

*address presented to the Rotary
Club of Nha Trang by Lawrence M. Flanagan
sometime in 1971*

Mr. president, honored guests, fellow rotarians. I express my personal pleasure for the opportunity of being here with you this evening and thank you for the honor of asking me to make this presentation at this first rotary dinner program.

Rather than attempt to use my poor Vietnamese or French I shall use English and hope that you can follow along on the copies that have been provided. I normally would not read from a prepared text but prefer to talk from notes. I will try to remember not to stray from the text but this is such a big subject that there is a temptation to go beyond what has been written on these pages.

The term economic development has become a popular phrase. Many people talk about it but few of them understand fully the complex process and all the many things that the process encompasses.

There are those who think that all that is needed is to take some capital, mix in some people and machines, and development follows as a natural outcome. If you ladies prepared your meals in that manner your families would not be very happy nor very well fed. The recipe for economic development is not that simple. There can be real substantial development only after all the many necessary ingredients have been put together in the correct proportion. This evening in the next few minutes I want to talk about economic development for this country and for the area around Nhatrang.

The war has been a great tragedy to this beautiful country in so many ways and each of you have seen this and have been touched by it so I will not dwell on that.

The conflict has brought about many changes and I do want to accent some of these that will have beneficial effects in the long run.

There has been a great movement of people from the rural to the urban areas. This has been a painful and upsetting matter to many but for any nation to develop it is a necessary movement that reduces the wide-spread underemployment of too many people on small farms that provide a subsistence living only. Subsistence farming will not provide the necessary capital for development-only surplus production will do that.

Many of those who have moved to the cities have acquired new skills and jobs and for the first time are a part of the everyday money economy. A wide range of service industries have been created to provide services that these people could not afford before.

There is now a wide-spread mobility of labor. People are no longer tied to the home village but can respond to the requirements for workers in other locations and make the move seeking employment.

Much of the population has become better acquainted with other parts of their own country by the travel involved in military service. They are no longer afraid to move and after the war is over many of these will seek the opportunity to settle on new land in areas away from their original homes. This breaks down the restrictive barriers between peoples and different parts of the country.

Those who have served in the military forces have learned new skills that will be useful upon their return to civilian life.

A network of improved roads now reaches every province. More secondary farm to market roads are needed but the basic road system is established. A large trucking industry has grown in response to the need to move cargo.

New and expanded port facilities have been constructed at several important points from one end of the country to the other. The nucleus of a maritime fleet has been established and will have peace time application.

A system of major airfields has been constructed. Persons have been trained to operate a variety of aircraft and equipment associated with aviation. This will have value to the country internally as well as internationally.

Expansion and improvements have been made to communications systems, radio, telephone, telegraph and a television network has been started.

Electrical power generating capacity has been expanded many times over as has been the municipal water systems. I am not saying these are now adequate to meet the total needs of the country but do represent a great stride forward.

Each of these systems (road, air, sea and communications) involve major problems of equipment, maintenance and technical support. All are expensive to maintain and operate but together they represent a large and important investment. Most developing nations spend many years of major effort building transportation and communications systems. This country now has the basic infrastructure and instead of struggling for decades to build these systems it can devote its energies and resources to the task of developing its economy through industry and trade. So we see that great strides have been made within a relatively short time in spite of the war.

Why is economic development necessary? Each of you can think of several reasons. You want to enjoy a better standard of living and provide the opportunities for your children and their children to live better lives.

This nation now imports about 750 million dollars worth of goods each year while it exports about 25 million. That leaves a tremendous

gap of over 700 million dollars that must be filled. Part of the imports relate to the war so when peace comes these can be reduced but the amount needed to continue the development process will still be large. The gap can be reduced in several ways.

Increase production of goods that can be substituted in place of imports and as examples I could list sugar, fibers, animal feed, fertilizer, cement and there are many more. Expand exports and here as examples could be listed wood products, salt, fish products, fruits and vegetables, animal products and there are many more here also. Another way to reduce imports is for the population to simply live without or reduce their use of some types of imports. These would be luxury or semi-luxury goods. Vehicles and gas could be rationed and the use of other commodities could be rationed or eliminated. This is not the desirable way but most newly developing nations find it necessary to restrict the importation of all non essential goods. It is usually not possible for a nation to enjoy luxuries at the same time it is trying to save for development.

I could not cover the many aspects of the development process if I talked all night but I will touch briefly on some of the main points.

Government plays a key role in development. It must adopt sound fiscal and monetary policies that help create the right conditions for local and foreign investors. It must impose essential controls on foreign exchange and imports yet not be so restrictive as to discourage initiative. Unnecessary restrictions on internal commerce must be removed. A reasonable tax and revenue system must be created. Scarce resources must be allocated so that the maximum benefit is realized. Local interests must be protected and both local and foreign investments encouraged. Sound planning processes must be established and the administrative system created to carry out the plans. You can see the tremendously difficult task that the government must face.

When planning a development program it is necessary to consider all essential parts.

Let's start with CAPITAL. It is not enough just to have the money. You can carry on a certain amount of business by direct cash exchanges but the more complex business and industrial sectors require a network of financial institutions.

On the government side there are the Industrial Development Center in Saigon with a small branch office in Danang, the Small Business and Handicraft Development Center in Saigon and the Agriculture Development Bank with branches in most provinces. None of these are staffed fully nor have enough capital to meet the needs or demands of their customers. A new system of Rural Banks is being established in the districts. These are

to be private banks with some government support if needed. This Region is to form six of the district Rural Banks this year with one of the six to be at Vinh Xuong. There are very few commercial banks and they do not have a policy of making loans to new businesses or to a higher risk venture. A person with a new idea or product to sell has a difficult time borrowing capital at an acceptable rate of interest. It will be necessary to expand the commercial banking and other financial institutions so they can meet the needs of an expanding and more complex economy.

An improved internal marketing system, that includes a wholesaler-retailer credit relationship, more complete market information and supported by the full range of commercial banking services, is needed.

Some capital loans from Asian Development Bank, World Bank and private foreign investors can be expected but those funds will be for large specific projects or industries. It will be necessary for local investors to take the lead and carry the major burden until security conditions are such that outside capital will be willing to bear the risk.

Management is another critical part of the development process. It is the skilled manager who can take all the inputs and put them together in the correct manner and produce a quality product efficiently. Managerial skills do not come easily and are always in short supply. This is true in Vietnam. Large numbers of competent middle level managers will have to be trained for business, industry and financial positions. The Industrial Development Center and the Ministry of Labor can assist but again the burden for training of the necessary managers will fall on the private sector or in other words on you gentlemen. I want to emphasize the need for good managers.

It takes labor to do the work and a nation expanding production and building new industries will require a wide range of skills. A great deal of the nation's manpower is in the military service and they have acquired new skills. There has been no attempt as yet to make a skills inventory to determine what range of skilled workers will be available. An estimate should be made of the numbers and types of skills that will be needed and then the nations schools and private institutions must be prepared to teach these skills.

To round out the development picture are the resources or raw materials to be produced and processed. Very obviously the base of the economy is going to be agriculture. Your country is blessed with a climate and good soils so that a wide variety of crops can be produced in abundance.

A new five year National Rural Economic Development plan was recently announced. It will undergo more review and changes as time goes on but it is a significant event because it is the first such national plan to

be made. It is basically a very good plan and a very ambitious one. It includes twenty five sections involving crops, fishing, forestry and animals. The goal is to provide a surplus that will satisfy internal consumption and provide for exports. The plan is not simply to grow some crops but it involves the whole range of providing all the inputs at the right time in the proper amounts. This means money, seed, tools, fertilizer and the technical advice. The goal does not end with producing raw materials because a country that sells primary products only, is a country that continually experiences monetary difficulties. Any development plan for a country that is basically a producer of agricultural products must include not just the growing of the products but the full range of processing and manufacturing of by-products as well. Vietnam must not cut its trees just to sell logs to another country but it must process those logs into a variety of finished and semi finished products then sell these products on the world market.

Now let us relate economic development with more specific examples in the Khanh Hoa and nearby areas. Nhatrang has a fine deep water port so it could be the shipping center for imports and exports for this part of the country. Why should most of the cargo come through Saigon.

I have received a preliminary proposal for the establishment of a lumber concentration yard in the Vinh Hoa area. This facility could receive, sort, cure and prepare lumber for shipment. It would handle 40 to 60 thousand cubic meters of lumber a year. What would this mean to the lumber mills? They would have a steady market for their product but they would have to meet high standards of quality, production and delivery schedules and operate efficiently enough to sell at a price low enough to be competitive on the world market. The lumber mills are not doing this at the present time. Competition in international trade is very keen and so high quality standards of production must be set and met.

A team of experts from the World Bank has just finished a feasibility study about establishing a major cattle industry. The final report is not out but the preliminary information is that the conditions for such a project are excellent and one of the primary centers would be in the Khanh Duong district. The existing cattle could be used as a base with new methods and organizations to be introduced.

Not far from Vinh Hoa are the salt beds of Hon Khoi. They produce several thousand tons of salt each year but they have a difficult time selling it. Japan will buy all the salt that Hon Khoi could produce if the quality is high 99 % + and the price is competitive on the world market, about \$8. a ton. Because of improper techniques, Hon Khoi not only has a very low production volume per unit of land area but poor quality of 96% purity and a high price. So instead of selling all the salt they could produce they have difficulty in selling a smaller amount. This could be

changed with the introduction of new techniques which are not difficult to apply.

Fishing is a major industry but very expensive and inefficient. It is not enough to put a new motor in a fishing boat. That is an improvement but it is only one part of an overall improvement that needs to be made in the whole fishing industry. New type boats are needed that are capable of going farther, staying longer with cold storage capability to keep the fish catch fresh. New equipment is necessary and new techniques must be adopted for using the equipment to get the most from the abundance of fish along the coast. Back on shore many new facilities will be needed to handle an expanded fish catch. Cold storage, packaging and shipping containers, canning, drying, fertilizer manufacturing^{and} production of other by-products will be part of the fishing industry. This is an area with great potential.

There is a team of Japanese technicians working at the Da Nhim dam to put it back into full service. Part of the project is to build new transmission lines to bring more power to Cam Ranh and Nha Trang.

These are a few of the potential products for development in this area. I haven't even mentioned the new feed mill, rice products, vegetables, coconuts, bananas and other fruit, tobacco, the oil refinery nor the tourist industry. There is no shortage of opportunities in Nha Trang.

Development takes dynamic leadership. Where should that leadership come from? From foreign countries and from the government in Saigon? or should it come from here among the business and professional community. I say the leadership must come from you and those in this country like you.

I offer you a challenge to take the lead by forming a Businessmen's Council or whatever name you choose. The purpose of the council would be manifold.

1. To review government policy and advise on necessary changes to be made to the policy.
2. To promote private investment.
3. To help identify investment opportunities and advise the potential investor on how to get technical advice.
4. To further the profession of business management by encouraging young men to enter and by sponsoring management training seminars.
5. To encourage the development of financial institutions.
6. To gather and distribute marketing and business information.

7. To take the lead among the business community in establishing high ethical standards.

This is not a simple proposition but covers a broad range of complex tasks. I feel that these things are necessary and that you are the ones to be challenged. Now will you accept this challenge?

This has been an ambitious attempt to cover the major topic of national economic development in a few minutes. I hope that I have made certain points. That development should be an orderly planned process involving the people and their government and the efficient use of all the resources of the country. Development will not arrive magically overnight but is a slow process involving much hard work.

A sense of national discipline and dedication is essential and this can come by the example and leadership of people like those of you here this evening.

Your Vietnam is not only a beautiful country but is one that has a great future potential. How well that potential is realized depends upon many things but if I were you I would be filled with an excitement and eagerness to make the potential come true.