

Chapter I :

AN OVERVIEW OF RESTRUCTURING (DOI MOI) IN VIETNAM.

At the beginning of 1979 Vietnam introduced the first micro-economic reforms in agriculture, small industry and trading. The reforms were supposed to adjust the shortcomings of the centrally planned command economy, rigorously copied from Vietnam's major ally : the Soviet Union.

Changes in international relations and politics in the middle of the eighties forced the Communist Party of Vietnam (CPV) at its sixth Congress in December 1986 to further concretizing the concept of reforms and prepare the ground for macro-economic adjustments.

Vietnamese economy is the transitional economy of predominantly small-scale production to socialist large-scale production in a planned commodity economy with many sectors. During the first ten years following the liberation of the North (1954), the Government embarked upon economic restoration and development, and then managed the economy in line with the traditional models, which basically resembled those in many socialist countries with similar conditions. This traditional mechanism of economic management played a definite historical role, but, already in the early 1960's it began to reveal limits and weakness in the North. This required that measures be taken to improve in particular the management of enterprises. Efforts to improve the management of enterprises, begun in 1964, recorded initial results in enhancing economic and

financial management, improving technology and combating embezzlement, waste and bureaucracy. When war broken out again in the North, such efforts were disrupted. In addition, the war not only destroyed the material infrastructure, but also negatively affected the patterns of enterprise management. That is why, after the South had been liberated and the economy reunified, instead of introducing a new mechanism for nation-wide economic management, the management mechanism existing in the North had to be used for the whole country. This traditional mechanism remained basically in force until 1979, although many changes had taken place. The old management mechanism, characterized by bureaucratic centralism and state subsidies, which was maintained for too long, has failed to generate development. It weakened the state-owned economy, limited utilization and transformed non-state economic sectors, hampered production, reduced productivity, quality and efficiency, created chaos in distribution and circulation, and gave rise to many negative phenomena in society. This mechanism did not encourage creative talent or productive labour. Corruptions as well as anti-democratic and unjust practices occurred in society. Foreign trade was neglected in the building and development of the country's economy . The mistakes in politically-determined strategic directives included the priority to heavy industry or the abolition of multi-sectoral economy. The inflation was galloped, people's life became hard, their confidence diminished. Around the years 1985-1986 Vietnam was in deep socio-economic crisis.

To overcome these difficulties and shortcomings and escape from the inertia resulting from the mechanism based on bureaucratic, irrational state subsidies in the late 1970's and the early 1980's, the Central Committee of the Communist Party, the National Assembly and the Council of Ministers took decisions for a vigorous renewal with the following *objectives*:

1. To develop a multi-sectoral economy to undertake activities in production and business either individually or collectively.
2. To concentrate on production of food, consumer and export goods.
3. To embark upon the restructuring of the economic management in the following main directions:
 - Decentralization of state economic management to local levels,
 - Replacement of administrative measures with economic ones such as taxation, interest rate, monetary and pricing policies,
 - Granting more rights to the people who are directly involved in business and production,
4. To implement the open door policy and expand the foreign economic relations, thus gradually merging into the regional and world economy.

To achieve the above goals and content since 1987 the CPV and Vietnamese Government have issued "The Party's Strategy for Socio-Economic Stabilization and Development in our Country up to the year 2000"¹

1. The Truth Publishers, Hanoi, July 1991

The Strategy sets the following economic targets for the year 2000 (tab.1.1):

Tab.1.1 Economic Targets for the year 2000

	1991-1995	1996-2000	1991-2000
GDP growth rate (%)	6-8	8.5	8
Agricultural output (%)	4.1-4.5	4.0-4.5	4.2
Industrial output (%)	10-11	14-15	12.5
Export (Billion USD)	15	30	45
Inflation (%)	3.5-4.1	5.0-6.0	5.0
Accumulation (%)	10-15	16-20	14-18
Investment (Billion USD)	10.5	34.5	45

Source : Strategy for socioeconomic stabilization and development in our country up to the year 2000

"... to get out of the crisis, stabilize the socio-economic situation, strive to overcome the state of being a poor and underdeveloped country, improve the livelihood of the people, consolidate national defence and security, create conditions for the country to faster develop into the 21-st century. The Gross Domestic Product (GDP) by the year 2000 will be double against 1990" ²

Up to now, *the most important achievements* of the restructuring process are as follows :

2. The Truth Publishers, Hanoi, July, 1991

- The self-sufficiency in food supply, moreover, Vietnam become the second biggest country in the world in exporting rice ³
- The overcome of effect of the collapse of the former Soviet Union and the COMECON.
- The establishment of new markets not only in Asia but also in many other areas of the World.
- Increase of export and with a balance of trade. The ratio of Export/Import in 1993 is 105% (export is greater than import) ⁴
- The increased economic stability, very fast decrease inflation rate (from 95.8% in 1988 to 5.2% in 1993).

3. General Department of Statistics, Vol.3, P.51, Hanoi 1994.

4. Tran ngoc Vinh "Financial and Monetary Policies", P.79.