CHAPTER-V
CONCLUSION

The Vietnamese communist party led a strong militant struggle against colonial France and later on the United States to win freedom and to unify the two parts of Vietnam. This was after years of struggle and sacrifice of millions of party men and volunteers. Vietnam won independence and re-unified after a gap of 21 years in 1976. The communist party strongly believed that socialist model of development was a better path to development and reconstruction. From 1960 to 1985, Vietnam implemented three five years plans. Due to various reasons, plans continuously failed to achieve targets. As a result the economy failed to tap both human and natural resources, thus turning Vietnam as a least developed country in Southeast Asia. Vietnam depended on aids from the socialist bloc countries, mainly from the Soviet Union but it was not sufficient to support economic development. The communist party had no solutions for economic and social problems. They saw crisis in the economy and society which posed a threat to political stability. These developments forced the communist party to review the socialist model of development and recognized the importance of private sector and foreign investment in development processes.

In order to promote private sectors and attract foreign investors, Vietnam started introducing market-oriented reforms in centrally planned command economy. The reforms were gradually to build new foundations for market economy under the socialist framework. The reforms began with agriculture, but spread to all sectors. The reforms gradually freed the economy from state control and government intervention, and attracted foreign capital into the economy.
Its efforts, however, did not yield good results in the initial period mainly because of the unsettled Cambodian problems. The U.S. had imposed economic and trade embargo since 1954 and had prevented large scale inflow of foreign investment and aid. It took a long period for Vietnam to realize the gravity of the situation, resulting from the enormous burden from the U.S. imposed embargo for its economy and society.

Vietnam was one of the countries which had signed the Paris agreement in October, 1991 to settle the Cambodian conflict. The leaders in Hanoi made serious efforts to sort out differences in this matter. Over a period of time, its effort in doing so got favourable response from Washington.

In 1993 it became evident when the U.S. allowed its business houses to open its representative offices in Vietnam and entering into business agreements with Vietnam. Later in February 1994, the U.S. finally decided to lift its economic and trade embargo. This was a significant development in attracting foreign investment for development. After 1993 inflow of foreign investment and aid increased. The open economic policies for decade since 1986 undoubtedly had played a significant role in making it possible for Vietnam to achieve long term continuous development. Vietnam is considered to be one of the country which had successfully managed its transition. The strength of the state had increased, it had contributed to achieve political stability. Vietnam was only country among the socialist countries which had transitioned from state regulated to market led economy without any kind of political instability.

In 1988 total domestic investment accounted for 8.1 per cent of Vietnam GDP, it had gradually increased. By 1994 total domestic investment accounted 22.2 per cent of GDP. Domestic private and foreign investment share gradually
increased, whereas share from state budget contribution to the domestic investment gradually had fallen. Vietnam during 1986-90 achieved an average annual growth rate of 3.9 per cent. Between 1991-95 the economy registered an average growth of 8.2 percent per year and peaked at 9.5 in 1995. Per capita income of Vietnamese was estimated to be 1,131 billion dong in 1991. It gradually increased and in 1995 it was estimated to be 3.011 billion dong.

Agriculture sector contribution to overall economy was substantial contributing 50.5 per cent of GDP in the beginning. In the entire period (1986-96) food grains production gradually increased, whereas the output of most industrial products remained stagnant in the beginning 1990s but thereafter dramatic increase was reported in the output of sugar, groundnuts and soyabean. Industrial share in GDP gradually increased in 1990, 38.6 percent to 41.6 percent in 1994. Industry sector share in GDP increased from 18.8 per cent in 1990, to 27.7 per cent in 1994.

Industrial production by state and non-state sectors gradually increased. The state sector contribution on to GDP grew from 23.7 in the mid 1980s to 29.4 per cent in 1989 and 40.4 in 1994. State firms control about 85 percent of fixed assets in industry, employing 90 per cent of skilled workers or about 7 per cent of country’s work force. Whereas the share of the private sector in the gross industrial product increased from 15.6 in 1986 to 25.7 in 1994.

The service – sector achieved a significant growth rate and it witnessed a continuous growth rate and gradually emerged as a significant player in the overall economy. This sector contribution to GDP increased from 38.6 per cent in 1990 to 41.21 per cent in 1994. Trade make up around 30 per cent of service sector.
The direction of Vietnam’s foreign trade had changed, up to 1989, Vietnam carried out foreign trade mainly with socialist countries later it shifted to Asian countries. Agricultural goods in Vietnam’s exports gradually fallen and industrial exports have increased. Within industrial exports, textiles, garments, crude oil and shoes occupy major share. Yet Vietnam continues to import many industrial products like, fertilizer, construction steel, cement, etc. Vietnam’s exports grew at an annual average rate of 23 percent between 1989 to 1994. Exports represents only less than 20 percent in GDP. It contributed to trade deficit and increasing foreign debts. By the end of 1993 Vietnam’s foreign debts estimated to be around US$ 24.2 billion.

De-collectivization of agriculture has brought a sea change at the grassroots level. The social institutions which were attached to it were left out without sufficient funds. Funds to social service institutions came mainly from user fee and central government. Reforms put an end to distributive mechanism and unequal distribution of national income. In addition, rapid privatization of social service in the absence of improved access to employment or income earning opportunities forced people to encounter hardships and the living conditions of people started falling. The changes in health sector had forced a large section of society to go in for self medication and 50 percent of the people were completely not in a position to access health centres. This resulted in the drastic reduction of the number of visits to public outpatient declining to 50 percent between 1987 and 1993. The number of visits by outpatients, to public health centres declined to 10 percent, despite a population increase of some 13 per cent. A major portion of the population is completely excluded from using sophisticated medicines, treatment. There is a no system to assist the poorest.
After introducing user fees in educational institutions, there was a decline in enrollment at all level from 1985 to 1995. Enrollment in primary school had grown only by 2.1 per cent, lagging behind the birth rate. There was a large scale drop out rate in secondary schools. There was a large scale drop out of about 65 per cent in vocational schools. Children’s education mainly depended on the family’s economic position. The higher income groups mainly sent their children to private and lower income groups to semi-public and public schools. The lowest income group struggled to provide education to their children. Among the lowest income group the single parent or single mother were not in a position to send their children to school and children from these families were forced to work. As a result child labour was prevalent widely in the agricultural sector.

The World Bank had made nation wide survey and concluded with a statement that “the impressive gains achieved during the last 30 years were under threat after 1980s.” As a result of changes in education system illiteracy reappearing in the Vietnam society.

The socialist market economy thus gave major emphasis for exploiting natural resources rather than human resources. These reforms failed to provide employment to the growing labour force. In addition, the reforms in the state owned enterprises resulted in the closing down of half of the state owned enterprises, and as a result 820,000 workers lost employment. As a result, unemployment rate continued to increase from 3.0 per cent in 1986 to 5.6 in 1989 and went up to 5.8 per cent in 1992.

The labour standards during the period fell drastically. The newly recruited work force was not guaranteed with life time employment. Instead a contract system came into existence. Under the contract system, the labour force was not
getting the minimum salaries or apprenticeship, allowance, social, medical and labour accident insurance.

After introducing market economy in Vietnam, problems also emerged. The main victims in the process were women and particularly single mothers. Single mothers were provided free accommodation and jobs under the socialist system but after reforms those facilities disappeared. The rate of divorce increased, which resulted in the rise of the number of female headed families. Single mothers and the wives with absentee husbands were the poorest and the worst affected section in the society.

In Vietnam, the progressive ideology and institutions, which had been built to achieve cultural equality between man and women were adversely affected. The foreign capitals bringing industrialization is bringing wealth to Vietnamese, but simultaneously it has its side effects. Prostitution, which enslaved half a million women during the Vietnam war, have returned, and the country may become the major sex market in Asia.

The conditions of ethnic minorities, who live in the mountain region, are considered downtrodden. More than three million people belonging to ethnic minorities in mountainous area still lead a nomadic life. The minorities belonging to a very poor section of the society, who did not have enough food for three-four months in a year are mostly illiterate.

The economic growth increased the pressure on natural resources and demands for energy have also increased. The economic transformation have environmental implications. Vietnam had a total of 10,663, million hectares of forest in 1980, which had fallen to 9,793 million hectares in 1990. It has decreased further to 9,117 million hectares in 1995. The annual average change
was reported to be 4.5 per cent in 1990 and had increased to 4.7 in 1995. Damage to forests had posed a great threat to the environment balance and increased the frequency of droughts and floods due to soil erosion. In addition to this, energy released environmental impacts from the emission of atmospheric pollutants such as SO₂ released in 1992 was 2.06 times higher than the 1980s level and emission of NO₂ had increased due to large scale consumption of diesel oil in the transport sector. In many areas in the south, the cultivable land was convert into shrimp farms. These trends are posing a great danger. Coastal fishing is decreasing and there is contamination of drinking water leading to viral diseases.

Vietnam’s economic reforms were well received by foreign investors, during 1988 to 1995, around 1,593 Foreign direct investment came up. Average amount of capital of a project (except for petroleum projects) gradually increased. In 1988-90, it around US $3.5 million, after 1991, it was increased to US$ 7.5 million, later to US$ 7.6 million in 1992, US$ 10 million in 1993-94, US$ 16.38 million in 1995. The total investment covered by all the projects were estimated to be US$ 20.333 million. Out of this a total of US$ 1.257 million valued projects were revoked or cancelled. The total investment actually committed were estimated to be US$ 585 million in that year. The investment mainly came in Joint Ventures and major investors came from Asian countries, mainly from Taiwan, Hong Kong and Japan.

By the end of 1995, foreign investors were producing one million tons of crude oil, 600,000 tons of construction material, 7,000 assembled automobiles, 10,000 motor bikes, 30,000 spindles, 35 million meters of batteries, 180 million litres of beer, 326 million medical tables, and 1 million colour tubes. The share of
foreign direct investment in GDP growth increased from 0.5 in 1988 to 22.2 percent in 1994.

Foreign enterprises had created 90,000 jobs for the Vietnamese between 1988-95. The total value of exports by FDI projects reached to US$ 169 million in 1993 (excluding crude oil). In 1994, the figure touched US$ 350 million equivalent to 8.3 percent of the total manufactured exports. In 1995, FDI projects exports value went up to US$ 400 million.

To conclude, it can be stated that Doi Moi has contributed to economic transformation of Vietnam. Several multinational are queuing up for business and trade, and the projection is that Vietnam would very soon catch up the pace of development as of Singapore, Taiwan or Japan.