

## Words of Wisdom from the Old Master

*For a wrap-up of Vietnam's current economic situation, Insight recently spoke with Nguyen Xuan Oanh, Vietnam's renowned Harvard-educated economist who once was governor of the Central Bank of South Vietnam and now serves as an economic adviser to Hanoi, as well as managing director of the Ho Chi Minh City-based Investment & Management Consulting Corp.*

► **Where things stand now:** "We've done very well. We lost about US\$600 million-700 million of our traditional market share with Eastern Europe and the Soviet Union. In addition, we lost more than 1 million tons of foodstuffs because of floods and typhoons.

"These two events had a terrible impact on the economy, but we came out of 1991 well. With trade, there's been no slowing down at all. In some areas, we've increased exports. Production has increased. Inflation is under control. The rate of growth in some areas was 10%.

"The political situation continues to be stable, which is extremely important. We keep exporting rice — more than 1 million tons a year — and the next crop promises to be at least 3 million tons surplus. Our exports are about US\$2.3 billion, and our export of crude oil about 5 million tons. So, despite the loss of our biggest market, we were able stand on our two feet."

► **Trade deficit:** "The reason we weren't hurt much by the loss of traditional markets is the fact that we exported much more than before.

"Prior to the restructuring of the economy, the volume of trade was US\$5 million-6 million. It's now US\$2.3 billion, quite a lot from the 5 million tons of oil, farm produce and manufactured commodities.

"The balance of payments is still in the deficit but the imbalance is getting smaller and we have ways of settling our debts with foreign countries."

► **Unemployment:** "This is still a big problem, but with the influence of capital technology and the establishment of new plants and factories, we have provided a large number of employment opportunities.

"In Vietnam, unemployment cannot be suddenly a serious problem because you can always come back to the family. Food is plentiful and living conditions simple, so we can accommodate the unemployed."

► **Controlling foreign exchange:** "We import gold freely into the economy and distribute and resell it at a lower price, so from a rate of exchange

of US\$1 to 1,500 dong five or six months ago, we've brought it to 1,100 dong, and I think we'll keep it at this for a while."

► **The IMF:** "The IMF had done a very glowing report on Vietnam because of our reforms and the results we've obtained.

"They've requested their Board of Governors to allow Vietnam to settle its debts and to get a structural adjustment fund. But the board still has a veto from the Americans, and so far we haven't received anything.

"If the board agrees, we should be able to borrow from the fund at least US\$200 million-300 million. We hope that the third step of the roadmap made public by Secretary Solomon will allow Vietnam to draw from the structural adjustment fund."

► **The US embargo:** "It's still an important issue because we want some of the big players in the country. We've obtained close to US\$3 million in investment, but very little has come from the US, Japan and Korea.

"The fact the embargo is still there gives the feeling we don't have a conducive atmosphere for international cooperation.

"We've bent over backwards to ensure all conditions requested by the US will be removed as quickly as possible, and we have a very good report from General Vessey, so I think it will be lifted by the time Mr. Bush establishes his second cabinet next February."

► **Foreign investment:** "We constantly revise our laws to weed out unnecessary restrictions and make implementation of the laws much easier.

"We're trying hard to improve institutional infrastructure — banks, insurance companies, organizations that pertain to the implementation of the law. We make it clear to investors that they have the right to use, lease and transfer land under the new constitution that's just been drafted."

► **Constitution:** "We're delineating responsibilities between the Communist Party and the executive branches.

"We gave more rights and responsibilities to the National Assembly, so we now have a parliamentary system, and a relatively free press — and that's extremely important.

"From now on, a quarter of the members of the National Assembly will be working full-time professionally for the assembly, and we hope to make this percentage much higher for the next assembly in five years."