

## **PART II: PROCEEDINGS**

Summary of Report, Comment and Discussion

## Session I: The Current Economic Situation and Economic Growth Planning of Indochinese Countries

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Session I consists of the discussion on the three Indochinese countries which are in urgent need of economic cooperation, namely Vietnam, Laos and Cambodia. Four reports were given in session I.

(1) Mr. Ikuo Takeuchi spoke on "Economic Reform in Vietnam: Achievement, Present Situation, Prospect for International Economic Cooperation," (2) Mr. Nguyen Xuan Oanh on "Vietnam's Economic Reform: Shifting to the Market," Mr. Panom Lathouly on "Lao Economy: The Current Situation and Perspective," and (4) Mr. Michael Vickery on "Cambodian Economy: Where Has It Come from, Where Is It Going?"

## The Economic Reform in Vietnam

*Chairperson:* Tsutomu Murano (Deputy Director, Current Affairs Department, IDE)

*Reporter:* Ikuo Takeuchi (Area Studies Department, IDE)

*Commentator:* Tadashi Mio (Professor, Daito Bunka University)

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### Summary of the Report

*Doi Moi* that started in 1986 amidst the prolonged economic difficulties and the shortage of development aid had two major objectives. One is the transfer of investing priority from the heavy industry which was once the symbol of socialistic industrialization, to such industries connected to daily life, or those sectors in which Vietnam enjoys relative advantage as agriculture, consumer goods and export goods. This shift in priority should be accompanied by a drastic change in the existing economic management, having been criticized as both inflexible and inefficient. The second objective of *Doi Moi* is the multification in the sources of development assistance, that is to extend the country's economic relations to the West and the Third World, without restricting them to the Soviet Union which requested more effective use of its assistance.

The achievement of *Doi-Moi* at home can be seen in the improvement of the service sector, resulting from the encouraged business in private sector as well as in the organization of basic structures necessary for the transition to market-oriented economy (reduced restriction in state-run enterprises, liberalization in food distribution system, tight money policy, introduction of a kind of floating system in currency). The right to use land granted to cooperative farmers in 1988, stimulated the farmers' initiatives for greater production, and resulted in the export of

1,600,000 tons of rice in 1989 and in 1990.

The highlight of the open-door policy is the Foreign Investment Code enacted in April 1988 and partly revised in June 1990. The Code stipulates that there should be three different forms of foreign investment, that is, a joint venture companies, enterprises 100% foreign invested capital and constructual business cooperations, while providing numerous preferential treatment to foreign capital so that the amount of the foreign investment can be increased. As a result of this Code, Hong Kong and Taiwan have already made some advances into the sectors as agriculture, fisheries, forestry and their processing sectors, while Western countries such as France and Canada have invested in the petroleum industry, Vietnam's second largest foreign exchange earner after rice.

The Seventh Communist Party Congress convened at the end of June 1991 more or less reconfirmed the maintenance of the *Doi-Moi* policy.

However as the result of the drastic changes in the Soviet Union and the Eastern Europe since 1989, Vietnam is now obliged to tighten itself politically, while facing a new difficulty in its economy brought about by the new Russo-Vietnamese relations. The most difficult problem lies not so much in the agricultural sector where Vietnam has long been dependent on the Soviet Union for more than 60% of its fertilizer import, as in the problem of how to procure investment fund in face of the diminishing fund from the Soviet Union. This is why the "Political Report" issued at the Seventh Congress could not put down the specifics of the next five-year plan with regards to heavy industries, to the development of mining resources as well as to infrastructure adjustment such as transportation and communication, all these areas where large investments is required.

When the nations in the Asian-Pacific region are expected to achieve a considerable economic growth toward the dawn of the 21 century, it is desirable that Vietnam too should make a similar growth as a member of the region. In the Long-Term Economic Development Strategy adopted at the Seventh Congress, Vietnam made public its plan to double its national income (its per capita income is \$200-\$210 now) during the next 10 years. However, in order to achieve this brave goal, it is necessary for Vietnam to achieve more than 7% annual growth while turning to foreign assistance or private foreign capital for approximately half of its investment fund. In the present situation where Vietnam's immature infrastructure is preventing foreigners from investing the country, Vietnam should make every effort to improve its circumstances for investment as well as to find an early solution in the cooperative relations with Japan and the U.S.A., (the latter is still continuing economic blockade). With regards to a desirable economic policy, the following few points should be given priority; (1) in view of economic cooperation, further separation of financial policy from that of monetary policy, (2) in view of the transition to market economy, the abolition of negative spread of interest rates, the earliest possible announcement of bankruptcy law, the earliest possible privatization of state-run enterprises and other rennovative measures, (3) in view of encouraging private capital, the establishment of capital market as well as labor market. The first step Vietnam should take for its economic development in the future will be the education and the training of officials well informed with the Western management and circumstances.

## Summary of Comment

There is distinctive feature in Vietnamese *Doi Moi*. It is the introduction of a socialist-oriented mixed economy while continuously denying multi-party system in the political field i.e. the economic-liberalization policy has been carried out, based on the relatively stable politics. Vietnam intends to liberalize its politics only gradually, that is step by step.

*Doi Moi* is a policy taken in the “transitional period to socialism.” The Political Program adopted by the Seventh Congress not only clarified as its goal the establishment of a socialistic ownership system in the future, but also characterized its target as “a socialist-oriented mixed economy.” However in reality, the Marxist-Leninist elements which could have prevented the smooth operation of market economy have been one by one removed from the system.

With regards to the achievement of *Doi Moi*, a few points should be added to the examples given by the reporter, such as the expansion of export, the improvement in the deficit structure of trade and also the structural changes in Vietnam’s trading partners. With regards to the monetary policy, the decision to slide deposit rate in accordance with the fluctuations in consumer price indexes should be pointed out as the major contributor to the reduced inflation.

One more word to the open-door policy. The present Foreign Investment Code has so many points yet to be adjusted that detailed regulations should be devised before the country is able to invite as much foreign capital as possible.

With regards to the present situations of Vietnamese economy, several problems should be identified other than the ones mentioned by the reporter, such as the deterioration of both machines and equipments in factories as well as of transportation means, the unemployment problem and the trouble deriving from farmland distribution and from the transformation of each farmer into self-managing farmer.

With regards to the future economic cooperation with foreign countries, a few points should be added to the problems referred to by the reporter, that is, how to cope with the existing state-run enterprises. At present there exist many non-state-run enterprises scattered all over the country in Vietnam, most of which are of small scale yet play a major role in the national economy. Another important entity in Vietnamese economy is the industrial enterprises under the control of People’s Army, which awaits a smooth transition into a self-supporting system. Since most of the non-state-run enterprises are small-and-medium sized companies, wouldn’t they be the counterparts for investment by Japanese investors for the time being?