of Fishing Statistics, 1993.

6. SWB FEW/6346, WB/3, August 17, 1994.

## Coal

Coal production had been steadily continued growing. Production registered in 1989 and 1990 was 3,800 and 4600 metric tonnes. It increased very much during 1991 to 1994. In 1991 production had registered from 4,700 metric tonnes in 1991 and registered increases up to 5,000 tonnes in 1992 and 5,400 metric tonnes in 1993. The country had been exporting coal since 1980's from 788.5 metric tonnes in 1990 the exports were reached the level of 1,173 metric tons in 1991.

On July 27 1994. The Prime minister issued a decision No. 381-TTD for promoting production of coal. The Government also allowed private companies to enter into the field of coal exploitation and trading at small mines in areas of Quang Ninh Province.<sup>7</sup>

## Oil

Vietnam has been the fourth largest petroleum producer in Southeast Asia following Indonesia, Malaysia and Brunei. As a young industry, it had just entered into joint ventures with foreign companies. In the last 11 years it had pumped up 100,000 barrels of crude oil a day. In 1993, the industry exploited from 79 drilling wells an output of 6.3 million tonnes, and in 1994 nearly 7 million tonnes.

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7. SWB FF/2068 PWB/13 August 8, 1994.

Since 1987 to August 1994, the country had exported more than 20 million tonnes of crude oil. Through it, the country had earned 389 million US dollars.<sup>8</sup>

#### **Foreign Collaboration in Hydrocarbon Sector**

From 1991 to 1994 Vietnam had signed 27 contracts for the exploration and exploitation of oil and gas with 15 foreign companies. Some 171 lots had been identified over an area of 160,000 Km on the continental shelf. Thirty-nine lots had been explored and exploited. In the eastern sea off Vietnam, there was a race between oil and gas companies of Russia, Indonesia, GB, France, Holland, Australia, Canada, Japan and the US.

On 1993, a group composing Mobil and three Japanese companies, namely Nissholwai, Japex and Impec, started drilling on lot five in the Thanh Long oil field. Some 300 km off shore from Vung Tau. Earlier, the Joint Venture comprising Petro Vietnam BHP of Australia, Petronas of Malaysia, France and Sumitomo of Japan exploited the first oil barrels in Dai Hung. Big Bear. Oil field Big. Bear's deposits were estimated at one billion barrels.

South Korea's Hyundai had signed a contract with Vietnam's Oil and Gas Import-export Company, Petrochim

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8. SWB FEW/0346, P, WB/6 August 11, 1994.

valued at 15 million US dollars for the construction of a 170 KM gas pipeline from Bac Ho oil field to shore. Vietnam oil and gas industry would increase its output of crude and accompanied gas much beyond the 7 million tonnes pumped in 1994. Twenty to thirty million tonnes of crude oil a year was estimated. However, this would depend on many objective and subjective factors, first of all, the assessment of new deposits

Ho Sy Thoai, General Director of the Vietnam Oil and Gas Corporation said: "Vietnam still had available lots ready to cooperate with foreign companies in exploitation including those from the US". The general director also said "that there were favourable conditions in the world market for vietnam's oil and gas industry to develop". Vietnam had a regional strategic position because it lay in a developing region where demand for oil products would increase remarkably in the next decade. At present, 60 percent of crude oil used in the region had to be imported from the West-Asia, but Vietnam would have to pump up several dozens of millions of tonnes of oil a year. It will help to catch-up market in this region.

### **Industrial Development**

Foreign investment from 1988 to 1991 was concentrated in the oil industry. This constituted nearly 32.2 per cent

the total foreign capital. Next came hotel industry with a share of 20.6 per cent<sup>9</sup>. Industry had not received significant share during this period.

From 1991 on wards, foreign investment into industrial sector had increased "remarkably" with 518 projects representing 70 per cent of all investment. It had flowed into 19 industries, including information technology, telecommunication, oil and gas, chemical, mining, electricity, electronics, textile and leather and garments industries.<sup>10</sup>

The manufacturing industry's share in overall industry (share of pledged capital) had been increasing. It had increased from 21.1 to 37 per cent during the period 1991-94.

The foreign capital for the manufacturing had predominantly come from Taiwan, South Korea, Hongkong and a few European firms. Manufacturing - related FDI was likely to become the dominant focus of future inflows. The growth rate of manufacturing industry was growing significantly and manufacturing industry had been expanding to new areas, like container manufacturing.

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9. VIB Vol. 30, No.6, 1994 June 10, 1994.

10. SWB FEW / 0365 P WB/1, January 4, 1994.



The next to manufacturing was the energy sector which had attracted major share of FDI within industrial sector. The share of energy from total industrial share had increased from 24.0 per cent in June 1991 to 30 per cent in 1994. The country had entered into Joint ventures with many foreign firms.

The number of Government firms in industrial sector had been decreasing. In 1992 there were 12.000 state - run enterprises. By the end of 1993 figure had reduced to 7.000. But still public sector had strong hold in heavy industries like chemical, fertilizers, energy, paper production and mining. All public sector undertakings were now running in a private sector model, and state managed sectors were delivering good results. The Government was promoting private participation on a large scale. More or less all sectors were opened for private hands and private participation in industry was strengthening. According to the state General Department, there were about 4,500 private business establishments all over the country focusing different aspects.<sup>11</sup>

Food processing industry was emerging very rapidly. But still the industrial out put was not meeting the domestic

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11. SWB FEW / 0353 P WB/1, October 5, 1994.

demand. Also industrial sector was lagging behind agricultural sector in exports.

One side Foreign investment and private investments and on other side Government investment had been contributing to the growth of industrial sector. The industry was growing very slowly. In 1991 growth rate rose to 9.1 per cent and was quite impressive as compared to only 2.9 per cent as registered in 1990.

The annual growth rate had registered 0.1 per cent during 1992-94.<sup>12</sup>

The major industrial products were:

1. Raw sugar;
2. Textile yarn;
3. Textile Fabrics;
4. Paper;
5. Cement;
6. Chemical fertilizers;
7. Steel; and
8. Electric energy;

#### **Production of Raw sugar**

Raw sugar production did not increase during 1991-1994.

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12. See Table No. 1 in this Chapter.

In 1991 production accounted for 371.6 metric tonnes. It came down to 341 metric tonnes in 1993.<sup>13</sup>

The country since 1980's had been exporting sugar to different countries. In 1989 the industry exported 15.9 metric tonnes. Annually, Vietnam was exporting more than 20 metric tonnes.

Sugar industry had opened up to world. Since it has involved a huge capital investment, the industry had got less attraction from foreign investors.

A Taiwan's state run taiwan sugar corporation had constructed a Joint venture sugar plant at cost of US \$ 60 million in a northern province of Vietnam. It was initially planned to produce 99.000 tonnes of sugar annually for the domestic market.<sup>14</sup>

Taiwan was constructing another plant alongwith Vietnam. The Vietnam - Taiwan sugar and sugar cane Joint venture company in the central province of Thanh Hoa had been officially put into operation. In the first phase the Joint venture operated with a capacity of 6,000 tonnes of

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13. Regional Survey of the World, The Far East and Australasia - 1995, 25 edition.

14. SWB FEW / 0292 P A / 12 July, 28, 1993.

sugar cane per day. The Joint venture was signed with five collective farms, 28 cooperatives and thousands of individual house holds to plant sugar cane for its sugar refinery.

A majority of sugar producing industries was still under the state control. sugar demand had been rising rapidly production was not reaching the demand level. That is why Vietnam importing large quantity of sugar every year. In 1989 it imported 66.5 metric tonnes, the imports in 1991 were 16 metric tonnes. The country was spending millions of dollars annually on importing sugar. The newly coming-up sugar industries were expected to fulfill the domestic needs.

### **Textile Yarn**

Textile Yarn production not impressive. yarn production in 1990 accounted for 58.6 metric tones. In 1992-1993 the country produced increased from 40 to 44 metric tonnes.

### **Textile industries**

Textile industries were completely under the public sector. Production of all units was 318.0 million metres in 1990. The industry had not made impressive growth during 1991 to 1994.

For upgrading the system of production, the country had been spending enormous amount. The Viet Thang and Thang Loitextile mills based in Ho Chi Minh city, mills Nam Dinh textile complex based south of Hanoi, all the units got new, modern equipments.<sup>15</sup> As a result, the production picked up. Vietnam's imports of textile Fabrics came down drastically from 30.7 million metres to 19.8 million metres in 1990-1991. Annually Vietnam was exporting garments to different countries in the world. Through exports the country earned US \$ 26.14 millions in 1993, earnings had increased to US \$ 550 millions in 1994.

**Paper:**

Production of paper registered impressive growth rate during 1991-1994. From 108,8 metric tonnes it reached the level of to 200 metric tonnes.

**Chemical Fertilizers**

Production on of Chemical Fertilizer are not matching up to the domestic demand. Every year the country was importing from different countries, the imports were increasing. In 1990-91 the imports increased from 2,085.2 to 2,662.6 metric tonnes.

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15. SWB FEW / 0371 P WB/3 February 1995.

### **Cement**

Cement industry has direct link with industrial development. Demand for cement in Vietnam had been rising, whereas the supply continued to be low: it was making trouble to those who were establishing new industry.

### **Steel**

The emphasis on heavy industry after 1960 had led to the building of an iron and steel plant in Thai Nguyen. After heavy damage during the war, it was revived, together with smaller furnaces elsewhere, so that by 1975 North Vietnam was producing 50,000 tonnes of steel per year. In the south three smaller plants existed by 1971 to production of bars, tubes and wire from military scrap; annual production there was 75,000 tonnes. In 1992 production of steel accounted to 196,000 tonnes, followed by 236,000 tonnes in 1993, further large increases were expected in 1994 and 1995.

### **Power**

By 1975 the total power generation of both the north and south zones of the country was only 3,000 m Kwh, the capacity in the north having been constrained by air attacks. Production in 1980 was put at approximately 3,720 m. Kqh, while the expansion of capacity in subsequent years was impeded by drought, which adversely affected

Hydroelectric power generation and led to the diversion of diesel fuel supplies to assist agriculture.<sup>16</sup> Although the situation had improved since the mid-1980's power shortages, particularly in the south, had been a feature in recent years with energy demand rising at the rate of about 20% per year. Electricity output had failed to keep pace. In early 1994 the Ministry of Energy forecast that annual production would increase to 14,000 m Kwh in 1994 up to from 10.928 m, Kwh in 1993. Power generation in the south increased by an estimated 16.5% in 1993. The extra demand was largely met by the newly - inaugurated gas turbine generators at the Ba Ria- Vung Tau power plant as well as by increased output at the Da Nhim and Tri An hydroelectric power stations. Further important developments were the construction of a new generator at the hydroelectric power station at Hoa Binh and the long - awaited completion of the 1,500 Km - south power line in May 1994.

Vietnam's first nuclear research reactor, at Da Lat, came into operation in 1984. It was anticipated that the country would begin production of nuclear power in the first half of the 1990's. Hanoi is currently seeking foreign investors to assist both in this project as well as in a second proposed nuclear installation.<sup>17</sup>

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16. VIB Vol.30, No.9, 1993, P 05, September 30, 1993.

17. The far East and Australasia-1994, 2nd Edition, Europa Publication limited, London, p.1994.

### Power Projects Completed in 1994

The first work unit of the Song Da Hydroelectric power project engineering corporation arrived at the project site on black river (song Da) site about 75 km west of Hanoi covering a distance of 1.497 Km through 14 provinces and cities on May 2, 1975 to start the construction of the Hoa Binh Hydroelectric power project.

Thirteen years later, in late 1988 the first generator group was given a successful test-run and its electricity output began to be integrated into the northern national power grid, supplying it with the first Kilowatt/hours.

During the five years that followed, from 1988-94, the project gradually put its remaining generator group into operation. In 1994, the project received final touches on environment protection and construction.

When the construction was at its climax, there were 800 Soviet experts and 40,000 Vietnamese workers of the Song Da Hydroelectric power project engineering corporation, the 10th th Union machine Assembly enterprises the 565 th Division, and many other units working continuously day and night at the project rise. All the construction equipment building iron and steel and technical tools were provided by the Soviet Union.



The project was currently valued at 12,478,530 million dong (US \$ 1.1 billion). The power plant had eight 240 mwh generators with a total planned output of 1,920 million wh. It required an average annual water supply of 57 billion co. M to produce 8.4 bn kwh per year.

In 1994 the plant's electricity output reached 5.7 billion kwh and its 1995 output was estimated at 6.3 bn kwh.

The Hoa Binh hydroelectric power plant, located right at the beginning of 500 kv power line, occupied an important position in the Vietnamese electricity network because of the output. The Hoa Binh Hydroelectric Power Plant had a designed output of 1,920MW. Which, accounted for 85 per cent of the output of the entire network, capable of ensuring adequate electric supply for the network during the peak times.

The Hoa Binh Hydroelectric Power Plant had the duty to maintain grade-1 flow rate for the electricity network. That is, to ensure that the frequency of the network was maintained at 50 hertz.

The power grids of the three regions had been merged into one through the 500-KV high voltage powerline. Which in turn served as a link between the three areas from where electricity was redundant to areas that need it.

According to a plan for regulating the sources of electricity supply and transmission lines, the north had a source of electricity reserve much larger than those in the southern and central regions.

Since the switching of the 500-KV power line (on December 25, 1994) electricity had been sent through the power line to various areas as follows:

Southern region: 716 m Kwh and

Central region 113 m Kwh

The capacities of various power plants in December 24, 1994,

Hoa Binh 18,900,000 Kwh.

Danang was 1,076,000 Kwh

Pleiku was 1,95,000 Kwh

Phulam was 8,500,000 Kwh

The second project which had completed in 1994 was the North-South 500 KV power line had become fully operational at 6 p.m. on June 5 1994, after two years of construction. Construction of the 1,487 km powerline started on April 15, 1992 with an investment capital of 5,714 billion VND (US \$ 500 million) including 3,000 billion VND for imported equipment starting from the Hao Binh Hydroelectric Power Plant west of Hanoi. The line stretched over 14 provinces and crossed 17 big rivers before reaching Ho Chi Minh City.

It included a national control centre, 5 major transformers and 3,434 pylons ranging in height from 28 metres to 82 metres. Trial run began on April 5 and lasted for one month under the control of a commission which comprised many experts. This trans-Viet powerline would compensate for the lack of energy in the south by supplying over one billion KW for the south and 500,000,000 Kw for the the central provinces in 1994 and 10 billion Kw for both central and south Vietnam in the 1994-1997 period.

**Service Sector- 1991-94**

Service sector registered very significant growth during 1991-94. Mainly foreign investment and aid to this sector contributed for much of growth. From 1988 to 1994 nearly US \$ 2,783 million foreign pledged investment had flowed in this made enabled this sector generating of more jobs. Nearly 6.4 per cent of economically active people were involves this sector.<sup>18</sup>

The service share of GDP had been increasing. In 1980 its share was 31.0 per cent. It had increased to 38.9 per cent in 1993.

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18. See Table No. 2 in this Chapter.

Service sector constituted medical legal counselling, software development and education, tourism, banking, hotel, and telecommunication. The hotel and tourism was earning huge foreign exchange. For instance, in 1993 the Hanoi Tourism Co. had earned US \$ 2.8 million, through supplying services to 19,000 foreign Tourists. The Ho Chi Minh city in the same period earned US \$55 million. Main attraction for the Foreign tourists every year was the wonderful landscapes of Vietnam.

1. **Wonderful landscapes**

From North to South, Vietnam offered to the traveller landscapes of extreme beauty and diversity. Whether they are the areas along the East Sea or the plains of the Mekong delta.

This discovery of the region of the north especially in Langson and Cao Bang was the occasion for a complete change for the traveller who found himself among a mountainous country with exceptional colours, the brown-red soil, luxuriant rice fields at the foot of the mountains.

The Dalat region in the south called some what wrongly "The little Paris" would surprise the traveller by its resemblance to a small provincial French town situated in the mountain.

The Tourism department in Vietnam was expecting that one million visitor would come to Vietnam in 1995. To accommodate the increasing flow, 23,000 international standard rooms were planned for the next two years and 58,000 for the year 2000.

The main investor (Foreign) in this Hong Kong, it had gained a clear edge with 29 projects representing 41 per cent of the total number. Next were French and Singapore investors each getting 10 per cent of the share.

#### **Transport System in 1991-94**

##### **Railways:**

In 1986, route length of the country's railways was 4,200 k.m. Railway system was build up with assistance mainly from former Soviet Union, China and India. India had assisted Vietnam in modernizing its good carriers and like construction. It had also donated some good carriers to Vietnam. India was the only country outside socialist block which had extended all kinds of help to Vietnam during the cold war period.

Railway's had as elsewhere in the developing countries, much significance in Vietnam. It was the major means to freight carrying and mass transportation, with the liberalisation of economy the country had been getting lot of aid to modernizing its transport system. The railways

could not be immune the changes and impact. The changes in Railways could be seen in reducing Journey span. The train Journey from Hanoi to Ho Chi MINH city now took 36 hours. In 1986 it took 72 hours.<sup>19</sup>

There was still great need to modernizing this sector. Because development want along with development of transport and communication system, nearly 2,600 Km. railway lines had to be modernized.<sup>20</sup>

### **Roads**

The roads and bridges in the country were not well developed. Major roads and bridges were heavily damaged during the war with America in 1970's. All bridges which were destroyed by America during this period were not reconstructed due to lack of capital resources.

During 1991-1994, Vietnam had got lot of assistance from both bilateral and multilateral sources for developing and reconstruction of road and bridges.

World Bank annually provided US \$ 350 million for infrastructural development. In Giah nearly 730 metre long bridge was coming up. It would be laid across the Giah river

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19. SWB FEW / 0328 P WB/2 April 13, 1994

20. SWB FEW / 0351 P WB/3 September 21, 1994.

on Highway one. It would cost nearly US \$ 7 million. French Government provided full assistance necessary for completing this bridge. The THANG LONG BRIDGE Co, the largest bridge construction firm in Vietnam time to time adopted new technology. It expected to help a lot in the construction of modern bridges. It was estimated that some US \$ 3.4 billion were needed for upgrading and building six high ways (from 7 to 23 metres wide) including: High way 1 or the trans - Vietnam highway of 2,300 Km long, High way 5, which would be 100 Km long and would connect Hanoi to Haiphong port city: Highway 18, which was about 206 Km in length and would link Highway-1 with the northeastern coal mine area. Highway, which was over 200 Km long and would link Ho Chi Minh city to the central highlands. Highway 51; which was nearly 120 Km long and would link Ho Chi MINH city to Vung Tau and Highway 183 which would connect the Quang Ninh coal area to Haiphong port. The larger part of the investment capital was expected from loans from international financial organizations.

### **Shipping**

Vietnam had 150 shipping companies with a total capacity of 800,000 tonnes<sup>21</sup>. In 1993 at Saigon harbour in

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21. SWB/FEW/0346 P WB/5 August, 17, 1994

HO Chi Minh city, the amount of cargo loaded and unloaded, was nearly 500,000 tonnes. The harbour achieved a turnover of 440 million dong and remitted 23 billion dong to the state budget. In the same year, the Haiphong port handled 4.7 million tonnes of cargo, and the Government had got US \$ 4 million soft loan to up-grade these ports.

A new harbour was scheduled for construction in the next two years at CUA VIET in Quang Tri province. In the first phase of the project, a harbour, large enough to handle up to 3,000 tonnes vessels would be built while in the second phase the harbour would be enlarged to handle 10,000 tonnes vessels.<sup>22</sup>

#### **CIVIL AVIATION**

Vietnam Airlines was considered one of the most undeveloped one in south east Asia. The changes mainly started in 1990's up to 1990, air link within the country and with the outside world was very limited. Then came the up-swing Vietnam Airlines came to have connection with 23 routes in domestic field. This was in addition to its 23 international routes. Aside from air links with 19 major cities throughout the world, Vietnam Airlines had opened representative offices in 17 countries and had a system of

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22. SWB FFW / 0366 P WB/3 January 19, 1995



100 agents abroad and 30 others at home. Vietnam Airlines had entered into five Joint Ventures with foreign companies on the processing of in-flight-food, cargo service, hotel construction.<sup>23</sup>

Vietnam Airlines planned to carry two million passengers in 1995.

#### **Communication System in 1991-94**

A revolutionary change had occurred in communication network throughout the country. In 1994 there were 0.6 telephones to every 100 Vietnamese. In the "early" nineties the rate was expected to increase to one telephone by the end of 1995 and to 3 to 5 telephones by 2000. The post and Telecommunication service was carrying out a major project to expand its service network to rural areas where 80 per cent of the population lived. the installation and upgrading of transmission lines from Hanoi and HO Chi Minh city to provinces and then to districts and communes started earlier this year (1994) and was scheduled to last until the year 2000. An under -sea optic fibre cable line w as also under construction. When it completed, the under - sea cable, together with the satellite earth station installation would help raise the number of international channels to 10,000 by

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23. SWB FEW / 0371 P WB/4 February, 1995.

the year 2000 as compared to 1,500 at present. To meet this target, the post and Telecommunication service needed an investment capital of 2.7 billion US dollars. And this was expected to come from domestic sources and loans from international financial organization, foreign banks and companies.<sup>24</sup>

Cao Bang province postal service had initiated the construction and installation of projects with a total investment of 20 billion dong. It was going to complete by 1995. It had started the installation of a 1,792 line telephone network code - named TTX - 1B at the provincial postal centre.

An Alcatel 1,000 M -10 telephone switchboard with a capacity of 9,000 lines was installed in the Can Tho central post office. It connected the provinces with the international and national telephone systems in Five central provinces, namely Nghe An, Ha Tinh, Quang Binh, Quang Tri and Quang Ngai, were linked for the first time new digital switching lines. These NEAX -61 switching systems cost a total of nearly 215 billion dong (about 21 million US dollars) and consisted of a microwave transmitting network and an optic fibre cable network. They were capable of

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24. SWB FEW / 0366 P WB / 3 January 11, 1995.

holding 40,000 numbers in total. The installation began on May 7, 1994 and was completed on schedule in three months. The lines were opened on the occasion of celebration of the national festival on September 2, 1994. <sup>25</sup>

In Vietnam now more than 35,000 fax machines, 200,000 pages, and hundreds of thousands of public telephones were in use throughout country. <sup>26</sup>

### **Radio and Television Services**

Radio and Television services were reaching almost all areas in Vietnam, even to remote regions. The northern border provinces Yen Bai invested over US \$ 300,000 to upgrade and build nine new television relay stations for eight mountainous districts: This had allowed programmes to be broadcast in language spoken by ethnic groups in those regions.

In 1993-1994 a satellite relay station was installed in Pac Po village, Ha Quang district, Cao Bang province. It was a former revolutionary base. The relay station, with a capacity of 50 watts was bringing Vietnam television network programme to the ethnic minority people in Truong Ha village and the surrounding area. <sup>27</sup>

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25. SWB FFW / 0350 P WB/ September 14, 1994

26. Asian 1994 Year Book, FEER, 1994, p.220

27. SWB FEW / 032 P. BB/2 March 30, 1994.

In 1994 five districts of Son La province (northwestern part of Son La province) were enabled to have brought the entertainment and information world of television. This covered 12,000 ethnic minorities with the installation of six new television transmission stations<sup>28</sup> and central television station established in Ho Chi Minh with help of French Government. The establishment of central television station in HO Chi Minh city had helped in connecting of television network throughout country.

#### **Cinemas and Theatres**

In 1990 nearly 161 films were produced, and 145 theatres were operating in the country there.

#### **News papers and books**

Upto 1990, only domestic daily newspapers were in circulation. In 1991 Vietnam Government allowed foreigners publishing their news-papers in Vietnam under certain restriction control. In 1994 nearly 350 private publications companies were operating their business. Vietnam investment review, a weekly an Australian - managed was the first to enter Vietnam print business; it signed a 10 year contract with the state committee for cooperation and investment. By 1994, newspapers and Books being published in Vietnam were mainly by foreigners. These covered all aspects. Many

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28. SWB FEW / 0371 P WB / 4 February 1995.

publishers took Vietnam as a base for their print Business. The newspapers and magazines published inside Vietnam received rising demand outside Vietnam also. At the same time, literature produced outside Vietnam also was allowed freely within certain conditions.

In the Singaporean publisher (Josephine Toh) was reported in late November 1994 that 17,000 copies of the inaugural issue of her gloss womens magazine, "Femme" were being impounded at the Ho Chi Minh city port". To realising this development Ngo Yen Thi Van Anh, editor of new "Fashion Magazine", said that "Femme was barred because its owners "don't understand anything about Vietnam. Toh is a Singaporean woman. she should stick to writing about singaporean women. Her ideas about Vietnam are 20 years out of date".<sup>29</sup>

#### **Foreign Trade 1991-94**

In 1983 Vietnam's principal sources of imports were the USSR (67%) and Japan (66%), while the main export markets were the USSR (52.2%) and Hong Kong (17.7%) However, this trend towards greater trade dependence on Eastern Europe was reversed after 1989. In that year, exports to the CMEA

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29. Adam Schmarz "Watch Your Words Foreign Publishers Trend Warity in Vietnam" Far Eastern Economic Review, December 29, 1994 and January 5, 1995, p. 98.

countries rose to 884 million roubles, while those to non-CMEA countries rose by 118% to US\$ 976 million. So that hard-currency exports represented the majority of export earnings. By 1991 the former eastern bloc countries accounted for only about 4% of Vietnam's total trade, the vast bulk being conducted with Asian and western European countries. In 1992 Singapore was Vietnam's principal trading partner, accounting for 26.7% of imports and 33.7% of exports. Other ASEAN countries were also important trading partners as well as investors in Vietnam.

Vietnam's ability to switch rapidly almost its entire trade activity from non-convertible to convertible currency partners without suffering any severe dislocation was impressive. Asia was the destination of almost 70% of Vietnam's exports and the source of 60% of the country's imports, far exceeding Europe, Australia and the US. In 1993-1994 exported garments and textile products to the European Union valued at US\$ 300 million in 1993 and 70 million dollars in the six month of 1994.<sup>30</sup>

**The Major Exports Items (1991-1994)**

Agriculture products were, Rice, Rubber, Coffee, Tea, Marine Products and mining products like Crude Oil, Coal, Industrial Products, Steel, Garments.

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30. See Table No. 4 in this Chapter

### The Major Imports Items

Iron, Steel and Petrol surpassed Vietnam had started exporting rice in 1980's.

Vietnam had reached third largest rice exporter in 1989 after US and Thailand. In 1993, it had emerged as the largest exporter of Rice with exporting upto 1.8 million tonnes.<sup>31</sup> More than 30% of the export turnover covered by crude oil in 1993. In composition of exports there was little change when compared with the period between 1988-1991 and 1991-1994. Vietnam's imports were dominated by Petroleum and benzine. It is importing the product mainly from Singapore. The demand for lubricant imports was expected to decrease. However, following the recent establishment of two UK-financed lubricant-blending investment projects, other significant imports were chemical fertilizers. In the list of imports some changes had occurred. The demand for modern machinery and transport vehicles was newly added.

The trade deficit was substantially reduced in 1991, and in the following year Vietnam recorded its first-ever trade surplus [of approximately US \$ 75 million]. However,

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31. SWB FEW / 0315 P WB/5 January 12, 1995

in 1993 a deficit was again registered high rate (of US\$ 334 million) and the deficit rose to US \$ 3 billion in 1994. Due to demand for many engineering and traditional items imports had increased. From 1991 to 1994 Vietnam had exported more than US \$ 11 billion worth of goods and imported US \$ 12.1 billion worth of goods. From 1991-1994 total deficit had accounted for approximately US\$ 1.1 billion.<sup>32</sup>

Trade Balance which was US\$ 350 million in 1991 had increased to US\$ 860 million in 1994. Balance of payments on current account in the same period had increased from US\$ 747 million to US\$ 1220 million. The external debt outstanding had increased from US \$ 17.348 million to US\$ 1.550 million in 1994.<sup>33</sup>

However, rescheduling and debt relief, coupled with rapid export growth, would result in a sharp reduction in the debt service. The coming-up exports processings zones would certainly reduce the debt-service burdon.

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32. See table No. 5 in this chapter.

33. See table No. 6 & 7 in this chapter



### Social Development 1991-1994

Until the 1950s the developing countries of the Economic and Social Commission for Asia and the Pacific (ESCAP) region were clearly in a state of under-development. The economic and social situation in those countries was then characterized by an agrarian and cottage industries. Non-existence of modern economic and social infrastructure, low levels of productivity in traditional production line, low per capita incomes, and widespread poverty depriving vast segments of the population of their basic necessities of life. Hunger and malnutrition, illiteracy and disease, high birth and death rates and low life expectancy at birth were common features.<sup>34</sup>

Development is a dynamic process of change that transforms through time the economic, social, cultural and political life of the people. The major transformations that occur result from the increasing use of machine technology and applied science in emerging and traditional economic sector, permitting rapid growth, production and income.

Industrialization and urbanization bring about change in peoples location and habitat, their groupings and

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34. Asia Pacific Economic and Social Development Report: 1994, p.85.

relationships, work discipline and workplace, in short, in their life style.

The processes of economic and social change are interactive, with one set reinforcing the other.<sup>35</sup>

The primacy of economic forces led industry, science and technology, was asserted two decades ago by a nobel Laureate in Economics, Simon Kuznets. He defined "economic growth as a long-term rise in the capacity to supply increasingly diverse economic goods. This growing capacity was based on advancing technology and the institutional and ideological adjustment that it demands. The major aspects of structural transformation characterizing modern economic growth included a shift away from agriculture to non-agricultural pursuits, a change from personal enterprise to impersonal organization of economic firms, with a corresponding change in the occupational status of labour. Urbanization and Secularization.<sup>36</sup> In a similar vein, one scholar observed" Technology and the rational organization of labour are preconditions for industrialization, which, in turn, engenders such social phenomena as urbanization,

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35. Poul Streeten The Frontiers of Development Studies, New York, 1972, pp. 63-70.

36. Simon Kuznets, Population, Capital and Growth, Selected Essays, New York, 1993.

bureaucratization, the breakdown of extended family and tribal ties, and increasing levels of education.<sup>37</sup>

During the last 30 to 40 years, the developing countries of the ESCAP region have undergone major economic and social change. Many of the economies have recorded sustained high rates of economic growth and rapid transformation in the structure of output and employment. Although agriculture still produced the largest share of output and employed the highest proportion of the labour force in many countries, manufacturing industry had emerged as the catalyst for dynamic change. Urbanization, with its associated impact on different aspects of life, had proceeded apace.<sup>38</sup>

Mass starvations was no longer a concern. Epidemic diseases, such as small pox, cholera and malaria which were rampant even during the 1940s and the 1950s, had been practically eliminated or dramatically reduced. Nutrition levels had improved, infant and child mortality rates had fallen. Death rates declined and life expectancy and education had spread.

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37. Francis Fuky "The End of History and Last Man", New York, 1992, p.89.

38. SWB / FE / Z/ 85 P WB /4 December 22, 1994.

Social development indicators were, health, education, employment, women development. Enhanced education and better health for the people are among the basic objectives and indicators of development. Conversely, inadequacies in both are inextricably linked with poverty. As was well recognized, accomplishments in education and health make individuals economically more productive and enable them to earn more and live better. Inadequacies impair productive capacity and constrain earning opportunities. Society benefits in numerous ways from an educated and healthy environment. Provisions for health and education are thus derived both as a means and a goal of development.

### Health

There have been impressive advances in the health situation:

The factors responsible for average life expectancy improvement included rising nutritional standards, advances in fertility control, wider access to safe water, better sanitation and other primary health care-related developments, higher literacy and health education levels, wider public access to health information, increased availability of affordable antibiotics and other pharmaceuticals were among the elements that had brought curative health within the reach of many. Health infrastructure had also improved. Health position indicators were, mortality rate, infant mortality and life expectancy.

Under five mortality rate			Infant mortality rate			Life expectancy		
1960	1990	1994	1960	1990	1994	1960	1990	1994
232	65	50	156	49	37	44	63	67

Source: Asia Week, August 10, 1994, p.43.

The mortality (under five) rate had come down from 65 in 1990 to 50 in 1994 and the infant mortality rate also was down from 49 in 1990 to 37 in 1994. There was small improvement in life expectancy 63 in 1990 to 67 in 1994.

The Government had undertaken a number of measures to improving the health conditions of people.

#### 1. Control of Goitre

The Goitre national committee and UNICEF conducted survey on this issue with the endocrinology hospital. Results showed that 94 percent of the population suffered from iodine deficiency. The average ratio of goitre suffered was 34.2 per cent in mountain provinces and highland areas. To overcome this problem they suggested six kilogrammes of iodized salt in mountain provinces, highlands where the problem was serious and four kilogrammes, each in other areas. It was estimated that atleast need 3,24,000 tonnes of iodized salt for nation-wide. The state had increased investment to 34 billion dong (US\$ 3.1 million) to produce

and supply iodized salt in the 1994 up from 27 billion dong in 1993 and 17 billion dong in 1992.

The country had received assistance from international organizations, notably from UNICEF, CEMUBAC (a non-Governmental organization from Belgium) and AIDAB (Australian International Development Assistance Bureau). The Gaitre sufferers rate fell 2.2 per cent annually. Gaitre was reduced by 14 per cent in Cam Van and Cam Thuy communes in Thanh Hoa Province.

More than 9.3 million under-five children in Vietnam got the second dose of vaccine against polio in 1994. These children represented 94.5 per cent of the total number of children of their age group in the country. More than seven million children aged from 6 to 60 months were provided vitamin A. More than 34,000 children aged from 23 months in the mountains areas were immunized against measles and more than 347,000 women were in the child-bearing age, pregnant or vulnerable to tetanus, were vaccinated against the disease. UNICEF and WHO had disbursed more than one billion Vietnamese dong [rough US \$ 100,000] to help Vietnam to conduct this second nation-wide vaccination campaign.<sup>39</sup>

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39. SWB FE / 1330 P A / 10, July 22, 1994.

The number of malaria sufferers was down 30% in the first half of 1993, and the death rate from malaria dropped by 61%. In the Central Highlands, one of the worst infested areas, the death rate was 76% lower than in the corresponding period of 1992.

### Education

Education is an objective of both economic and social development and a means of achieving it. At the macro level education plays an important role with the rising importance of technology in the production process. Education is a vital input for the development, adaptation, absorption and application of technology. For the individual, it enhances employment potential and increases productivity in whatever occupation one pursues. No less important is the fact that education has much to do with the formation of attitudes and aspirations necessary for modern economic enterprises and socially responsible conduct. In making education system suitable for modern conditions, Vietnam in 1994 recognised the need for changes in the education pattern. So, changes had been introduced in the public education system. New vocational training centres were opened. From 1991-94 number of students and teachers was increased.<sup>40</sup> Government

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40. The Europa World Year Book, 1993, Vol.2 Kazakhstan - Zimbabwe, Europa Publication Ltd, London, 1993.

budget allocation for education was increased. On the other hand international community extended its full cooperation to modernize the education system to suite the current environment.

### **Employment**

Liberalization had generated more jobs to people. According to Vietnam State Committee for Cooperation "From 1988 to 1993 foreign investors have created goods and services worth US\$ 80 million, provided nearly 50,000 jobs and remitted to the state budget US\$ 211 million."<sup>41</sup> The Communist Party Daily Nhan Dan reported in October 1993 "that foreign investment enterprises employed 40,000 Vietnamese workers and produced goods worth about US\$ 500 million a year, of which US\$ 100 million was exported."<sup>42</sup>

The number of unemployed had started falling during 1991-94.

### **Women's Development**

In countries like India and Vietnam, the role of women in societal development had not been recognised upto 1990s. DUE to lack of women participation in all development activities of society, the country's problems had started rising.

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41. SWB FEW / 0365 P WB/1 January 4, 1995.

42. Asian Year Book: 1994, p.224.



Population growth could be better tackled if women would be well aware of the negative impact of population growth on a family development and, country development. This truth was recognized by Communist Party.

To promote women's participation in all developmental activities, the Communist Party of Vietnam had passed a resolution on July 25 1994, with motivation to create good environment in society for women's participation, strengthening view-points and key tasks on women. These included efforts to provide jobs, improve their daily life, provide them with work and social safety insurance, promote their physical fitness and protect interest of women working for state-run and private business establishments.<sup>43</sup>

Concerning implementation of the resolution Communist Party stressed that echelons of party committees, state agencies, mass organisations and chapters of the Vietnam Women's Union (VMU) were dutybound to disseminate the party lines and policies on women's mobilization work. As to compare the position of women in Vietnam and other mainland southeast Asian countries, the position of women in Vietnam is much better.

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43. SWB FF / 1752 P WB/6 July 28, 1993.

The economic growth and transformation in Vietnam had contributed to social progress. Along with social progress, however, some social problems have arisen. These were

1. Poverty
2. Drug abuse
3. Prostitution
4. Aids

Simultaneously, social vices that emerged were:

1. Corruption
2. Smuggling
3. Crime

### **Poverty**

According to 1994 World Bank report, in Vietnam 51% of the population was living under the poverty line. Rate of increase in rural areas was reported very high. In rural areas nearly 57% of the people were living in poverty.

Due to liberalization the gap between rich and poor was widening, so was income distribution between urban and rural areas. The average per capita spending in urban areas was 60% higher than in rural areas.<sup>44</sup>

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44. Murry Hiebert, "Economics Struck at the Bottom" FEER, January 13, 1994.

Since poverty mainly concentrated in rural areas, it could be removed through development of agriculture. The decades old land policy of communist party was mainly responsible for the problem. Poverty was the real cause for several social problems. It was a main factor behind drug abuse, prostitution, etc.

### Drug Trafficking in Vietnam

There exist complex interrelationships among the abuse of mind altering and habituating/addictive drugs, prostitution, human immuno-deficiency virus (HIV) infection leading to the acquired immune deficiency syndrome (AIDS) and poverty.

The complex factors known to be causing drug abuse are curiosity, peer pressures, family problems, frustration that arises from unemployment, confused situation in the academic area, weakening of moral and social values and easy accessibility to drugs. To address these problems adequately, multi-pronged multipronged actions are needed. The issue of poverty is often intertwined with the drug problem. Poverty can promote drug abuse and also act as an incentive to engage in drug trade because of the possibility of making money. Thus to attack the problem of drug abuse would also require fighting poverty in addition to a variety

of legal and educational measures designed so reduce the supply of as well as the demand for, drugs.

The use of drugs often leads, in turn, to violation of established rules and norms which resulted in delinquent behaviours. The influence of drugs for example, lowers the threshold of resistance to sexually risky behaviour and causes infection with sexually transmitted diseases, including HIV-infection.

Drug abuse can be a significant contributory factor to poverty and the social costs of substance abuse are many. Apart from its effects on the health of the users, there was also the social destabilizing effect, lacking in reason and self control, user pose a grave threat to public safety as well as family and community life, disrupt peace and participation in productive activities.

According to still incomplete statistics, there were more than 1,000 drug addicts, in Vietnam drug traffickers and owners of opium dens in Hai Hung province (south of Hanoi). In 1990, a total of 11 cases of drug abuse were discovered, with 44 drug addicts being caught in the act. In the first eight months of 1994 as many as 85 cases involving 115 drug addicts were reported. Most of them did not have secure jobs but earned their living by working chiefly at state-run and rest facilities as well at dimly lit coffee

stops that also served as a venue for the fresh trade in the Hai Duong rail road area and along Dong Quang street in Hai Duong Township.<sup>45</sup>

### **Rehabilitation Programme**

Provision of alternative activities to drug abuse, such as sports or income-generating and educational activities. School-based intervention including teacher training and the establishment and involvement of parent-teacher associations organization of community-based detoxification of drug abuses and their prevention of relapses by drug abuses discharged after treatment. Important aspects of these community -based approaches are the empowerment of communities, the reiteration of social forms against drug abuse as well as crime and prostitution and the establishment of neighbourhood assistance mechanisms in times of crisis.

### **Prostitution**

Prostitution was a newly emerged social voice. It was mainly concentrated in urban surroundings. In 1993, nearly 50000 prostitutes were in Ho Chi Minh City and Government had launched raids on 200 brothels. For the origin of the problem, official media in Hanoi put the blame on the

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45. SWB FE / October 12, 1994.

country's economic liberalisation. "With the shift to a market-oriented economy, social evils have increased alongside economic growth" Vietnam News Agency reported in October, 1993.<sup>46</sup>

As compared to other mainland south-east Asian countries where this problem has reached a high watermark especially in Thailand, Burma.

#### **The Risk of HIV (AIDS)**

In 1994 blood tests were conducted out of 3,500 people of the targeted groups in Dong Nai province (North of Ho Chi Minh city) 63 had been found to be infected by HIV or AIDS of whom 58 were drug addicts and five were prostitutes. The provincial hygiene prevention centre was currently conducting blood tests on 200 persons a month. This was especially in areas which were vulnerable to HIV.

#### **SOCIAL VOICE**

##### **Corruption**

Corruption in the Vietnamese society was not a new social voice. It was the main cause for failure of communist system in delivering the goods to the people. During 1975 and 1986.

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46. Asia Year Book 1994, FEER, pp. 219-223.

Corruption was associated with smuggling and other economic activities which were being carried out by opportunists through 100 pholes in the economic management of various state agencies. As a result, this social vice persisted, especially in key economic sectors, such as trade, construction, communications, and transportation, maritime products and the agriculture and food industry even as the Government straves to oppose corruption. In 1993, the authorities concerned had detected 918 cases of corruption including follow-up cases. This caused a loss of 285,162,000,000 dong to the state.<sup>47</sup>

In mid-1993 the Government dismissed 210 people from service, including 10 public security service directors and deputy directors, and took disciplinary action against many cadres for taking bribes from or lending assistance to smugglers and illegal business men. Typical of places where these measures were launched were Ho Chi Minh city and Vinh Long, Cao Bang and Lang Son provinces.

### Smuggling

Smuggling is one of the major social vices which is causing economic instability in country. The change of system had provided more demand for smuggled goods.

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47. SWB / FE / 187 / P B/5 December 14, 1993.

Smuggling activities were mainly concentrated in the south-western and northern border areas as well as on various sea routes.

In 1993, authorities detected and dealt with 17025 cases of smuggling, who had involved in trading of banned goods and illegal business transactions, counterfeit and tax evasion. The authorities confiscated a volume of goods worth 309 billion dong. At the southwestern border alone 1870 cases were detected and goods confiscated were valued at 22 billion dong. At the northern border, 675 cases were dealt with and items confiscated were worth 13,494,000,000 dong.<sup>48</sup>

For tackling smuggling activities, the Government suggested that National Assembly deputies, National Assembly delegates and the National Assembly standing committee step up supervision over implementation of the campaign against corruption and smuggling in areas under their charge and workout legal documents to ensure timely and correct measures, thus creating favourable conditions for the campaign against corruption and smuggling.<sup>49</sup>

Criminal and corrupt practices in business and government circles could cause grievous economic losses and

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48. SWB FE / 1752 P B/6 July 18, 1993

49. SWB / FE / December 14, 1993.



have an adverse effect on public morale and confidence with potentially destabilizing consequences.

### Crime

Murder, robbery, theft and rape are generally considered major crimes. In case of Vietnam, "there was wide range of economic crime and corruption committed not by the poor to meet the perceived needs, or by die-hard deviants, but by supposedly reputable people in position of trust and authority".<sup>50</sup>

In 1993, state investigation agencies at various echelons had investigated 754 cases involving 2,224 criminals. The people's court at various levels had tried 248 cases involving 427 offenders.<sup>51</sup>

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50. Graham Hancock, Lords of Poverty (Great Britain, 1989) and James Clad, Behind the Myth, Business, Money and Power in Southeast Asia (GB 1989)

51. SWB FE / 10871 B / 5 December 14, 1993

**TABLE - 1 : MAJOR ECONOMIC INDICATORS : VIETNAM**

<u>% Change</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Gross Domestic Product	6.0	8.3	8.0	9.0
Agriculture	2.2	6.0	3.3	6.5
Industry	9.1	11.7	11.3	11.5
Services	8.2	8.7	10.5	9.7

Source: Data collected from General Statistical Office of the Socialist Republic of Vietnam by EDRC for the Asian Development Bank Annual Report 1993: World Bank, World Debt Tables, 1993-94, Vol.2 [Washington, D.C. 1993] and staff estimates.

**TABLE - 2 : SECTORAL SHARE OF GDP (%)**

	AGRICULTURE	INDUSTRY	SERVICE
1980	42.7	26.3	31.0
1993	36.4	21.5	38.9

SOURCE: Asian Development Bank Outlook 1994.

**TABLE - 3 : ECONOMICALLY ACTIVE POPULATION (000 PERSONS)**

	1991	1992	1993
Material Sphere	28,972.6 72%	29,782.8 72.3%	30,622.4 72.4%
Agriculture	22,296.3	23,019.3	23,705.2
Industry	3,394.0 10.9%	3,450.0 10.8%	3,521.8 10.7%
Non-material Sphere	2,001.6 6.4%	2,036.1 6.3%	2,093.9 6.4%
Total	30,974.2	31,818.9	32,716.3

Source: General Statistical Office of the Socialist Republic of Vietnam, The Far East and Australasia - 1994, p. 984.

TABLE 4

	1989	1990	1991	1992	1993	1994
Trade in Convertible Currencies US\$ (Million)	1138.2	1292.5	2009.8			
France	79.7	115.7	83.1			
Hong Kong	78.9	243.2	223.3			
Japan	261.0	340.3	719.3			
Singapore	70.7	194.5	425.0			
Trade in unconvertible Currencies US\$ (Million)	807.5	1111.5	77.3			
Czechoslovakia	43.8	48.8	4.3			
Hungary	20.1	16.6	5.0			
Poland	89.2	10.6	4.1			
USSR	548.6	919.7	214.5			

Source: The Far East and Australasia - 1994, 28 edition, p. 986 as from General Statistical Office of the Socialist Republic of Hanoi, Communist Party of Vietnam.

**TABLE - 5 : GROWTH RATE OF MERCHANDISE EXPORTS**

	PERCENT PER ANNUM	VALUE US \$ BILLION
1988	21.6	
1989	27.1	
1990	31.1	
1991	18.0	2.1
1992	21.2	2.5
1993	15.2	3.0
1994	20.0	3.6
	TOTAL	11.2

**GROWTH RATE OF MERCHANDISE <sup>IM</sup> PORTS**

	PERCENT PER ANNUM	VALUE US \$ BILLION
1988	13.1	
1989	9.4	
1990	6.2	
1991	18.8	2.3
1992	20.4	2.5
1993	38.3	3.1
1994	23.0	4.2
	TOTAL	12.1

SOURCE: Asian Development Outbook 1994

**TABLE - 6 : BALANCE OF TRADE** [US \$ MILLION]

1988	—	350
1990	—	41
1991	—	63
1992	—	60
1993	—	655
1994	—	860

SOURCE: Asian Development Outlook 1994

**TABLE - 7 : BALANCE OF PAYMENTS ON CURRENT ACCOUNT [US \$ MILLION]**

1988	— 747
1989	— 584
1990	— 259
1991	— 188
1992	— 36
1993	— 758
1994	— 960

SOURCE: Asian Development Outlook 1994



CHAPTER - IV

CONCLUSION

In 1969 Ho Chi Minh had included the following passage in his last testament.

"Our mountains will always be, our rivers will always be. The American invaders defeated, we will rebuild our land ten times more beautiful."

Vietnam had failed in rebuilding Vietnam during 1975-1986. The country's leadership had given economic development second place, the first priority was assigned to political and geo-strategic considerations. This came to be one of the main reasons, for economic backwardness, the other reasons for the decline of economy were, the start of economic integration in 1978. The Vietnamese armed action against Cambodia in December 1978 - January 1979 and China's invasion on Vietnam in February 1979. By 1986 the leaders in Vietnam realized the fruitility of continuing with the principles of Marxist-Leninist model of centralised economic development. They tended to be convinced that this model had been the major reason for the serious set-back in economy and thus had to be abandoned. Simultaneously, there had been a qualitative change in the configuration of global power balance. The Soviet Union and East European countries of the CMEA which had been pumping massive doses of money to Vietnam to subserve its geo-strategic objectives in Indo-China were themselves in the grip of economic decline.

Subsequently economic and political developments which proved to be highly destabilizing in these countries had a serious impact on the thinking of communist leaders in Hanoi.

To overcome the difficulties, the Government decided to introduce market-oriented reforms in all key sectors of economy. The reforms in economy had continued from 1986 to 1990. during this period, the Country's economy faced lot of difficulties. As a result, economic development had taken place only at a halting pace. The economy had also been facing serious investment problems. Eventhough economy was opened up for foreign investment, there was limited foreign investment flowing into the country. This resulted from low level of tapping of both natural and human resources. The main factors which had prevented large-scale flow of foreign investment were, the yet unsettled Cambodian problem and the US imposed economic and trade embargo.

To overcome all economic problems which the country had been facing since 1975, leadership in Hanoi had recognised that both foreign investment and aid were very crucial for economic development. To attract both foreign investment and aid, Vietnam had from 1991 to 1994 started following a new set of ideas which substantially changed the orientation of foreign economic policy.

Foreign Economic Policy from this period was well received among the international community. The country received large-scale foreign investment and aid. It was this that made it possible for Vietnam to achieve all-round development. The Vietnamese people had lived in dire straits upto 1990, due to serious difficulties in the path of development. It did not meet even the peoples daily necessities. During 1991 to 1994 the country witnessed impressive economic development with development in economy, social progress was achieved as well.

The policy of liberalization pursued vigorously had contributed in reconstructing five times more beautiful Vietnam. If this policy continued apace, the dream of Ho Chi Minh rebuild Vietnam "ten times more beautiful" would be achieved soon.

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