

Chinese Strategic, Economic and Social View of Vietnam

Editor-in-Chief: Gu Xiaosong & Sheng Lijun

English Proofreader and Editor: Pan Kejian

Professor GU Xiaosong is Director of Institute of Southeast Asian Studies, Guangxi Academy of Social Sciences, China, and also Vice President of the Academy.

Dr SHENG Lijun is Senior Fellow at the Institute of Southeast Asian Studies, Singapore.

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Vietnam, since its reform, has been a focus of increasing interest and contending views to academics, policy-advisers and business people as well. For their better understanding of the latest changes in Vietnam, in both its domestic policies and its external relations, especially its relations with China and the United States, we have turned out this book as comprehensive reference. It provides rich data, as fresh as up to the end of 2004, on a wide range of subjects and issues, which is both comprehensive and rare; hence, highly valuable and useful to those who are interested in the research of the country.

We must express our gratitude to Guangxi Academy of Social Sciences for its consistent support. Our gratitude also goes to scholars of Institute of Southeast Asian Studies, Nanning for their contribution of various chapters to this reference book. We'd also like to thank Ma Jinan and Huang Weisheng for their editorial and clerical assistance.

Editors

November 2005

CHAPTER 1 An Overall View

1.1. POLITICAL STABILITY

1.1.1. The Ninth Plenary Session of the Ninth CPV Central Committee

The Communist Party of Vietnam (CPV) used to hold its routine mid-session Party congresses, but it did not hold one in its ninth session. Instead, it held the ninth plenary session of the Ninth Central Committee for a period of 8 days during January. 5 to 12 in 2004. Though it was not a mid session, its importance was just as far-reaching as it used to be. Nong Duc Manh, Secretary General of the Central Committee of the Communist Party of Vietnam presided over the meeting, and made opening and closing addresses. The plenary session reviewed the work for the first three years of the Ninth Plenary Session, and concluded that the economy of Vietnam developed considerably fast. The market economy system is primarily established, and the employment, the people's living standard and the building of the cultural undertakings are also well arranged in the pace of economic development with progress in building up a law-regulated and democratic country. Moreover, obvious progress has also been made in Party consolidation and construction with its international status being extensively raised.

Meanwhile, the meeting also concluded that the predicted objective of the economic development for the first three years was not fully achieved, that is, the quality of the economic development was not satisfactory and there were not sufficient foreign investments. There remain many social problems, for example, the severe unemployment, the needed improvement of the poverty-stricken remote regions, and drug abuse, prostitution, AIDS control, and frequent traffic accidents. The Party consolidation and construction, and the reform of the administrative system have not shown sound effects while serious embezzlement and extreme waste cases by some officials are rather widespread with grass root Party organizations slack and lacking combat spirit.

The six goals raised at the meeting for the five-year plan during 2001~2005 are:

- to reach the economic growth rate of 8% in 2004~2005;
- to intensify the reform of system in market economy and go on to liberate the productivity;

- to broaden the opening up and strengthen the bilateral and multilateral corporations and be melted in the international economy and enter into the WTO at an early date;
- to do well in the cultural establishments and solve the social problems while rapidly developing the economy;
- to obviously improve the work of the party building, the administration reform and punishment of the corruption; and
- to create a domestic and international stable and peaceful environment.

To achieve the above-mentioned goals, the meeting proposed the seven countermeasures, which include that in the aspect of the economic development, the efficiency of the state-owned enterprises should be improved by the establishment of a full-fledged shareholding system, the development of the collective, private and foreign capital economies should be boosted and the competitive capacity of the enterprises should be raised. The efficiency of the state capital should also be raised and the market system in negotiable securities, finance, house and land, labor force, science and technology must be established, developed and consummated. The strategy and planning of the development of the economy and society should be well made and the economy structure optimized. In the aspect of social culture, the education quality and reform in the administration of scientific and technological activities should be improved and the cultural building greatly promoted. Its excellent national traditional culture should be developed, the various social problems overcome and the living standard of the people improved both materially and culturally. In the aspect of the Party building, the quality of the political ideological education must be mainly improved, the corruption of the officials from their viewpoints, morality and life style restrained, and the militancy of the grass root Party organizations improved. The viewpoints, contents and administration methods in the work of cadre and organization must be reformed, good leading cadres at various levels be well chosen or selected, the theoretical research strengthened, the experiences and lessons from the reform and opening up for the past twenty years be summarized, and the related questions in the building of socialism for the new age be clarified.

1.1.2. Anti-corruption and Punishment of Economic Crimes

Vietnam signed “the International Anti-corruption Treaty” in November 2004. Corruption has always been a hard nut to crack for the Vietnamese

government. In recent years, Vietnam has intensified its anti-corruption drive, but it is still difficult to be deracinated. In order to strengthen the Party construction, eliminate the corruption within the Party and, intensify the Party discipline, some leading cadres inside the Party breaching the disciplines or violating the laws are punished on the Ninth Session of the Ninth Central Committee. Le Huy Ngo, Minister for Agricultural and Rural Development, who is liable for the problems in Agriculture and Rural Development Investment Corporation, and La Thi Kim Oanh, who violated the laws and brought about serious consequences are punished with an inner-party warning, and suggested to the government that Le Huy Ngo should be administratively punished and proposed that Vo Trong Kim, who was responsible for causing long term divisiveness among the leading cadres in Quang Tri Province, be punished with a serious inner Party warning; and Nguyen Tan Minh, head of financial bureau of Ba-Ria Vung Tau Province and who was responsible for the improper treatment for smuggling of automobiles by the joint venture company Vicarent, be punished with a serious inner Party warning, and suggested the government give him a proper administrative punishment; and Ksor Phuoc, incumbent director of Ethnic Committee, who was responsible for the riot case in February 2001 in Gia Lai Province when he was secretary of the provincial Party committee of Gia Lai Province because he failed to stop and handle the riot, be punished with a serious inner-Party warning.

The most notable anti-corruption case in 2004 was a case relating to several million US dollars, for which Mai Van Thuong, vice minister of Department of Commerce of Vietnam, and his son were involved. Mai Van Thuong, 62 years of age, was arrested when police raided his office and his house. The reason for the arrestment of Mai Van Thuong and his son is due to their being accused of accepting a bribery of several million US dollars during the allocation of the quota of the textile to be exported to the United States. The Vietnamese media also reported that Mai Van Thuong and his son lived a luxurious life in a villa worth one million US dollars, and they changed their cars just as frequently as the common people changing their daily wears. Anti-corruption is still the uttermost important matter in Vietnam's political life, the task of which is arduous and the road ahead long.

While carrying out the anti-corruption in order to maintain the order of the development of the economy and society, Vietnam is also striking the criminal activities in the economic field. Its economic police found and investigated 7,937 economic lawbreaking cases, which brought about economic losses up

to 946.6 billion Dongs. Against those of 2003, the economic cases increased by 8% in 2004 and the economic losses increased by 61 billion Dongs. The economic lawbreaking cases usually cover key fields such as government-invested projects, land administration, value added tax, import-related duties, export certificate, pyramid selling, bank debts, cross-border smuggling, and fake money sales, etc. The administration of the government-invested projects is very slack, and almost all of the project fund run off up to 5~10%, or more for some projects, such as petroleum and natural gas, traffic, post and communication, electric power and project of the 22nd Southeast Asian Games.

1.1.3. Step-by-step Progress in the Reform of its Political System

In recent years, Vietnam has continuously propelled the reform of the political system in aspects such as the administrative management, and the gradual loosening of its media's control, and has made certain achievements. 2004 is the 50th anniversary of the victory over the Battle of Dien Bien Phu in Vietnam, but a documentary reflecting this battle produced by the Central TV of Vietnam did not inspire the excitement of the nationalism, but covered an interview with an old French soldier. Vietnam is not large in area, but it has 600 newspapers and magazines. Frank debates relating to various social problems are increasingly frequenting the forum of the news website and newspapers. "A newspaper in Ho Chi Minh City published a set of photos taken with infrared technique, in which traffic policeman on his night duty was accepting the bribery of a driver". The competition of the newspapers becomes tougher and tougher, and editors and reporters of the media are increasingly paying more attention to attract the readers with appealing reports. An editor-in-chief of "Youth Daily" popular in Ho Chi Minh said, "Our reporters tell all of the hotspots, and the mass media have already become forums to express the daily public opinions."

1.1.4. The Preparation for the Convention of "the Tenth Central Committee Party Congress"

Three years have passed since the Convention of the Ninth Central Committee Party Congress in 2001. Although there are still more than 2 years before 2006 approaches, the Communist Party of Vietnam started to prepare itself for the Tenth Central Committee Party Congress since the beginning of 2004 in order to make an early preparation for the Congress. Its Tenth Plenary Session has made a resolution to build up a number of preparation groups and preliminarily decided to hold the Tenth Central Committee Party Congress in the second quarter of 2006.

The Communist Party of Vietnam convoked its Sixth Central Committee Party Congress in 1996, and Nguyen Van Linh, who was practical, took up the post of Secretary General of the Communist Party of Vietnam and formally proposed the reform and opening up policy. Till 2006, Vietnam would have carried out the reform and opening up policy for 20 years, so Vietnam paid great attention to overview the experiences and lessons in the reform and opening up in the 20 years. An important topic undertaken by the Institute of Economy, Vietnam Academy of Social Sciences, is the “Research on the 20 Years of Reform and Opening up of Vietnam”. The Institute of China Studies, Vietnam Academy of Social Sciences, also studies the Chinese ways of reform and opening up together with its experiences and lessons in building the Communist Party so as to provide theoretical bases for the drafting of documents for the Tenth Central Committee Party Congress of CPV.

1.2. VIETNAM HOSTS THE ASIA-EUROPE CONFERENCE

In the past year, Vietnam kept very frequent diplomatic intercourses with other countries and leaders such as Nong Duc Manh, Secretary General of Communist Party of Vietnam, Tran Duoc Luong, President of State, and Phan Van Khai, Premier of the Government, successively visited foreign countries or attended the international meetings. Last year is a year with the most frequent state visits by top leaders ever in the history. Meanwhile, Vietnam also received a great number of foreign delegations and visiting groups. All of these help to create conditions for Vietnam to extend its international significance, to attract more international finance, to develop more international markets, to become a non-permanent member of the UN Security Council, and especially to enter the WTO on an early date.

1.2.1_ The Successful Hosting Signifies its Dominant Role

The most important diplomatic achievement for Vietnam in 2004 is its successful undertaking of the Fifth Asia-Europe Conference during October. 7 to 10. Thirty-nine countries from Asia and Europe attended the conference, among which 10 were from Europe and 3 from Asia, which attended the meeting for the first time and were accepted as new members, especially at the controversial issue of Burma, which also attended the conference and was taken as a new member. The conference issued three important documents, which were “the *Chairmanship Declaration of the Conference*”, “the *Hanoi Manifesto on the Promotion of the Asian-European Economic Relationship*” and “the *Declaration on the Dialogue among Various Cultures and Civilized Societies*”. The conference also organized the Asian-European Councilors of Partnership Meeting, Asia-Europe Forum, Asian-European Enterprise Forum,

and Asian-European Youth Forum, etc. During the conference, Vietnam and the EU held summit meetings and settled the negotiation on Vietnam's entrance into the WTO.

The international conference was the highest level ever with maximum scale that Vietnam had undertaken. Therefore, it spared no effort to input workforce, material and financial resources to best organize all the conference activities and to ensure security and the successful holding of this conference accumulated experiences for Vietnam to hold the APEC in 2006.

1.2.2. The Balanced and Practical Diplomacy among Big Powers

The Sino-Vietnamese relationship tends to be practical. In 2004, Secretary General of CPC and President of China, Hu Jintao, attended the Asia-Pacific Summit Meeting and met Vietnamese President Tran Duoc Luong. In May 2004, Phan Van Khai, Premier of Vietnam visited China, and held talks with Chinese Premier Wen Jiabao in Beijing. In October of the same year, Premier Wen Jiabao paid a return visit to Vietnam and had a talk with Phan Van Khai. The governments of China and Vietnam issued a joint communiqué on October 8. In the two meetings, both sides proposed that the trade volume between the two countries should have reached US\$10 billion by the year 2010. The two sides agreed to jointly construct "Two Corridors and One Circle": Nanning-Lang Son-Hanoi-Hai Phong-Quang Ninh, Kunming-Lao Cai-Hanoi- Hai Phong, and the Beibu Bay (the Bac Bo Bay in Vietnamese or Tonkin Gulf in English) Economic Circle, which was jointly planned by both countries for mid- and long-term economic cooperation. The construction of "Two Corridors and One Circle" could not only link the economies in South China and North Vietnam to boost the development of this region, but also bridge the Sino-ASEAN cooperation.

In June 2004, the Standing Committee of the NPC and the Congress of Vietnam respectively approved "*The Agreement between the People's Republic of China and the Socialist Republic of Vietnam on the Delimitation of the Territorial Waters at the Beibu Bay, Exclusive Economic Zone, and the Continental Shelf*". Wang Yi, head of the delegation of the Chinese Government and Vice Minister of the Ministry of Foreign Affairs, and Vo Dung, head of the delegation of the Vietnamese Government, Vice Minister of the Ministry of Foreign Affairs, and Director of the Boundary Commission, on behalf of their own countries, exchanged the approval documents in Hanoi on June 30 of the same year. Meanwhile, both departments of foreign affairs exchanged notes relating to the accomplishment of the "*The Agreement on Fishing Cooperation at the Beibu Bay between the Governments of the*

People's Republic of China and the Socialist Republic of Vietnam". Thus, the two agreements have taken effect on the same day. With regard to this event, Vice Foreign Minister Wang Yi said: "The signing and implementation of the two agreements are the fruits of the common efforts with the concerns shown by the leaders of the two countries and under the guidance of the two governments, which facilitates the peace and stabilization in the Sino-Vietnamese borders and long lasting tranquility in the Beibu Bay Region, and the further promotion of Sino-Vietnamese relations."

In 2004, the economic and commercial relationship between the two countries was greatly advanced, the bilateral trade volume added up to US\$ 6.74 billion, 45.3% more than the previous year, wherein the export volume of China to Vietnam was US\$ 4.26 billion and increased by 33.9%, and Vietnam's export volume to China was US\$ 2.48 billion and increased by 70.4%. The objective proposed by the premiers that the trade volume of both countries should have added up to US\$ 5 billion in 2005 was achieved ahead of schedule. China has now become the biggest trade partner of Vietnam. Compared with the other ASEAN countries, however, the deficient aspect is that the active trade balance of China is too large while the negative trade balance of Vietnam is too much. So Vietnam should further develop China's market in order to make further progress in the Sino-Vietnamese trade.

There is cooperation as well as struggles in Vietnam-US relationship, new progress of which had been made in 2004, especially in economy. President Bush of the US indicated to support Vietnam for its entrance into the WTO when attending the Mexico-APEC Meeting. On December 10, 2004, an airplane of the United Air Lines landed in Tan Son Nhat Airport of Ho Chi Minh City, which was the first airplane of American civil aviation to Vietnam since 1975. The US Assistant Secretary of State James Kerry, who is in charge of the Security Affairs in Asian Pacific Region, visited Vietnam in May and held a talk with Vietnamese side on "the Vietnam-US Political Dialogue Frame". The US also provided assistance to Vietnam in the aspects of anti-drug-abuse and prevention and treatment of AIDS. On July 23, President Bush announced to put Vietnam into the list of the countries which can accept emergency aid on AIDS, therefore, Vietnam became the 15th country in the world and the first country in Asia to obtain the anti-AIDS emergency aid. In return, Vietnam also cooperated with the US for finding the missing American soldiers. During Sept. 1988 to 2004, more than 800 remains were being sent to the US.

Meanwhile, the US also enforced pressure on Vietnam by utilizing issues

such as democracy and human rights and intervened in Vietnam's internal affairs. In July of 2004, the US House of Representatives froze all of the non-humanitarian assistance to Vietnam through "The *Vietnamese Human Rights Bill*" with excuses that "Vietnam carried out a policy of affliction, discrimination and threat over dissidents of the government". In September, the US listed Vietnam as one of "the Special Attention Countries" on religious freedom affairs. Vietnam held that "the religious freedom, democracy and human rights are employed by the US as tools in its diplomatic policy to intervene in Vietnam's internal affairs", and held that "the *Vietnamese Human Rights Bill*" severely hurt the emotions and pride of the Vietnamese people and was intended to make disorders. So Vietnam was opposed to the US for mixing the economic assistance to Vietnam with human rights. It also expressed its dissatisfaction with the US for its various limitations on Vietnam's commodity export to the US. Vietnam always maintains high vigilance against the American "Peaceful Evolution".

1.2.3. Relations with Neighboring Countries

Besides China, Vietnam also has borders with Laos and Cambodia. On July 22, 2004, the premiers of Vietnam, Laos and Cambodia met to discuss how to strengthen the cooperation, and put forward the proposal of the construction of the trilateral economic cooperation region along the borders of the three countries.

The relationship between Vietnam and Laos is especially intimate, and the two countries built a cooperation mechanism of multi-layers. The politburo meeting of both parties, joint meeting of separate sectors, cooperation meeting of industries are held each year, and the military and political leaders visit each other frequently. Vietnam actively supported and assisted Laos to prepare and hold the Tenth ASEAN Summit Conference.

In 2004, Vietnam kept stable relations with Cambodia, and progress was made in the issues of the ethnic Vietnamese frontiersmen's visits and the oversea Vietnamese residing in Cambodia. On Feb 23 and 24, both countries held the sixth economic cooperation meeting which aimed to strengthen their cooperation in the fields such as economy and trade, science and technology as well as culture.

1.3. ECONOMY WITH A GROWTH RATE OF 7.7%

2004 was a decisive year for Vietnam to make its endeavor to accomplish the five-year development plan. At the beginning of the year, it proposed to increase its economic growth rate to 7.5~8.0% and to accomplish the five-year plan with an average annual increment rate 7.5% or more.

However, the planning objects were not accomplished in the first three years, in which its increment rates respectively amounted to only 6.8%, 7.0% and 7.2%. In 2004, its goal was substantially accomplished with an increment rate of 7.7%, in which the first industry increased by 3.3%, the second industry increased by 10.2% and the tertiary industry increased by 7.3%. Dr. Ha Huy Thanh, vice director of the Institute of Economy, Vietnam Academy of Social Sciences, told the writer that there are various arguments with respect to the increment rate of its economy and 7.7% may be reliable with an increase of 0.5% compared with that of 2003, which is 7.2%. Although the goal of 8% proposed in the Ninth Plenary Session of Ninth Central Committee of the Communist Party of Vietnam was not reached, it developed with the most rapid speed in those five years, and even in the last 7 years at the time that the economy was at a downslide because of the impact of the Southeast Asian Financial Crisis in 1997.

Among the developments of the first, second and tertiary industries, the second one developed the most rapidly with the increment amplitude being kept at the same rapid growth as in 2003, and with the value of the industrial production increased by 16%, wherein the stated-owned industry 11.4%, and non-state-owned industry 22.8%, and the foreign investment industry 15.7%. These are the results of the proposal to accelerate the industrializations. The ratio of the second industry continuously increased while that of the first industry decreased, and that of the third industry substantially was kept at the original level. The value of the industrial production in the preceding 10 months added up to 293.9 trillion Vietnamese Dongs, 15.5% more than the same period of the previous year, wherein the non-state-owned industry enterprises developed the fastest with an increase of 21.7%, or 78.2 trillion Dongs; foreign investment enterprises increased 14.7% and added up to 107.2 trillion Dongs; the state-owned industrial enterprises increased at the lowest rate, only by 12.2%, or 108.5 trillion Dongs. The products having much increment in production include pure coal (up 32.1%), crude oil (15.5%), natural gas (128%), aquatic products (18.5%), garment (23.6%), paper (32.3%), chemical fertilizer (27.2%), assembled TV sets (28.3%), assembled motorcycles (42.2%), and bicycles (109.2%).

Table 1
The Layout of the First, Second and Tertiary Industries of Vietnam

Year	First Industry %	Second Industry %	Tertiary Industry %

2000	24.53	36.73	38.74
2001	23.22	38.13	38.86
2002	22.99	38.55	38.46
2003	21.80	39.97	38.23
2004_ Jan.~ Sept._	20.9	40.9	38.2

Note: The figure is quoted from the information disclosed by the Vietnamese government.

Though Vietnam suffered from certain natural disasters and the bird flu, its agriculture, thanks to its favorable weather, was still prosperous and its production was still better than the previous year. It is predicted that the total value of production in the preceding 9 months added up to about 118.5 trillion Dongs (at fixed prices of 1994, similarly hereinafter), 4.3% more than the same period of the previous year, wherein agriculture reached 89.9 trillion Dongs and increased by 3.5%; forestry reached 4.6 trillion Dongs and increased by 0.6%; fishery reached 24 trillion Dongs and increased by 8.4%. The grain output was 39.3 million tons, 1.8 million tons or 4.5% more than that of the previous year, and food possession per person reached 476 kilograms. The paddy output increased from 34.5 million tons in 2003 to 35.7 million tons in 2004, though the paddy planting area decreased from 7.45 million hectare in 2003 to 7.42 million hectares in 2004. In recent years, Vietnam adjusted the planting structure, and broadened the planting area of the industrial crop and fruits. The fruit planting area in 2004 reached 800 thousand hectares and increased by 3.6% that of the same period in the previous year and the output reached nearly 6 million tons and increased by 15% that the same period previous year. The value of exports of fruits added up to US\$ 152 million, and the aquatic product continuously increased and the output in 2004 was 8.2% more than that of 2003, wherein the aquatics increased by 16.9%, the catching amount increased by 3.5%, the annual value of exports added up to US\$ 2.35 billion.

Its infrastructure is developing steadily. The General Power Company achieved the yearly plan of 2005 one year and 21 days ahead of the schedule and produced power of 44 billion kw/hours.

The output of sugarcane in the extracting season in 2004~2005 in Vietnam reached 50 tons per hectare, and the total output was 15 million tons, and the sugar produced was 1.27 million tons, increased by 70 thousand tons.

Its finance income increased with the favorable economic situation. The

predicted finance income in 2004 increased as high as 167 trillion Vietnamese Dongs. Compared with 23.5 % of the gross domestic product, it increased by 16.3%, more than two times faster than the increment rate of the gross domestic product, and went beyond 11.8% of the original budget. In the preceding 10 months, 88.1% of annual finance income plan was accomplished, wherein 89.9% of the annual plan was accomplished with respect to the tax from the joint venture enterprises (except the petroleum enterprises), 85.8% was accomplished with respect to non-state-owned industry, commerce and service industries, 89.8% was accomplished with respect to the personal high-income adjustment tax, 156.4% of housing and land tax was accomplished, 144.3% of farmland use was taxed, and 111.6% was accomplished with respect to the income from crude oil exploitation. However, merely 75.4% was accomplished with respect to the income from the state-owned enterprises. The total finance payout was 206 trillion Dongs, which goes beyond the budget by 9.8%, and the budget deficit corresponded to 5% of the Gross National Product and based on the budgetary plan, was substantially carried out.

The reasons for its rapid economic development in 2004 were variable. Besides the fairly relaxed environment inside and outside of Vietnam in the year, it mainly depended on the rapid increment of export, increase in investment and the increase of the domestic demand. Although Bird Flu spread in large areas, it did not bring about large losses.

1.3.1. The Rapid Increase of Export

Vietnam originally planned to increase its export by 12% in 2004, but actually increased by up to 30% with the total value of export for the year reaching 26 billion U.S. dollars, becoming the biggest amplification of the commodity export since the Southeast Asian Finance Crisis in 1997, and it was accomplished on the basis of the large export index in the previous year. In 1996, the amplification of the commodity export was 35.2% and the value of export was US\$ 18.4 billion. The biggest amplification of export in the history of Vietnam was 43.0% in 1994, and the value of export was 99 billion U.S. dollars. So the value of the commodity export in 2004 accounted for about 2/3 of its GDP, and so the extraversion of its economy was fairly large.

Besides crude oil, textile, shoes, aquatic products, large amount of export products _ more than US\$ 1 billion_ increased respectively by 14%, 17%, 15% and 7%, and electronics-computer parts with components and woodwork, which have the biggest amplification in the exported commodities

in Vietnam in 2004 respectively amounted to 60% and 88%. According to the news from Food Association of Vietnam in 2004, Vietnam produced 3.96 million tons of rice worth of 900 million dollars all of the year. Moreover, the rice is exported at a good price of US\$ 211 per ton, 35 dollars more than that in the previous year, and the highest price from 1999. It also exported 250 thousand tons of rubber, which is worth of about US\$ 300 million, ranking the 6th in the world. Vietnam is the fourth largest country with rubber production.

The import in Vietnam in 2004 increased to 315 million, 25% more than the same period of the previous year.

Table 2

The Development Status of Import and Export in Years 1987~2004

Year	Export value (100 million US dollars)	The percent age of growth rate of export	The ratio of export to GDP (%)	Import value (100 million US dollars)	The percent age of growth rate of import	The ratio of import to GDP (%)	The percent age of import and export to GDP
1987	8.5	8.2	12.9	21.6	13.9	35.1	48
1990	24.0	23.5	27.6	2.7	7.3	36.4	63.9
1995	54.5	34.4	22.9	81.6	40	32.9	55.9
2000	145	25.5	40.6	156	33.2	41	81.6
2001	150	3.8	47.4	162	3.4	51.3	98.6
2002	167	11.2	47.6	197	21.7	56.2	104
2003	199	19	51	250	26.7	64	115
2004	260	30	57	315	25.0	69	126

Note: This table is prepared by the author, based on the resources disclosed by the Vietnamese government.

The tourist industry of Vietnam overcomes the residual effect of SARS in the previous year, and obtained a great increment in 2004, the international tourists to Vietnam added up to 2.9 million persons/times, which broke a new record, and increased by 19% than the previous year, and the foreign exchange income from tourism was US\$ 1.3 billion. China (Mainland), Japan, Taiwan, Korea, USA and France are the major tourist source countries or regions for Vietnam. With the rapid development of the economy after the reform and opening up of Vietnam, many people are not satisfied with the

domestic travels and begin to go abroad for a trip. In 2004, tourists from Ho Chi Minh City, totaling 85 thousand persons/times traveled abroad. According to the statistics, 85 thousand persons/times visited Thailand while 40 thousand persons/times travelled to Singapore in the first 10 months of 2004.

1.3.2. Investment Increases

Its investments for economic development are composed of three parts: state finance, foreign capital and civilian fund. The total investments in 2004 were 249.3 trillion Dongs, wherein the state financial investments were 142 trillion Dongs, the civilian investments 67 trillion Dongs, and the foreign investments 40.3 trillion Dongs. According to the reports, the total investments in the preceding 3 quarters added up to 178.4 trillion Dongs, totaling 76.1% of the annual plan, and 19.1% more than the same period of the previous year, wherein the foreign direct investments increased by 24.3%, the civilian investments 20.3% and the state finance investments merely 16.7%.

In the preceding 10 months, its national finance investments were 35 trillion Dongs, accounting for 94.5% of the annual plan.

In 2004, the foreign investments to Vietnam increased by larger amounts, and Vietnam absorbed totally US\$ 4.1 billion of foreign investments including the supplementary budgets for investments for the original projects, which increased by 28% and broke a new record in the years since 1999, wherein the registered investments are 2.3 billion dollars, and the supplementary budgets for investments of the original projects are 1.8 billion dollars. There will be 5,050 foreign invested subprojects with registered investments of 45.49 billion dollars and actually used foreign investments of 26.06 billion dollars till Dec. 20, 2004. In the registered investments, the industries and the building industries accounted for 60% and the service industries accounted for 35%, and the agriculture, forestry, fishing accounted for the other part. Overseas Vietnamese remittances are an important way of external funds for Vietnam, and they added up to 3 billion dollars in 2004, even more than the amount of the registered foreign investments in the projects to Vietnam in 2004.

1.3.3. The Increases of Domestic Demand

The total value of the commodity retail and service income in the preceding 10 months added up to 306.3 trillion Dongs, 18.4% more than that of the same stage of the previous year, and was more than two times faster than the increment rate of the GNP. Wherein commerce accounted for 81.1%

and increased by 19.9%, and hotel industry accounted for 12.4% and increased by 10.4%, and labor service accounted for 5.7% with an increase of 15.6%; tourism accounted for 0.8% and increased by 18.8%.

Of course, large amount of increases in commodity retail sales and service incomes contained the factors of rapid increasing of prices. The total value of commodity and service incomes in the preceding months reached 274.2 trillion Vietnamese Dongs, increased by 18.3% than that in the same period of the previous year and actually increased by 10% if the price increasing factor is excluded. According to the statistics from the Statistics Bureau of Vietnam, the consuming price index in 2004 was up to 9.5%, and the highest increases went to the most fundamental and necessary daily consumables—grains and foodstuff products which reached 15.6%, and the price of gold was 11.7% higher than that in the previous year. As the US dollars devalued, the prices merely increased by 0.4% when compared with Vietnamese Dongs.

It is the highest price index since 1996, and, in 1995, the price index once reached 12.7% and the increase rate of economy was 9.5%, which is the highest record ever in Vietnam for the economic development. However, after excluding the price rise factors, it was obvious that the domestic demand in 2004 was greatly increased and powerfully pushed the national economy to a rapid increase.

1.4. SOCIAL LIFE

1.4.1. The Remarkably Improved Living Standard

After 18 years of reform and opening up, the standard of living for the Vietnamese people is greatly improved. In 2004, the ratio of the poverty-ridden families was greatly decreased from 2 digits in the previous year to only 1 digit, roughly about 9%. Since the living standard had improved, the Labor and Wounded Soldier Welfare Department of Vietnam made proposal to the government to increase the standard of subsidies for poverty ridden families, from 100 thousand Dongs per family/month for rural residents, 150 thousand Dongs per family/month for city inhabitants to 180 thousand Dongs per family/month for rural residents and 230-250 thousand Dongs per family/month for the city dwellers.

1.4.2. New Rules to Protect its Traditional Culture

During the reform and opening up, foreign cultures had greatly

influenced Vietnam and its culture was seriously under attack. Therefore, in order to prevent the traditional culture from being submerged by foreign cultures, Vietnam started to pay attention to take some actions to protect the traditional culture and protect “the traditional aesthetic values” of Vietnam. The Cultural Department of Vietnam issued a notification containing 47 articles in July, 2004, which stipulates that actors/actresses on the stage are neither allowed to “dye their hairs with multiple colors, to wear messy hair styles or be bareheaded” nor in inelegant or exposed performance costumes. Moreover, the notification also has special stipulation on the making-up of the actors/actresses. An official of the cultural department of Vietnam said that these measures enforced by the cultural department aim to restore the order of its art performance market.

1.4.3. Diseases and Food Poisoning

Vietnam is situated in the tropic and sub-tropic region, so a poor hygienic environment is easy to initiate diseases. According to reports, from January to October in 2004, 94.7 thousand people suffered from malaria with the death toll of 16, and 58.9 thousand people suffered from bleeding malaria with 87 deaths, and 2,300 people were poisoned by foodstuffs, among them 38 died. The number of AIDS patients continued to increase, and there were 86 thousand AIDS infected persons in Vietnam till Oct. 19, 2004, wherein 13.6 thousand of them were AIDS patients, 7,800 of whom died. A considerable amount of AIDS infected persons are ones related to prostitution. According to statistics, 85% of the 14 thousand prostitutes collected by the related organization in Vietnam carried VD, and 20-25% of them are AIDS infected persons.

1.4.4. Outbreak of Bird Flu

In 2004, Bird Flu frequently haunted Vietnam and it was difficult to be out-rooted, the worse of which was that it was reported that even human beings were infected with the same virus as that of birds. According to Trinh Quan Huan, director of Disease Control and Prevention Department under the Ministry of Health of Vietnam, the fundamental experiment results of the Ministry of Health of Vietnam shows that the Bird Flu in Vietnam is the same as I-type flu virus in the bodies of the local people, that is, both of them are H5N1 Virus. This is the same as the Bird Flu virus found in Hong Kong and resulted in 6 deaths in 1997. The Ministry of Health of Vietnam directed the health departments of provinces and cities, especially the places where Bird Flu occurred to take various preventive actions to destroy diseased birds by

melting or burning, sterilize the bird fences and forbid the birds of epidemic-stricken area from being transported to the other regions. The government of Vietnam also advised the inhabitants to maintain the environment in sanitation, and gargle with salted water and wash nose with sterilized water. The patients suffered from I-type flu are strictly separated and cured.

At the beginning of the year, 57 of the 64 provinces were infected by the outbreak of Bird Flu, suffering from serious losses. According to the evaluation of the World Bank, in 2004, the Bird Flu brought about a loss of approximately 1% of the GDP in Vietnam.

1.5. ENDEAVORS TO COMPLETE THE 5-YEAR PLAN

Due to various reasons, the average annual increment rate of its GDP in the years of 2001 to 2004 is 7.3%, lower than the proposed 7.5%. Since 2005 is the last year for this 5-year plan, heavy-loaded tasks still lie ahead. Therefore, at a meeting in Oct., 2004 when discussing the development plan in 2005, the Sixth Session of the 11th Congress of Vietnam proposed that the increment rate of the economy of Vietnam should reach 8~8.5% in 2005, wherein the first industry should increase by 3.4~3.8%, the second industry 10.5%~11% and the third industry 7.9~8.2%. There are various advantages and disadvantages for its developments in that year.

The advantages include: Firstly, its politics will remain stable, and there will be an environment favorable for developments. It will convoke the Tenth Central Committee Party Congress in the year 2006, and the people from all walks of life are busy preparing for a new constitution of the central committee and hopes for a stable environment in 2005. Secondly, it will enter into the WTO in 2005 and its foreign trade environment will be further improved. So, the commodity export, which is an important factor its economic growth, will further grow. It planned to increase the number of the commodity export to 14~16% in 2005, which will earn US\$ 29-29.5 billion. Thirdly, its investments, especially its external investments still maintain a favorable tendency of growth. The parties attending the Conference for International Assistance to Vietnam in 2004 promised to assist Vietnam with US\$ 3.4 billion, whose amount was the largest ever in the international assistance to Vietnam in recent 10 years.

Table 3

Vietnam's Economic Development Index from 2001 to 2005

Main index	Unit	Performance in 2001	Performance in 2002	Performance in 2003	Performance in 2004	Proposed index for 2005
Increment in GDP	%	6.8	7.0	7.2	7.7	8~8.5
Increment in the agriculture added value (Increment in the production value)	%	4.1	5.0	3.2	3.3_4.9_	3.4~3.8_4.5_~5.0_
Output of grain	10 thousand tons	3,400	3,586	3,745	3,930	4,000
Increment in the industry and construction added value (Increment in the production value)	%	_14.2_	_14.5_	_16.0_	10.2_16.0_	10.5~11.0_15.5~16.0_
Increment in the service industry added value (Increment in the production value)	%	6.7	7.0	6.6	7.3_8.0_	7.9~8.2_8.5_
Export value	100 million US dollars	156	162	199	260	290~295
International tourists	10 thousand people	233	263	245	290	310

Finance Income	Trillion Vietnamese Dongs		112	123.8 (Proposed)	176	180~200
Fiscal expenditure	Trillion Dongs		141	158 (Proposed)	206	226
Social Investments corresponding to GDP	%		34.0	35.6	35.4	36.5~38.5
Increment rate of consuming price (Compared with that of Dec. of the previous year)	%	0.8	4.0		9.5	6.5
Jobs created	10 thousand people		140	150 (Proposed)	155	
Decrease of the population birth rate	%		0.04	0.04 (Proposed)	0.037	
Reduction of poverty-ridden households	%		14.3	12.5 (Proposed)	9.0	7.0

Note: This table is compiled by the author, from the official figures released by the Vietnamese government.

In order to attract more foreign investments, Vietnam widened the quota for approving the investment amount so that the local government can approve an application of a foreign investment from US\$10 million to US\$ 400million in cities like Hanoi and Ho Chi Minh and from US\$5 million to US\$ 20 million for other provinces and cities.

The disadvantages are as follows that Vietnam is still harassed by the

Bird Flu. A new turn of the Bird Flu outbreak at the beginning of 2005 spread in most areas of Vietnam and it caused the deaths of many fowls and the infection of some people. From the end of 2003, more than 40 million fowls died of diseases or killed, and 25 people died of Bird Flu.²³ Bird Flu not only affect the agricultural production and tourist industry, but also threatened the life and safety of the people and the stability of the society.

There are more advantageous factors than the disadvantage ones for the development of the Vietnamese economy in 2005. Moreover, in recent years, the development of the Vietnamese economy is in a slow recovery process with increasingly rising increment rates respectively as 4.7%, 6.7%, 6.8%, 7.0%, 7.2% and 7.7% in 1999, 2000, 2001, 2002, 2003, and 2004. The highest increment rate in the years before the Financial Crises was 9.5% in 1995. It is estimated that there is still space for rapid growth in Vietnam. In addition, from the rising tendency of the economic growth in 2004, the growth rates for the preceding 6 months are 7%, for the preceding 9 months 7.4%, and for the whole year 7.7%. Therefore, it would not be surprising if the growth rate reached 8 to 8.5% in 2005.

Chapter 2 POLITICS

Tranquility and normality were the last to be found in Vietnam in 2004. Great changes in domestic and foreign situation drove Vietnam to shoulder with double pressure for maintaining stability and development. To resolve the variety of complicated contradictions, maintain social and political stability, further promote all-round coordinated development of the Party, economy and cultural construction had become strategic issues for Vietnamese politics in 2004.

2.1. Making Preparation for Emergencies to Maintain its Social and Political Stability

The year of 2004 saw Vietnam as one of the safest and the most stable countries compared with other countries and regions around the world. The instability of its society and politics was regarded as transient, localized and controllable.

The main factor, among the various factors affecting Vietnam's social and political stability in 2004, came from the external and took forms of interfering in Vietnam's internal affairs under the pretext of religion, human rights, nationalities and other issues by the hostile forces from the West. The ultimate purpose was to rock the foundation of social and political stability, reform and opening-up situation in Vietnam. Riot erupted in April, 2004 would be seen as a typical event of mobilization by foreign forces and the collusion between the enemies within and without to launch sudden attack and give rise to partial instability in Vietnam.

The riot abruptly broke out on April 10, 2004. Reactionaries of Thanh Hoi Tin Lanh Religion DeGa in Tay Nguyen spread rumors that the Kinh would seize all lands in Tay Nguyen and kill all minority ethnic people. Threatened and deceived by the reactionaries and seduced by the lies that the United Nations would send airplane to bring all participants to live a happy life in the US, thousands of minority ethnic people were forced to Buon Ma Thuat, a key county of Tay Ngyuen and some counties and villages of Gia Lai and Dac Lac provinces_ to take part in demonstration.

On April 9, or the Easter of 2004, right before the riot, overseas

reactionary organization Transnational Radical Party (TRP) released news on its own website, proclaiming that more than 150,000 “Nguoi Thuong” would hold a peaceful demonstration to oppose the ban on popularizing DeGa Religion by Vietnamese authorities and call on relevant international organizations to monitor the development of the situation in Tay Nguyen. The website released more information that more than 150,000 took part in the demonstration which was meant to oppose the prohibition on religious activities by the Vietnamese government in Buon Ma Thuat and were suppressed by local policemen, who were said to have killed 200 demonstrators. The number, as it was said, went up to 400, even 2,000 later. Some media in the West willfully exaggerated the event and cast slanders to confuse the public. Officials from the embassy and consulate to Vietnam of certain big power in the West paid immediate visits to the province, over which local Vietnamese authorities expressed deep regrets. The above phenomena could be a full demonstration of the international background behind the riot in Tay Nguyen.

This riot, following the one in Tay Nguyen on February. 2001, openly pronounced DeGa Country Independence and Expelling the Kinh from Tay Nguyen. Fortunately, the evil conspiracy was totally shattered again. Local government took quick moves to curb the riot by the use of powerful countermeasures and got the situation under control. Some ethnic separatists in Tay Nguyen attempted to cause another disturbance around Christmas but failed from the very beginning.

Another factor bothering Vietnam’s social stability was the eruption of the bird flu. The obvious characters of the eruption of the bird flu in Vietnam could be described as broad affected areas, long period and great loss of man, finance and property. Breaking out in early 2004, the epidemic was put under control at the end of the first quarter. Unfortunately, it came back in summer and spread quickly. By the end of 2004 it became prevalent in several provinces in the North and in the Mekong River Plain of the South. Bird flu swept across 60 provinces and cities of the 64 provinces and cities around the country, killing 290 people and causing financial loss of more than 14 trillion Dongs (US\$ 0.9 billion). Over 40 million poultries were exterminated. Estimated by the World Bank, the bird flu made Vietnam’s GDP growth in 2004 decrease by 1%. The Central Political Bureau of the Communist Party of Vietnam and the Vietnamese government issued frequent

statements to extensively maneuver the people and bring all positive factors into play to control the epidemic situation and minimize losses. Currently the fight against the disaster was still going on.

In ideological field, Vietnam continued the study and teaching of Ho Chi Minh thought in one way to launch counterattack on rumors and slanders of the hostile forces from the angle of religions, nationalities and human rights as well as reinforcing the public opinion guidance and in the other way to comprehensively summarize the theory and practice of reform and opening-up with an aim to unify the thought of the Party and the society and play a proactive role in stabilizing social and political situation.

2.2. The Enhancement of Anti-corruption and the Focus on Cultural Construction

It was a key issue of the construction of the Communist Party of Vietnam to strengthen anti-corruption and to emphasize on cultural construction. Opened in early January, the Ninth Session of the Ninth People's Assembly of Vietnam gave a comprehensive summary on the work of the ninth central committee during its first half tenure, highly praising its achievements, seriously pointing out existing problems, thus to formulate the goal, the direction and the task for its second half tenure. The stipulated task included that except speeding up economic development, strengthening socialist market economy construction and further integrating into international economy, the committee should also place emphasis upon the construction and re-adjustment of the Communist Party of Vietnam, launching administrative reform and fighting against bureaucracy and corruption. Four members of the central committee were given serious warning and punished. They were Le Huy Ngo, minister of Agriculture and Rural Development, who was punished for his involvement in the case of agricultural and rural development investment company, Vu Trong Kim, Party Secretary of Quang Tri province, who was charged with disunity within leading group, Nguyen Tan Minh, former head of the Finance Department of Ba Ria-Vung Tau province, who was accused of car-smuggling, and Ksor Phuoc, former Party Secretary of Gia Lai province, who was punished because of the riot in Tay Nguyen in February, 2001.

In 2004 several corruption cases were registered and solved successfully,

catching great attention from the public. The in-charge vice minister of Trade, his son and other officials were arrested for their involvement in the bribery-taking case of Vietnam-US textile export quota. The vice general manager and others of the largest State-owned Petrol and Gas General Company were arrested on a charge of corruption and malpractice. Former general manager of the Marine Product General Company, directly under the Ministry of Marine Product, was dismissed and two vice general managers were punished. Acting chairman of board of directors of its general company together with head of the Supervisory Committee and other high-ranking officials were removed for incompetence. Vietnam's anti-corruption war in recent years was characterized by the fact that important corruption cases were handled by the public security units instead of the usual practice by the committee for inspecting discipline.

During the first half of 2004 Vietnam set up the National Crime Prevention Committee headed by Nguyen Tan Dung, resident Deputy Prime Minister of Vietnam and Minister of the Public Security. Other members included deputy minister of the Public Security, vice head of Government Office, deputy minister of Planning and Investment, deputy minister of Justice, deputy minister of National Defense, deputy minister of Interior, deputy minister of Labor, War-Invalids and Social Affairs, deputy minister of Culture and Information, deputy minister of Education and Training, deputy minister of Foreign Affairs, head of People, Family and Children Committee, vice governor of the State Bank and deputy minister of Science, Technology and Environment. In market economy, under the environment of the market-oriented economy, economic crime, crime committed by the employment of power and functions, and corruption were interconnected. And a large proportion of government officials at all levels and those from the law-enforcement units like the Public Security, the Customs and the Procurator's Office who were punished on a charge of corruption were mostly related to those crimes.

According to nation corruption index released by Transparency International, Vietnam scored only 2.6 points in the 10-point grading system, ranking 102 on the 146-nation corruption index. Always a focus of domestic media, corruption had become the public concern reflected by all previous sessions of the National Assembly. Vietnam had become more aware of the difficulties to win the battle against corruption and increasingly consolidated its

attitude to go on. If laws and regulations relevant to anti-corruption come into effect as scheduled in 2005, the crackdown on corruption will escalate.

It was “due to the complicated degrading situation of thought, morality and style of work, and even worse in some fields, in society and within the Party which seriously damaged the prestige of the Party and the nation and reduced people’s confidence towards the Party and the nation” that culture construction was elevated to an unprecedented height in order to improve and unify the thought on important issues in society and within the Party so as to “renovate, realize the construction of industrialized modernization, build and defend the country” and in order to publicize the Party’s theory and ideology, master the ability to achieve new development. The Tenth session of the People’s Assembly of the Communist Party of Vietnam, held in Hanoi on July 5 to July 10, 2004, and confirmed the theme of building and developing Vietnam’s culture with advanced and national characteristics. Attention should also be paid to the combination of cultural construction, economic development and the Party construction, fundamentally altering the current situation of the cultural construction, economic development and the Party construction failed to grow in pace within them and found no relation to each other, impeding economic development and the Party construction. It was also made clear that economic development should be on the center stage, and emphasis be placed on Party construction and re-adjustment as well as cultural construction should be the foundation for social spirits. Through ensuring synchronized development of the above-mentioned three aspects, Vietnam will keep on publicizing the guiding thought of consecutive development of the nation. Ten tasks for cultural construction and relevant measurements were also laid out, including the construction of human resources, cultural environment, cultural arts, cultural heritage, science, technology and education, public media, minority ethnic culture, religious culture, international exchange and cooperation and cultural mechanism. A strong proposal was made to greatly consolidate and upgrade the unity of the colorful and versatile Vietnamese culture, go completely against splitting the nation and undermining the unity of all people by use of culture and make the construction of thought, morality, style of work and new cultural life as chief task.

It was the very first time in Vietnam to emphasize on cultural construction by voicing the concept of “the Party’s Culture” and further strengthening the

Party construction from the aspects of thought, politics, organization and style of work. Supposedly, this could be regarded as the deepening of the Party construction in Vietnam.

2.3. Local Congressional Election and Two Sessions of the National Assembly

One of the most prominent events for Vietnam's political life in 2004 was the election of 2004 to 2009 local Congressmen at provincial, county and village levels. Organized by Mat Tran To Quoc Vietnam (Fatherland Front, Vietnam) at all levels, through three-round consultation conference, grass root units at all levels finally elected candidates for local congressmen at provincial, county and village levels by ratio of 1 to 1.9 and on the basis of comprehensive and repeated democratic consultation. It was reported by Vietnamese media that local electors refused to accept a group of government officials to run for local congressional candidates, including one provincial party leader (former chairman of local congress), 13 provincial and municipal leaders, 87 county heads and 1,002 village cadres. The elected candidates visited grass roots to listen and collect the electors' views. At the meantime, it was the first time that Vietnam required all candidates to make a personal finance and property statement as a proof of honesty and uprightness of those representing the people.

On March 25, local congressional elections at provincial, county and village levels were held in 64 provinces and cities across the country at the same time, and more than 98% of the qualified electors participated in the election. Of some grass roots in 10 provinces and cities, because of illegal acts such as voting by substitutes and imbalance of the issued and collected votes, re-election was demanded. At last, more than 300,000 local congressmen at provincial, county and village levels were elected, in which 3,800 were local congressmen at provincial level.

With reference to the candidate election, the requirements for candidates' honesty and uprightness, the whole election process and final election results, this local congressional election moved a further step towards legalization and democratization, receiving high praise from home and abroad and referred as the most transparent local congressional election in history. After the successful local congressional election, local congressional and government

re-election were put on the agenda. Some provinces and cities had already concluded the local congressional and government re-election, such as Hanoi, Hai Phong, Ho Chi Minh City, Hai Duong, An Giang and Long An, in which some local congressional and government chairman won the second term, and most were replaced by new ones. More and more young cadres rose up to leading posts at provincial and municipal levels. It was estimated that local congressional and government re-election at provincial and municipal levels around the country would be concluded in 2005.

The National Assembly of Vietnam held two routine meetings respectively, the Fifth meeting of the 11th National Assembly in May and the Sixth meeting of the 11th National Assembly in November, continuously making progress in the construction of legal system and democratization. In regard to law-making, the National Assembly of Vietnam discussed and promulgated more than 10 laws, which were *Bankruptcy Law (Amendment)*, *Credit Organization Law (Amendment)*, *Appealing Law (Amendment)*, *Publishing Law (Amendment)*, *Supervisory Law*, *National Defense Law*, *Supervisory Law*, *Competition Law* and *Inland Waterway Transportation Law*. As to the promotion of democracy, the systemized report on electors' opinions and suggestions generally reflected points of view of domestic media and the public, which could be described as the penetration of socialized lifestyle into the National Assembly. Congressmen of the National Assembly held fierce debates and gave strong criticisms on stagnant economy, soaring commodity price, low salary, malpractice on projects of infrastructure construction and capital drain, education and corruption. For example, they criticized five existing lacks in the fight against corruption, which were lack of real democracy, lack of policy transparency, lack of practical anti-corruption mechanism, lack of effective measurements and lack of supervision and inspection. A series of measurements were taken, for example, ministers answered the inquiry and consultation by Congressmen of the National Assembly, which was as always live broadcasted, and the most special of all was that the Prime Minister, for the first time ever, received the inquiry and consultation by Congressmen. To some extent these gave play for Congressmen the right of democratic supervision, promoted the publicity of national political situation, progressively forming unique congressional democracy of Vietnam.

2.4. Steady Progress in the Preparatory Work for the Opening of the

Tenth People's Assembly of the Communist Party of Vietnam

The preparatory work for the opening of the Tenth People's Assembly of the Communist Party of Vietnam had begun already. On the Tenth Session of the Ninth People's Assembly held in July, 2004 a decision was made to open the Tenth People's Assembly of the Communist Party of Vietnam in the early 2nd quarter of 2006 and preparatory work group would be organized.

On the one hand, from the angle of personnel organization, the provincial and municipal congressional and government re-election could be taken as one of the organic components of the personnel organization of the Tenth People's Assembly of the Communist Party of Vietnam. The completion of the provincial and municipal congressional and government re-election, the opening of the provincial and municipal people's assembly of the Party and the completion of local party leader re-election will further push forward the personnel preparatory work for the Tenth People's Assembly of the Communist Party of Vietnam.

On the other hand, from the angle of ideology and theory, progress had been made to the writing of the summary on theory and practice in 20-year renovation and opening-up assigned by the Central Political Bureau of the Communist Party of Vietnam and the Central Secretariat. 15 reports on special topics had been completed and submitted to the Central Political Bureau of the Communist Party of Vietnam and the Central Secretariat for discussion at the beginning of 2005, covering areas such as foreign policies and international relations, knowledge on globalization and policies to integration into international economy, report on economic structural conversion of industrialization and modernization, the development of multi-sector economy, allocation and polarization situation, improvement of the way the party leads the country and the society, report on anti-corruption status, report on implementation of democracy within the party, report on administrative reform, fight against hostile forces and peaceful evolution relating to democracy and human rights. The summary on theory and practice in 20-year renovation and opening-up will become the main supporting documents for making up *Report on Politics* submitted by the Ninth central committee to the Tenth People's Assembly of the Communist Party of Vietnam, amending *the Party Constitution*, enriching *the Outline of Politics* coming into effect in Seventh People's Assembly of the Communist Party of

Vietnam and formulating *the 2006~2010 Economic and Social Development Plan*.

Steady progress for the preparatory work for relevant matters also had been made as planned.

All in all, for the year 2004, Vietnam saw a stable social and political life with a deepening party construction and re-adjustment while enjoying an adequately developing economy. 2005 will be the last year for Vietnam's first five-year plan when entering the new century. The Vietnamese people will pay great attention to issues of whether the annual economic growth rate set by the National Assembly of Vietnam would be achieved, whether Vietnam would be able to get access to the WTO as scheduled and how Vietnam would do, and what progress the preparatory work for the Tenth People's Assembly of the Communist Party of Vietnam had made.

Chapter 3 FOREIGN RELATIONS

To raise its position in the international arena and to integrate into the global economy, Vietnam is paying a growing attention to the development of its foreign relations, giving priority to the all-round diplomatic relations so as to create a favorable international environment for the domestic reform and opening-up and to promote the sustainable and rapid economic development. The recent focus is trying to win over more external capital and international market shares for domestic economic construction while the top priority is to obtain more countries' support so as to become the member of the World Trade Organization (WTO). Vietnam's objective is striving for the membership of the WTO in 2005 and winning the non-permanent seat on the UN Security Council for the term from 2008 to 2009 as the next step.

2004 marked the most active diplomacy in Vietnam's diplomatic history. To sum up, this can be explained in the following aspects:

3.1. Frequent High-level Visits

In diplomacy, high-level visits not only show the level of the international relations but are also the most effective way to promote the relations among countries. Vietnam benefits from its reform and opening-up and increases its economic strength; hence, Vietnam pays more and more attention to this diplomatic policy. The four top leaders, General Secretary Nong Duc Manh of the Communist Party of Vietnam, President Tran Duc Luong, Prime Minister Phan Van Khai and National Assembly Chairman Nguyen Van An pay more and more visits to other countries and areas and meet with foreign heads of state more frequently.

2004 also saw not only the most frequent but also the most numerous visits to foreign countries or regions by Vietnam's top leaders had paid to the biggest amount of countries and areas and according to incomplete statistics, the number of the countries they visited within a year had reached 23.

To hold the Asia-Europe Meeting (ASEM) successfully so as to develop the relations with Europe further, General Secretary Nong Duc Manh of the Communist Party of Vietnam laid great store by visiting Europe in his 2004 schedule. Early in the March, Nong Duc Manh began his journey, visiting European influential countries like Germany, Belgium, the European Commission, and Cuba, which has traditional relations with Vietnam. During the official visit as invited in Germany from March 1 to 5, Manh held a talk with German Chancellor Gerhard Schroeder and also met with German President

Johannes Rau, etc. After his visit to Germany, missing his old friend, Nong Duc Manh paid an official good-will visit to Cuba as invited by using every bit of time from March 6 to 9. The first Secretary of the Central Committee of the Communist Party of Cuba (CPC) and President of the Council of State, Fidel Castro, met with Manh. Cuba is one of the few socialist countries in the world and one of the countries with the best relations with Vietnam in America. After his visit to Cuba, from March 10 to 12, Manh flew back to Europe to visit Belgium and the European Commission. In Belgium, Manh held a talk with Belgian Prime Minister Guy Verhofstadt and met with President of the Chamber of Representatives Herman Decroo. The European Commission located in Belgium, Nong Duc Manh met with European Commission President Romano Prodi. The two sides discussed the major issues related to Vietnam.

As head of Vietnam, President Tran Duc Luong visited relatively more countries, mainly in 3 areas: South Asia, Europe and South America. In 2004, Tran Duc Luong visited 9 countries including Bangladesh, Pakistan, Russia, Hungary, United Kingdom, Argentina, Brazil, Chile and Cuba, presenting at the APEC Economic Leaders' Meeting held in Santiago, the capital city of Chile. Vietnam's top leaders seldom visited the South American countries in the past, but in order to explore the markets in these countries, from November 14 to 25, at the invitation of the Presidents of Brazil, Chile and Argentina, President Tran Duc Luong made an official visit to each of those countries and presented at the APEC Economic Leaders' Meeting in Santiago. During the visits in these 3 countries, Tran Duc Luong held talks with Brazilian President Lula da Silva, President Lagos of Chile and Argentine President Nestor Kirchner successively. The three countries showed their hopes of Vietnam's entry into the WTO as early as possible and their support for Vietnam's bid for a non-permanent seat on the UN Security Council for the 2008~09 term. Vietnam signed respectively with these 3 countries the agreement on concluding their bilateral negotiations on the Vietnam's bid to join in the WTO; With Brazil, it issued a Joint Communiqué and signed the Agreement on exemption of visas on diplomatic passports, the reciprocal Most-Favored Nation Agreement between Vietnam and Brazil and the Memorandum of Understanding between the Confederacao Nacional de Industria and the Vietnam Chamber of Commerce and Industry; With Chile, it signed the Agreement on Fishery Cooperation and the Framework Agreement on scientific and technological cooperation; and with Argentina, issued a Joint Communiqué and signed the agreement on cooperation between the Chambers of Commerce and Industry of the two countries. Also on the

occasion of his South American tour, Tran Duc Luong attended the 12th Asia-Pacific Economic Cooperation (APEC) summit on November 20 during which he held bilateral talks respectively with Chinese President Hu Jintao, Indonesian President Susilo, Canadian Prime Minister Paul Martin and Russian President Putin. Besides, on this tour, President Tran Duc Luong paused in Cuba to visit President Castro.

The busiest one is Prime Minister Phan Van Khai, whose visits focused on neighboring East Asia and Africa in 2004. Last year, successively, Phan Van Khai visited 10 Asian and African countries including Singapore, Malaysia, China, Mongolia, Japan, Cambodia, Morocco, Algeria, South Africa and Laos. November of 2004 was the peak time of Phan Van Khai's visits. To open up African market, from November 17 to 25, he made official visits to Morocco, Algeria and South Africa as invited. During his tour, Moroccan King Mohammed VI and Algerian President Abdelaziz Bouteflika met with Phan Van Khai respectively; and Phan Van Khai had talks successively with Moroccan Prime Minister Driss Jettou, Algerian Prime Minister Ahmed Ouyahia and South African President Thabo Mbeki. Vietnam, with Morocco, signed a framework agreement on economic, cultural, scientific and technological cooperation, an agreement on visa exemption for holders of diplomatic, official passports, etc.; with Algeria, an agreement on agricultural cooperation and a cooperative agreement with the Algerian Chamber of Commerce; with South Africa, the joint declaration on partnership cooperation and development between the two countries_a Governmental-level agreement on establishing an inter-governmental partnership forum for economic, trade, cultural, technological and scientific cooperation and an agreement on establishing a joint trade committee. From November 27 to 30, at the invitation of Laotian Prime Minister Bounnhang Vorachith, Phan Van Khai, heading a delegation, went to Vientiane to attend the 10th ASEAN Summit; "10+3" and "10+1" Summits; Summit of ASEAN, Australia and New Zealand; Summit of Vietnam, Laos, Cambodia and Myanmar; Summit of Vietnam, Laos and Cambodia; and the meeting of Japan with Vietnam, Laos and Cambodia. During this period, Phan Van Khai met with Laotian Prime Minister Bounnhang Vorachith, Prime Minister Soe Win of Myanmar and Indian Prime Minister Manmohan Singh.

In addition, in 2004, National Assembly Chairman Nguyen Van An also paid visits to Republic of Korea (ROK), New Zealand and Cambodia successively.

In 2004, there was an unprecedented large number of the top-level

foreign leaders Vietnam had received, reaching 22. Most of these leaders, altogether 12, or 59%, were from East Asian countries. They are Mongolian Prime Minister Nambaryn Enkhbayar, Prime Minister Abdullah Ahmad Badawi of Malaysia, Senate President Drilon of the Philippines, Thai Senate Speaker Suchon Chaleekrua, Laotian Prime Minister Bounnhang Vorachith, Prime Minister Lee Hsien Loong of Singapore and Speaker of the Singapore Parliament Abdullah, Myanmar 's Prime Minister Khin Nyunt, Chinese Premier Wen Jiabao, Cambodian Prime Minister Hun Sen, Japanese Prime Minister Koizumi Junichiro and President of the Republic of Korea (ROK) Roh Moo-hyun. Seven of those leaders Vietnam received last year are from European countries including the king of Sweden Gustaf, Hungarian parliament President Katalin Szili, Chairman Ognian Gerdjikov of the National Assembly of the Republic of Bulgaria, French President Jacques Chirac, German Federal Chancellor Schroeder, Norwegian King Harald V and Prime Minister of Belarus Sergey Sidorsky. The rest 3 foreign leaders to Vietnam in 2004 came from African countries including President Benjamin Mkapa of Tanzania_ Speaker of the National Assembly of Angola Roberto Antonio de Almeida and President Blaise Compaoré of Burkina Faso. When heads of other states visited Vietnam, General Secretary Nong Duc Manh of the Communist Party of Vietnam, President Tran Duc Luong, Prime Minister Phan Van Khai would hold talks or meet with them; while National Assembly Chairman Nguyen Van An would mainly received delegations from the parliaments of the countries.

In terms of the countries visited by Vietnamese top leaders and the top leaders visiting Vietnam, the major areas, which have diplomatic relations with Vietnam, were from East Asia and Europe followed.

3.2. The Hosting of the Asia-Europe Meeting (ASEM) and Multilateral diplomacy

Since the idea of “to be friends with all countries” put forward at the 6th Party Congress of the VCP in 1986, Vietnam gave great impetus to multilateral foreign policy when dealing with relations with neighboring countries and other major counties in the world.

After the first ASEM Summit was held in 1996, summit-level meetings was held every two years. By 2002, altogether four meetings have been held respectively in Bangkok of Thailand, London of UK, Seoul of the ROK and Copenhagen of Denmark. The objective of the ASEM is to establish the new and all-round partnership between Europe and Asia based on developing

economic cooperation. Being a French colony for a long time in the past, Vietnam has countless ties with Europe, which is a diplomatic resource Vietnam may make use of. Therefore, Vietnam attaches great importance to the value of the ASEM as a diplomatic stage to carry out its multilateral foreign activities. At the 4th ASEM Summit in Copenhagen in September, 2002, Vietnam proposed to strengthen tourism cooperation, to hold trainings in banking business and techniques aid and cooperation, to enhance the experience exchanges on finance department's formulating annual financial policies, and to discuss the construction of market system. All these four proposals were adopted by Chairperson's Statement, the 4th of which was co-proposed by Vietnam and Germany.¹ This Summit also decided that the 5th ASEM Summit would be held in Hanoi.

To host the ASEM successfully, the Vietnamese government transferred some members of Ministry of Foreign Affairs, Ministry of Trade and Social Science Academy to form an organization committee led by Vice Prime Minister Vu Khoan to do the preparation and organizing work. Vietnam regarded the 2004 ASEAM as a great opportunity to open up and cooperate with the outside world, beneficial to develop bilateral and multilateral foreign relations and integrate into international society, good for Vietnam's accession to the WTO in 2005 and helpful for the Association of Southeast Asian Nations (ASEAN) to realize the goal of overall security. Of course, in view of economy and society, hosting a high-level and large-scaled international meeting can help to promote local tourism and conference business, and even the construction and development of the whole economy.

The successful holding of ASEM from October 7 to 10 was Vietnam's greatest diplomatic achievement in 2004. The 39 leaders attending the meeting were from China, Japan, the ROK, the 10 member states of ASEAN, the twenty-five member countries of the EU, and European Commission. It was the first time for the 10 new EU member states together with Cambodia, Laos and Myanmar to attend the meeting and to be accepted as new members of ASEM, particularly for Myanmar, the controversial member.² After the enlargement, the ASEM has a total population of 2.4 billion people accounting for more than 40% of the world population and its aggregate GDP has exceeded half of the global total. An assistant of minister in Foreign Affairs Ministry of China said, "The enlargement of the ASEM shows the new

¹ Yu Xiangdong *_From Geneva Meeting to the ASEM_* No. 2 *Southeast Asian Communication*, Zhengzhou, China.

² At the beginning, European countries didn't agree with Myanmar's presenting at the Summit, but eventually, after negotiation, Myanmar was agreed to attend the meeting with ministerial officials.

development in the quantity and quality of cooperation between Europe and Asia, marking the new page of this cooperation.”³ The Summit issued Chairperson's Statement, Hanoi Declaration on Closer Asia-Europe Economic Partnership and ASEM Declaration on Dialogue between Cultures and Civilizations. The Summit also organized the Asia-Pacific Parliamentary Forum, the ASEM People's Forum, the ASEM Business Forum, and the ASEM Youth Forum, etc. In addition, during the Summit, Vietnam held the Senior Officials Meeting (SOM) with the EU, solving the negotiation issue for Vietnam's accession to the WTO.

On the occasion of the ASEM, Vietnam spared no efforts to develop the multilateral and bilateral diplomacy. Before, during and after the Summit, some heads of state took the chance to visit Vietnam. From October 6 to 8, French President Jacques Chirac made an official visit to Vietnam. Both sides inked 8 documents including a short-term visa exemption agreement for diplomatic passports, a memorandum of understanding for State-owned Vietnam Airlines to buy 10 A321 jets from Airbus and an agreement on French providing capital to the tramline construction project in Hanoi. On October 8, Chinese Premier Wen Jiabao, who came to attend the ASEM in Hanoi, visited Vietnam on his way. On October 9, General Secretary Nong Duc Manh of the Communist Party of Vietnam and President Tran Duc Luong, Prime Minister Phan Van Khai respectively met with Cambodian Prime Minister Hun Sen. From October 9 to 10, German Chancellor Gerhard Schroeder paid a working visit to Vietnam and both sides issued an agreement on cooperation in 2003~2004 fiscal years, an agreement on technical cooperation, and the contract on Vietnam's buying cement producing equipments and engines from Germany. On October 10, Prime Minister Phan Van Khai met with Japanese Prime Minister Koizumi Junichiro who visited Vietnam after the ASEM5. From October 10 to 12, President of the Republic of Korea (ROK) Roh Moo-hyun and his wife made an official visit to Vietnam and both sides issued a joint press statement, signed two aid project-agreements on building an information technology college in Da Nang and a solid waste treatment plant in the northern province of Ninh Binh, which are worth US\$ 10 million and US\$ 21 million respectively and a deal on links between the foreign ministries' research institutes.

The ASEM was the largest-scale and highest-level international meeting Vietnam had held so far. Vietnam had pooled all efforts including large amount of human resources, materials and capitals to organize well every

³Fu Jingjun *The ASEM5 Summit: Practical and Fruitful* _CASS REVIEW_, October 18,2004, Beijing, China.

item and guarantee the security of the meeting. The success of the Summit helped Vietnam accumulate experiences to host the APEC Summit in 2006. A Vietnamese newspaper said, "This Summit reinforced Vietnam's position and reputation in the regional and international arena."⁴

3.3. Relations with Major Countries

To Vietnam, a medium-sized country, how to handle well the relations with China, the United States and Russia is always an important diplomatic issue, which has a great deal of significance with Vietnam's security and development. Learning the lessons and experiences from the way it handled the relations with big powers, Vietnam adjusted its foreign strategy, changing its 1970s~1980s' routine of "leaning" to former Soviet Union⁵, and adopting the guideline and routine of having a balance relations with big powers.

3.3.1. Relations with China

In the political report on the 9th National Congress of the Communist Party of Vietnam in 2001, it was proposed that "importance should be attached to develop the friendly cooperative relations with socialist and neighboring countries". To Vietnam, China is not only a big developing socialist country but also a neighboring country, and its relations with China are of great significance. "China is both a big country and our neighbor. Both sides regard the friendship and cooperation between Vietnam and China as particular important."⁶

In the previous year, high-level exchanges between the two countries were maintained and brought about some substantial items as well. In November, 2004, Hu Jintao, General Secretary of the Communist Party of China (CPC) Central Committee and President of China, when attending the APEC Summit, met with President Tran Duc Luong. In May of 2004, Prime Minister Phan Van Khai of Vietnam visited China, holding a talk with his Chinese counterpart Wen Jiabao in Beijing. In October of the same year, Chinese Premier Wen Jiabao visited Vietnam, having a talk with his Vietnamese counterpart Phan Van Khai as well. China and Vietnam issued a joint communiqué on October 8. In these two talks, both sides set forth the identical goal to promote their bilateral trade volume to exceed US\$10 billion

⁴Phan Doan Nam_ *The Global Situation and Vietnamese Foreign Relations in 2004* _ No. 1, *Tap Chi Cong San(Communism)* _ Vietnamese _ Hanoi, in 2005 _

⁵ Vietnamese former General Secretary Le Duan_ "The unity and comprehensive cooperation with Soviet Union are always the cornerstone of the foreign policy of our Party and country.", *The Political Report at the 5th National Party of Congress* _ March 27, 1982.

⁶Phan Doan Nam_ *The Global Situation and Vietnamese Foreign Relations in 2004* _ No. 1, *Tap Chi Cong San(Communism)* _ Vietnamese _ Hanoi, in 2005.

in 2010. Besides, both sides confirmed the intention of cooperatively building the “two corridors and one circle” (Nanning-Lang Son-Hanoi-Hai Phong, Kunming- Lao Cai-Hanoi-Hai Phong, and the economic circle around the Beibu Gulf) which is the common planning in the economic cooperation in the long and medium term between both countries. The construction of the “two corridors and one circle” can not only connect the economy of the south of China and the north of Vietnam, promoting the development of this area, but also become the bridge to further develop the cooperation between China and ASEAN.

The Standing Committee of the 10th National People's Congress (NPC) and the National Assembly of Vietnam ratified the agreement on the demarcation of the territorial waters, exclusive economic zones and continental shelves of the two countries in the Beibu Gulf in June, 2004, and on June 30 of the same year, Wang Yi, Chinese vice foreign minister and head of the Chinese delegation, and Vu Dung, Vietnamese deputy minister of foreign affairs and the head of the ministry's Border Department, signed and exchanged the documents. Documents concerning the agreement on the Beibu Gulf fishery cooperation were also exchanged on the same day. Then, both agreements took effect at the same time. Wang Yi stated that the two agreements result from attention paid by the two countries' leaders, the direction of the two governments and the joint efforts of both sides. They are beneficial to peace and stability on the Sino-Vietnamese border, long-term peace and stability in the gulf and the brighter development of relations between the two countries. Vietnamese Foreign Minister (FM) Nguyen Di Nien also commented that the Beibu Gulf Demarcation Agreement and the Beibu Gulf Fishery Cooperation Agreement defined the land border and demarcation of the Beibu Gulf and established the legal framework for the two countries to protect, administrate, use and explore their respective parts, and the two agreements also created conditions and laid foundation for the two countries to cooperate solidly, to maintain stability, to enhance the mutual confidence and to develop the friendship of both sides.⁷

The CPC and the CPV remain their theoretical discussions and cooperation. After the symposium named “Socialism and Market Economy: Experiences of China and Vietnam” was held in Beijing, China in 2003, both parties held another symposium named “Construction of the Ruling Party: Experiences of China and Vietnam” in Hanoi, Vietnam from 16 to 17, 2004.

⁷ Member of Central Committee of CPV, Foreign Minister Nguyen Di Nien *Demarcate Beibu Gulf, Aiming at Realizing Long-term Strategic Goal, Creating Stable Environment for the Country's Construction and Development* _No. 17, *Tap Chi Cong San(Communism)* _Vietnamese_ Hanoi, 2004.

About 150 people attended the symposium including Mr He Guoqiang, member of the Political Bureau of the CPC, Secretary of the Secretariat and Head of the Organizational Department of the CPC, Mr. Nguyen Phu Trong, member of the Political Bureau of the CPV and chairman of central theory committee of CPV, and theoretical workers from both Parties. The major concerns of the symposium covered 6 aspects: the understanding of the basic theoretical issues of the ruling party, the political and ideological building of the Party, organizations' building of the Party, the way to foster the revolutionary and combat strength of Party cadres, the extremely close relations with the masses being the source of the Party's vitality, maintaining the way the Party leads the country, and reforming and improving the leading and ruling way of the Party.⁸

In 2004, the economic and trade ties between the two countries grew by a big margin. The bilateral trade volume reached US\$ 6.74 billion, increasing by 45.3% over the previous year. China's exports to Vietnam rose by 33.9%, reaching US\$ 4.26 billion; Vietnam's exports to China increased by 70.4%, coming to US\$ 2.48 billion, reaching the objective of achieving US\$ 5 billion of bilateral trade volume in 2005 in advance set by the prime ministers of the two countries. China has become the biggest trading partner of Vietnam. However, compared with other ASEAN member states, the flaw in the China-Vietnam's trading is the relative big favorable balance of China and the relative big trade deficit of Vietnam, which requires Vietnam to intensify its development in Chinese market so as to push the China-Vietnam's trading toward a higher level.

3.3.2. Relations with the United States

The relations between Vietnam and the United States showed a new development in 2004, especially in economic relations with the US becoming the first biggest commodity exporting market of Vietnam. In the first 11 months of 2004, the value of Vietnamese exports to U.S. grew to US\$4.46 billion, an increase of 22.4% over the previous year, accounting for 18.8% of the total value of Vietnam's exports.⁹ U.S. President Bush showed the support for Vietnam's accession to the WTO when he attended the APEC Summit in San Diego in November. On December 10, 2004, an airliner of the United Airlines landed on the Tan Son Nhat International Airport in Ho Chi

⁸ Phan Doan Nam *The Global Situation and Vietnamese Foreign Relations in 2004* _ *Tap Chi Cong San(Communism)* _ No. 1, 2005, Vietnamese _ Hanoi.

⁹ Tran Thi Hang _ "Export-import in 2004: spectacular development" _ "Figures and Events", No 1&2, 2005 _ Vietnamese _ Hanoi _

Minh City, which is the first American passenger plane to Vietnam since 1975. The opening of this flight will benefit the two countries in various exchanges. James A. Kelly, U.S. Assistant Secretary of State for East Asian and Pacific Affairs visited Vietnam in May, holding the meeting named the framework of Vietnamese-US political dialogue. U.S. also gave Vietnam the aid on anti-drug, combating AIDS and so on. U.S. President Bush announced on June 23 that Vietnam was being added to the list of countries included in the special, targeted U.S. assistance under the president's Emergency Plan for AIDS Relief, so Vietnam becomes the 15th nation in the world and the 1st one in Asia to benefit from the emergency AIDS relief plan. On the other side, Vietnam offered U.S. their cooperation in searching American missing soldiers. From September 1988 to 2004, about 800 remains had been delivered back to US. Vietnamese-US military relations stepped forward as well. From February 8 to 11, the U.S. Commander in Chief of Pacific Command, Thomas Fargo, visited Vietnam as invited. This was another visit paid by the U.S. Pacific Command since 2002, during which Thomas Fargo talked with Nguyen Duc Loat, deputy chief of the General Staff of the People's Armed Forces (VPAF), and met with Phung Quang Thanh, chief of the General Staff of the People's Armed Forces (VPAF). After Russian withdrew from Cam Ranh Bay, U.S. had eyed this large military base on which it spent a lot during the Vietnam War, while Vietnam always treated this issue with caution. In recent years, when talking about the issue of using Cam Ranh Bay, Vietnamese Ministry of Foreign Affairs spokesman said that Cam Ranh Bay is a port of Vietnam, and Vietnam would not sign with any countries any agreements on the military use of the Bay. Vietnam will exploit the potential and advantages of the Bay for the purpose of Socio-economic Development.

Meanwhile, U.S. often posed pressure on Vietnam with issues like democracy, human rights, etc. and intervened in Vietnamese internal affairs. In July, 2004, the US House of Representatives, taking Vietnamese policies of "torture, discrimination and threat" to the dissidents with anti-government expressions as reasons, passed *the Vietnam Human Rights Act* and withheld all non-humanitarian aid to Vietnam. In September, U.S. designated Vietnam a "Country of Particular Concern" in the freedom of religious belief. Vietnam held that "religious freedom, democracy and human rights are the tools in American foreign policies to intervene in Vietnamese internal affairs";¹⁰ *American Vietnam Human Rights Act* severely hurt the feelings and self-

¹⁰ Lin Lihui *Study on Vietnam-US Relation in the Early 21st Century, Around Southeast Asia*, No. 1, 2005, Nanning, China.

esteem of the Vietnamese people, creating chaos in Vietnam on purpose. Vietnam is opposed to the act that U.S. connected the financial aid to Vietnam with the improvement on human rights condition. In addition, Vietnam showed its dissatisfaction to U.S. by means of limiting the exports to US. Vietnam remains high alert to American “peaceful evolution”. “Therefore, in the relations with US, we keep combating with their negative policies on just ground and with restraint, not letting these conflicts block the cooperation between the countries.”¹¹

3.3.3. Relations with Other Countries

While balancing its relations with China and the United States, Vietnam also actively develops its relations with other influential countries like Russia and India.

After its withdrawal from Cam Ranh Bay, Russia is still a key country with which Vietnam develops its foreign relations. Particularly, Russian investment and exploitation in Vietnamese oil and gases are of great importance. Both countries reiterate to draw the Vietnam-Russia strategic partnership to a new height. From May 17 to 19, 2004, Vietnamese President Tran Duc Luong paid an official visit to Russia as invited. On the tour of his visit, Tran Duc Luong held a talk with Russian President Putin, and met with Russian Duma Chairman Gennady Seleznyov and the Premier of Russia Phrat-Cop respectively. Both sides issued a joint press statement. In November, when attending the APEC Summit, Tran Duc Luong met with Russian President Putin for the second time in that year.

Prime Minister Phan Van Khai met with Indian Prime Minister Manmohan Singh on the occasion of his tour to attend Vientiane Summit in November in Laos. From October 15 to 18, the Vietnam-India joint committee on economic, cultural, scientific and technological cooperation held the 12th meeting in Hanoi. Vietnamese Foreign Minister (FM) Nguyen Dy Nien and his Indian counterpart Natwar Singh co-chaired the meeting. According to the proposal of Indian Foreign Minister, both sides organized a symposium in honor of the 50th anniversary of the meeting between President Ho Chi Minh and Indian Prime Minister Jawaharlal Nehru. On 18th afternoon, Vietnamese Prime Minister Phan Van Khai met with Natwar Singh.

3.4. The Enhancement of Strong Foreign Ties with Neighboring

¹¹Phan Doan Nam_ *The Global Situation and Vietnamese Foreign Relations in 2004* _ *Tap Chi Cong San(Communism)* _No. 1, 2005, Vietnamese _Hanoi.

Countries with the Support of ASEAN

“When enlarging the foreign relations with other countries in the world, we never forget to consolidate the relations with the major target countries closely related to the security and development of our country. These relations are the ones with neighboring and influencing countries.”¹² In handling the relations with neighboring countries, Vietnam puts the relations with ASEAN member states on an important position, particularly, the relations with Laos and Cambodia on a prominent position.¹³ “Vietnam, Laos and Cambodia are not only ASEAN member states but also traditional friendly neighbors with long years’ cooperation.”

3.4.1. The Enhancement and Development of the Special Relations with Laos and Cambodia

Besides China, Laos and Cambodia are the countries sharing land border with Vietnam. The three Prime Ministers from Vietnam, Laos and Cambodia held the third tripartite summit in Siem Reap,¹⁴ Cambodia on July 20~21, 2004, discussing the issues of enhancing cooperation and propelling the construction of the Economic Zone of the Vietnamese-Laotian-Cambodian Triangle.¹⁵ The summit published a press statement. The topics discussed at the summit meeting included: speeding up and perfecting the Socio-Economic Development Master Plan of Cambodian-Laotian-Vietnamese Development Triangle and bringing this Master Plan to their respective national development policies; giving priority to the development of transportation, electricity, trade, tourism with the idea of "Three Countries and One Destination", human resource training and health care services; further boosting economic co-operation in the Greater Mekong Sub-region (GMS); accelerating co-operation programs in the East-West Corridor; cooperating among the three countries to prevent crimes; and strengthening cooperation among the three countries to guarantee the success of ASEAN meetings in Vientiane in that year.¹⁶

Vietnam has particular close relations with Laos compared with those with neighboring countries. Both countries establish multi-leveled cooperative systems, hold the yearly political bureau meeting of the two Parties, the joint

¹² Phan Doan Nam *The Global Situation and Vietnamese Foreign Relations in 2004*, *Tap Chi Cong San(Communism)* No. 1, 2005, Vietnamese_Hanoi.

¹³ Phan Doan Nam *The Global Situation and Vietnamese Foreign Relations in 2004* *Tap Chi Cong San(Communism)* No. 1, 2005, Vietnamese_Hanoi.

¹⁴ The meeting initiated in 1999, and was held twice this September and in 2002.

¹⁵ This triangle includes Kon Tum_Gia Lai_Dac Lac_Dac Nong in Vietnam, Ratanakiri, Stung Treng, Mondolkiri, in Cambodia and Attopeu, Se Kong, in Laos_all 9 provinces in these 3 countries

¹⁶ *Economy and Prediction*, No. 8, Hanoi, Vietnam *The 3rd Prime Ministers Meeting of Indo-china 3 countries: Strengthen Cooperation, Steadily Build the Vietnam-Laos-Cambodia Triangular.*

meetings of various ministries, and the cooperation meetings of various industries and have frequent exchanges of military and political officials. In 2004, Vietnam actively supported Laos to prepare and host the ASEAN Summit meeting for the first time. From April 25 to 27, Laotian Prime Minister Bounnhang Vorachith paid a working visit to Vietnam as invited during which Vietnam introduced to him the experiences in hosting the ASEAN Summit meeting, 10+1 and 10+3 Leaders' meetings.

Vietnamese and Cambodian relations were stable in 2004. Both sides achieved development in solving the issues of Vietnamese border minority inhabitants crossing the boundary into Cambodia and the Vietnamese living in Cambodia. From February 23 to 24, Vietnam and Cambodia held the 6th economic cooperation meeting, aiming at reinforce the cooperation between the two sides on culture, trade and economy, science and technology. From September 12 to 17, as invited, Vietnamese National Assembly Chairman Nguyen Van An, leading a delegation, attended the 25th General Assembly of the ASEAN Inter-Parliamentary Organization (AIPO) in Phnom Penh, the capital of Cambodia. Though very busy in the period of the ASEM, General Secretary Nong Duc Manh of the Communist Party of Vietnam, President Tran Duc Luong, Prime Minister Phan Van Khai respectively met with Cambodian Prime Minister Hun Sen, who also attended the meeting.

3.4.2 The Establishment of the Secondary State Group in ASEAN with Laos, Cambodia and Myanmar

One of the new agenda in ASEAN associated meetings in Vientiane was the first summit meeting held by prime ministers from Vietnam, Cambodia, Laos and Myanmar, endorsing *Vientiane Declaration on Enhancing Economic Cooperation and Integration* among the four countries. The prime ministers appealed to certain countries' support to narrow the development gap among ASEAN countries. According to statistics, the above-mentioned four countries' aggregate GDP in 2003 was only equal to 20% of that of the rest 6 member countries, while the average income of the four countries was only US\$ 350 per capita, compared with US\$ 1,600 per capita in the rest of six countries. The issue of Vientiane Declaration marked the formation of the secondary states group in ASEAN by the 4 new members, namely, Vietnam, Cambodia, Laos and Myanmar.¹⁷

¹⁷ Xing Heping: *2004: Cambodia Entering the Post-Sihanouk Era _ Around Southeast Asia*, No. 2, 2005, Nanning, China.

3.4.3 The Consolidation and Development of the Relations with Other ASEAN Countries

Besides the neighboring countries like Laos and Cambodia, which share the land border with Vietnam, other countries in Southeast Asian countries are also the important neighboring countries in its foreign relations. ASEAN together with its activities provide the arena for Vietnam to practice its multi-lateral diplomacy. On November 27 to 30, at the invitation of Laotian Prime Minister Bounnhang Vorachith, Prime Minister Phan Van Khai led a delegation to attend the 10th ASEAN Summit, “10+3” and “10+1” meetings, ASEAN-Australia and ASEAN-New Zealand meetings, Cambodia-Laos-Myanmar-Vietnam Summit, Cambodia-Laos-Vietnam Summit, and Cambodia-Laos-Vietnam Summit in Vientiane. During this tour, Phan Van Khai met with Laotian Prime Minister Bounnhang Vorachith, Prime Minister Soe Win of Myanmar and Indian Prime Minister Manmohan Singh.

In 2004, Vietnam’s relations with Myanmar, Thailand, Malaysia, Singapore, Indonesia and the Philippines kept developing to various degrees respectively. On August 9, Myanmar’s Prime Minister Khin Nyunt made a one-day official visit to Vietnam as invited. Both sides signed *The Cooperative Agreement of Preventing and Striking Crimes*. In November, when attending the Vientiane associated meetings in Laos, Phan Van Khai met with the new Prime Minister Soe Win of Myanmar. From February 20 to 21, the first Vietnamese and Thai Ministerial joint meetings were held in Vietnam and Thailand successively. Vietnamese Prime Minister Phan Van Khai, his Thai counterpart Thaksin and major ministerial officials from the two countries were present at the meetings. Both sides signed documents including “*the Joint Declaration on Cooperation Framework in the Decade in the First 10 Years of the New Century*”. From April 21 to 24, Chairman of the Upper House of Thai Parliament, accompanied by a delegation, paid an official good-will visit to Vietnam. From January 26 to 28, Malaysian Prime Minister Badawi made an official good-will visit to Vietnam as invited. From April 21 to 23, Vietnamese Prime Minister Phan Van Khai made a return visit to Malaysia and both sides issued a joint declaration on the framework for a comprehensive co-operation between the two countries in the 21st century. From March 8 to 11, Vietnamese Prime Minister Phan Van Khai paid a working visit to Singapore as invited and both sides signed “*the Joint Declaration on Comprehensive Co-operation Framework*”. From December 6 to 7, as invited, Singapore Premier Lee Hsien Loong made an official visit to Vietnam and both sides issued conclusion of the bilateral negotiation on

Vietnam's entry to the WTO. During his tour for the APEC Summit in November, Phan Van Khai met with Indonesian President Susilo. From April 2 to 6, as invited, Senate Speaker Franklin Drilon of the Philippines Congress made an official good-will visit to Vietnam.

3.5. The Enhancement of Economic Diplomacy to Achieve Greater National Interests

“Another prominent achievement in Vietnamese foreign relations in 2004 is diplomacy in support of economic development. Economy is regarded as an important item in Vietnam's relations with other countries and international organizations.”¹⁸ Besides the country's security, economic profit is another starting point for Vietnam to develop its foreign relations. Particularly in recent years, when developed countries reduced their foreign aid and foreign investment competitions become more intense, Vietnam attaches more importance to the development of the trading relations with other countries and international organizations so as to integrate into the global economy, to explore more international markets, and to strive for more foreign investments, aid, international tourists and foreign currency from overseas Vietnamese.

As to the diplomacy in support of economic development, Vietnamese government specially made a so-called *Number 8 Resolution*, being the guidance document for the Foreign Ministry and the overseas organizations when engaging in foreign economic activities. Such activities are various. For example, the Government organizes financial departments, enterprises and companies, by means of visits and contacts with foreign countries led by Vietnamese top leaders to investigate abroad, to search for new markets and to sign trading contracts, turning the foreign missions as the link between domestic enterprises and foreign ones; mobilizing overseas Vietnamese to remit back foreign currency or go back to invest in the nation's construction, etc.

Besides the economic and trading relations with the EU and the US, in recent years, Vietnam also attached great importance to such relations with Japan, Singapore, the ROK and Taiwan of China, which have prosperous economy and large capitals in this region. Viewed from the registered capital of investment items, Singapore and Taiwan are the largest investors in Vietnam but Japan ranks first in terms of implemented capital. Until the end

¹⁸Phan Doan Nam *The Global Situation and Vietnamese Foreign Relations in 2004* _ No. 1, *Tap Chi Cong San(Communism)* _ Vietnamese _ Hanoi, in 2005.

of 2004, Singapore had invested US\$ 7.982 billion in 334 projects with implemented capital of US\$3.381 billion; Taiwan of China, US\$7.258 billion in 1,259 projects with implemented capital of US\$ 3.145 billion; Japan, US\$ 5.386 billion in 490 projects with implemented capital of US\$ 4.253 billion; and the ROK, US\$4.751 billion in 840 projects with implemented capital of US\$ 2.888 billion. Being the Asian first largest economy, Japan has an annual GDP of more than US\$ 4 trillion. Taking trade, investment, aid and tourism into consideration, Japan is no doubt one of the most important countries in Vietnam's diplomacy for economy.

Vietnam and Japan defined the bilateral relations as "trustworthy partnership and durable stability", establishing the annual political consultation and joint dialogue at deputy-ministerial level to discuss diplomacy and national defense. Vietnamese and Japanese top leaders made frequent exchange visits and in 2004 their top leaders exchanged the visits. From June 2 to 5, Vietnamese Prime Minister Phan Van Khai, as invited, presented at the 10th international conference with the theme of "Asia's Future" and paid a working visit in Japan. On October 10, Japanese Prime Minister Koizumi Junichiro attended the ASEM in Hanoi, and then visited Vietnam. Before this, from July 3 to 4, Japanese Foreign Minister Yoriko Kawaguchi visited Vietnam as invited. Both prime ministers signed the joint statement which plotted a future course of "partnership, joint progress, long-term stability and mutual confidence" in its relations with Japan.

At present, Japan is an important partner to Vietnam on investment, aid and trade. In recent years, Japan is the largest aid-provider to Vietnam. From 1999 to 2002, Japan promised to aid Vietnam 750 billion yen, accounting for 40% of the global aid to Vietnam. Japanese aid to Vietnam mainly goes to 5 important fields: building of human resources and system, transportation and electric power, agriculture and agricultural facilities, education and health care and environmental protection. Many state key projects in Vietnam were aided by Japan, such as the Pha Lai Thermal Power Plant No 2, Phu My Power Plant, O Mon Thermal Power Plant Project, Ham Thuan-Da Mi Hydropower Project, Da Nhim Power System Rehabilitation Project, Dai Ninh Hydropower Project, Can Tho Power Plant Project_Cai Lan Port Extension Project _Hai Van Tunnel Construction Project_National Highway Nos. 5,10, and 18 Improvement Project _National Highway No.1, Railway Bridge Rehabilitation Project_Thanh Chi_Can Tho_Binh Bridge Construction Project_Bai Chay Bridge_the Infrastructure Development in Hanoi City_ East-West Highway Construction Project in Ho Chi Minh

City_ and Phan Dy-Phan Thiet Water Conservancy Work_ etc. Japan is always the biggest trading partner of Vietnam, particular in exports. In the first 11 months of 2004, the total volume of Vietnam's exports to Japan reached US\$ 3.13 billion, increasing 20% over the previous year, accounting for 13.2% of the total Vietnam's exports.¹⁹

In addition, the ROK is also one of the important trading partners Vietnam has been striving for in recent years. From October 10 to 12, at the invitation of Vietnamese President Tran Duc Luong, President of the Republic of Korea (ROK) Roh Moo-hyun and his wife conducted an official visit to Vietnam. Both sides issued a joint press statement, signed two aid project-agreements on building an information technology college in Da Nang and a solid waste treatment plant in the northern province of Ninh Binh, which are worth US\$ 10 million and US\$ 21 million respectively and a deal on links between the foreign ministries' research institutes.

These years recorded the prominent achievement in Vietnamese diplomacy for economy. In 2004, Vietnamese trade volume of imports and exports reached a new record of US\$ 57.5 billion, an increase of 28%, among which the volume of exports was US\$ 26 billion, imports, US\$ 31.5 billion, increasing 30% and 25% respectively. The total volume of imports and exports in that year was equal to 126% of the GDP of the year, which on one hand, demonstrates the degree of Vietnam's process of international economic integration, on the other hand, shows the role of Vietnam's developing foreign economic activities in boosting the domestic economic growth. At the end of 2004, the annual conference on international aid to Vietnam was held in Hanoi. All participants promised to aid Vietnam US\$3.4 billion in 2005, which will be the most that foreign countries have promised to Vietnam in these ten years.

¹⁹Tran Thi Hang_ "Export-import in 2004: spectacular development" _No 1&2 "Figures and Events" in 2005_Vietnamese_Hanoi_

Chapter 4 MILITARY AFFAIRS

Vietnamese army is one of the strongest armed forces in Southeast Asia. In 2004, the Vietnamese army continued the full implementation of all decisions passed on the Ninth National People's Assembly of the Communist Party of Vietnam and the Seventh Session of the Communist Party Representatives of the Vietnamese Army, striving to fully strengthen the national defense construction and army building under the army building principle of being revolutionary, regularized, elite and gradually modernized.

4.I. NATIONAL DEFENSE MECHANISM AND POLICIES

The Constitution of Vietnam stipulates that President of Vietnam leads all armed forces and also takes up the post as chairman of National Defense and Peace Commission. But actually the Central Military Committee of the Communist Party of Vietnam is the highest decision-making body for national defense and military work. General Secretary of the Central Committee of the Communist Party of Vietnam is also Secretary of the Central Military Committee of the Communist Party of Vietnam, who carries out the leadership and commanding of armed forces of the country through the Ministry of National Defense. The National Assembly is composed of National Defense and Security Council, giving assistance to President to lead the armed forces. The Ministry of National Defense serves not only as operating organization of the Central Military Committee of the Communist Party of Vietnam, but also as the highest military administrative and commanding headquarters, including Department of Chief-of-Staff, General Bureau of Politics, General Bureau of Logistics, General Bureau of Technology, General Bureau of Economy for National Defense Industry and General Bureau of Investigation. The six departments and bureaus respectively take responsibilities for military commanding, ideological and political education, logistics supply, technological guarantee, the manufacture and management of weapons, information investigation. Units under direct leadership of the Ministry of National Defense include Academy of Military Strategy Research, Inspection and Supervision Committee of the army, Academy of Military History Research, Bureau of Foreign Affairs, Bureau of Finance, Bureau of Economic Administration, and Bureau of Planning. The armed forces of Vietnam consist of regular forces, local forces, reserve duty and militia. The regular forces, also the principal forces, have ground force, air force, air defense, navy and several arms of technical service.

The current national defense policies are as follows, which are to bring into play the strength of the entire people and the whole political system, to build up a solid system of national defense for the entire people, to improve the armed forces' quality, to firmly defend the state independence, security, sovereignty and territory integrity; to defend the people, the party and socialist system, to prevent and shatter all conspiracies of sabotaging social and political stability, violating the state independence, security, sovereignty and territory integrity and damaging national construction causes; to effectively crack down on all crimes to ensure law and order. To achieve this goal, Vietnam should make close combination of constructing and defending the country, maintaining national defense with putting law and order on society, carrying out national security activity and launching foreign diplomacy, therefore, Vietnam should place it as frequent and important tasks for the party, the state, the army and the people to consolidate national defense and defend the country. Vietnam should also progressively strengthen the potentiality of national defense and build the army as being revolutionary, regularized, elite and gradually modernized, and form solid conditions for perfect match of national defense for the entire people and security of the entire people as well as implement the guiding thought of getting ready to take active actions to defeat all sabotage activities. Meanwhile, Vietnam should improve legal system of defending the country, legalizing the Party's policies for building national defense for the entire people and security of the entire people; strengthening the state management over national defense and the party's leadership over the army, public security forces and national security causes.

4.2. MAIN TASKS FOR NATIONAL DEFENSE STRATEGY AND THE ARMY BUILDING

Vietnam carried out the military mechanism of combining principal forces with reserve duty and militias, pushed forward military strategy of national defense for the whole people and overall defense. Two objectives of Vietnam's military strategy in the new era are, on one hand, to completely shatter peaceful evolution, attempted subversion and riot, and maintain domestic stability and national security; on the other hand, to firmly defend state sovereignty and territory integrity, especially border front, island, territorial water and continental shelf. It is believed that the peaceful evolution will become the most protruding, the most urgent and the most important

threat to Vietnam's national security in 2004 and in a long run.

On the 8th session of the Ninth Assembly of the Communist Party of Vietnam, Vietnam made out the national security strategy at current circumstance, including firming defending the state independence, sovereignty, unification and territory integrity; defending the party, the country, the people and socialist system; protecting reform causes, industrialization and modernization; giving priority to interests of the state and the nationality; ensuring internally political security; maintaining safe order of the society and culture as well as political stability and peaceful environment; pushing forward the national development in the direction of socialist.

The basic tasks and objectives of army building are listed as follows, which are to consolidate national defense and security for the whole people with civil armed forces as backbone, and combine national defense construction with economic construction, join national security with economic safety, gradually improve military law system and make suggestions, policies relating to national defense and peace by the party become mechanism; to strengthen the leadership of the party over the army and national security, enhance the state management over national security system; to increase investment on national defense and army building step by step, develop infrastructure construction for national defense purpose, reasonably utilize economic infrastructure to serve national defense; to further improve the modernization of the army as well as heighten combat effectiveness and comprehensive quality. The ideology of building armed forces must follow the principle of quality, efficiency and deterrent force. Based on neighboring environment, the state economic development situation, actual demand and possibility, Vietnam should build armed forces with optimized structure, appropriate quantity, modernized equipment, strong combat effectiveness, high comprehensive quality and great deterrent force. It could be described as follows, to build people's army which can be revolutionary, regularized, elite, gradually modernized on the basis of political construction and in the principle of regularized construction; to build reserve duty and militia which can be mobilized at short notice; under Hi-tech conditions get ready to win various armed conflicts and invasions, big or small, and prevent the break-out of war with the highest war preparation status; to strengthen overall construction of the army and the national defense construction for the whole people, upgrade mobilization system for militia and reserve duty; to build and

improve regional defense system.

4.3. THE ADJUSTMENT OF SENIOR MILITARY OFFICERS' POSTS AND MILITARY RANKS

Following the overall and important adjustment of military senior personnel in 2001 and the adjustment of middle and senior personnel in 2002, Vietnamese army substantially adjusted middle and senior military officers' posts and military ranks in 2004. On Dec. 16, 2004, Chairman Tran Duc Luong signed a Chairman Order to adjust 72 high-ranking military officers' posts and military ranks. Four were promoted from lieutenant generals to generals, who are Nguyen Van Duoc_ deputy minister of the Ministry of National Defense, Phan Trung Kien_ Nguyen Van Doanh and Nguyen The Tri, director of the Academy of National Defense. Ten were promoted from major generals to lieutenant generals, who are Tran Phuc_ Director of General Logistics Bureau, Pham Hong Thanh_ Vice Director of General Political Bureau, Nguyen Nang Nguyen and Nguyen Huu Kham_ Deputy Chiefs of the staff, Nguyen Chi Vinh_ Director of Investigation General Bureau, Tang Van Hue_ Commander of Frontier Forces Hoang Ngoc Son_ Commander of the Fifth Military Command, Le Manh_ Commander of the Seventh Military Command, Luu Phuc Luong_ Deputy Commander of the Ninth Military Command, Bui Si Vi, Vice Director of the Discipline Inspection Committee of the Central Military Committee. In navy, 2 were promoted from paramilitary governors to vice military governors, 53 from senior colonels to major generals, and 3 from navy senior colonels to paramilitary governors. By then, the Chief of the Staff, Director of General Political Committee and some deputy ministers of the National Defense were all with military ranks as generals. Meanwhile the Central Military Committee of Vietnam adjusted the posts of 19 above-mentioned promoted military officers.

Besides, the Central Military Committee of the Communist Party of Vietnam and the Ministry of National Defense of Vietnam conferred or posthumously endowed 7 counties, 32 villages and some individuals the title of Heroes of the People's Armed Forces.

4.4. THE GRAND CELEBRATION OF THE 60th ANNIVERSARY OF THE ESTABLISHMENT OF ITS ARMY

4.4.1. The Grand Commemoration Meeting and Public Gathering

The Vietnamese People's Army was founded on Dec. 22, 1944 and

the Communist Party of Vietnam and the Vietnamese government held grand commemoration meetings and public gathering to commemorate the event, and invited lots of international friends to attend various colorful commemorative activities in Vietnam. Party and State leaders of Vietnam made remarks on these occasions, highly praising tremendous contributions Vietnam People's Army made in Vietnamese people's fight for national independence and socialist construction, fully confirming the army's sacred status in the political life of the state and the people and requiring the army to make preparations for defending the Communist Party of Vietnam and the socialist system of Vietnam at all times.

4.4.2. The Opening of Army Sports Meeting of Southeast Asian Countries

The Ministry of National Defense of Vietnam, after careful preparation, held army sports meeting of Southeast Asian countries with the theme of commemorating 60-year glory of Vietnam People's Army and strengthening friendship. Vietnamese army extended invitation to army sports delegations of ASEAN countries to take part in the meeting and its delegation made great achievements at the meeting.

4.4.3. Exhibition on Army's Achievements

Approved by the central military committee of the Communist Party of Vietnam and the Vietnamese government, the Ministry of National Defense held a grand exhibition of 60-year development of Vietnamese army in Tai Nguyen city on Dec, 2004, displaying developments and important victories Vietnamese army made in 60 years in forms of pictures and real object models.

4.5. THE GRAND COMMEMORATION OF THE 50th ANNIVERSARY OF THE VICTORY IN THE DIEN BIEN PHU BATTLE

May 7, 2004 is the 50th anniversary of the victory in the Dien Bien Phu Battle. The Vietnamese government invited lots of international friends from Russia, China and other countries to attend this event, especially those who helped Vietnam gain the victory in Dien Bien Phu Battle and who are still alive. The Ministry of National Defense of Vietnam, together with relevant departments, respectively held commemoration meetings in Hanoi and Dien Bien Phu and sponsored various colorful commemorative activities. Chairman Tran Duc Luong and Senior General Pham Van Tra_Minister of the National Defense, made speeches by turn on the

occasion, highly praising the assistance friendly countries gave in Vietnam's Anti-France War and proclaiming the victory is not only a turning-point victory of Vietnamese people's fight for independence, but also a strong support to national liberation movement all over the world . Senior General Vo Nguyen Giap_ who commanded in the Dien Bien Phu battle, were also present in major commemorative activities.

4.6. THE IMPROVEMENT OF LAWS AND REGULATIONS ON MILITARY AFFAIRS

After the promulgation of *the Military Procuratorate Organizational Law* and *the Military Judicial Organizational Law* in 2002, *the National Defense Law* and *the National Security Law* were issued in 2004. Reading out *the National Defense Law* on the Sixth session of the 11th National Assembly of Vietnam, General Pham Van Tra, Minister of the Ministry of the National Defense, made explanations of the content and meanings of the law. He reminded the assembly that due to the unexpected changes in global and regional situations as well as the difficulties to anticipate them in advance, only by implementing *the National Defense Law* can Vietnam regulate its work on national defense, and strengthen the guidance and management over national security. Nguyen Phuc Thanh, vice-Chairman of the National Assembly and Director of the National Defense Commission of the National Assembly, also expressed that *the National Defense Law* will impose great significance to improve the guidance and management over the work of the Ministry of National Defense in the fight against peaceful evolution, subversion and sabotage by foreign hostile forces. It was necessary for Vietnam to aim at building and defending the country to pass the law under real conditions, contributing to the defense of the sovereignty independence and territory integrity of this socialist country.

Simultaneously, Vietnam passed the national security law. General Nguyen Khanh Toan_ Resident Deputy Minister of the Ministry of Public Security, participated the inspection, consultation and the pass of national security law on the Sixth session of the 11th National Assembly of Vietnam. He pointed out that the law made definition of the function, status, tasks of Vietnam's national security forces and the responsibilities, liabilities of all organizations, individuals to maintain national security. The Ministry of Public Security was designated as the leading functional and management unit of maintaining national security. Definitions were also given on the principles,

policies, tasks, jurisdiction and functional scope of the national management on national security forces carried out by the Ministry of Public Security and the Ministry of National Defense. It was Vietnam's first issue of national security law.

Apart from those above, the Ministry of National Defense made improvements and supplements to relevant documents and regulations stipulated since 1994, fully carrying out demand of the Party and the government and ensuring to provide service to "mothers of Vietnam" and other families of revolutionary martyrs and servicemen with financial difficulties. All levels in the army took responsibility of giving favored treatments to certain amount of families of revolutionary martyrs and servicemen and made definite the division of labor with personal responsibility.

4.7. THE CONTINUOUS MAINTENANCE OF INTERNAL STABILITY

In 2004 Vietnamese army paid continuous attention to ideological and political work and strengthened its campaign against "peaceful evolution" with the continuous exerting the internal function of the army to maintain social stability.

4.7.1 Enhancing Ideological and Political Work to Fight against "Peaceful Evolution".

The Ministry of National Defense and its General Political Bureau constantly required that the whole army implement relevant policies and decisions, and strictly enforce cultural and life quality of the army. Units at all levels should guarantee the life standard of the army personnel and enhance the ideological and political work. Emphasis was also given to the order that all troops of the army must act in accordance with unified planning and implementation. The allocation, utilization and management of all military materials and equipment should be regulated. Through political education, it was supposed that cultural and life quality of the army will be improved, the awareness of national defense be aroused, actions be taken to fight against peaceful evolution and subversion by hostile forces. Meanwhile, the army should give scope to their sense of responsibility, strictly obey military discipline, complete all assigned tasks, and efficiently utilize funds, materials and equipments.

On important holidays and festivals, top leaders of the Communist Party of Vietnam, the Vietnamese army and the political arena paid frequent visits to grass-root units of the army, making better the ideological and political work as well as boosting the army's morale. As planned, top leaders of the Communist Party of Vietnam, the Vietnamese army and the political arena took inspection trips to troops garrisoning in remote areas and on islands; and senior officials from the Ministry of National Defense and other relevant departments visited and extended regards to troops along the border. They demanded that all units should make contributions to war preparation and national defense, the maintenance of social and political stability, the creation of requisites for economic development and other aspects.

4.7.2 Continuously Implementing the Internal Function of the Army to Maintain Social Stability

The Vietnamese army is one of the important forces to fight against anti-government forces and maintain social stability. The army placed much emphasis on bringing into play the army's internal functions of maintaining national stability, peace and unification.

First of all, it safeguarded the self-stability of the army. Vietnamese army carried out extensive education on its personnel, demanding them to be patriotic, to love one's country, and to fight against peaceful evolution by hostile forces from the West and to discard wrong remarks such as "the nationalization of the army" and "an army without Party affiliation". The army also got good understanding on ideological condition of its soldiers and officers, and strengthened ideological and political work at appropriate time to maintain self-stability.

Secondly, it formulated self-defense and anti-riot project. Based on real situation of hostile forces and the army's own assignments at different periods, all units in all arms of Vietnamese army accordingly set up and adjusted action plans to crack down on anti-government and maintain social stability, efficiently coping with sabotage, subversion and riot by all hostile forces.

Thirdly, it cooperated with local governments to launch strike against activities by hostile forces. All units of the army joined with local governments to closely follow and master conditions of all kinds of anti-government activists, took actions to arrest illegal missionaries and anti-government activists. At the meantime, the army collaborated with local public security forces to master political circumstances and situation of

social law and order, and showed close concern to domestic and foreign reactionary organizations.

Fourthly, it organized anti-riot exercise with local government to enhance capability of maintaining stability. All branches of the Vietnamese army organized anti-riot exercise with local government periodically or irregularly scheduled. Militia, public security and the people all participated in the exercise to enhance the ability of dealing with emergency and striking against hostile forces. The army, together with local armed forces and militias, heightened alert along the border and on coastal front to prevent invasion of reactionaries. During important holidays and festivals, the army also gave emphasis on war-preparation duty and put strict control over weapon and ammunition.

4.8. THE SUPPRESSION OF POLITICAL TURBULENCE AND THE IMPLEMENTATION OF STRICT FRONTIER CONTROL

In April 2004, political riot broke out once more in Tay Nguyen Region, causing great casualties and financial losses. The Central Political Bureau of the Communist Party of Vietnam and the Secretariat held several meetings and made a conclusion of the riot in Tay Nguyen Region. The second political riot in Tay Nguyen Region did not happen by chance. Except for external factors such as peaceful evolution, the attempt to disrupt the state and subvert socialist system by the US and the collusion of domestic and foreign hostile forces, the main factors causing the eruption of the riot included the slackness of local grass-root organization, slow economic development, the corruption of party and political cadres and some protruding social problems. Vietnam took actions to enhance the interior management of the whole country, especially the army, and public security forces should strengthen the maintenance of law and order. Abiding by the unified arrangement of the Central Committee of the Communist Party of Vietnam, the Ministry of National Defense required the frontier forces to take strict control over boundaries, preventing the minority ethnic people in Tay Nguyen Region from fleeing abroad and fighting against the infiltration of foreign hostile forces into Tay Nguyen Region. The Ministry of National Defense also organized special meeting to fully implement national border law. In order to implement No 28 Order issued by Prime Minister of the Vietnamese government on Dec. 19, 2003, Lieutenant General Nguyen Van Doanh, deputy minister of the Ministry of National Defense, Lieutenant General Pham Hong Loi_ vice director

general of the Ministry of National Defense respectively presided over meetings in Hanoi and Ho Chi Minh City. Those present included personnel from the frontier forces and representatives from the central, provincial, municipal departments and committees. Major general Trinh Ngoc Huyen, commander of the frontier forces, elaborated on frontier law, and Hoang Trong Lap, vice director of border committee of the Ministry of Foreign Affairs, gave a report on implementing national border law on land and marine boundary.

When strengthening border control, the frontier forces of Vietnam also cracked down on cross-border crime. They already acquired information that key areas which saw the smuggling of drugs from abroad were Lao Cai, Son La, Lai Chau, Thanh Hoa, Nghe An, Ha Tinh, Quang Tri, Tay Ninh and other provinces. The frontier forces had to take stronger measures when drug dealers resisted the arrest. The frontier forces seized 79.6 kilograms of heroine, handled 220 criminal cases and punished 334 criminal suspects. For example, the frontier forces of Quang Ninh province alone confiscated 9.9 kilograms of heroine, 19,033 kilograms of marijuana, 17,310 pills and 65,963 injection drugs. The cross-border smuggling in Vietnam became more serious year after year, the quantity increased several times over and the concerned provinces are An Giang, Long An, Tay Ninh, and Ca Mau. Smugglers in Mong Cai, Tan Thanh, Huu Nghi, Lao Bao, Moc Bai and other entry-exit ports in inland of Vietnam broke up the whole into parts to take illegal activities, leading to the growth of smuggling cases compared with the previous years. The frontier forces actively fought against smuggling, making contributions to maintain the normality of economic order. 54 criminal cases were closed and 78 criminal suspects arrested by the frontier forces. By cooperating with the public security units, the frontier forces confiscated forged banknotes of 174.8 million Dongs. The frontier forces themselves alone confiscated forged banknotes of 1.1 billion Dongs, handled 85 cases and punished 139 suspects. 1,000 kilograms of explosives, 36 self-made land mines, 49 guns in variety, 58 grenades and two bombs were also confiscated. Besides, the frontier forces submitted 3.5 billion Dongs of fine to the state revenues.

4.9. THE ACTIVE PARTICIPATION IN ECONOMIC CONSTRUCTION

The Vietnamese army required that the army should not only play an important role in national defense, but also take effective measures to

combine economic construction with national defense. Currently, the Vietnamese army had set up 17 national defense economic zones along the border, established dozens of enterprises, and re-organized economic construction legions to take part in the construction of key national projects. Just in 2004, the turnover of enterprises run by the Vietnamese army totaled 17 trillion Dongs, and 1.2 trillion Dongs were submitted to the central revenues. The net profit reached 1 trillion Dongs. Among the 140 enterprises run by the Vietnamese army, most of them were making great profits under good management. Only a few run at a loss or even went bankrupt. The Vietnamese army will push forward reform on share-holding system in its enterprises in 2005, aiming to make 80% of its enterprises run under share-holding system by 2006.

4.10. MILITARY DIPLOMACY

The military diplomacy of the Vietnamese army is an important component in the foreign affairs of the Communist Party of Vietnam and the Vietnamese government. In accordance with foreign policies stipulated by the Communist Party of Vietnam and the Vietnamese government, the army followed the principle of all-roundness and diversification in its foreign policies. It not only made great efforts in strengthening military interactions with key countries and the neighboring countries, but also paid attention to developing military relations with other countries with an aim to maintain peace and stability within the region as well as the balanced development of foreign military relations.

In its summary on foreign work, the Ministry of National Defense of Vietnam pointed out that in 2004 the army carried out the foreign policy of independence and self-reliance, all-roundness and diversification, gradually developing its foreign military relations and establishing military relations with main countries on five continents which included five permanent members of the Security Council. 34 countries established foreign relations with the Army and accredited military attache's offices in Hanoi, and it also accredited 24 military attache's offices abroad. Top leaders of the Ministry of National Defense of Vietnam paid visits to dozens of countries in 2004 and received military delegations from China, the United States, Russia, Japan, India and some European countries. The mutual visits enhanced friendship and cooperation, manifested the Army's foreign policy of independence and self-

reliance, all-roundness and diversification, making contribution to maintain a peaceful and stable international, regional and neighboring situation as well as creating necessary elements for developing national economy, consolidating national defense, improving Vietnam's international status and realizing modernization and industrialization.

4.11. WHITE PAPER ON NATIONAL DEFENSE

The Army issued its first white paper on national defense in 1998. On Dec. 9, 2004, the Ministry of Foreign Affairs of Vietnam held a routine news conference on which Major General Nguyen Huy Hieu, deputy minister of the Ministry of National Defense of Vietnam, handed out to journalists the newly-published white paper on national defense---*National Defense of Vietnam at the Beginning of the 21st Century*, the second issue of white paper on national defense by the Ministry of National Defense of Vietnam. Consisting of five parts, the 32 mo printing with 76-page white paper elaborated on the Army's perspective on current international and regional security situation, Vietnam's national defense policies in new era, direction for army building and present armed forces conditions, further increasing transparency of Vietnam's national defense. The first part is prelude, a general introduction of Vietnam and its armed forces. The second carries national defense policies, including general evaluation of the national security situation and national defense policies. The third is the national defense building for the entire people, covering the building of national defense potentiality, the building of national defense formation and the state administration over national defense. The fourth is related to the building of armed forces, introducing the components of armed forces and main measures for building armed forces. The fifth is appendix, listing major achievements the Vietnamese People's Army made when taking part in national construction in the past five years and statistics for Vietnam's senior military delegation visiting abroad and the visiting foreign senior military delegation between 2002 and 2003. Pictures of military ranks, shoulder-marks, neck insignia, and cap insignia of all arms in the armed forces are also attached.

4.12. THE FORMULATION OF PLANS FOR NATIONAL DEFENSE AND MILITARY AFFAIRS IN 2005

The Army held a yearly military and political meeting to summarize

national defense and military affairs in the previous year and make arrangements and plans for the following year. At the military and political meeting of Vietnamese army of 2004, which was held in November of 2004, the Vietnamese army pointed out that under the direct leadership of the Central Political Bureau of the Communist Party of Vietnam and the Military Committee of the Communist Party of Vietnam, the Army successfully fulfilled all assigned tasks. All military units concentrated on enhancing combat effectiveness and war preparations, thwarting several conspiracies and attempts as well as effectively consolidating national defense building and national defense formation for the entire people, organically combining national defense for the entire people with tranquility for the entire people to ensure war preparations in strategic way. Acting as advisor to the Vietnamese government, the Ministry of National Defense of Vietnam guided local governments to give a summary on construction of provincial and municipal defense zone in 15 years, implemented military exercises as planned to achieve anticipated effect, and helped local authorities to re-adjust militia organizations which improved their quality and optimized structure. The cooperation between the Ministry of National Defense and the Ministry of Public Security reached a new high. The National Defense Education Committee at all levels moved in the right direction and brought its activeness into full play. The Academy of National Defense opened three times of national defense education classes, training 214 ministerial and provincial cadres. All military area commands organized 27 times of national defense education classes, training 1,636 county-level cadres and Local governments, 182 times of national defense knowledge classes, training 12,881 village-level cadres.

There are six tasks and ten measurements in plans for national defense and military affairs in 2005. Generally it could be summed up as follows that Vietnam should further emphasize on improvement of political aspects in army building, consolidating political foundation for army development. Meanwhile the Army will enhance homeland defense and combat measures, constantly improve defense and combat plans as well as analyze and adjust military personnel structure which will become comply with the requirements of Hi-tech war in new era. By combining exercises with actual requirements in combat to improve army's training quality, Vietnam will also go further in analyzing and perfecting logistics to meet the needs in the future. Attention should also be given to military scientific research and summary of war. The

foreign military diplomacy, military judicature and supervision should be strengthened. Inevitably, Vietnam will play an active role in building and consolidating national defense for the entire people.

Chapter 5 AGRICULTURE

In recent years, as Vietnam is making great efforts to promote national industrialization, its agriculture proportion in GDP is by degrees on a decline. For any sake, however, agriculture and development in the rural areas have remained to be the big problems for the innovation and development in Vietnamese economic society, for more than 70% of the population is in the rural areas in Vietnam.

5.1. A REVIEW OF 2003

In 2003, such factors as the complicated climate and increased prices of agricultural materials and fertilizers in Vietnam, and the great changes in the global agricultural product market and price after the Iraqi War, had an effect on the development of Vietnamese agriculture. For this reason, the government had, in the due course, adopted the active measures to cope with, giving the enterprises and farmers instructions as well as assistances for them to overcome the difficulties and develop production, which had consequently contributed to an all-around good harvest of its agriculture in 2003.

5.1.1 Multi-Advantages for Agricultural Production

First of all, there are several new policies issued by the state, especially the ones on the transform of the production structure and diversification of planting, aquiculture and poultry. Since 2003, the Vietnamese government has exempted farmers from the land taxation of dry land, and carried out the other policies such as tax reduction for the farmers who can effectively use the other agricultural lands and manors, which greatly encouraged farmers' enthusiasm for the investment in intensive cultivation and production development. Secondly, increased prices of some agricultural products were in favor of agricultural production. The prices of its main exported agricultural products were on an increasing tendency against several years ago and on a relatively high level. In November of 2003, the national grain price index was increased by 8.8% against the corresponding period of the previous year, and the rice price index was increased by 20%~25% against the previous years. Influenced by this price level, the rice-planting farmers were reassured to do their farming. The food price index was increased by 2.0% against the corresponding period of the previous year. General speaking, the price indices of meat, eggs, vegetables, fruits and other food were on a stable and slightly

increased tendency. There was no occurrence of overstocking of products and depreciation as happening several years ago. This new tendency exemplified the government's basic success in such policies as the transform of agricultural structure, diversified planting, aquaculture and poultry, and contributed to the increase of farmer's income as well as improvement of farmer's living standard.

5.1.2 Better Agricultural Production Structure to Satisfy Market Requirements

In light with the principle of the transform of product structure desired by the market, grains production was fully evolving. In 2003, the total grain output reached 37.5 million tons, 558 thousand tons more than that in 2002, which set a new record. Some new features of the grain production in 2003 were characterized by the fact that the grain production structure was diversified and the grain output was increased, which met the requirements of both domestic and foreign markets and exports, and that the rice production went on developing in the commercial direction, that is, the gradual reduction of grain-planting area but the increase in the yield and quality per unit area. Besides, the cultivation of sheep, ostriches, meat ducks and other new kinds of livestock and poultry promoted the diversification of livestock breeding and improved the quality of bred products, which greatly met the demands of domestic markets, especially those of the tourists.

5.1.3. Focus on the Shifting of Agricultural Production from Quantity to Quality

During the agricultural development in 2003, this was an outstanding new feature incorporated in planting and livestock breeding. Take rice production for instance. Many areas, especially the plain in Mekong Delta, took active part in responding to government's call upon expanding the planting areas of high quality rice for export. The yield per unit area of grains was enormously increased by means of reducing the planting area of low-yielding rice and increasing that of high-yielding rice. The increase of the total rice output by means of increasing the yield per unit area featured the grains production of 2003. On the unfavorable conditions in several important rice production areas caused by the complex climate in 2003, the full harvest in rice production was definitely a "grand success" in the grain production. The new ways to improve the rice yield and quality per unit area in 2003 were characterized by the successful employment of the high-tech intensive cultivation, the application of bio-tech to the choice of the superior seeds, the application of advanced farming system with less dosage of fertilizer and pest

control chemicals.

5.1.4 Optimization of the Agricultural Structure

The year of 2003 was the one in which Vietnamese agriculture had made much progress in the agricultural structure transform since the implementation of the requirements of “Increasing the proportion of aquiculture and poultry and decreasing the proportion of crop cultivation in the total agricultural output value” in 1996. The proportion of aquiculture and poultry, consequently, increased from 19.7% in 2002 to 21.6% in 2003, and meanwhile, the proportion of crop cultivation decreased from 77.7% in 2002 to 76.2% in 2003. The important reason for this progress was that there was a full development in the quantity, category and quality of aquiculture and poultry, whose increase was 3.2% faster than the crop cultivation. Inside the crop cultivation, the main transform was stressed on reducing the planting areas and output value of rice and yet increasing the planting areas and proportions for other plants with high output value per unit area.

The agriculture gained a heavy harvest throughout 2003, featuring the great increase in the quantity and quality of agricultural products and the stable prices in the nationwide agricultural product market. Furthermore, the quantities and prices of agricultural products for export were greatly improved, with 4 million tons of rice and the estimated 80 thousand tons of pepper exported throughout 2003. Although there was a few or none of increase in the export amount of some agricultural products, their gross export was increased as the export prices were increased.

5.1.5. Main Problems

There were still a lot of problems and difficulties in the agricultural development in 2003, which were listed as follows:

Firstly, there was an unbalanced and inconstant speed in the agricultural development, which above all was manifested by the grains production. In 2003, as the national rice output was increased 220 thousand tons, the rice output was decreased in the Red River and Mekong Delta Plains, the two key rice production areas, in comparison with 2002. Because of the excessive dependent on the climate conditions in agricultural production and the sale conditions in the global market, price level became a primary problem being and to be solved in Vietnamese agriculture. The main reason was that there were various deficiencies in the current foundation of agricultural materials and technology as well as the rural infrastructure, which could not remove the effects from drought and flood.

Secondly, the structural transform of aquiculture and poultry did not

follow the plan and program but was done by itself, which resulted in the small and decentralized production scale and the pursuit of efficiency and output regardless of quality and pollution issue. The current agricultural products of Vietnam were not very competitive and stable, such as rice, coffee, tea, rubber with high export volume. The domestic prices of agricultural products in 2003 were still on an unstable uprising tendency, especially prices of coffee, vegetable and fruit, pork and sugar cane, etc.

Thirdly, some agricultural programs and projects were only a matter of form and people swarmed toward investment, which led to the insufficient social economic efficiency. These programs and projects covered the productions of cane sugar and cultivation of cow and vegetable and fruit in the areas where the acceptable production conditions were not provided, the updated rice structure and the implementation of the decisions on sales contracts signed between the government and farmers, etc.

The yearly total output of agricultural production was increased by 4%, in which forestry and aquiculture were increased by 4.7% only, less than the target of 5%.

5.2. THE AGRICULTURAL DEVELOPMENT IN 2004

5.2.1. Difficulties and Problems

5.2.1.1 Bird Flu

At the beginning of 2003, bird flu broke out in Vietnam, and the epidemic situation was particularly serious in the Mekong Delta Plain. By the end of the year, the uncontrollable bird flu had spread widely to the north, Nam Dinh, Ha Nam and even the Capital Hanoi, which was a knotty problem for the Vietnamese Government. The loss caused by the disease was so serious that the amount of domestic poultry was totally decreased by 30% throughout the year. Besides the enormous loss in breeding, poultry sale saw painstaking efforts, because people were frightened to consume the poultry. For this reason, some local governments tried their best to make up the losses, for instance, the enterprises provided chicken-eaters with insurance.

5.2.1.2. Price Fluctuations and Natural Disasters

In the middle of 2003, the increased prices of materials, fertilizers and feedstuffs resulted in a big increase in production costs for farmers and rural enterprises, which brought negative effects to the agricultural production and the sale of the products.

In 2004, Vietnam suffered from serious droughts and floods in most areas. The flood area covered 470 thousand hectares with 103 thousand

hectares of harvestless areas, and the drought area covered 262.7 thousand hectares with 142.3 thousand hectares of harvestless areas.

5.2.1.3. Frustration over International Market

In 2003, there was a price war in coffee and rice in the global market. In spite of the rise in the prices of coffee and rice later, the export of coffee and rice in Vietnam was still affected. However, it was better than that of the aquatic products. In July, the US Department of Commerce finished its anti-dumping investigation on Vietnamese aquatic products and made the final verdict that Vietnam dumped aquatic products to the United States. Accordingly, the United States decided to levy 4.57-25.76% of dumping tax against some of the Vietnamese aquatic products (shrimp). Although this measure would be imposed from 2005, American anti-dumping investigation brought a heavy decrease in Vietnamese export of aquicultural enterprise to the United States and what is worse, this measure, will negatively affect Vietnamese aquatic product export in 2005, as the United States has always been the biggest importer of Vietnamese aquatic products.

5.2.1.4. Deficiency of the Governance

In terms of the outbreak, reoccurrence and expansion of bird flu, the department of agriculture considered that the reason rested with “excessive farmers engaging in large-scale poultry breeding, and the inappropriate programs and plans on poultry breeding made by the department of agriculture”. Actually, in addition to that, agricultural authority did not formulate the precise programs and plans, and there were serious deficiencies in its capability of emergency handling, in its policy-making and its employment of science and technology. Take compensation for instance. According to the government’s regulation, the government would compensate 5,000 Dongs (2,000 Dongs for a breeder) for each chicken killed. In this connection, some farmers thought that they would suffer from a great loss once they followed this regulation; consequently some of them secretly transported poultry to foreign land for sale against the government’s prohibitions. However, the government administrations then focused on preventing the entry of foreign poultry in negligence of enforcing the powerful measures against illegal home transportation of poultry abroad. Similar problems lay in aquicultural industry. In 2004, the export of aquatic products fell short of its set objective. Vietnamese department of aquatic products deemed that the main reasons, from the perspective of the government, were as follows that the disjunction of raw materials development program of aquatic products made by the government from the actual requirements led to the superfluous processing

capability, that, for lack of pertinent and effective trade promotion activities, the local governments did not adapted well to the international market, that the laggard market management resulted in the ineffective assurance for quality of aquatic products, and that the impotent guidance from the government on the development fund of aquatic product market blocked the government's real function.

5.2.2. Significant Measures for the Promotion of Development

5.2.2.1. The Adjustment of the Agricultural Production Structure

In 2004, Vietnam continued to make great adjustment in the agricultural production structure. First of all, nationwide planted areas of rice were greatly reduced, while planted (breeding) areas of flowers, economic crops, fruit and aquatic products were increased. In 2004, almost all the planting categories such as corn, cassava, vegetable and fruit were enormously increased in the planted areas and their output. In the structural adjustment, the corn planted areas in total planted areas of grains were increased from 8.4% in 2003 to 8.8% in 2004. As the great economic benefits can be gained from its feedstuff processing, corn has been considered as a very "valuable" product and used for export in addition to its substitution of exported products. In terms of aquiculture and poultry, the structural transform is diversification-oriented, and meanwhile on basis of improving traditional livestock and poultry, some new species such as cows and ducks were imported from foreign countries to improve the quality of meat, egg and dairy products. Besides the government's efforts, farmers gradually adapted themselves to domestic and overseas market and could in time adjust their production in light of supply and demand change in the market and the government's guidance. For example, farmers of the Mekong Delta Plain, seeing constantly the price of rice always at its peak, voluntarily concentrated their investment in rice production, especially the rice production of high quality and of special produce, which resulted in a good yield.

5.2.2.2. The Extensive Promotion of Scientific and Technological Achievements

In 2004, farmers successfully applied more advanced scientific and technological achievements to the production, so as to reduce the costs and increase the products' competitive capacity. Take the rice production for instance. Under the guidance of the government, Vietnamese farmers used enormously the rice species of high quality, resulting in the increase in the output of the northern cross-bred rice and southern high-quality rice. For

these fine rice species, the production expenses per hectare decreased by 600 thousand Dongs averagely over the previous year, while the average profit per hectare increased by 1 million Dongs. Though the planted area of rice in 2004 was of 7.35 million hectare, the fewest among recent years, the planted area of cross-bred rice reached 570 thousand hectares, among which the planted area of quality rice in the winter and spring seasons reached 350 thousand hectares. As for the increase in the planted areas of high-quality rice, its yield per unit area was correspondingly increased, setting such a new record as 5.67 tons/per hectare, an increase of 0.12 tons/ pre hectare over the previous year. There were harvests in both south and north, especially in the winter and spring seasons, and the gross output reached 17 million tons. All-year rice yield reached 35.9 million tons, an increase of almost 1.4 million tons over the previous year. Since 2003, Vietnam has extended the application of high-tech in the planting process, with a view to improve the quality and reduce the pesticide pollution, which symbolized the commercialized agricultural production. Owing to science and technology, the quality of fresh melon and fruit was greatly improved, and the product sanitation was also greatly improved, which resulted in the considerable export of water melon, grape, shaddock and mango to foreign countries. Another highlight of farmer's application of scientific and technological achievements was that Vietnam's own rice brand, such as VL20, TH3-3 and HYT83, played a significant role in the increase of rice yield per unit area, symbolizing a gradual independence of foreign countries in terms of rice species. Farmers in An Giang, Tien Giang, Long An and Ben Tre began to make use of the network to collect information and analyze the market, so that they could conduct the production according to the market fluctuation. After harvest, farmers again used the network to find market for their products, and to sell them at a handsome price, which was called by the Vietnamese media as "a secondary harvest".

5.2.2.3. Further Market Exploitation for Agricultural Products

To fulfill such target as US\$ 6.1 billion of the export sum of agricultural, forestry and aquatic products and resolve such problems as market for agricultural products, the Vietnamese government, the department of agricultural and rural development and the department of aquatic products had made great efforts in adoption of series measures to support the export. Their main efforts were that first of all, they actively explored new market for exporting agricultural products with advantages. Take crop cultivation for instance. Vietnam deemed China as its new market for its export of

vegetables and fruits, rubber, cashew and forestry products, and Japan as its new market for export of rubber, vegetables and fruits, cashew, pepper and woodwork, while Russia as its new market for export of rubber, vegetables and fruits, rice, pork, tea and peanuts. The department of aquatic products then considered China, European Union, Malaysia, Singapore, Middle East, South America and Africa as its focus markets to be expanded for the aquatic products. Its expansion in the EU market was most successful, featuring an increase of 89.7% of aquatic products exported to the EU in 2004. Secondly, the significant supports were given to the key products. For example, in order to promote the export of aquatic products and fulfill all-year exportation plan of US\$ 2.6 billion, the Vietnamese department of aquatic products focused its support on 9 categories of key aquatic products, and gave the considerable preferential treatments to them in the policy, capital and taxation, for sake of their smooth export. Thirdly, the export strength was reinforced by the alliance of enterprises. For instance, in September of 2004, the premier of the Vietnamese government in principle admitted the formulation of supporting funds for aquatic products contributed by and shared between the enterprises, with a view to avoid the separated management or export, which impaired the earning from export of the whole aquaculture, through the enterprise alliance who could make use of the funds together. Fourthly, the timely grasp of appropriate opportunities enabled the control of market. For example, in 2004, as the United States decided to levy anti-dumping tax against wooden decoration materials imported from China to USA, Vietnam timely grasped this opportunity to export woodworks to USA, which stimulated Vietnam's export of forestry products. During the first half year, the export of forestry products from Vietnam was on a speedy uprising tendency, the export sum being US\$ 493 million, an increase of 88.9% over the same period last year. And finally, the service and security efforts were further made. For instance, in order to strengthen the export of fruits and vegetables to China, the department of commerce decided to establish the market of vegetables and fruits and storage barns in Quang Ninh, Lao Cai, and Lang Son, with a view to provide more quality services to the export of fruits and vegetables to China.

5.2.2.4. The Deepening Reform in the Agricultural System

The reforms in the state-owned agricultural enterprises were further strengthened. In 2004, in terms of Vietnam's adoption of CT-TTg 2004 No.11 directive, the agricultural department made the drastic stock system reform in its subsidiary state-owned agricultural enterprises, resulting in the transform of 90 enterprises into the stock companies, almost equal to the total amounts of

the reformed agricultural enterprises in recent years.

New development was achieved in the reform of credit cooperatives. Pursuant to the decision made at the 5th Session of the 9th Plenary Conference of Community Party of Vietnam on the reform in the cooperative economy and increase in the cooperative economic efficiency, the department of agricultural and rural development cooperated with all the local governments to carry out the system transform to all credit cooperatives. Presently, there are 9,335 rural credit cooperatives in Vietnam, among which 60% have finished this transform, and there are 450 newly established rural credit cooperatives.

5.2.3. The Developmental Achievements

In 2004, the overall agriculture maintained a good development impetus, and the total agricultural production output (including agriculture, forestry and aquiculture) reached 129 trillion Dongs, an increase of 5.4% over that of 2003. Among that, agriculture increased by 4.2%, forestry 0.9% and aquiculture 11.2%. Details are as follows:

5.2.3.1. Agricultural Production

Grain: the national planted area of rice in Vietnam in 2004 was almost 7.44 million hectares, 8,400 hectares less than that of last year; the annual yield per unit area was 4.82 tons/ per hectare, 0.18 ton/ per hectare more than that of the previous year; all-year total rice output was 35.9 million tons, an increase of 4.2% over the previous year. If the yield of 3.45 million tons of corn was included, all-year grain output reached 39.35 million tons, an increase of 1.65 million tons over the previous year.

Coffee: about 800 thousand tons of output, an increase of 5.1% over 2003.

Tea: about 120 thousand tons of output, an increase of 8.7% over the previous year.

Rubber: presently, the national planted area of rubber was 450 thousand hectares, mainly centralizing in the southeast and western plain regions. All-year rubber output was nearly 400 thousand tons, an increase of 10% over the previous year.

Pepper: about 79 thousand tons of output, an increase of 7.4% over the previous year. Vietnam's pepper output accounted for 23% of the world total.

Vegetables: about 750 thousand tons of output.

Fruit: in 2004, the national planted area of fruit was in an expansion of 23 thousand hectares, and the total planted areas reached 747 thousand

hectares. The enlarged planted area brought such an increase in the output that all-year national fruit turnout reached 4 million tons, an increase of 10% over the previous year.

5.2.3. 2. Aquiculture

Currently, Vietnam owns 83.7 thousand fishing ships, among which there are 6,570 fishing ships with power over 90 CV. To promote the fishing strategy, the Vietnamese aquiculture department had established 30 fishing ports and fishing docks at the previous period. Now there are 20 fishing ports and docks and 5 berth areas under construction. In addition, within 5 years in the future, the Department will invest in the construction and reconstruction of 15 fishing ports and docks and berth areas for ships which can defend typhoon. In 2004, the total output of fishery was 3.09 million tons, an increase of 8.2% over the previous year. Man-made aquiculture and poultry maintained highly-speedy development, gaining 1.39 million tons of all-year output, an increase of 12.1% over the previous year and all-year natural fishing yield, 1.7 million tons with an increase of 2.7%.

5.2.3. 3. Forestry

The forest protection went on to be guided toward socialization. There was a decrease of 21% in the all-year forest fire amount over 2003, and a decrease of 14% in forest law violation cases over the previous year. All-year concentrated forestation area covered 184 thousand hectares with separated forestation of 217 million trees and the maintained new forestation area, 402 thousand hectares and the area of closed forest 1.00042 million hectares.

5.2.3. 4. Stockbreeding

Although the large-scale and long-lasting bird flu happened in Vietnam in 2004 and the price of feedstuff was rising, the national stockbreeding still maintained the impetuous development with 4.9 million heads of cattle having been bred throughout the year, an increase of 11.7% (among which 96 thousand were cows, an increase of 21% over the previous year) over 2003. There were 26 million living pigs, an increase of 5% over the previous year, and 2.5 million tons of pork, an increase of 8% over 2003, and 135 thousand tons of fresh milk, an increase of 7% over the previous year.

5.2.3.5. Processing Industry

Agricultural processing industry in 2004 was increased by 10% over 2003. Salt industry, in particular, was greatly improved in efficiency and quality, resulting from the state re-programming and increased investment in the salt production, as well as the application of advanced and hygienic manufacturing technology. In 2004, consequently, all-year salt output across

Vietnam reached 820 thousand tons. The increase of domestic salt output led to an effective control upon Vietnam's salt import, thus all-year salt import volume was 132 thousand tons, a great decrease in comparison with 530 thousand tons in 2001.

The yield of sugar cane at the harvest season of 2004~2005 was 15 million tons or so, and the sugar output was 1.27 million tons, a big increase over the last harvest season.

5.2.4. Export of Agricultural Products and International Exchange as Well as Cooperation

5.2.4.1. Export of Agricultural Products

All-year agricultural export was of US\$ 6.63 billion, among which the export of agricultural and forestry products was of US\$ 4.284 billion, an increase of US\$ 1.05 billion over 2003, setting a new record. The export of aquatic products, however, was unsatisfactory, for all-year total export volume was only US\$ 2.35 billion, falling short of the prescribed plan (US\$ 2.6 billion). In this case, aquaculture failed its export plan for the consecutive two years.

5.2.4.1.1 Export of Agricultural Products

Rice: there was total 4.1 million tons of rice exported to 120 countries and regions in total throughout the year, an increase of 6.3% over last year and earning US\$ 946 million, an increase of 31% over last year. Vietnam thus stays to be the second biggest rice export country (behind Thailand).

Coffee: total 906 thousand tons of coffee was exported to 70 countries and regions, an increase of 21% over 2003 and earning US\$ 594 million, an increase of 18% over the previous year and thus breaking the record of US\$ 585 million set in 1999.

Rubber: a total of 495 thousand tons of coffee was exported to 50 countries and regions, earning US\$ 579 million. As the price of rubber remained high (about US\$ 1,214 per ton), the export sum was increased by 53% with only 14% increase in the export volume over 2003. Currently Vietnam is the fourth biggest rubber export country, just behind Thailand, Indonesia and Malaysia.

Cashew: Vietnamese cashew is mainly exported to Russia, Eastern Europe, Northern Europe and the United State. In 2004, China also became a new important market for import of Vietnamese cashew. During the first half of the year, there were 300 tons of cashews per day exported to China from Mong Cai Port. Throughout the year, Vietnam totally exported 103 thousand tons of cashews to 30 countries and regions, an increase of 22% over 2003

and earning US\$ 425 million, an increase of 49% over the previous year.

Pepper: in 2004, there was a considerable export of pepper in Vietnam, which enabled its leading position in the export volume in the world. There was total 110 thousand tons of pepper exported to 72 countries and regions, an increase of 49% over the previous year and earning US\$ 149 million, an increase of 43% over the previous year.

Tea: there was 96 thousand tons of tea exported to 92 countries and regions, earning US\$ 92 million, an increase of 53.7% over the previous year.

Fruits and vegetables: the products were exported to more than 60 countries and regions with an export sum of US\$ 167 million, an increase of 10% over the previous year.

5.2.4.1.2 Forestry Products

The forestry products are mainly exported to the United States, Japan and Germany, etc. In 2004, its forestry products were exported to 70 countries and regions with an export sum of US\$ 1.122 billion, an increase of 77.5% over the previous year. Vietnam, consequently, was listed as one of the six biggest countries whose export sum exceeded US\$ 1 billion. In the first 5 months, there were woodworks of 87 million, 53 million and US\$ 25 million respectively exported to the United States, Japan and Germany, an increase of 1.4 times, 1.2 times and 1.6 times over the previous year.

5.2.4.1.3 Aquatic Products

The export market for the Vietnamese aquatic products has been expanded from 60 countries and regions in 2003 to 86 countries and regions in 2004, primarily achieving market diversification of aquatic product export. Currently, the main export markets for Vietnamese aquatic products are Japan (accounting for 32% of total export volume), the United States (24.7%), European Union (10.3%), China and Chinese Hong Kong.

For the various reasons, the export of aquatic products in 2004 encountered many difficulties. Though there was an increase of US\$ 200 thousand over the previous year, the total export sum was only US\$ 2.297 billion, failing in the set plan (US\$ 2.6 billion). In this connection, aquaculture failed to fulfill the export plan for the consecutive two years.

5.2.4.2. International Communication and Cooperation

Up to 2004, the Vietnamese Agricultural and Rural Development had signed 26 bi-lateral agricultural cooperation protocols with 28 countries, and participated in 59 international agricultural or agriculture-related organizations, or signed agreements and regulations.

Through the international cooperation, the Vietnamese agricultural

departments gained 31 projects on the development and assistance from foreign countries in 2004, with US\$ 405 million of the project funds. Moreover, 38 projects (with total sum of the project funds reaching US\$ 820 million) were under negotiation, and estimated to be signed and enforced in 2005. With the progress made in Vietnam's entry into the WTO, the Department of Agricultural and Rural Development stressed on the further cooperation with foreign countries and international organizations, making preparation for the implementation of all obligations after the entry into the WTO.

Furthermore, in order to promote the international cooperation and product exportation, Vietnam applied for the entry into World Pepper Association as well as hosting World Tea Industry Convention. In November, Vietnam sponsored the annual session of 5 rice exportation countries organization (member countries being Thailand, Vietnam, India, China and Pakistan), discussing with other member countries on such issues as rice export policy, information exchange of global rice supply and demand, anti-dumping measures and foundation of price alliance.

5.2.5. The Construction of Infrastructure

In 2004, Vietnamese Department of Agricultural and Rural Development totally finished (put into use) the construction of 103 water conservancy projects and increased an irrigation area of 52 thousand hectares, making great efforts to avoid 86 thousand hectares of saline-alkali soil and improve the irrigation quality for an area of 210 thousand hectares. In addition, the department constructed the water supply station which could accommodate a population of 1.4 million, re-constructed 1,400 km of rural roads, established 3,700 sq. m of rural bazaars and supplied another 3 million farmers with fresh drinking water, which increased the rural population using fresh drinking water to 58% of the total rural population.

5.2.6. Agricultural Science and Technology

In 2004, Vietnamese scientists successfully developed 31 new crop species and popularized 48 crop species, among which rice species such as VL20 and HYT57 were testified to be capable of being increased by 8~10 tons/per hectare of per unit area yield and the new peanut specie by 5 tons/per hectare. Moreover, scientific research on farming products had contributed to great achievement. In 2004, Vietnamese scientists cultivated 8 new cow species, which enabled cow's milk turnout per week to reach 4,000 kg. In terms of cultivation and development of aquatic breeder, since 2004 Vietnam has established 6 state-level aquatic breeder bases and 16 first-level aquatic breeder centers in Hai Duong, Dac Lac, Tien Giang, Hai Phong,

Khanh Hoa and Ba Ria-Vung Tau respectively, including 5 seafood and 11 freshwater fish hatch centers.

Many achievements of scientific research have been quickly popularized and applied to the agricultural production, which enabled the increase in the output of rice, corn, cassava, peanut, bean and cashew in various places to be up to 500~600 kg, 600~610 kg, 300~400 kg, 200 kg and 400~500 kg. Farmers benefited from using new species.

5.2.7. Elimination of Poverty

In 2004, the monthly income per capita of Vietnamese farmers exceeded 276 thousand Dongs, an increase of 20% over 2000. The proportion of rural poverty-stricken population decreased from 19% in 1999 to 10% in 2004. In particular, the recent plan of “Four-Party Coordination” (Four parties refers to State, Farmer, Scientist and entrepreneur) being carried out in Vietnam gave a lot of assistances to farmers in loans, investment, technology and sale, and played an active role in promoting their production and improving their living standard.

5.3. OBJECTIVES AND MEASURES FOR THE AGRICULTURAL DEVELOPMENT IN 2005

5.3.1 Main Programming Target

Agriculture (excluding fishery) increased by 3.5% over 2004, and the total production output increased by 5% over the same period.

Grains output reached 39.5 million tons, among which rice output was of 36 million tons and corn output 3.5 million tons.

Meat turnout reached 2.8 million tons.

The total export sum of agricultural production reached US\$ 4.5 billion.

The export sum of aquatic products reached US\$ 2.5 billion.

Centralized forestation reached 200 thousand hectares, among which the economic forest area was of 123 thousand hectares, the area of contract forest maintenance 2.3 million hectares and the area of closed forest 1.00042 million hectares.

5.3.2. Major Development Measures

5.3.2.1. The focus of development had been fixed on crop cultivation so that the planted areas for the export-type products, import substitution and industrial raw material-type products such as high quality rice, corn, bean, cashew and cassava had been increased and the production efficiency improved. At the same time, the planted areas for coffee, pepper, tea and rubber had been controlled with the enhancement of the production efficiency.

5.3.2.2. The development of stockbreeding and aquiculture and poultry had been accelerated. Policies should be formulated so as to encourage the scale of pig breeding in all manors, to popularize quality beef cattle and cow species, to actively develop grassland growth and fodder production, and to restore poultry breeding in safe condition.

5.3.2.3. Strengthening the salt industry further. More support should be given to the production of salt industry, the encouragement of the private investment in salt industry and the focus on sanitation of common salt production, with a view to increase salt output up to 900 thousand tons.

5.3.2.4. Promoting the development of rural handicraft and processing industries. Proper policies should be adopted to encourage medium- and small-sized enterprises to invest in the production in the rural areas. The policies should also be adopted to stimulate the production of industrial raw materials and the investment in the meat processing enterprises should be greatly strengthened.

5.3.2.5. Giving more support to the science and technology of agricultural production. Besides this support, the state will ensure that there will be at least one rural promoter of science and technology assigned to each village, so as to really drive the agricultural production by science and technology.

5.3.2.6. Enlarging the agricultural export. Encouragement and support should be endowed to the private business to enable their cooperation with the rural credit cooperatives in the formulation of a giant sales network for agricultural products. Market information collection and analysis should be strengthened to satisfy the sales requirements of agricultural products.

5.3.2.7. Reinforcing the reform in the agricultural enterprises further. Stock system reform should be focused in 66 state-owned agricultural enterprises, and 26 state-owned agricultural enterprises and 597 farms and forestry centers directly under the central government should be restructured.

5.3.2.8. Perfecting the agricultural law and policies. Land policies should be adjusted to gradually resolve land problems of the minority farmers. Forestry policies should be further adjusted to encourage farmers' participation in forestation and forest protection. New policies should be formulated to encourage the investment in the rural agricultural production by the domestic and foreign medium- and small-sized enterprises, and to promote the transform of agricultural science and technology into productivity as quickly as possible.

Main Reference Resources:

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Chapter 6 INDUSTRY

The total industrial output value of Vietnam was 302.99 trillion Dongs in 2003 and 354.03 trillion Dongs in 2004 with an increase of 16% over that of the previous year. The 2-digit growth has been kept for 15 consecutive years. The increase of industrial added value comprised 10.5% among 16%, which was also the highest rate in recent years. Besides, the proportion of industry and construction in GDP continuously rose to 40.1% in 2004. The different economical elements were gradually rationalized in industry, as a result of which, the proportion of the state-owned enterprises was reduced to 37.2% in 2004, while that of the non state-owned enterprises and the foreign invested enterprises was increased to 27.1% and 35.7% respectively.

6.1. INDUSTRIAL OBJECTIVES

6.1.1 The Over-fulfillment

At the 4th Session of the National Assembly (the XI Tenure) held on 21 October 2003, the Vietnamese Government projected, in the government report, the goal of 14.5%~15% for the industrial development plan of Vietnam in 2004. While the real growth rate of the industrial output value amounted to 16% in that year, so this plan was over-fulfilled. By actively changing to play the leading role, the state-owned enterprises made up 37.2% of the whole industry with the growth rate of 11.8%, among which, the enterprises under the central government contributed 14.5% of the growth and that under the Ministry of Industry and that under the local government, 15.4% and 6.0% respectively. The non state-owned enterprises constituted 27.1% in the whole industry, enjoying the highest growth rate of 22.8% in all the economical elements. With a big proportion of 35.7% in the whole industry, the foreign invested enterprises saw the growth rate of 15.7%, 18.5% of which was contributed by oil and gas industry and 14.9% by other industries.

Among the sixty-four provinces and municipalities under the central government, forty-eight of them found their growth rate of industry higher than the average rate of the whole country and thirty-two of them, over 20%. The fourteen provinces with the growth rate of or over 25% were Bac Giang, Lang Son, Dong Tap, Binh Duong, Gia Lai, Tay Ninh, Khanh Hoa, Quang Ninh, Da Nang, Hnug Yen, Bac Ninh, Ha Tinh, Quang Nam, and Son La. The twenty provinces and municipalities under the central government that had the total industrial output value of over 5 trillion Dongs were, in order, Ho Chi Minh City with 10.2 trillion Dongs, Ba Ria-Vung Tau, Hanoi, Binh Duong, Dong Nai, Hai Phong, Vinh Phu, Quang Ninh, Hai Duong, Thnh Hoa,

Khanh Hoa, Ha Tay, Da Nang, Can Tho, Kien Giang, Hung Yen, Ca Mau, Phu Tho, Long An, and Bac Ninh. While only fourteen provinces fell into that range in 2003. The number of provinces that had the total industrial output value of less than 1 trillion Dongs reduced to sixteen in 2004 from twenty in 2003. Moreover, the nine provinces with the growth rate of industrial output value lower than 2% in 2003 dropped to seven in 2004.

6.1.2 High Growth Rate

In 2004, the industry in Vietnam kept the momentum of rapid development based on the fast growth in 2003. Although many enterprises and their products felt the fierce pressure because of the increase of cost caused by the going-up prices of various raw materials and the completion of the process of reducing the import tariff according to CEPT/AFTA, these enterprises strengthened management and marketing and reduced the production cost to cope with the problems. As a result, many products, which mainly serve production, consumption and export, still developed rapidly at a high rate, namely, clean coal_ 34%; natural gas, 117%; ceramic tiles, 23%; wrapping paper, 33%; fertilizer, 26%; detergent, 21%; processed sea products, 20%; pharmacy, 19%; garments, 16%; motorcycle, 29%; bicycle, 24%. Other products such as power, crude oil, different mechanical and electrical products, auto and tractor assembly, shoes, beer, plastic pipes and other plastic products also developed with the rate higher than 10%. The major industrial products developing slowly with the rate lower than 10% were liquefied natural gas, 0.8%; cement, 8.8%; rolled steel, 5.6%; cloth, 8.7%; electricity transformation equipment, 4.8%; pesticide, 2.2%; power generators, 9.3%; boxed milk, 5%; gourmet powder, 10%; beer, 5.9%; cigarette, 5.8%. Besides, the output of some products dropped as compared to the same period of 2003, such as knitwear, 4.6%; sugar, 0.2%; machine tools, 49.4%; diesel engines, 6.5%; civil electrical fans, 2.7%; autos of different types, 9.5%.

6.1.3 Increasing Import and Export

6.1.3.1. Export

The industrial exports earned the foreign exchange of US\$ 13.86 billion in 2003, about 70% of the total value of the whole country. In 2004, the export value reached over US \$26 billion, 28.9% more than that in 2003. The export value of industrial products contributed US \$19.37 billion, taking up 74.5% of the total value and grew by 35.8%. The products such as crude oil, garments, slippers, wooden products, electronic products and the spare parts of

computer grew fast in export value.

6.1.3.2. Import

In 2004, the industrial products and raw materials whose import value rose fairly rapidly included computer and its spare parts, 126.1%; rubber, 113%; pulp, 87.5%; timber, 87.6%; cotton, 84%; ordinary metal, 83%; billet, 65%; raw materials for plastic, 56% and cloth, 40%. The import value of the following products was more than that of the proposed figure: the spare parts of motorcycle, 33% more; steel, 47%; billet, 38%; fertilizer, 37%, processed oil, 43%; cotton, 51%; pulp, 67% and rubber, 73%.

While the following products saw their import value drop: mechanical equipment and spare parts, 4.5% and tobacco and accessory materials for cigarette, 6.9%. The proportion of the former also dropped to 16% from 21% in 2003.

6.1.3.3. The Impact of Excess of Foreign Import on Industry

Among the several reasons for the excess of foreign import, the biggest one was the rapid development of export, which increased the import of fuel, the industrial raw materials, and the goods and materials in service of the production of the exported commodities. Besides, the prices of some imported commodities kept going up in the world and the appreciation against US dollar of some international currencies such as Euro and Japanese yen led to the increase for the import was settled with US dollar. The excess of foreign import was mainly due to the increase of the import of the industrial equipment and materials for processing exports instead of the increase of the import of consuming goods, so it played an active role in the economic development of Vietnam.

6.1.4. The Industrial Investment

6.1.4.1. Domestic Investment

In 2004, the total investment made by the corporations and companies directly under the Ministry of Industry was 47.3041 trillion Dongs, 34.5% more than that in 2003.

As for the source of the funds, the state financial funds amounted to 9.2448 trillion Dongs, 67% more than the year of 2003; the commercial credit funds, 25.5955 trillion Dongs, 55.3% more; the equity fund, 2.6756 trillion Dongs, 2.3 times more and other funds, 2.9266 trillion Dongs, 5.5% more. Besides, the state credit funds reached 2.5645 trillion Dongs, equal to 59.6%

of that in 2003 and the foreign credit funds, 4.4976 trillion Dongs, 90%.

6.1.4.2. Foreign Investment

Vietnam attracted the total foreign investment of US \$ 4.019 billion in 2004, US \$ 2.85 billion of which was the one in actual use, registering the highest in history. The field of industry was the focus for foreign investment. The investment in the newly approved projects in the field of industry and construction was US \$1.406, comprising 60.86% of the total amount in that year. In 2004, 458 foreign invested projects received further investment, 75.9% of which, i.e. 312, were the projects in the field of industry and construction. In the further invested US \$1.935 billion, US \$1.405 billion was invested in the industrial projects, constituting 78.5% of the total. The amount of the registered capital of the newly approved industrial projects and the capital further invested in industrial projects was US \$2.604 billion, making up 69% of the total amount of the registered capital and the further invested capital.

6.1.5. Finance of Industry

6.1.5.1. The Utilization of Financial Budget

In 2004, the corporations and the state-owned enterprises directly under the Ministry of Industry turned over to the state finance 14.4147 trillion Dongs, achieving 112.8% of the yearly plan. Some of them, because of the growth of the operating income and the profits, even turned over more revenues than the planned one, such as Vietnam Petroleum Corporation, Vietnam Coal Corporation, Vietnam Steel Corporation, Vietnam Chemical Corporation, Vietnam Tobacco Corporation, Vietnam Minerals Corporation, Machinery and Industrial Equipment Corporation and Vietnam Vegetable oil-Aroma-Cosmetic Company.

6.1.5.2. The Reduction of Loss

The result of loss reducing met the requirement of the Ministry of Industry. According to the reports of the enterprises, 10 enterprises that had suffered from loss began to make profits in 2004 and 25 enterprises still suffered from loss. Thus calculated till Dec. 31, 2004, 60 enterprises still had accumulative loss. Both the Ministry of Industry and the Ministry of Finance had gradually inspected and handled the objective reasons for the loss of different enterprises according to their individual situations.

6.2. THE DEVELOPMENT OF THE LOCAL INDUSTRY

Vietnam spurred greatly the development of rural industry and the local industry by adopting the preferential policies of encouraging the local industry and rural industry and the industrial projects for promoting the industrialization and modernization of agriculture and in rural areas. In 2003, the industrial output value of the key economic zones in the 7 provinces and municipalities in South Vietnam made up 54.7% of that of the whole Vietnam. Topping other places in industrial growth in Vietnam, Binh Duong Province had the highest growth rate of 36.3%, followed by Vinh Phu Province, 26.6%; Hanoi City, 24%; Da Nang City, 22.1%; Khanh Hoa Province, 20.3%. The industry of the important industrial provinces and municipalities in Vietnam developed with high growth rate in 2004, which were, in detail, Hanoi City, 15.8%; Phu Tho Province, 20.7%; Da Nang, 20.8%; Bing Duong Province, 32.7%; Dong Nai Province, 19.5%; Vinh Phu Province, 25%; Hai Phong City, 17.3%; Ha Tay Province, 16.9%; Quang Ninh Province, 15.8%; Khanh Hoa Province, 20%; Ho Chi Minh City, 15.5% and Can Tho City, 23.5%.

6.2.1 The Investment in Industrial Zones

Twenty-four new industrial zones were established in Vinh Long, Binh Duong, Long An, Quang Tri, Vinh Phu, Ca Mau and Ho Chi Minh City in 2004, which gave obvious expression to the promotion of the combination of industrialization and urbanization in Vietnam in 2001~2010. Many places set up the provincial urban center by establishing industrial villages so as to optimize the economic structure in the countryside and develop and use the local agricultural and labor resources.

By the end of 2004, there had been 110 industrial zones and production and processing zones in Vietnam, 68 of which had been put into operation and 42 were still under construction. About 200 foreign direct invested projects with the registered capital of US\$0.9 billion were newly attracted into these industrial zones. Another 350 foreign invested projects needed further investment of about US\$0.8 billion.

6.2.2. Measures for the Encouragement of Industrial Development

The Vietnamese Government promoted the development of local industry by establishing the promotion center for industry and the local development fund to stimulate the growth of industry. By 2004, the promotion center for industry and the consultation center for industry promotion had been established in 23 provinces and in 9 provinces respectively so that the measures for the development of industry could be put into practice in the

grass roots. Eleven provinces, including Ha Tay, Hai Duong, Nghe An, Phu Tho, Ha Nam, Binh Thuan, Ha Tinh, Kien Giang, Quang Tri, Da Nang spent US \$ 33.873 billion encouraging industrial development. The provinces that allotted quite big sum of fund to encourage industry were Lam Dong, Bac Giang, Thai Binh, Tay Ninh, Hnug Yen, Thanh Hoa, An Giang, Thua Thien-Hue, Da Nang, Ha Tay, and Quang Nam.

6.3. INDUSTRIES

6.3.1. The Energy Industry

6.3.1.1. The Electric Sector

The current system running in the electricity sector is such that Electricity of Vietnam (EVN), the company group directly under the Ministry of Industry, takes charge of power generation and transmission in the whole country and wholesales power to the 7 subsidiary power distribution companies. Established based on the Resolution No. 14/CP signed by the government on Jan. 27, 1995, Electricity of Vietnam (EVN) takes charge of 80% of the power supply in Vietnam with 50 member units and over 60,000 employees. The member units of EVN are National Load Dispatch Center and the electricity transmission companies. In 2002, there were 14 major power generation stations and plants, including 7 hydropower plants, namely, Yaly Hydro Power Plant, Hoa Binh Hydro Power Plant, Thac Ba Hydro Power Plant, Da Nhim Hydro Power Plant, Tri An Hydro Power Plant, Song Hinh-Vinh Son Hydro Power Plant and Thac Mo Hydro Power Plant; 3 coal-fired power plants, namely, Pha Lai Thermal Power Plant, Uong Bi Thermal Power Plant and Ninh Binh Thermal Power Plant; 2 oil-fired power plants, namely, Thu Duc Thermal Power Plant, Can Tho Thermal Power Plant and 2 gas turbine power plants, namely, Ba Ria Thermal Power Plant and Phu My Thermal Power Plant. The Hoa Minh Hydro Power Plant is the biggest power generation plant in Vietnam now with the total installed capacity of 1.92 million kwh (8x0.24 mwh) and the average annual production of 8.16 billion kwh.

It can be seen from the location of the 14 power stations and plants directly under EVN that the layout of power generation has basically taken shape. In the north, Central Highlands and their surrounding areas where the water drop is big with abundant water resources, the hydropower station is developed. In the northern area where there are sufficient coal resources, the government sets up the coal-fired power plant while the gas turbine power plant and the oil power plant are built up in the south where ample oil and gas are found.

Recently, the gross electric generation increased quickly. The average

annual growth rate of electric generation was 13.1% from 1998 to 2002. In 2003, the gross power of all the power generation stations and plants amounted to 9,900 MW and the electric generation increased by 12.7%. The year-on-year increase of the gross electric generation in 2004 was 20%, registering the highest in history. (Table 4)

Table 4

The Gross Electric Production in Vietnam from 2000 to 2004

Unit: Billion kwh

Year	2000	2001	2002	2003	2004
Amount of power generation	26.6	30.8	35.563	41.12	49.34

The national grid covers all the provinces and municipalities, including 96% counties and 78% villages. The pattern of transmitting power from north to south is formed, i.e. the power is transmitted from the biggest power station, Hoa Binh Hydro Power Plant in the north to the densely populated areas in the south. The power transmission and transformation system in Vietnam is separated into 4 levels: 66 kv, 110 kv, 220 kv and 500 kv. This system suffers from big loss owing to its imperfectness.

EVN started many projects concerning power generation and power grid in 2003. By now, 4 power generation projects have already been put into operation, namely Pha Lai Thermal Power Plant No. 2 with the installed capacity of 0.6 million kwh and the average annual production of 3.6 billion kwh; Ham Thuan- Da Mi Hydro Power Plant with the installed capacity of 0.475 million kwh and the average annual output of 1.6 billion kwh, Phy My Thermal Power Plant No. 1 with the capacity of 1.09 million kwh and accumulative power transmitted to the national grid of over 5 billion kwh and the first phase of Phu My Thermal Power Plant No. 2, with the capacity of 0.16 million kwh and the total investment of US\$0.975 billion.

In addition to the 4 above-mentioned projects, EVN also started to construct 10 large-scale projects concerning power stations and power grid in 2003. They are: Dai Ninh Hydro Power Plant with the installed capacity of 0.3 mw; Rao Quan Hydro Power Plant with the installed capacity of 70,000 kwh and the annual electric production of 0.261 billion kwh; Play Krong Hydro Power Plant with the installed capacity of 0.11 mw and the annual electric production of 0.453 billion kwh; A Vuong Hydro Power Plant with the installed capacity of 0.21 mw and the annual electric production of 0.807 billion kwh; U

Mon Thermal Power Plant with the installed capacity of 0.6 mw and the annual electric production of 3.6 billion kwh; Hai Phong Thermal Power Plant with the installed capacity of 0.6 mw and the annual electric production of 3.6 billion kwh; the expansion of the first phase of Phu My Thermal Power Plant No. 2 with the installed capacity of 0.16 mw; Buon Kuop-Chu Pong Krong Hydro Power Plant with the installed capacity of 0.28 mw and the annual electric production of 1.401 billion kwh; the reconstruction of Da Nhim Thermal Power Plant, which has been put into operation, with the installed capacity of 0.16 mw and the annual electric production of 1.026 billion kwh and the project of 1,060-km-long Plei Cu –Thuong Tin 500 kv high-voltage line, the second 500 kv high-voltage line running from south to north.

In the meantime, Vietnam Coal Corporation constructed, in the north, Cao Ngon Thermal Power Plant and Na Duong Thermal Power Plant, both of which were of 100 mw. The former one was put into operation in 2004 and the latter will be put into operation in 2005. The first generator set of 300 mw in Hai Phong Thermal Power Plant will begin to work in 2007, while another generator set of the same capacity will generate power in 2008. The second generator set of 300 mw in Cam Pha Power Plant will be put into operation and the third generator set of the same capacity is going to be installed in Uong Bi Thermal Power Plant.

Some foreign companies also took part in the competition on the power market in Vietnam in many ways. EVN, Tokyo Electric Power, Sumitomo and EDF began to build the second phase of Phu My Thermal Power Plant of 715 mw together in Mekong Plain in January 2003 and planned to put it into operation in 2004. Taking the natural gas from the Nam Con Son Basin as the raw material, the plant was constructed by BP, CONOCO and ONOC. BP was approved, in April 2001, to build the third phase of Phu My Thermal Power Plant of 700 mw in the same place and Siemens would assume its specific construction. Both of the 2 above-mentioned projects are BOT projects. At present, the Chinese enterprise assumes only one of the under-the-construction projects, Cao Hgon Thermal Power Plant, which is supported by the Chinese government with the government favorable loan of US \$5.58 million.

According to the essence of the resolution made at the 3rd Session of the 9th Central Committee of the Communist Party of Vietnam, the transmission of power is monopolized by the state while the generation and distribution of power allow different ownerships. In March, 2003, the Vietnamese Prime Minister declared to transform the power company in Ninh

Binh Province to limited liability company, which was still a state-owned company but obtained more independence. Some provincial electric companies such as those in Hai Duong Province, Thanh Hoa Province, Ha Tay Province, and Binh Duong Province were also transformed into the limited liability companies, whose share and limits of power were decided by the proportion of investment contributed. The government approved the decision made by EVN in 2004 of the transformation of its subsidiary companies into joint-stock companies. Such companies included Thu Duc Electronic Mechanical Company, Electrical Equipment Manufacturing Company, Yen Vien Machinery Factory and Vinh Son Thermal Power Plant. By the end of 2004, 15 subsidiary companies had enforced the stockholding system. In 2005, Can Tho Thermal Power Plant, Hai Duong Power Company and Khanh Hoa Thermal Power Plant are going to conduct such transformation too.

6.3.1.2. The Coal Sector

Vietnam is the 3rd largest coal production country in Southeast Asia and the 3rd largest anthracite producer in the world up to now. The official figures show that Vietnam has the coal reserves of 3.5 billion tons, mainly anthracite coal in Quang Ninh Province in northeast Vietnam. It also produces a little lignite and coking coal. In the Red River Delta, lignite is found located from the surface to the depth of 1,000m with the reserves of 300 billion tons. Besides, there is 5~7 billion tons of peat.

The coal resources are managed by the state, 97% of which is produced by the state-owned coal companies. The coal companies have improved greatly in the past decade with the annual output of several million tons in 1980s with an increasing of over 24 million tons in 2004. There were over 20 coalmines, most of which were in Quang Ninh Province in the north and 9 of which boasted the annual output of 0.6 million tons. Managed directly by the Vietnamese Government, Vietnam Coal Corporation (VINACOAL) is the largest coal producing and operating company in Vietnam. There are 50,000 employees in the company and their per capita income is equal to 1,100 RMB per month. At present, this company runs 10 open cast mines and pits, the former of which produce 60-70% of the coal produced in the corporation. It also plans to build another 6 mines in Quang Ninh Province.

In 2004, VINACOAL produced 24 million tons of anthracite, 10.5 million tons of which was exported, thus Vietnam surpassed China and South Africa to become the largest exporter of anthracite.

In the anthracite produced in Vietnam, 13% conforms to the standard of

ASTM and YIC. VINACOAL plans to increase the output of raw coal to 30 million tons in 2005, 26 million tons of which will be sold, and increase the output to 40 million tons and 50 million tons in 2010 and 2020 respectively. As a result, Vietnam will become one of the top coal producers in the world. It's estimated that the demand for coal will reach 10 million tons in Vietnam in 2005, most of which is used for power generation. The Vietnamese Government also forecasts that the coal for power generation will amount to 4.2 million tons in 2005, taking up 42% of the total amount of coal consumption. While in 2000, the 2 figures were 2.1 million tons and 28% respectively.

6.3.1.3. Oil and Natural Gas Sector

After the quick development in early 1990s, the oil and natural gas sector had an output of 16.45 million tons in 2000. Vietnam over-fulfilled the oil and natural gas exploitation plan, with an increase of 14%. In the 26.48 million tons of oil-gas-mixed crude oil exploited, crude oil weighed 20.26 million tons with an increase of 2.6 million tons and the export value of US \$5.657 billion and the natural gas measured 6.25 billion cubic meters, ranking 3rd in South-east Asia.

Now Vietnamese oil and gas producing companies are mainly in the south with the main exploitation of the ocean oil and gas resources. Besides, most of them are operated jointly with western countries. Vietnam Oil and Gas Corporation produces 80% of the crude oil in Vietnam and occupies 12.5% of the market share of the petroleum products. Most of the ocean oil fields in Vietnam are located in deep sea, offshore or disputed area.

In order to meet the increasing need of oil and gas products both at home and abroad, Vietnam also constructs some projects of oil refining and petrochemistry. The 2 projects under construction now are Dung Quat Refinery in Quang Nghai Province and Nghi Son Petrochemistry Corporation in Thanh Hoa Province. As the first petrochemistry united company, the latter is to be built before 2010 and will produce unleaded gasoline, heavy oil, diesel, fuel oil, liquefied natural gas, asphalt, polypropylene, polyester, benzene and sulfur.

6.3.2. The Agricultural Machinery Production and Fertilizer Industry

6.3.2.1. Agricultural Machinery Production

The industry of agricultural machinery production includes its research, design and production. The major institutions that are engaged in research

and development of agricultural mechanization are the Institute of Machinery and Electronics in Ministry of Agriculture, the Research Institute of Agricultural Machinery in Ministry of Industry and the machinery departments in the 5 agriculture and forest universities in different places in Vietnam. The Institute of Machinery and Electronics of the Ministry of Agriculture is mainly responsible for the research and development of the new technology and new machines for agricultural mechanization. Its key researches in recent years have involved the walking tractor, the leveling machine, the planting machine for rice, the harvesting machine, the design of pump and pump station, the culturing machine, the seed processing machine, the storing machine, and so on.

As the only appraising institute for agricultural machinery, the Appraisal Center of Agricultural Machinery is in charge of appraising and pricing the agricultural machinery, providing the farmers with technological consultation and taking part in drafting the standard and technical specification of appraisal for the agricultural machinery. The agricultural machines made by the companies subordinated to the Ministry of Industry also need to be appraised by the center.

The Agricultural Machinery and Electronics Corporation directly under the Ministry of Agriculture governs 19 branch companies in different places in the country, taking the responsibility of the production, supply and maintenance of agricultural machinery. Fourteen of the 19 companies are manufacturing companies, whose major products are the processing machine for agricultural products, water pump, water conservancy machine, small-scale carrier vehicle and the spare parts for agricultural machinery. Other companies take charge in management, import and export, consultation and maintenance. These companies have completed or are conducting the transformation into joint-stock companies. There are 13 companies in the Ministry of Industry in charge of manufacturing agricultural machinery, mainly including diesel engines, walking tractors, agricultural carrier vehicles, grinders and processing machines. Besides, there are some companies for manufacturing agricultural machinery in every province. As a whole, the manufacturing technology of agricultural machinery is still quite backward. Built in 1960, Vietnam Engine and Agricultural Machinery Corporation under the Ministry of Industry is the only tractor manufacturer in Vietnam with 700 employees and the annual output of over 2,000 walking tractors and small 4-wheel tractors. Assembled by hand with backward equipment, the tractors mainly comprise the diesel engines introduced from abroad and homemade

chassis.

The agricultural machinery manufacturers in Vietnam are characterized by small size and backward equipment. In order to improve the situation, the Vietnamese Government assisted to carry out the development plan for the state key mechanical products. In August, 2004, the Ministry of Finance agreed to give priority to the 5 projects of manufacturing key mechanical products in terms of the preferential loan of US \$83 million. Chosen from the 24 state development projects of the key agricultural machinery, these 5 projects are

1. Cong Ha Diesel Company for manufacturing the diesel engines of 100~400 horse-powers used in vehicles and ships;
2. Tran Hung Dao Mechanic Company for manufacturing the light-duty trucks, the gearboxes used in the motors of small-scale ships and the diesel engines for agricultural vehicles;
3. South Agricultural Machinery Company for manufacturing diesel engines of 5~24 horse-powers;
4. No. 1 Machinery Spare Parts Company for the manufacturing gears, the shafts for diesel engines and the gearboxes for tractors;
5. and the Industrial Installation and Machinery Company (subordinated to Saigon Alcohol-Beverage Corporation) for manufacturing the equipment for producing cement, paper, petrochemistry, foodstuff, aquatic products and drinking water.

The purpose of the state development plan for key agricultural machinery is to meet the basic need of national economic development from the present time to 2010 even 2020. In detail, it can meet 45%~50% of the need of mechanical products of different types and the export value can take up 30% of the output value.

6.3.2.2. The Fertilizer Industry

Vietnam is a traditional agricultural country, 80% of whose population involves in agricultural production. But the poor foundation of the industry of fertilizer cannot meet the need of the country's agricultural production, so Vietnam has had to rely on import for fertilizer for a long time. Vietnam has abundant raw materials for producing fertilizer. The reserves of coal, phosphorus and natural gas are as big as 6.5 billion tons, 1.5 million tons and 72 billion cubic meters respectively. At present, Vietnam has 2 big fertilizer plants, namely Phu My Nitrogenous Fertilizer Plant and Bac Giang Nitrogenous Fertilizer Plant.

In order to give full play to the advantages of its mineral resources and lessen the bad impact of the fluctuation of the prices on the international fertilizer market, the Vietnamese Government has actively planned the development blueprint for its industry of fertilizer. According to its plan, the total output of fertilizer should reach 6-6.5 million tons at the end of 2005, among which urea weighs 2.3 million tons, NPK 2.5-2.7 million tons, phosphorus, 1.2-1.5 million tons and DAP 0.33 million tons. At that time, 90% of the demand for fertilizer at home can be met. So the Ministry of Industry and the related departments are now actively preparing to establish some fertilizer plants, which are

1) The construction of the biggest fertilizer plants in Vietnam, taking natural gas as the raw material, which will be completed in 2005. One is the Ca Mau Nitrogenous Fertilizer Plant with the annual output of 0.8 million tons of urea and the other is the Phu My Nitrogenous Fertilizer Plant with the annual output of 0.76 million tons of urea.

2) The urea plant with the coal as the raw material and the annual output of 0.56 tons.

3) The Hai Phong DAP Fertilizer Plant with the annual output of 0.33 billion tons, which will be put into operation in 2005 and another plant that can produce 0.33 million tons of DAP fertilizer annually is planned to be built between 2006 and 2010.

4) The plant that can produce 0.57 million tons of ammoniac annually in Thai Binh Province.

5) The SSP fertilizer plant with the annual output of 0.1 million tons in Lao Cai Province.

6.4.REASONS FOR THE RAPID INDUSTRIAL DEVELOPMENT AND ITS PROBLEMS

6.4.1. Reasons for the Rapid Industrial Development in Recent Years

6.4.1.1. The Rapid Development of the Non-state-run Business was the Major Drive for Propelling its Industrial Development

The industry has experienced rapid development recently, but the development of different departments and enterprises of different ownerships was not balanced. The total industrial output value had a year-on-year increase of 16% in 2003. The state-owned enterprises contributed 37.76% of the total value, rising by 12.3%, of which, 12.5% came from the enterprises directly under the central government and 12.1%, from the local enterprises. The non state-owned enterprises and foreign-invested enterprises took up 25.1% and 36.2% of the total value respectively, increasing by 18.7% and

18.3% respectively. In 2004, the total industrial output value in Vietnam made another increase of 16% compared to that of 2003, while the state-owned enterprises increased by only 11.8%, the non state-owned enterprises, 22.8% and the foreign-invested enterprises, 15.7%. The proportion of the industrial output value of the state-owned enterprises in the total one dropped to 37.2%, the foreign-invested ones, 35.7%, while that of the private ones grew to 27.1% with the estimation of rising to 28.5% in 2005.

6.4.1.2. The Expansion of Industrial Investment

By putting 80% of its investment on the field of industry in 2003, Vietnam made great effort to upgrade the equipment and introduce the advanced technology. As a result, the manufacturing industry made big progress and enhanced the competitive capacity. In the construction sector, some state key projects (17 Grade A projects and 230 Grade B projects) were constructed smoothly, including the ones with significant meaning, such as the stadiums for the 22nd Southeast Asian Games, the Ho Chi Minh Avenue and Hai Van tunnel.

Vietnam planned to invest 51.478 trillion Dongs (or US\$ 3.29987 billion) in industry in 2004 with the actual growth of investment in industry increased by over 19% and the actual total social investment, by 17.7%, constituting 36.2% of its GDP.

The Ministry of Industry has emphasized to carry out some development projects in the field of heavy industry, specially giving priority to the various projects with funds, technology and techniques, market potential and economic results. The emphasis of development is also given to power production, including hydropower and thermal power. The exploitation of coal is strengthened to guarantee the domestic consumption and partial export. On the basis of guaranteeing the balanced development and the current and future security of domestic energy in Vietnam, the exploitation of oil and gas will be adjusted. Some new state preferential policies are enforced so that the machinery manufacturing industry will gradually have new development in the following years. The strength is focused on the manufacturing industry, such as manufacturing the whole set of equipment for power plants, cement plants and sugar mills, manufacturing the water-supply equipment and pumping alliance, machinery for ship, autos, especially ordinary passenger vehicles and trucks, machinery for train_ electrical machinery, construction machinery, machinery for water conservancy, power generating machine and agricultural machinery. As for the industry of fertilizer, some nitrogenous fertilizer plants

and compound fertilizer plants have been invested and developed or re-invested so as to guarantee enough phosphorus fertilizer for the agricultural production. In the iron and steel industry, the focus is firstly put on the billet-producing project and the plants of hot-rolled reinforced bar and hot-rolled steel plate that serve the country. The billet can be produced with the domestic iron mine as the raw material.

6.4.1.3. Seizing the Opportunity of the Expansion of the International Market Demand to Merge into the International Economy

The new development strategy and plan for Vietnamese industry had been approved. The main contents were such that the Ministry of Industry instructed the general companies and enterprises to actively integrate into the international economy and invest in the products with market demand and competitive capacity in accordance with the Resolution No. 07/NP-TW of the Political Bureau, guided the enterprises for trade promotion and handling the unfavorable changes on the market in many ways at any time and asked the enterprises to make effort to export new products and open the new market and increase the variety of the exported commodities and the export amount. The Ministry of Industry had done the research on the trade and technology barriers of some products, such as textile and electronic products, and specified the standard of industries of different kinds so as to make the Vietnamese standard conform to the international practice. It checked and accepted the standard of 47 industries for the enterprises to follow in 2004 and began to formulate that of another 68 industries.

6.4.1.4. The Quickening Process of the Reorganization of the State-owned Enterprises and that of the Transformation into the Joint-stock Enterprises

Vietnam decided to transform 100 enterprises into stockholding companies in 2004, 10% more than that of 2003, but as a matter of fact, only 52 enterprises were partly or fully transformed according to the original plan. The actual total value of the transformed enterprises reached 9.7 trillion Dongs, 3.184 trillion Dongs of which was the national capital, with an increase of 17% over that of 2003. The average value of national capital in each transformed enterprise was 35 billion Dongs, as compared to 30.33 billion Dongs in 2003.

In the second half of 2004, the Vietnamese Prime Minister approved the new plan for accelerating the reform of the state-run enterprise, in which it

regulated that the state-run enterprises would be adjusted and liquidated. The state exercised control over, in principle, only a few exclusively state-funded enterprises involving the national economy and people's livelihood, such as power and oil, and the public utilities. The specific objective was that only 900~1000 state-run enterprises would be kept in 2007, the rest unqualified enterprises would be sold, leased or transformed into joint-stock enterprises.

6.4.2. The Problems in Industrial Development

6.4.2.1. Although the proportion of the industrial added value in the total industrial output value increased, the gap between the growth rate of the gross industrial product and that of the industrial added value was still big and the difference between the growth of the output value and that of the added value of products increasingly expanded with the exact figures of 4.3% in 2001, 4.5% in 2002 and 5.7% in 2003. Such situation was attributed to the poor competitive capacity of the industrial products and the low local content due to the not-yet-developed supportive production. The continuous increase of the cost of means of production, labor and natural resources led to the poor competitive capacity of the industrial products.

6.4.2.2. The processing industry contributed a lot to the growth of industry, but it relied mainly on processing and assembling the semi-finished products from abroad, which involved many other industries. Besides, the raw materials needed to import were not fixed, the cost of which made up 57% of the total export value. Up to now, the Vietnam's industry still relies mainly on processing and assembling the imported materials for its development. Take textile. The capital for importing cotton, cotton yarn, cloth and the big accessory parts is more than the money earned by export in this sector. The situation is similar in the industry of electronics. While in the sector of iron and steel, the amount of steel ingot imported was equal to that of the rolled steel produced at home. So if the international prices for raw materials go up, Vietnamese economy will be in hard situation.

6.4.2.3. The complicated formalities for investment cost much time and the investors still felt constrained by the low efficiency of investment consultation. Besides, it's still hard to requisition the land. Thus the implementation of many projects went slowly, causing the bad investment result.

6.4.2.4. The transformation of enterprises into joint-stock companies went fast, but some enterprises did not give full play to the advantage of the joint-stock companies in operation. What's more, some general companies and enterprises have not changed their minds yet so they still need to intensify their work to promote the transformation.

6.4.2.5. Some of the state management functions overlapped and the ministries still caused constraint over each other in dealing with the problems in reality.

6.4.2.6. The industry in Vietnam lacked human resources of high qualification. The lack of the administrative staff of high qualification and the workers with high techniques was the biggest obstacle for the enterprise to strengthen its competitive capacity. There are nearly 50 million laborers in Vietnam, but 59% of them come from the countryside with low techniques. Those that have certain skills and have obtained the training certificate take up only 26%.

6.5. THE FORECAST OF PROSPECT OF INDUSTRY IN 2005

Table 5

The Industrial Development Objectives from 2001~2005

Index	The original target of the five-year plan	The actual achievement within the first four years	The estimated target within five years
1. The growth rate of GDP (%/yearly)	7.5%	7.3%	7.5%
The growth rate of the output value of industry-construction (%/yearly)	10.8%	10.1%	10.3%
2. The ratio of industry to construction in GDP (%)	38~39%	40.1%	41%
3. The growth rate of industrial output value (%/yearly)	13%	15.6%	15.7%
4. Some major products			

Power generation, billion kwh	49	45.9	53.4
Washed coal, million tons	15~16	26.2	27.2
Crude oil, million TOE	22~22.5	25.84	24.02
Steel for construction, million tons	3.3	2.9	3.3
Billet, million tons	1~1.4	0.655	0.711
Cement, million tons	23~24	25.3	28.2
Paper of different types, million tons	0.605	0.7869	0.8265
5. The export value of industrial products, billion dollars	19.5	17.4	20.6
6. The Growth rate of the export of industrial products, %/yearly	16%	22.4%	18.6%

Notes: TOE: Ton Oil Equivalent

Table 5 shows that the 6 targets had been achieved or over-fulfilled by 2004 and there will be 4 more if the targets in column 4 can be achieved.

The Vietnamese Government has formulated the development objective for industry in 2005 and the growth target of 10.5%~11% for the industry and construction. Emphasizing the improvement of quality, it also takes 2005 as the “Year of Quality” for its economic development.

The estimated indexes for the major industrial targets in 2005 are as follows.

In fertilizer, it is estimated that the annual demand for fertilizer will be 7.8 million to 8 million tons in 2005. Since the Phu My Nitrogenous Fertilizer Plant has been put into operation and the Bac Giang Nitrogenous Fertilizer Plant can be likely to produce 0.7 million tons of urea, the import amount of urea in 2005 will decrease dramatically.

In steel, the demand for steel is estimated to be 6.6 million tons with an increase of 8.5%, about 3.3 million tons for wire stock, which can be basically supplied by the domestic capacity. The demand for billet is forecasted to be 3.6 million tons in 2005, while the domestic output is only 1 million tons.

In cement, the forecast shows that 29.7 million tons of cement is needed in 2005 and the production capacity of cement will have reached 28.2 million tons by the end of that year.

It is planned to exploit oil-gas-mixed crude oil of 24.02 million tons, including 18 million tons of crude oil and 6.02 billion cubic meters of natural gas.

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Chapter 7 Transportation and Telecommunication

7.1. Transportation

7.1.1. Review on 2003

For the year of 2003, the transportation industry of Vietnam over-fulfilled the state plan and its production and operation took on a going-up trend.

The greatest achievement for its transportation industry in 2003 was the opening of Deo Hai Van tunnel, which greatly lessened the traffic congestions between the north and the south. The improvements of Ho Chi Minh City--Phnom Penh section of Pan Asia Road made contributions to economic exchange among Vietnam, Cambodia and Thailand. Some key projects shall have been completed within the year, including Kiem Bridge over the Cam River of Hai Phong City, Hon Gay—Cua Ong section on No. 18 State Highway.

Since the foundation of Railway Corporation, new changes took place in railway transportation and infrastructure constructions were improved. The traveling period of certain train routes was shortened, such as Hanoi—Laocai routes took only 7 hours. High economic returns were achieved upon the implementation of 28-hour south-to-north train route, the modernization of communications signaling system on four train routes in Hanoi and North Vietnam, the application of warehouse-to-warehouse container transportation and other means of transportation. Railway transportation occupied 14.5% of transportation industry while its passenger transportation was 49%. Industries related to railway transportation grew by 4.6%. The designing and making of Hanoi—Lao Cai double engine train has been successful and put into operation. Expansions were made on train carriage export to Cambodia through export credit. At the meantime Vietnam increased train carriage export to Myanmar and Thailand. By supporting Laos' inspection on railway connecting China, Vietnam and Laos, Vietnam realized the plan of assembling train engine locally.

In 2003, Vietnam's Civil Aviation industry had to deal with difficulties caused by SARS. Due to the implementation of the demand-stimulating policy, civil aviation industry avoided great adverse effects and maintained a

15% increase. The international airlines increased to 23, two of which were newly opened Vietnam-Germany and Vietnam-Russia airlines. The cooperation and exchange on civil aviation with the US, Laos, Cambodia and Myanmar had expanded. The Vietnam's Civil Aviation already began the making and trial flight of mini two-seat propeller airplane.

Vietnam Navigation Bureau made an investment of US\$ 51.6 million to upgrade seaports in Vietnam in 2003. The sub-contracting of Cai Lan Deep-water Port Project could be regarded as a breakthrough to solve Vietnam's ocean shipping dilemma. Cai Lan Port owns three berths with the capacity of 30,000 and 40,000 tons, making great contributions to economic development in northeast Vietnam economic zone. A detailed planning and research on Van Phong Port has begun, its first phase investment will be US\$ 15.05 million, making it an international transit port as soon as possible. The transported cargo weight by ports of Vietnam amounted to 12% of the national total, of which ports in the north took up 29% and ports in the central 20%. The Saigon port could handle the capacity of 12 million tons of cargo at a yearly base, a new record high. The revival of ship-making industry realized the make of all kinds of vessels, not only meeting the domestic requirements but also exporting to Japan and European market.

The problems in the industry could be listed as follows that because of the delay of transportation plan and development strategy, lots of plans were not established or not approved, greatly impeding their implementation. The land requisition for transportation construction purpose underwent slow progress. The investment management of transportation construction project was far from satisfaction when dozens of mistakes were found out in the inspection and design quality as well as construction supervision on certain projects, which affected project quality to some extent. Other problems included overspending in infrastructure construction, low quality of transportation and flying transportation fee. The traffic safety and traffic congestions in cities became more terrible. Although there were less traffic accidents, serious lorry accidents increased a lot.

The average age of 96,000 cars out of the 429,000 was over 15 years, or even 20 years, but they were still running on road. A lot of behaviors against traffic regulations needed to be abolished such as occupancy of road surface, pedestrian crosswalk and traffic safety lines.

7.1. 2. General Conditions in 2004

Lots of Vietnam's key transportation projects began in 2004, and transportation machinery industry also made great developments. The National Assembly of Vietnam gave approval to the resolution of Ho Chin Minh Road and granted a series of laws and regulations concerning communications and transportation industry. The rule of riding motorcycle with helmet received strong supports from the public.

7.1. 2.1. Railway Transportation

Vietnam kept on upgrading and modernizing railway infrastructure in 2004. On Dec. 1, a new passenger train journey opened to traffic, taking only 29 hours to travel from the north to the south.

Since the foundation of Vietnam Railway Corporation (formerly Vietnam Railway Union), share-holding system had been introduced into its 13 subsidiaries. The company entered the stage of steady development. From 2004 to 2005, another 15 subsidiaries will usher in share-holding system. The company, by use of various means, raised the running speed of all train routes. The opening of the 29-hour Hanoi-to-Saigon passenger train saw a shorter traveling period and better service quality of its passenger and cargo transportation.

At the meantime, key railway projects have begun, such as the upgrading of 44 bridges along the railway, the improvements on Hanoi—Lao Cai railway, the construction of Ngoc Hoi—Hanoi—Gia Lam—An Vien over-head railway, the modernization of Hanoi—Hai Phong railway, the advancement of communications and signaling system of certain railway and the making of new train carriages.

Not a single kilometer of railway in Vietnam meets with international standards. In December 2004, the improvements of the ten-kilometer Nong Son-Tra Kieu railway was completed by utilizing Japanese technologies characterized with welding railroad rails, concrete sleepers and other advanced components. This technology will be popularized on all railways in Vietnam. The company also imported pavers and some modernized equipments from Australia to ensure project quality. The traction force of the train also greatly bothered Vietnam. Among the 375 engines, about 200 of

them were imported from Russia 15 years ago, only 400 horsepower and another 33 were imported from the US in 1963. From 2001, Vietnam railway departments purchased all kinds of modernized engines with great power by all kinds of financial resources, such as ODA, home and foreign loans. By 2004, they had already owned 40 Doi Moi engines with 1900 horsepower, 10 India-make engines, 5 engines with 1.435-meter-long track and prepared to purchase 16 modernized Semen's engines by getting loans from Germany as well another 5 engines with 1.435-meter-long track. The Vietnamese government had listed the assembling of train engines on the privileged loan project of development fund. Under such circumstance, some companies of Vietnam Railway Corporation will assembly 20 train engines between 2005 and 2006.

Vietnam was doing research on Railway Law and planning to separate railway infrastructure management from the operation of trains, which will respectively belong to different companies.

7.1. 2.2. Civil Aviation

Civil Aviation industry in Vietnam encountered lots of difficulties in 2004, the biggest one was adverse effects caused by the break out of SARS and the second was the soaring petrol price. Despite of all the above-mentioned hard nuts, the turnover totaled 17.39 trillion Dongs, a record high in history and an increase of 6 trillion Dongs over 2003. The before-tax profit saw a 40% increase and 404 billion Dongs were handed over to the state revenue.

The existing problems of Civil Aviation of Vietnam include the unpunctuality of some airlines, cancellation of certain airlines, lack of operational capital and the delayed return of capital invested on several modernized airplanes such as A321 and B777.

In 2005 Vietnam plans to deliver 5.7 million air passengers, 94,842 tons of cargo and realizes the total turnover of 19 trillion Dongs.

7.1. 2.3. Road Transportation

On Nov. 25th, 2004, the National Assembly of Vietnam approved a

resolution on Ho Chi Minh road construction project. Ho Chi Minh road are 3,167 km, its major road are 2,667 km and the minor road are 500 km Starting from Pacpo of Ca Bang province in the north and ending in Datmui of Ca Mau province in the south, Ho Chi Minh road has two to eight lanes, the roadbed and 2/3 of the road surface will be built according to highway standard. By 2010, the two-lane road from Pacpo to Datmui will open to traffic. From 2010 to 2020, the Ho Chi Minh Road will be upgraded as a highway, and the road surface of those disqualified for highway construction will be broadened as planned.

For the year of 2004 Vietnam's road management units brought science and technology to full play on road transportation, road management and maintenance, including establishment of scientific standards and utilization of new technologies and techniques, newly-discovered materials and advanced information technology. By the end of 2003, the Vietnamese government owns 221,115 km of road, of which 17,295 km of State Highway are under the direct management and maintenances of the Road Management Bureau under the Ministry of Transportation. In 2004 the Bureau compiled a technical guide of standard system, and mastered various soft-wares in management and made storage of huge database on roads. Modern technologies were used on transportation management, especially on the management of key State Highway. Internet technology and leveled management were implemented on the management of transportation construction projects. In regards to transportation management, the Road Management Bureau made a development plan of parking lot, pick-up spot, service station and rest area on every road passenger transportation route, making the road passenger transportation move on a civilized and orderly track. A variety of management standards and technical regulations concerning the management of transportation vehicles and drivers were published.

7.1. 2.4. Inland River Shipping Transportation

Usually ocean-going ships did not provide door-to-door service. In 2004 Vietnam's inland river shipping enterprises brought their advantages into full play to provide door-to-door service along the river. Most rivers in Vietnam flow from the west to the east, there isn't any river flowing from the north to the south across the country. To set up a national network of inland rivers, Vietnam authorities required inland river ship to sail to river mouth first, and

travel along the coast in the direction to the north or to the south, then turn to the inland river in the north or in the south. By combining the inland river with sea, Vietnam established the national network of inland river shipping. Generally, Vietnam is divided as the North economic zone and the South economic zone. The establishment of the national network of inland river shipping has a great significance to Vietnam, which enables enterprises along the river in the north and in the south to go door-to-door by ship, greatly lifting home shipping burden of seaports.

Attention was also given to cross-border river shipping. Through developing the Mekong River shipping development strategy with other countries, Vietnam made cross-border shipping a future development trend. Vietnam was already working on a cross-border shipping corridor. Some shipping routes in Quang Tri province, Tien Giang province as well as the Mekong River, the Red River, Ma River, and Chu River (connecting with Laos), also open to cross-border shipping business.

7.1. 2.5. Ocean-going Shipping Industry

The seaport infrastructure construction achieved new developments in Vietnam. In the North, Cai Lan Port was put into operation, which was the first one in Vietnam owning 50,000 tons of berth. Hai Phong port was undergoing phrasal upgrading and was opening a deep-water channel, the deepest one at present. A new seaport area was being built in Dinh Vu Island; in the central and north area, Nghi Son port was under construction, Cua Lo port was operating smoothly and its handling capacity was growing in a balanced way, Ong Ang port opened to business. Chan May Port in Thua Thien---Hue, Tien Sa—Da Nang Port's expansion project was catching up. In the central and south area, besides Qui Nhon Port, now there was Dung Quat Port, especially Van Phong area was developing into a raw oil transit port with favorable economic returns. In the near future Thi Vai River Port, a deep-water port with 50,000 tons of berth and two-kilometer landing stage, will open to business, sharing the handling capacity of Saigon Port.

The handling capacity of Vietnam's seaports grew by 10% every year. Both the performance and quantity of ocean-going shipping ships were greatly improved. The average vessel age has been down 1.5 years in four years. In

2000 the average vessel age was 20 years, and in 2004 18.5 years.

As to services for ocean-going shipping, there were already services such as providing food and drinks for the crew and cargo examination. There are over 300 enterprises providing services for ocean-going shipping in Vietnam right now, 180 of them are ocean-going shipping agent companies and a bunch of unregistered ocean-going shipping service providers. Almost every 1 million tons of import and export cargo will be handled by above 2 shipping agent companies for concerned business.

In Jan, 2005, Dong Hai Shipping Company officially opened international container business, which runs a Hanoi-Ho Chin Minh-Thailand-Singapore two-way container vessel route every week. It was the first time for Vietnam's ocean-going shipping company to run an international shipping line as the ship owner. As a State-owned company, the East Sea Shipping Company was established in 1997. At first, it shipped merchandise and mechanical equipments to island areas. From 2002 it turned to profit-making shipping business. Currently, Dong Hai has 7 cargo vessels.

Presently, the ocean-going shipping fleets of Vietnam are responsible for only 14~15% of the transportation volume of domestic import and export goods with most of the ships rented by foreign cargo owners. Every year there is only a 5~6% increase of the quantity of ocean-going ships in Vietnam. 60% of the ocean-going fleets, which are old vessels with bad performance, are those for shipping dry cargo, greatly reducing their market competitiveness. The ownership of these ships are mostly either state-owned, or private-owned or in other forms of ownership.

The ocean-going shipping development plans from present to 2010 as well as its development course from present to 2020 have been laid down. Vietnam's ports take up the cross-border transportation business for Laos and Cambodia's foreign trade, but in a small scale and even smaller for those to China. Raw oil Vietnam imported from Indonesia was mainly handled at Van Phong. Up to now there is not a real international transit seaport in Vietnam, so Vietnam's ocean-going shipping industry got a long way to go before entering international ocean-going shipping market. Without a worldwide known shipping company, when shipping for foreign cargo owners, Vietnam had to use foreign transit seaport to handle the import and export goods,

causing the increase of shipping fee. Being aware of that like in South China, with only comparatively short coastline, it has over 5 regional international transit seaports, Vietnam finally realized that it was a strategic move to build international transit seaport in Vietnam

The Prime Minister of the Vietnamese government already approved ocean-going shipping development plan of 2010 and development prospects for 2020. By 2010, the total tonnage will be 4.4 million, and the total capacity will be 7.1 million tons; the average vessel age will be lowered to 16 years. Vietnam's share on ocean-going shipping market will also be gradually increased, which will account for 25% of the transportation volume of import and export goods. The industry will take up 100% domestic ocean-going shipping volume by 2020.

7.1. 2.6. Transportation Industry

It was estimated by the Ministry of Industry of Vietnam from present to 2020 Vietnam will be in need of 170,000 vehicles and special-purpose vehicles, of which buses, 7~9 seat coaches, trucks, garbage trucks, fire trucks are mostly needed. Vietnam has already formulated an action plan to realize 100% localization ratio of automobile by 2020, and export the autos to some countries within the region. A new auto plant was being built in Ho Chin Minh city, trying to make the auto localization ratio of special-purpose vehicles to reach 40% by 2005 and 65% by 2010. From 2010 to 2015, mini-passenger coach will be manufactured and improvements on passenger coaches and trucks be made for export purpose.

The price for the imported steamship in Vietnam in 2004 was much higher than of 2003, resulting in Vietnam's efforts to develop state ship-making industry and opening home ship-making enterprise. Great achievements have been made in Vietnam's ship-making industry in recent years. When Vietnam Ship Industry General Company opened in 1996, it could make steamship with a tonnage of 1,000, which developed to a tonnage of 15,000 currently. The steamships, besides fulfilling domestic demand, were also exported to other countries. At the meanwhile, the said company took up ship repairing job from foreign companies. The output value of Vietnam Ship Industry General Company amounted to 5 trillion Dongs, reaching the 2005 development target in advance. Vietnam began to build special-purpose ship

in 2003, including the make of the steamship with the capacity of 30,000 to 50,000 tons, petrol tanker with the capacity of 100,000 tons. The target of Vietnam is to make its ship-making industry reach the middle and upper level of the region by 2010, the ship's spare parts localization ratio rises up to 60% and technicians master the ability of repairing ships with the capacity of 30,000 to 100,000 tons as well as produce nautical instruments, engines, steels for ship-making and other components. Recently Vietnam Ship Industry General Company upgraded 30 present ship-making factories, including Saigon, Nam Trieu, Ha Long, Bach Dang, Phap Nhan, and Ben Toan.

7.1. 2.7. The Problems

A couple of problems existing in current transportation industry of Vietnam need urgent solutions. First of all, higher occurrences of traffic accidents in recent years; Secondly, the general level of the inspection, design and budget-making in transportation industry is quite low, the caliber and quantity of the personnel responsible for the planning, designing and consultation of transportation infrastructure construction failed to meet the requirements. Some of the consultants even abused their power to pursue personal interests. Thirdly, transportation enterprises incur serious debts, which are in debt of 800 billion Dongs to the state revenue. The Ministry of Transportation of Vietnam had sent report to the Prime Minister of the Vietnamese government, asking for help to solve the problem in 2005. Meanwhile the Ministry of Transportation required all local governments to make financial arrangements to pay back the debt of 1.8 trillion Dongs by 2006. Fourthly, due to the tremendous investment scale and long period of returns on railway construction, railway construction of Vietnam are mostly dependent on the limited state revenue which leads to only 20% of the actually-required capital were invested on railway infrastructure construction, much less than that of road construction. Fifthly, after the establishment of China-ASEAN Free Trade Area, a lot of work needs to be done on road transportation between China and ASEAN countries.

7.2. TELECOMMUNICATIONS AND INFORMATION INDUSTRY

7.2.1. The Development in 2004

Share holding system was introduced into 27 enterprises at one time in Vietnam in 2004, and a plan of separating postal service from telecommunication was submitted to the government, aiming to establishing VNPT (Vietnam Post and Telecommunication Group Co). Fierce competitions began on Vietnam's telecommunication and information market, focusing on product price and profit allocation. On one hand, customers' requirements for cost-control should be met. On the other hand, interests of telecommunication companies should be considered. Meanwhile the Ministry of Transportation required by 2006 to pay back the debt of 1.8 trillion Dongs.

By the end of 2004, telephone subscribers were less than 10 million, which include mobile phone and fixed-lined phone subscribers, and every one hundred people owned 12 sets of phones. In late Jan. 2005, the telephone subscription reached 10 million and every one hundred people owned 12.6 sets of phones. 98% of the villages across the country got access to telephone, covering villages near the border, on the island and in remote areas. Forty-six of the sixty-four provinces and municipalities in Vietnam realized 100% access to telephone among their villages. Up to then, the target set by the Ninth People's Assembly of the Communist Party of Vietnam of every one-hundred people owned seven to eight sets of phones by the end of 2005 had been achieved ahead of schedule and over fulfilled.

Vietnam's telecommunication and information industry were following the worldwide new trend, which was moving towards integration of telecommunication, information, radio and television. After continuously reducing telecommunication and Internet access rate and forming nationwide standard, Vietnam had made itself get closer to regional average rate of the telecommunication and Internet access. Owing to lower rate, the newly subscribed amounted to 2.6 million in 2004, the biggest number of new subscriber in one year in history.

Less than nine years, Vietnam witnessed the booming of telephone subscriber from 1 million to 10 million, becoming one of the 10 fastest telephone development countries in the world.

Vietnam's post and telecommunication industry realized the yearly turnover of 33.4 trillion Dongs in 2004, in which the turnover of Vietnam Post and Telecommunication Corporation were about 30.5 trillion Dongs. The total capacity of accessing to Internet reached 1890 Mb. Internet subscriber

exceeded 1.9 million with an amount of 2.7% higher than that of 2003 and 7.17 of every one hundred people had access to Internet. Currently, more than 4,000 village post and culture center could provide Internet access service.

MobiFone and VinaPhone, two largest mobile communications networks in Vietnam, introduced the one-way charge service for mobile phone user, which added a long list of clients to mobile phone dealers. Around 200,000 new clients made subscription in MobiFone and VinaPhone on the very month the new measures came out.

Vietnam's electronics, computer and software industry achieved rapid development. The information industry grew by 28.8%, among which hardware increased by 19% and the turnover of software industry totaled US\$ 150 million. Over 120,000 experts were employed in information industry, and the yearly sales quantity of computer surpassed 1 million, 20% of which are home brand computer. For 2004, the total value of the exported electronics and computer spare parts was worthy of US\$ 1 billion, an increase of 60% over 2003. The turnover of electronics and information industry product amounted to US \$1.3 billion, an increase of 38.5% over 2003, of which information industry and mobile phone accounted for the biggest ratio, 45.5%.

The Ho Chi Minh Communist Youth League of Vietnam developed Thanh Dung computer at a very low price in 2004 with a hope to encourage the Internet usage by the youth and popularize information knowledge. The computer brought turbulence on computer market price, and became strong competitor to other low-price computer such as CMS, FPT and G6.

7.2.2. Development Prospects for 2005

The utilization of international communications optical cable by Viettel Company not only signaled the conclusion of the monopoly of communications optical cable by VNPT, but also brought competition into international optical cable renting business, caused a 50% drop of the rent of international communications channel and moved a further step towards the development of internet in 2005.

Its telecommunication and information industry will maintain fast growth at

a 30% to 40% rate in 2005. It is estimated that new telecommunication companies will join the market competition. The operation of the new NGN telecommunication network symbolized the fundamental progress in service and technology provided by VNPT and served as an inevitable road for the future development of telecommunication network in Vietnam. NGN network provided the customer with multi-functional and quick service, combining telecommunication with data transmission as well as joining fixed-line and mobile telecommunication by broad band internet. This is also proven to be the global development trend of telecommunication and information industry in 2005. The technology of 3G will enjoy a further development in Vietnam in 2005. Telecommunication companies are actively making preparation and joining with foreign counterparts. With a population of 80 million and only 4% of them own mobile phone, Vietnam will see a promising future of the development of 3G mobile phone. Although quite expensive when it first comes out on the market, the 3G of mobile phone will have a price cut gradually.

In the first quarter of 2005 the Vietnamese government will approve the building of E-government, in which the most advanced information technology will be utilized.

Chapter 8 FINANCE & MONETARY

8.1. FINANCE

Economy affects finance. The progress of economy is sure to bring about favorable results in finance, and vice versa. Vietnam's finance used to rely on foreign aid, but the *doi moi* (renovation) since 1986 has seen a better change, especially from the beginning of the new century, its economy sustains a strong trend of development. According to the information released by the Vietnamese Government, in the first four years of the Five-year Plan, the GDP has been accelerating: the respect increasing rates of GDP are 6.8% in 2001 (VND 481.3 trillion); 7% in 2002 (VND 536.1 trillion); 7.24% in 2003 (VND 605.5 trillion); 7.7% anticipated in 2004 (VND 712.416 trillion).

The economic acceleration in recent years has given impetus to the financial development. The national gross budgetary revenues in 2002, 2002 and 2003 have amounted to VND 355 trillion, accounting for 57.3% of the target for the Five-year Plan (2001~2005), and with an annual average 21.8% of the GDP, it has well met the target (20%~21% of the GDP) set at the 9th CPV National Congress. Though confronted with unexpected difficulties such as avian flu, water-logging in the south, drought in the north, mud-rock flow and the skyrocketing of some goods in the international market in 2004, with effective measures, especially with the prudent and positive fiscal policies, the economy managed to sustain its acceleration. According to the information released in the briefing held by the Vietnamese Government on December 27~28 of 2004, it's estimated that the increasing rate of GDP for the whole year would be 7.7%, with 5.4% for forestry and 16% for building industry; the total investment amount to US\$ 16.47 billion, among which, the state investment takes up US\$ 9.23 billion, non-state US\$ 4.43 billion and Foreign Direct Investment US\$ 2.81 billion; the total volume of retail sales increased by 18.5%; the amount of overseas tourists reached 2,900,000 persons-times, with the revenues of US\$ 1.6 billion; economy of non-state sectors made remarkable progress, whose proportion in economic structure was going up from 36.6% in 2000 to 42% in 2004; 1,555,000 jobs have been offered, with urban unemployment rate of 5.6%; Much has been done in poverty-reduction, the proportion of impoverished family going down to 8.3%(with year-on-year 2% down); of 64 provinces and cities, there were only 4 whose poverty levels surpassed 20%, 36 whose poverty levels are below 10%, among which, 11 below 5%. The above data showed that the strong trend of economic development in Vietnam provided fund for the budgetary revenues, guaranteeing the state budgetary

expenditures and over-fulfilling the budgetary tasks ratified by the Congress.

8.1.1. National Budget Task

The budgetary tasks assigned by the Congress and the Government in 2004 are as follows: to carry out new encouraging fiscal policies in accordance with the tax laws newly issued by the Congress; to ease the tax burden of the businesses and to increase their accumulation funds; to mobilize and make full use of funds from all sectors of society and to inject investment for economic development; to promote the adjustment of economic structure; to enhance human resources; to guarantee national defense and promote poverty-alleviation; to solve social problems effectively; to further develop with reform of the wage system; to control government and state debts rationally; to secure finance and to make contribution to macro-economy; to be well budgeted against natural calamities and possible disasters; to allocate and supervise the budget effectively and economically.

8.1.2. Performance of Budgetary Revenues and Expenditures

8.1.2.1. Budgetary Revenues

The budgetary revenues ratified by the Congress in 2004 was VND 149.320 trillion, increasing by 12.7% over VND 123.7 trillion in 2003, equal to 21.5% of GDP in 2004. Among VND 149.320 trillion, the domestic revenues amounted to VND 83 trillion, increasing by 19.1% than the real revenues in 2003, taking up 56% of the total; the revenues of export and export tariff VND 38.5 trillion, increasing by 10.3%; the revenues from crude oil (17,500,000 tons) VND 25.820 trillion; the revenues from free aid VND 2 trillion.

The tasks of budgetary revenues assigned by the Congress and the Government in 2004 were over-fulfilled-----the total revenues were projected to be VND 166.900 trillion, equal to US\$ 10.61 billion or RMB 87.81 billion calculated in accordance to the exchange rate (15,717 VND/ One US dollar) between VND and US dollar in December of 2004. This figure surpassed the projected budget by 11.8%, increasing by 17.4% over the real revenues (VND 132.7 trillion) in 2003, equal to 22.7% of GDP. Furthermore, there was improvement in financial revenues structure-----the domestic revenues accounted for 55.1% of the total, while the respective figures for 2003 and 2002 are 53.7% and 50.2%.

8.1.2.2. Budgetary Expenditures

The budgetary expenditures ratified by the Congress in 2004 were VND

187.670 trillion, increased by 18.1% over VND 172.437 trillion in 2003. Among the total budgetary expenditures, budgetary expenditures for investment took up 28.5%, equal to 7.6% of GDP; for routine expenditures equal to 4.3% of GDP; financial deficits equal to 5% of GDP.

According to the government reports released in October of 2004 and the related data issued by the Ministry of Finance, the real budgetary expenditures exceeded those ratified by the Congress in 2004, due to the accelerating economic development and the increasing revenues at various levels. It's estimated that the budgetary expenditures for the whole year would amount to VND 206.505 trillion, 9.8% higher than the target projected, up 16.7% over that in 2003, while financial deficits would be equal to 4.9% of GDP, less than the projected 5% of GDP, and the debts would be within the state finance security lines. As the domestic financial experts see it, the budgetary revenues and expenditures in 2004, along with the financial deficits, rated the best ever since. The major reasons for the added budgetary expenditures lay in: appropriating more funds for investment to promote development; helping farmers tide over the avian flu and helping livestock husbandry get restarted; reserving funds for start-up budget in 2005; conducting reform of the wage system, etc.

8.1.3. Major Measures

Some effective measures taken by the government, especially by the Ministry of Finance, contributed a lot to the better performance of budget in 2004.

8.1.3.1. Reform of Budgetary Allocation System Conducted

According to the newly revised and supplemented state budgetary laws, it's the first time that the budget was allocated by the National Congress and the Congresses at provincial and municipal levels, which featured transparency, openness and democracy. Once the National Congress ratified the budgetary plan, no other funds would be allocated to the central-level departments and local governments, and instead, they had to try other ways to solve the fund-shortage problems by themselves. For example, the local governments could resort to those added revenues in 2004 while the central-level departments could turn to the budgetary expenditures in 2005. In this way, not only the initiative was brought into full play, but also a rational and economic use of the budget was available. According to the information provided by the Ministry of Finance, the performance of the budgetary revenues and expenditures in 2004 turned out quite satisfying, with revenues

increased and expenditures balanced. Furthermore, the financial deficits were even lower than that ratified by the Congress, which was the very first time in Vietnam history. All these best illustrated that the financial reform was successful.

8.1.3.2. Budgetary Revenues Quantified and Supervision Strengthened

In the national financial meeting held in December of 2003, clear and practicable work program were worked out, with specific quota finalized to the related departments, provinces and municipalities. What's worth mentioning was that: 12 provinces and municipalities offered to join the "1000-billion club", two more than that in 2003; 17 assumed the target of 500 billion-1000 billion budgetary revenues, one more than that in 2003; 4 undertook the target of 100 billion; the oil department turned over VND 25.820 trillion from crude oil revenues. Consequently, all the 64 provinces and municipalities directly under the Central Government over-fulfilled the tasks, among which, the revenues of 16 provinces or municipalities exceeded VND 1 trillion respectively; 17 met the targets of 500 billion-1000 billion; and 4 turned over 1000 billion.

8.1.3.3. Introduction of Investment Further Promoted

Large amount of funds have been accumulated throughout the economic acceleration in recent years. The government has come to realize that only with added investment can the development be sustained. The investment involves sectors like the government itself, state businesses, non-state businesses, private sectors and foreign-funded ones. In 2004, funds raised domestically amounted to VND 180 trillion; funds raised internationally amounted to VND 65~70 trillion; more money raised from development-oriented funds might be equal to 35.8%~36.7% of GDP, among which the domestic proportion might take up 68%, overseas proportion 32%. Much has been done in Vietnam to win over the overseas investment, including that from ODA. By the end of 2004, the FDI projects had amounted to 5,050, with US\$ 45.49 billion of registered capital, among which US\$ 26.06 billion had been finalized. In December of 2004, Vietnamese government obtained an ODA US\$ 3.4 billion-agreement for 2005, US\$ 0.6 billion more than that in 2003. In addition, overseas remittance posted back by overseas Vietnamese reached US\$ 3 billion, a record high in history. Due to the skyrocketing oil prices, foreign exchange revenues amounted to US\$ 5.666 billion, increasing by 48.3% over that in 2003.

8.1.3.4. Consumption Encouraged

Along with the booming economy, the living standard of the Vietnamese had been improving. Therefore, in order to increase tax revenues and to refund the economic constructions, the government took effective measures to encourage the consumption. It is estimated that the total of consumption would reach VND 483 billion, an increase of VND 53 billion with VND 6 million per capita of consumption.

8.1.3.5. Efficiency of Tax Departments Improved

The revenues of Vietnam came from taxation and charges of administration, mainly from the former. The year of 2004 was a challenging one for the tax departments. In order to improve the investment climate and ease the tax burden of businesses, several newly-revised tax laws were enforced, and among these were value-added tax laws, tax laws for special consumption, and tax laws of business revenues, just to name a few. Meanwhile, various charges of administration were cut down, with 343 kinds of charges of administration removed. Nevertheless, the tasks assigned were increasingly tough. However, confronted with unfavorably complicated situations, the hard-working tax departments managed to well meet the target set by the Congress via effective measures. The concrete measures were as follows:

- (1) Conducting the reform of tax administration system.
- (2) Enlarging the range of taxation.
- (3) Cooperating positively with related law enforcement agencies to work against tax evasions.

8.1.4. Problems

It is less than 20 years that Vietnam tried its hand at market-oriented economy, and therefore problems occurred in the transition. The problems in 2004 were as follows:

8.1.4.1. The newly revised national budget law had not been executed well in some areas. Unable to adapt to the one-time budget allocations, phenomena like waste and overrating one's abilities with rush-in projects emerged, resulting in too many debts for infrastructure construction.

8.1.4.2. The tax revenues (about US\$2.8 billion) from export and import tariff failed to meet the target, US\$ 2.9 billion in 2004. As Vietnam Customs saw it, several factors contributed to the fact that rates of 1,734 goods had been reduced, resulting in VND 1.53 trillion tax revenues missing and that in order to curb the unfavorable influence of skyrocketing oil prices

internationally on the domestic market, the Government had cut the import tax of petrol down to zero with the result of the shrink of export tax. Besides, serious tax evasion or delayed payment was also responsible for the failure.

8.1.4.3. Some industries and businesses engaging in beer and liquor misunderstood the newly revised tax laws for special consumption, resulting in inappropriate price rises. As a matter of fact, inflation presented itself seriously in 2004. In particular, index of consumer price rises had increased by 9.5%, almost double the target set by the Congress, a record high in the recent ten years. The avian flu and international price rises accounted mainly for this.

8.1.4.4. Waste and tax evasions remained a hard nut to crack. For example, a project budgeting VND 3 billion might involve VND 1.62 billion loss due to the waste and illegal kickbacks. The check conducted by the Ministry of Finance in 2004, which was aimed at purchasing cars in excess of the set standard, showed that, of 14,000 state-own cars, 400 are rule-breakers.

8.1.5. Financial Working Program for 2005

According to the information released by the Congress on Oct. 25 of 2004, the GDP of 2005 was projected to increase by 8%~8.5%, and the budgetary revenues were expected to be VND 183 trillion. Meanwhile, budgetary expenditures were projected to be VND 229.75 trillion, and deficits to be VND 40.75 trillion, within the range of 5% of GDP; the debts of the government and state's foreign debts were supposed to be within the range of 50% of GDP. The National Congress held the opinion that the budgetary expenditures in 2005 would probably increase due to the development in all respects, nevertheless, because of the solid foundation of finance obtained in recent years, the target of budget in 2005 was to be well met.

8.2. MONETARY

In 2003-2004, the steady but flexible currency policy were adopted to improve the monetary system. Meanwhile, supervision over national banks was strengthened. As a result, the whole system (except securities market) performed quite well, rewarded with stable credit and profit, thus providing large amount fund to promote the economic development. In 2003 alone, the total credit provided for the economic sectors amounted to VND363.5 trillion, controlling inflation rate under 3%.

8.2. 1. Banking

8.2. 1.1. Operation of the Vietnamese Banking System

Ever since 2003, the Vietnamese banking system has been rewarded with quite satisfying economic returns, and in 2004, situations became even better. In particular, all banks, including state-run commercial banks, joint-stock banks and foreign-funded banks did especially well in regard to revenues from interest with an increase of 30% in after-tax profit. In 2004, the Vietnamese banking system made a point of doing the following things:

8.2. 1.1.1. Efforts to Continue to Accumulate Self-possessed Funds

According to the international standard that a bank should have at least 8% self-possessed funds out of its total, there were only two foreign-funded banks meeting the requirement while 36 commercial stock banks and 15 foreign-funded ones were on operation. Holding the so-called most widely spread network, the four state-run banks' self-possessed funds were under 5% of their total. In order to comply with the international requirements as soon as possible, and to improve financial security and competitive capacities internationally, the government had made it a point to support the state-run banks via three-time allocations for funds supplement, which amounted to VND 8.85 trillion. On the other hand, commercial banks were required to raise self-possessed funds by ways of joint stock system. All these measures had proved to be effective and successful. Consequently, the increasing self-possessed funds attracted more people to deposit their money in the banks, which in turn increased the funds. In 2004, the four state-run commercial banks alone managed to raise ample funds for investment, which took up 76% of the total investment funds and 73.5% of the total credit.

8.2. 1.1.2. To Lure Deposits by Means of Interest Rise and Better Service

There existed a lot of idle funds among the natives, but only 80% of them were willing to deposit in a bank and 50% of the money deposited was for shorter terms less than a year, which unfavorably affected the bank loan. To improve the situation, all the banks raised the interest rates ever since 2003. In addition, multiple services benefiting the people, such as "lottery-attached deposit" and specific credit cards, were provided to lure more deposits. Both the measures worked well.

8.2. 1.1.3. To Examine Overdue Debts on a Large Scale to Ensure Credit Security

Ever since the April of 2004, a two-month investigation with a 300-person national group kicked off to examine the bad debts and overdue debts in the whole banking system, aiming at working out solutions to solve the problems. Consequently, the bad debts and overdue debts were divided into two groups-----one was secured debts with property, and the other with none,

and for the former, the debts were repaid via property auction; and for the latter, the debts were handled with government allocations. So far, most debts have been cleared, and the Vietnam Foreign Trade Bank has the best performance, thus becoming the most secured commercial bank. Furthermore, the government has determined to conduct a market-oriented credit reform as far as businesses are concerned.

8.2. 1.1.4. To Issue Currency of Large Denomination to Meet Market's Demand

With the further development of the market economy, demands for currency of large denomination are increasing. Therefore, the government approved that five new kinds of currency of large denomination would be issued since December 17, 2003. With some concretely effective measures, the domestic financial market remained stable and no panic or inflation occurred.

8.2. 1.1.5. To Take Various Measures to Accelerate the Integration into International Financial Market

Ever since its *doi moi* (renovation) beginning in 1986, especially its entry into ASEAN, the government has made it a point to have its economy integrated into the market of Southeast Asia and of the world. The banking system, as an important component of economic section, was quickening its step to catch up with its international counterparts. As a major measure, the state-run banks abolished unreasonable rules and regulations that didn't comply with the international standards or practices and then issued 60 up-to-date ones. For example, more foreign-funded banks were encouraged to invest the banking system; a resident going abroad was able to take US\$ 10,000 with him annually. In addition, banks in Vietnam actively accessed to international banking organizations. In 2004, 7 banks (4 state-run commercial banks and 3 joint stock banks) became members of the Asian Bank.

In 2004, one of the highlights of the international cooperation was the closer relationship between the Vietnamese banking system and its counterparts in the neighboring provinces of China. At present, 7 state-run commercial banks had signed respective bilateral settlement agreements with the provincial state-run banks in Guangxi and Yunnan of China, dealing with the border-trade settlement in major ports. The event that China-ASEAN Expo would be held annually in Nanning, capital city of Guangxi had witnessed the acceleration of more financial cooperation, with more specific and reciprocal terms.

Compared with trade settled through large amount of cash in the old days, the trade via official settlement agreements of the banking systems available

now proved to be more secure and more efficient. In fact, the banks of both sides were rewarded with remarkable benefits. According to the data provided by the related banks of Guangxi, 10,701 deals in business were conducted through the bilateral settlement agreements in 2004 with an increase of 13.73% compared with that of 2003 and the total reached RMB 4.75 billion with an increase of 14.91% compared with that of 2003.

8.2. 1.2. Problems

Generally speaking, the Vietnamese banking system was small in scale, and its capacity to work against financial risk remained poor. As a matter of fact, the four state-run banks had to rely on the government for self-possessed funds, and some commercial joint stock banks did not get adequate funds against financial risks. A case that took place in January of 2003 might well illustrate this. The rumor that the general director of Asian Commercial Joint Stock Bank was absconding with large sum of money triggered a tough-and-go situation in which many of its clients ran on the bank. On the day of 14th alone, there were 2,085 persons to withdraw VND700 billion and US\$ 16 million, which bothered the government deeply. In order to solve the problem, along with the public presence made by the authorities, special funds were transferred twice from the state-run banks and other banks. With the total sum of VND 950 billion and US\$ 5.86 million, the local financial disturbance was finally put down.

8.2. 1.3. Outlook for 2005

In order to meet the economic target of 2005, the total investment for further development was projected to amount to VND 295 trillion ~VND 300 trillion, increased by 17.5%~19.5% compared with that of 2004, equal to 36.5% of the GDP (US\$ 19.08 billion), while 70% of the total was expected to rely on the banking system. Judging from the performance of the banking system in 2003~2004, the task to raise the sum of money through financing could be fulfilled. The reasons were as follows that the accelerating development in economy had laid a solid monetary foundation, that foreign investors and overseas Vietnamese were to increase investment, with confidence built up, that the banking system had made it a priority to lure deposits with better services to promote its own development, that in order to make the banking system stronger, the government facilitated to establish more commercial joint stock banks and to incorporate People's Credit Cooperative into the banking system, that due to effective measures like supplementing self-possessed funds aided by the government and clearing up many of bad debts and overdue debts, the financial strength and credit

security had been guaranteed to meet the demands of economic loans, and that by the end of 2004, the banking system had worked out the financing projects and finalized them to specific banks.

8.2. 2. Insurance

Insurance is divided into two groups, in which one is of purely commercial, including non-life and life insurance and the other is of socially welfare, such as medical insurance.

8.2. 2.1. A brief account of purely commercial insurance

The economic acceleration in recent years has given impetus to the development of insurance industry. Since Vietnam first set its foot in insurance industry in 1993, 24 insurers have been licensed including 18 insurance companies, one re-insurance firm and five insurance brokerages, among which, two are joint ventures and three are foreign-funded. There are also around 30 representative offices of foreign insurers in the local market. In the past ten years, the rate of the insurance has outrun the rate of GDP, with the insurance premium revenue increasing by 29% annually on average. Vietnam's insurance revenues totaled VND 6.992 trillion in 2002. In 2003, Vietnam's insurance sector was set for a record growth rate of 44%, with premiums totaling VND 10.09 trillion and equaling 1.8% of the country's gross domestic production (GDP), compared with 1.3% in 2002. In addition, varieties of insurance were introduced, with a leap from 20 in 1993 to 500 in 2004. Meanwhile, jobs created by the insurance industry were increasing, with a jump from 1000 in 1993 to 76,600 in 2002. The last but not the least, in 2003, VND 13.8 trillion of insurance revenues was invested for various economic projects, and the trend kept growing.

8.2. 2.2. A Brief Account of Social Security

Social security and medical insurance used to be separated, but since 2003, the latter was incorporated into the former. The compulsory social security coverage used to be confined in Government civil servants and employees in armed forces, but since 2003, it was enlarged to take in employees working in private sectors, employees of non-state enterprises with more than 10 workers, and employees signing three-month or more than three-month contracts with foreign-invested enterprises.

In 2003, the social security revenues amounted about VND 11.635 trillion, 1.4% over the target projected. Meanwhile, the social security expenditures reached VND 15.49 trillion, among which the national budget

expenditures took up VND 9.864 trillion, social insurance funds VND 5.631 trillion, and VND 1.44 trillion. In addition, 3,200,000 persons first had their social security, with 1,500,000 more than that in 2002.

In 2004, major tasks for the social security to fulfill were as follows: (1) to carry out the related policies formulated by the Party and the Government, ensuring the insurers to enjoy sickness benefits, Maternity benefits, employment accidents and occupational diseases benefits, Retirement pension, and survivors' benefits accordingly; (2) to achieve gradually the target of all labors involved in social insurance, and of every citizen enjoying medical insurance; (3) to improve efficiency of the social security administration.

In a word, greater progress was made in 2004, and one of the highlights remained that much more attention was paid to the inferior groups.

8.2. 2.3. Blueprint for Insurance Industry in 2005-2010

Despite the speedy development of the insurance industry, there is still a long way to go to fully meet the demands. In order to ensure the overall and healthy progress of the industry, a blueprint has been worked out. Under the Vietnamese government's recent strategy for the domestic insurance market by 2010, total revenues of the industry would account for 2.5% of the gross domestic product (GDP) by 2005 and 4.2% by 2010, compared with 1.8% in 2003 and 1.3% in 2002; 150,000 jobs would be provided by 2010.

8.2. 3. Securities

8.2. 3.1. Survey of the Securities Exchange

The year of 2003 witnessed considerably pleasant progress in many sectors of Vietnamese economy, but not in the market of securities, which was even dubbed "a dark year". Nevertheless, with effective measures taken, the year of 2004 showed some signs of improvement.

Based on the data provided by Ho Chi Minh City Securities Trading Centre, from July 28th of 2000 to December 20th of 2003, 693 deals were achieved, with a total trading value of VND 5.189 trillion. Meanwhile, 104 bonds, mostly government bonds, were issued. VND 11 trillion was mobilized for the state budget via bond trading and government bonds issued. 23 stocks were listed, and the stock values amounted to VND 3.7 trillion. In addition, the

total values of securities, including stocks and bonds, reached VND 12.397 trillion, equal to 2.3% of GDP in 2002.

In 2003, several questions emerged: the bond index kept going down, some stocks traded lower than the issuance prices; the trades of the stocks lacked of vigour; the investors held the wait-and-see attitude. Against this background, in 2004, the fourth year of the birth of the securities market, the government was determined to take some effective measures to boost the market. For one thing, the Vietnamese Securities Business Association (VSBA) and the Securities Investment Company were established, focusing on training activities, calling for domestic and international support for the fledgling stock market and etc.; for another, four decrees were promulgated to facilitate the injections of investment in the market. For example, individual and institutional foreign investors are allowed to buy unlimited numbers of bonds on the stock exchange and, from 2004, hold larger stakes in securities and fund management joint ventures. They can now hold 49% against 30% earlier.

Consequently, the year of 2004 saw a change for the better. According to the government's evaluation, it is dubbed "a successful recovery". In particular, the companies listed were supposed to carry out the system of publishing information, keeping the public informed of its operational activities. Enjoying the openness and transparency, investors built up their confidence for the market, and the bond index going up. So far, there have been 26 stocks listed and one fund management firm on the first bourse in Ho Chi Minh City, with 24 stocks and 143 bonds valued at around VND 13 trillion. One of the highlights in 2004 was the booming trading of bonds listed. By the end of 2004, trades of various bonds had been conducted 36 times, with a total value of VND 234.74 trillion.

8.2. 3.2. Problems

Judging from the operations of the securities market in 2003 and 2004, there are still some problems: the system remains weak and the scale is small; professionals are in great demand; the natives take no interest, knowing little about it; foreign investors are worried about the rules and laws on it which remain far from perfect.

8.2. 3.3. Programs (2005-2010) of the Securities Market

The government has worked out the program to boost the development of the securities market, which aims to increase stock market capitalization to 15% of the country's GDP, compared with over 2% currently. To be specific,

more stocks would be listed, and stock trading centres would be turned into bourses; the systems for trading, supervision and information-publishing would be fully automatic; financial brokers would be encouraged, especially the funds management firms; the organizations and forms would be diversified to facilitate the investment. In order to achieve the targets, effectively concrete measures to improve legal system, infrastructure and services have been taken.

In 2005, the government attaches great importance to the following: (1) to accelerate the preparations to put the Hanoi Securities Trading Center into operation, offering 10 stocks listed; (2) to help the stock companies meeting the requirements listed as soon as possible. A national survey to 248 stocks enterprises conducted by the government, showed that 139 enterprises wished to be listed, among which, 9 complied with the requirements to be listed; (3) to take effective measures to mobilize the idle funds held by the natives. As far as US dollar alone is concerned, the amount is supposed to reach 8 billion; (4) to be concentrated on expanding the scale of the market, the total value projected to be 2%-3% of GDP; (5) to carry out preferential tax policies, such as no added-value tax required for nine fields in the securities market; no business revenue tax or less for the newly founded securities firms and fund investment ones.

Since the year of 2004 has witnessed signs of improvement, and if the above measures are to be taken well, progress in the Vietnamese securities market in 2005 is upon the horizon.

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Chapter 9 FOREIGN ECONOMY

Here we make a research in issues of Vietnam's foreign economy, mainly including its foreign trade, foreign investment and aid and export of labor force, etc.

9.1. FOREIGN TRADE

9.1.1. System and Administrative Institution

9.1.1.1. Vietnam's Trade Administration System

Vietnam implements administration of import and export according to government documents. Macro-guiding documents of foreign trade administration are issued by the Vietnamese government, and the Ministry of Commerce issues the detailed implementing rules and formulates specific product administrating methods according to the government decision. The Ministry of Finance answers for making out tax regulations of import and export goods, and the Ministry of Industry, Ministry of Agriculture and Ministry of Health are responsible for laying down lists of specialized administered goods and administrative methods.

According to Resolution No.46/2001/QD-TTG of "Import & Export Commodity Administration of the Years 2001~2005" issued by Premier of Vietnam on April 4, 2001, Vietnam prohibited the import and export of 18 commodities, among which 11 imported commodities, including weapons, poisonous chemicals, harmful propaganda materials and second-hand vehicles, etc...There were 10 import and export licensed commodities, of them 8 were import licensed. Moreover, over 70 imported commodities were of specialized administration, they were respectively administered by the Ministry of Commerce, Ministry of Industry, Ministry of Agriculture and National Development, Ministry of Aquatic Products, National Bank, Ministry of Posts and Telecommunications, Ministry of Culture and Communication and Ministry of Health, including steels, vegetable oil, chemicals, pesticide, fertilizer, cash printing machines, communication equipments, medicines and medical equipments respectively.

With regard to tariff and tariff administration measures, Document No. 110/2003/QD-BTC of Vietnamese Ministry of Finance stipulated that the new customs tax regulations being practiced from September 1, 2003. The new customs tax regulations re-divided the imported commodities into 10,721 tax items in accordance with HS Customs Coding Regulation, 4,209 more than

the old tax regulations. And the import tax rates of 195 commodities were raised while those of 106 commodities were decreased. At present, Vietnam's average customs duty is 14%. The new tax regulations have expanded the impost coverage and realized the agreement with the world by and large in terms of making tax items. But Vietnam's customs duty policy is unstable, and the import duty policy is usually varied with the adjustment of its industry policy or the protection of its domestic benefits. The variation of import tax on spare parts of machinery and electronic products is excessively frequent and the amplitude of adjustment is too high.

In terms of import tax-plus price, it is mainly fixed by the customs at present. Specifically there are two administrative methods. One is taxing according to the list of catalogue and minimum price of imported commodities that are of national administration. The catalogue includes 8 kinds of commodities, namely are various beverage, tire, bricks for construction, toilet porcelain, plate glass, engine, electric fan, motorcycle and spare parts and vehicles, they must be taxed according to the price fixed in that list. Another is taxing according to commodities whose prices are not belonging to the minimum prices list. This list mainly covers the rest of the commodities and commodities of different producing areas are taxed differently. According to the regulation, if the contract price is higher than 80% of the fixed price in the list and accords with relevant balance terms, it can be taxed according to the contract price; if the contract price is lower than 80% of the fixed price, it must be taxed according to the fixed price. In the year 2003, the Vietnamese customs made a complementary amendment on the above second administrative method. If the corporation can prove its contract price reasonable and valid within the 30 days that its price is fixed by the customs in the following two ways, its commodities can be taxed according to contract price. The two ways are such that one is to provide certificate issued by authoritative department that approves its contract price is reasonable and valid and the other is that the corporation presents evidence to approve that its contract price is close to the domestic sales price.

Vietnam has a special regulation for coal export, which stipulates that Vietnam Coal Corporation is in charge of coal export according to the country's annual plan. The export of non-membership enterprises of Vietnam Coal Corporation are relegated to its membership enterprises that have export rights. Small amount of export to China must comply with Decree No. 15/2000/TT-BTW issued by the Ministry of Commerce on August 10, 2000.

From July 1, 2003 on, Vietnam has cut down over 700 kinds of import tax

towards ASEAN countries, and the average tariff has decreased to 20%. In December 2004, Vietnamese Ministry of Finance submitted to the government the draft of Vietnam's Implementing Agreement on the Common Effective Preferential Tariff Scheme for AFTA (CEPT) which is to be put up in 2005 for examination and approval. According to this draft, Vietnam will put 62 out of 89 products in *the Sensitive Farm Produce List (SEL)* into *the CEPT Tax Deduction Plan of 2005*, and the rest 27 products will be put into that of 2006. Among the above mentioned 62 products, 36 products are at the same time listed in the Early Harvest Plan (EHP) of the China-ASEAN Free Trade Area. Tax deduction project will be brought into effect on these products according to Vietnamese government's No. 99 Resolution on February 25, 2004. From the year 2005 on, goods in *General Exceptional Goods List (GE)* will also be put into the tax deduction procedure, tax of goods of 53 tax items will first be confirmed to be deducted, such as alcohol, wine and other alcoholic-beverage, transferring and transmitting equipment and work of art, etc. These goods are also listed into CEPT Tax Deduction Plan of 2005, their tax rate will not exceed 20% and will be further deducted to 0-5%.

Vietnam has implemented *Counter-Subsidy Decree* since January 1, 2005. The Decree mainly stipulates that from 60 days after having decided to investigate, the Minister of Commerce can decide to levy temporary counter-subsidy tax according to the tentative conclusion, the tax rate is not allowed to exceed the subsidy amount affirmed in the tentative conclusion and the levy term will not allowed to exceed 120 days. In the case of not being able to honor the commitments, the Minister of Commerce can decide whether to levy counter-subsidy tax according to the final conclusion and suggestion of Counter-Subsidy Disposition Committee, the tax rate is not allowed to exceed the subsidy amount affirmed in the final conclusion and the levy term will not allowed to exceed 5 years.

Vietnam officially applied to join the World Trade Organization in December 1994, and 27 WTO member countries requested to hold negotiations with Vietnam on bilateral market admittance. Now 8 rounds of multilateral negotiations have come to an end. The 9th multilateral negotiation on Vietnam's joining in the WTO was held in Geneva in the middle of December in 2004, discussing report draft of Vietnam's joining in the WTO work group. In order to realize the goal of joining in the WTO in 2005, Vietnam pressed on with holding negotiations on bilateral market admittance with all WTO member countries and positively mobilized forces of all parties to speed up the negotiation progress. Up to now, Vietnam has finished negotiations

with Cuba, the EU, Chile, Brazil, Argentina and Singapore, and negotiations with the US, Japan, and China are still underway.

9.1.1.2. Main Commerce Administrative Institutions

Vietnam's foreign trade administrative function is performed by the Ministry of Commerce, it is mainly responsible for making out foreign trade development strategies, studying market situation in home and abroad, and bringing forward countermeasures; working out the development direction of exported goods, issuing or submitting to government to submit trade laws concerned. Furthermore, it is also responsible for the supervising and distributing of quota, approving import and export right of enterprises which are specially dealing with import and export as well as manufacture enterprises; supervising the enforcement of foreign trade policies, etc. The Ministry of Industry, Ministry of Agriculture and Country Development, Ministry of Aquatic Product, National Bank, Ministry of Posts and Telecommunications, Ministry of Culture and Communication and Ministry of Health respectively perform examination and approval right of the import and export license of products concerned. National Bank of Vietnam is in charge of foreign exchange control.

The Ministry of Commerce supervises the enforcement of foreign trade policies of foreign trade associations and enterprises, which have direct foreign trade right.

9.1.2. Commodities Import and Export

Vietnam has trade relationship with 150 countries and regions. In 2004 its gross amount of import and export amounted to US\$ 57.526 billion, increased by 26.65% over the previous year, which created a new record in history.

9.1.2.1. Export

9.1.2.1.1. Commodity Export

In 2004, although facing the trade barriers and quota restrictions from main markets like the EU and the US, and fierce competition from countries like China, Vietnam's export still maintained a highly developing tendency. The export amount of that year, which was the highest record in history, amounted to US\$26.003 billion, 29% higher than the previous year, over-fulfilling by 15.8% the plan for that year. The export amount of domestic enterprises was US\$11.742 billion, increased by 17.2% over the previous year and that of overseas investment enterprises US\$14.261 billion, increased by 40.3% over the previous year. This was the year with the highest increase in

export since 2001 with an increase of annual export raised to 15.8% and close to the goal (16%) of the Five-year Plan of foreign trade development in 2001-2005. The rapid increase of export in foreign trade is the principal factors for promoting economic growth.

Table 6

2001~2004 Export of Commodities

Year	2001	2002	2003	2004	2001~2004
Amount(billion US dollars)	15.027	16.706	20.176	26.003	77.909
Growth rate (%)	4	11	21	29	15.81
Domestic enterprises (billion US dollars)	8.228	8.834	10.015	11.742	38.319
Growth rate (%)	8	7	13	17.2	11.23
Foreign-funded enterprises (billion US dollars)	6.799	7.872	10.161	14.261	39.093
Growth rate (%)	-0.1	16	29	40.3	20.34

15.1.2.1.2. Structure of Exported Goods

Structure of exported goods in 2004 had some positive change comparing with that of 2003. There were 18 kinds of Vietnamese goods whose export amount had exceeded 100 million dollars (in 2003 the number was 17). Export amount of 6 kinds of goods exceeded US\$ 1 billion, which were crude oil, textile, footwear, aquatic product, electronic products and spares, and woodwork. The increase rate of 10 kinds of goods exceeded 50% with variety of exported goods largely enriched.

Table 7

Export Amount of Main Vietnamese Exported Goods in 2004 (Billion US Dollars)

Goods	Export amount	Goods	Export amount
Farm and aquatic products		Crude oil	5.666

Aquatic products	2.397	Coal	0.319
Rice	0.941	Industry and processing products	
Coffee	0.594	Textile and clothing	4.319
Vegetables and fruits	0.167	Footwear	2.603
Caoutchouc	0.578	Woodwork	1.054
Pepper	0.150	Electron and computer spares	1.007
Cashew kernel	0.424	Handicraft	0.410
Tea	0.093	Wire and cable	0.385
Peanut kernel	0.027	Plastics	0.259
Other kinds of goods	4.310	Bicycle and fittings	0.230

The fact worth mentioning is that the export of farm and forest products has greatly increased, and the export amount amounted to US\$ 4.2 billion, increased by 31% with their main export market being in Asia, accounting for 40%.

9.1.2.1.3. Export Market

Vietnam's export market is further optimized, and its export to the market of the US, the EU, Japan and China still remains a high increase. In 2004 the EU replaced the US, becoming the biggest export market of Vietnam with the US falling to the second and Japan and China taking the third and the fourth place respectively.

In 2004, the structure of Vietnamese export market began to adjust to a positive direction. Its export amount no longer increased only in the US market as in 2003, and the export to the EU, Japan and China also increased on a large scale. Specifically speaking, compared with that of 2003, its export to Chinese market increased by 57%; to the EU, 34% and to Japan, 20%. Although its export to the US market increased less than that of the previous year, it still increased by 27%. The goods exported to the US are textile, woodwork, cashew and pepper. Influenced by textile quota export restriction and "the shrimp issue", the US, which used to be the largest import market of Vietnamese aquatic products, withdrew to the second place. The export amount decreased by 32%, and the rapid increase in 2003 did not occur in 2004.

It is noticeable that the Asian market, especially ASEAN market had a

tendency of a gradual decrease. The focus of export turned to European and EU market. The proportion of export to Asia and ASEAN decreased from 60.5% and 17% in 2001 to 47.7% and 13.9% in 2004; while that to European and EU market increased from 21.9% and 19.6% in 2003 to 22.6% and 34% in 2004. The export to other markets remained stable.

The number and scale of export market expanded compared with that of 2003. The markets that had a higher increasing rate of export than the annual national average growth rate were South Africa, Switzerland, Ireland, China, Austria, Canada, Portugal, Turkey, all Arabian realms, the Philippine, Thailand, Iraq, New Zealand, Cambodia, the United Kingdom, Spain, Belgium, Singapore and Finland.

The export markets whose export amount was less than that of 2003 were Poland, Indonesia and Chinese Hong Kong.

Oceanian market accounted for 6.2% and African market 1.7%.

9.1.2.1.4. Main Factors that Influenced the Export in 2004

The export amount of Vietnam in 2004 increased US\$ 5.824 billion more than that in 2003 with an average export price of goods increased by 8%, and the increase caused by price rising accounted for 33%, whose total export amount increased US\$ 1.916 billion. The export total was 19.3% more than that of 2003. As the increase of export amount of goods accounted for 67%, the total export amount increased US\$ 3.911 billion. The reasons for the increase of average export prices are on the one hand that the price of world market had risen and on the other hand, it showed that the value of Vietnamese exported goods had gradually increased. The major reasons for the rapid increase of export amount are:

First, the rapid increase in industrial production provides ample goods for export. In 2004, Vietnamese industrial output value amounted to 354,030 billion Vietnamese Dongs, 6.6% more than the annual plan and increased by 16% than that of 2003, whose composition of state-owned enterprises increased by 11.8%, that of non-state-owned enterprises increased by 22.8% and that of overseas investment enterprises increased by 15.7%. The advance of domestic productive level and scale and the rapid increase of main exported goods are the main causes of the rapid increase of total export amount. The export of goods like crude oil, coal, pepper, coffee, tea, textile, footwear, and timber products increased rapidly. The goods with a higher increase rate are crude oil, 48.3% higher than that of 2003 with 49.7% more than the annual plan; coal, 46.8%, 50.2% more than the annual plan; rice, 30.7%, 34.4% more than the annual plan; coffee, 18%, 25% more than the

annual plan; timber products, 86%, 57.3% more than the annual plan; wire and cable, 46.4%, 13% more than the annual plan. Export of other goods like cashew, pepper, textile and footwear also increased considerably in spite of difficulties in market and price.

Second, the demand from world market has resumed and the export prices of goods rose quickly. Fuel and mineral products have the fastest increase speed. Export of crude oil itself, in 2004, its total export sum increased US\$ 1.4 billion only for price rising, which amounted to 5.4% of the total export of the country. The export figures, which increased for the increase of export quantum reached to US\$ 0.503 billion, although 2004 is the year that Vietnam's export of crude oil reached the highest record. As to the export prices of its farm products, since 2004 the price of rice has increased by 23.37%; latex, 44.7%. The quantity of coffee increased 52.7%, its sum increased 47.77%; the quantity of pepper increased 36.47%, its sum increased 32.87%; the quantity of cashew increased 30.97%, its sum increased 40.47%; the quantity of tea increased 88.47%, its sum increased 75.77%.

Third, overseas investment enterprises continued to make positive contribution to the increase of export and become the main drive for promoting export increase in Vietnam. In 2004 export of overseas investment enterprises has amounted to 55% of the Vietnamese gross export figures, 5% higher than that of 2003. The export sum of overseas investment enterprises has increased by 40.3% over that of 2003, which became the main drive to lead the increase of export in Vietnam.

Fourth, Vietnamese government's attaching importance to export and taking some effective measures and policies were also one of the main reasons for its export increase. In December 2003, premier of Vietnam signed and issued decision No.266/2003/QĐ-TTĐ, approving the project of exploiting export market during 2004-2005. During this course, the export growth target was set to be at 12% per year. The increase in Asian, European and Oceania markets remains at 12%, and that in American and African market remains at 15~17%. The markets that have the priority to promote trade are the US, the EU, Japan, China, Korea, ASEAN, Russia, Middle East, Africa and Latin-America. To reach the above mentioned target, 7 measures were taken: improving the competitive capacity of its exported goods; enhancing holding bilateral and multi-lateral market opening negotiations, and quickening the pace of emerging into world economy; enriching market predicting information and promoting trade; reinforcing understanding and coping with trade

protective policies of foreign market and non-tariff wall; consolidating and strengthening the work effect of Vietnamese trade delegate institutions in foreign countries; developing and applying E-business to enlarge markets; doing research on trade platform of farm produce.

9.1.2.1.5. Problems in Export

Although Vietnamese gross export sum in 2004 reached US\$ 26 billion, which is twice of that in 1999 and 1.3 times of that in 2003, compared with neighboring countries, its export still remains in a comparatively low level and the export scale is relatively small, only about the average export sum of countries like Singapore, Thailand, Indonesia and Malaysia 10~15 years ago.

The increase of the export of some goods are somewhat declined, for instance, export of aquatic product only reached 92% of the annual plan, footwear reached 98%, craftwork reached 91% and peanut kernel reached 44%. The reasons for the decline were due to some objective factors like US market's increasing revenue to against dump of Vietnamese shrimp, the quality, standard and price of goods not being able to agree with the demand of all export markets, especially the safety and sanitation of food. Another main reason is that there is great limitation on the capacity to cope with commercial and non-commercial competition in foreign markets.

The structural conversion of Vietnamese exported goods in 2004 was not so active. The proportion of products of light industry and handicraft industry declined from 40.5% in 2003 to 39.9% in 2004, and that of farm, forestry and aquatic products from 22.1% in 2003 to 20.1% in 2004. At the same time, the proportion of raw materials and minerals increased from 19% in 2003 to 23% in 2004. Export of products of light industry and handicraft industry declined from 28.8% in 2003 to 27.1% in 2004, almost decreased by 2%. Therefore, the increase in export was mainly because its export of raw materials and minerals was fluctuated by factors like rising prices in world market, which caused the comparatively quick increase of export sum. And the processing cost of products of light and handicraft industry was still high, for example, textile, footwear and assembling of computer spares, etc, thus they still gained less profit under the circumstances of price rising in the world market.

The proportion of export of Vietnamese domestic enterprises continued to remain at the same level in the amount of national export, accounting for about 45%, equipollent to that of 2003. The reason was that domestic enterprises did not really bring their vigor into play and could not catch up with the development of new situation with many enterprises still expecting for aids

from the country.

9.1.2.2. Import

9.1.2.2.1. Goods Import

Table 8

Import of Vietnam in 2001~2004

Year	2001	2002	2003	2004	2001~2004
Amount (Billion US dollars)	16.162	19.733	25.227	31.523	92.622
Increasing rate (%)	3	22	28	25	19.14
Domestic enterprises			16.412	20.554	

The gross Import amount in 2004 reached US\$ 31.523 billion, 19% higher than the annual plan and increased by 25% over the year 2003. The Import of domestic enterprises reached US\$ 20.554 billion, increased by 25.2%; and that of foreign investment enterprises US\$ 10.969 billion, increased by 24.4%

9.1.2.2.2. Structure of Imported Goods

The gross import volume in 2004 was US\$ 31.523 billion, and the import amount of 29 out of 31 kinds of main goods was on the increase, among which, commodities which had the highest increase included computer and its spares, which increased by 126%, then latex 113%, paper pulp 87.5%, wood materials 87.6%, cotton 84%, comment metal 83%, steel blank 65%, plastic stuff 56%, and piece goods 38%. The goods that greatly exceeded the annual import plan were motorcycle fittings, 33% higher than the proposed figure; steels, 47%; steel blank, 38%; fertilizer, 37%; finished oil, 43%; cotton, 51%; paper pulp, 67% and latex, 73%.

Among the 31 kinds of main imported goods, 2 of them had a decrease in import amount, in which mechanical equipment and fittings decreased by 4.5% over the year 2003, its proportion decreased from 21% in 2003 to 16%; tobacco leaves and tobacco stuffs decreased by 6.9%.

Compared with that of the same period in 2003, the import amount in 2004 increased by US\$ 5.286 billion, in which the import volume increased by 11.3%, or US\$ 2.577 billion with an average import price increase of 10.7%, or US\$ 2.709 billion. Excluding gasoline import, the average import price increased by 8.4% and the import volume 11.4%. The structure of import amount reflects the change of prices of imported goods in the world market.

The structure of Vietnamese import market changed towards a positive direction: the proportion of raw materials for manufacture in gross import amount gradually increased while that of consumables in gross import amount decreased. Judged by the structure of imported goods, Vietnam mainly imported raw materials for manufacture and mechanical equipments. Its import market multiplied, and its import of high-tech mechanical equipment and fittings from developed countries like the US, the EU, Japan and Canada was in an increasing trend.

9.1.2.3. Main Factors that Affected Import in 2004

The increase in import amount of Vietnamese goods in 2004 was one of the important factors to ensure the increase of GDP and export. Generally speaking, development of Vietnamese import was good in 2004. Although the unfavorable balance of trade was the highest in the recent 5 years, the increase speed of import amount was slower in comparison with that of 2003, and was still within an acceptable range (20%) in comparison with the export amount.

In certain periods in 2004, the prices of some goods that were vital to economy changed significantly, such as oil, steel and fertilizer etc., which affected the domestic market in Vietnam. But the Vietnamese government, the Ministry of Commerce and the departments concerned strengthened the adjustment of import, therefore the domestic markets remained stable on the whole and the import could meet the domestic demands, without negative influences caused by the rising prices on economy and export.

The increase rate, amount and proportion (compared with the gross export amount) of the import of mechanical equipments and spare parts decreased greatly when compared with that of 21% in 2003. The proportion was 16% of the national gross import and export amount. Under the circumstances of Vietnam's industrialization and modernization, it was now making great efforts to extend and increase the throughput, reducing the import of these products would have some effect on the progress of modernization.

The rising prices and complex variation of many imported goods had some influences on the scale and progress of Vietnamese import, especially raw materials and fuel, such as gasoline, fertilizer, steel, iron blank, chemical materials and plastics, etc. This was mainly because the world market was fluctuated by factors, for instance, the political and security instability of Middle East caused the rise of crude oil price unexpected, and the import demand of many economic goods in many countries increased.

The quality of anticipating the variation of import prices of goods in the world market was still quite poor, which was unfavorable for Vietnam to positively master the time of importing raw materials like steel, iron blank, fertilizer, plastics and Western medicine to eliminate those negative factors in import trade.

9.1.3. Trade Balance

Vietnam's unfavorable balance of trade in 2004 was US\$ 5.520 billion, which was the highest in 5 years, about 21% of the export amount. It decreased by 4% compared with that of the year 2003, which amounted to 25.03%, in which US\$ 8.812 billion of unfavorable trade balance went to enterprises of domestic investment with the favorable balance of trade for foreign-funded enterprises reaching US\$ 3.292 billion.

Table 9

2001~2004 Trade Balance of Vietnam

Year	2001	2002	2003	2004	2001~2004
Export (Billion US dollars)	15.027	16.706	20.176	26.003	77.912
Import (Billion US dollars)	16.162	19.733	25.227	31.523	92.645
Trade balance (Billion US dollars)	-1.135	-3.027	-5.051	-5.520	-14.913
Proportion of unfavorable balance in export amount (%)	7.55	18.12	25.03	21.23	19.14

The unfavorable trade balance in 2004 improved when compared with 2003, which was in favor of the balance of revenue and expenditure. But unfavorable trade balance only occurred in enterprises of total domestic investment, while those of overseas investment still had a favorable trade balance. The following factors were the main reasons for the phenomenon:

First, the import of mechanical equipments and raw material for manufacture increased in a relatively high speed and the manufacture and export of Vietnam rapidly developed, which needed the increase in import of fuels and raw materials to meet the requirement.

Second, the productive methods of Vietnamese domestic enterprises had

not been effectively transformed. Although the export increase of domestic enterprises in 2004 reached 17%, it was far less than the 25% import increase, and this was the main reason for the unfavorable trade balance of this kind of enterprises.

Third, in spite of the fact that the increase speed of export of Vietnam was faster than that of import in 2004, the scale of unfavorable balance of trade was still large due to the fact that the scale of import was much larger than that of export. Besides, the prices of many imported goods in the world market had risen significantly, which was another reason for the unfavorable balance of trade when compared with the past years.

Fourth, the devaluation of the US dollars caused the increase of cost in Vietnamese import, which used US dollars as its main payment currency. Furthermore, the open administrative policy of foreign exchange loan had on the one hand created a favorable condition for enterprises' active import, and on the other hand caused the unfavorable trade balance.

Fifth, the increase of the people's demands on imported consumables, the import of airplanes and vehicles for serving the 5th Asian-European Summit conference, together with the import of vehicles for bank use were also the reasons for the unfavorable trade balance.

9.1.4. Outlook of Vietnamese Foreign Trade in 2005

The departments concerned have set a higher development goal for foreign trade in 2005. The planned export in 2005 is US\$ 28.5~30.5 billion, with an increase of 14~16%, in which, the export of heavy industry products and mineral products is about US\$ 9 billion with an increase of 12.5%, accounting for 31.6% of the total export amount; that of process industry and handicraft industry US\$ 11.5 billion with an increase of 15%, accounting for 40.4% of the total export amount; that of farm and aquatic products US\$ 8 billion with an increase of 14.3%, accounting for 28% of the total export amount.

Vietnamese Ministry of Commerce has decided on setting 17 kinds of products as the focus of the country's export promotion task, which are aquatic products, rice, tea, coffee, latex and its products, pepper, cashew, vegetables and fruits and their processed products, ready-made clothes, footwear, carpentry products, handicrafts, electrical appliances-electronic-IT products, plastics, mechanical products, pork-processing foodstuff and materials for construction. At the mean time, setting the US, Japan, China and Africa as the key countries and areas for promoting trade.

Crude oil is the largest exported and foreign exchange-making products, whose export amount in 2004 was over US\$ 5.6 billion. But in 2005, its export volume can only reach 97.2% of that of the previous year, a decrease of 2.8%. The export amount can hardly break through the level of the previous year. The main reason is that Vietnam will control its crude oil export in 2005 in a range from 19.5 to 19.6 million tons. Besides, the average price of crude oil in the previous year was US \$ 38.6 per barrel, while it will decrease to US\$ 37.45 per barrel in 2005.

Caouchouc is Vietnam's main exported products. But because of the limited planting area and probable reduction caused by the recent drought, the quantity of caouchouc export will at best remain at the same level of 2004.

In 2005 the products of processing industry will keep on increasing quickly, for example, textile, footwear, electronic products, computer hardware, handicrafts, woodwork, plastics, bicycle spares, wire and cable, etc and their increase will amount to 17.4~30%.

Table 10

Export Plan of Main Products in 2005

	Export amount in 2004 _billion US dollars	Export amount in 2005 _billion US dollars	Growth rate (%)
Gross export amount	26.003	30.500	17.3
Farm, forest and aquatic products			
Aquatic products	2.397	2.733	14
Rice	0.941	1.000	6.3
Coffee	0.594	0.600	1
Vegetables and fruits	0.167	0.208	25
Caouchouc	0.578	0.578	0
Pepper	0.150	0.150	0
Cashew kernel	0.424	0.470	10.5
Tea	0.093	0.107	15
Peanut kernel	0.027	0.030	10.6
Minerals			

Crude oil	5.666	5.505	-2.8
Coal	0.319	0.360	12.8
Industrial and processing products			
Textile and clothes	4.319	5.183	20
Footwear	2.603	3.332	28
Electronic and computer spares	1.007	1.400	30
Handicraft	0.410	0.500	22
Woodwork	1.054	1.370	30
Plastics	0.259	0.324	25
Bicycle and fittings	0.230	0.270	17.4
Wire and cable	0.385	0.493	28
Other products	4.310	5.889	36

Vietnam sets its target for the amount of goods import as US\$ 34 billion, an increase of 13~14%, in which, the import of mechanical equipments and fittings is US\$ 11.4 billion, a 14% increase, accounting for 33.5% of the total import amount; that of raw materials and fuel US\$ 20.2 billion, a 12.2% increase, accounting for 59.4% of the total import amount; and that of the consumables is US\$ 2.4 billion, a 20% increase, accounting for 7.1% of the total import amount.

In terms of the large amount of imported goods, it is estimated that the quantity of fertilizer import in 2005 is about 3.80 million tons with carbamide reaching 1.5 million tons. The demand for finished oil is 133 million tons, and the import volume will be 123 million tons. The demand for steel and steel blanks are 6.6 million tons and 3.60 million tons respectively, while its own output of the product is only 1 million tons, so it will need to import 2.60 million tons of steel blanks and 2.50 million tons of finished steels with an increase of 13.3%.

As to trade balance, Vietnam wishes to control its trade deficit within US \$5.5 billion in 2005, which is about 19.2% of the gross export amount.

9.2. FOREIGN INVESTMENT AND AID

In 2004, Vietnam enjoyed political and social stability, good international and surrounding condition, steady and rapid economic growth, relatively loose policy of foreign capital, large market potential and room for development and ample opportunity for trade and investment. As a result, the direct foreign investment kept increasing. The foreign investment was mainly from Asian countries and areas. The investment from the top 5 areas, namely Singapore, Chinese Taiwan, Japan, Korea and China's Hong Kong, amounted to 62.5% of the total investment. The foreign investment centered on the South, only the investment to the South Economic Delta itself, including Ho Chi Minh, Dong Nai, Binh Duong and Ba Ria-Vung Tau amounted to 55% of the total foreign investment.

9.2.1. The Steady Growth in the Fields for Direct Foreign Investment

At the beginning of 2004, the government of Vietnam proposed that the country would try to absorb more than US\$ 3.3 billion direct foreign investments with an increase of 8% over that of 2003; that it would realize the fulfillment of getting foreign capital of US\$ 2.8 billion with an increase of 3.8% over that of 2003; the business income of foreign-funded enterprises, US \$ 18.5 billion with an increase of 15.6%; export, US\$ 7.2 billion with an increase of by 16% and import, US\$ 9.65 billion with an increase of 11%; revenues turning over to the state, US\$ 0.55 billion with an increase of y 10%; and the increase of 45,000 new working posts.

In order to accomplish the plan of attracting foreign investment, Vietnam took the following measures:

9.2.1.1. Keeping on perfecting the rules and policies for attracting foreign investment, providing a condition with more convenient policies for foreign business men to invest in Vietnam. Raising the policy transparency and speeding up the process of foreign capital's emerging into the world economy. Supplementing and amending the Detailed Implementing Rules of Foreign Investment Policy, increasing the proportion of the share of foreign technique-transferring investment, exempting manufacturing enterprises from taxation on importing raw materials, materials and spare parts and as well allowing foreign business men to employ local labors.

9.2.1.2. Speeding up the implementing of the government's decision on transferring some foreign investment enterprises into joint-stock enterprises, and publicizing the development plan of the country's industrial zones. Besides, Vietnam will further relax the restrictions on investment, allowing

foreign business men to establish joint-stock enterprises and make a trial on putting stock shares of some joint-stock enterprises on market.

9.2.1.3. Keeping on clearing up those foreign investment projects approved but not implemented and firmly canceling the license of the investment projects that are incapable of being implemented

9.2.1.4. Further strengthening the reform of simplifying the procedure of administrative examination and approval, transferring the power of examination and approval to lower levels and issuing favorable policies to attract business and investment. The time allowed for the examination and approval of a project reduced from over 30 days in the past to within a week, and most places enacted the “one window” examination and approval system. Except for the projects of service trades and some special industries that should be examined and approved by the central government, industrial zones and export processing zones at national level could approve projects under US\$ 40 million, Hanoi and Ho Chi Minh City could approve those under US\$ 10 million, and other provinces and cities could approve those under US\$ 5 million. In November of 2004, the Ministry of Planning and Investment planned to further transfer its power of examination and approval of foreign investment project to lower levels. The orientation of the reform is as follows. First, to those small investment projects, it abolished the old way of authorized examination and approval, and changed to confer each province and city itself to perform the procedure. Second, it increased the amount of the projects that the local governments could examine and approve, and even the rights of the examination and approval and the issue of investment license of some projects with large amount of investment could be changed hands to other province or city.

Many provinces and cities made some preferential policies to attract business and investments, and the extent of preference was different, among which the policy made by the newly established National Chu Lai Economic Development Zone was the most preferential. It stipulated that enterprises be exempted from income tax within 4 years, halved in 9 years and the tax rate was 10% in 15 years. For the exploration of the site of Chu Lai, the local government issued the policy of the land use free of charge for 49 years.

9.2.1.5. Reforming the administration system and broadening the investment fields. It significantly adjusted its foreign capital administration system, specially setting up the foreign investment administration bureau to manage the task of attracting business and investments and established 3 investment promoting centers for the North, the Central and the South, and

actively carried out the task of promoting investments.

Through the efforts, Vietnam had fulfilled or over fulfilled the planned target of attracting business and investment. According to the estimate of Vietnamese Ministry of Planning and Investment, in 2004, there were 679 newly approved foreign investment projects with the registered capital amounting to US\$ 2.222 billion, which was US\$ 0.3 billion more than that of the previous year. At the same time, the capital of another 458 foreign investment projects increased with the amount of US\$ 1.935 billion and the amount of foreign investment attracted in the whole 2004 reaching US\$ 4.019 billion, being the highest in the last 7 years. The actual used foreign capital was US\$ 2.85 billion with the growth rate of 7.5% over the previous year. Among the new projects invested to Vietnam in 2004, the countries and areas that were on top of the list included Chinese Taiwan, 156 items with an amount of US\$ 453 million; South Korea, 159 items with US\$ 339 million; Japan, 61 items with US\$ 224 million; Chinese Hong Kong, 38 items with US\$ 198 million; Virgin Islands, US\$ 176 million; Canada, US\$ 155 million; Singapore, US\$ 124 million; Malaysia, US\$ 84 million; Mainland China, US\$ 78.87 million; and the US, US\$ 75 million. By the end of December in 2004, Vietnam had all together introduced 5,109 foreign investment items with the amount of US\$ 45.766 billion, and the capital actually used US\$ 26.772 billion. Among those countries and areas that were listed on the top 5 were Singapore, 334 items with an amount of US\$ 7.982 billion with the capital actually received of US\$ 3.381 billion; Chinese Taiwan, 1259 items with US\$ 7.258 billion, the capital actually received US\$ 3.145 billion; Japan, 490 items with US\$ 5.386 billion and the capital actually received US\$ 4.253 billion; South Korea, 840 items with US\$ 4.751 billion and the capital actually received US\$ 2.888 billion; Chinese Hong Kong, 326 items with US\$ 3.228 billion and the capital actually received US\$ 1.941 billion; Mainland China, 315 items with US\$ 626 million and the capital actually received US\$ 174 million, ranking the 15th.

The turnover of foreign investment, compared with that of 2003, increased by 20% with the export volume growing by 40.3%. The revenues turned over to the state reached US\$ 0.8 billion with an increase of 27.4%. Up to now, the foreign investment enterprises had created direct employment for 739,000 people.

Vietnam gained a relatively good effect on attracting foreign investment, but at the same time many problems existed. The Vietnamese government thought that the local governments of all levels did not have a unified

understanding on the task of attracting foreign investment and the power of implementation was inadequate; that the structure of foreign investment was not so reasonable; that the economic environment and legal system could not link up completely and the investment environment awaited improvement; that the procedure of administrative examination and approval was still complicated, etc. The country still needed to further strengthen the administration of foreign investment.

Foreign business men thought that Vietnam still faced much challenge in attracting foreign investment at present, which were, mainly, the backward basic facilities, serious traffic jams and the high cost of management. Foreign business men usually met difficulties and problems of this or that kind in the course of applying for investment projects, manufacturing and managing. For example, the policies and rules were not perfect and stable, of low transparency and could be changed at will; the procedure of applying for investment is complex; high charges and expenses caused the high costs of the products and even their inability to remain competitive in the market; the problems that some enterprises met in the course of manufacturing and management could not be settled timely and fairly, some even could not be solved; corruption still existed in some places and departments, which led to some negative effect.

9.2.2. Official Development Aid (ODA)

The international community resumed its aid to Vietnam in 1993. The actual use of ODA in 2003 was US\$ 1.55 billion, 1.93 billion of which was loan and the rest 1.55 billion was aid given gratis.

The confirmed ODA amount by ways of Vietnam's signing agreements with all parties giving aid amounted to US\$ 2.243 billion in 2004, 1.981 billion of which was loan and 0.262 billion of which was aid given gratis. The actual use of ODA was about US\$ 1.65 billion, fulfilling the target of annual plan, 1.4 billion of which was loan and 0.25 billion aid given gratis. JBC, World Bank and Asian Bank had all together loaned US\$ 1.12 billion, accounting for 80% of the ODA amount.

In the 12th Conference held in December of 2004, all donor countries and organizations promised to provide US\$ 3.441 billion of aid to Vietnam. This was the highest promised amount since the first conference in 1993, which reflected the concern and support of international community to the social and economic development of Vietnam.

9.2.3. Vietnam's Overseas Investment

At the same time when attracting foreign investment, Vietnam made overseas investment as well complying itself to the needs of economic development. In recent years, many big domestic enterprises have gradually gone to invest and set up business in foreign countries. Their investment projects in Russia, Laos, Singapore and the US have been undertaken smoothly and have reaped initial benefits.

The scale and range of its overseas investment have enlarged since Vietnam began to examine and approve projects of overseas investment in 2000. According to the report in *Vietnam Investment Review*, the projects of overseas investment of Vietnamese enterprises increased by 17% in 2004 and the registered capital was over US\$ 11 million. The countries that they mainly invested in were Russia, Laos, Cambodia and Indonesia, etc. Up to the end of 2004, Vietnam had invested 115 projects in foreign countries with the registered capital amounting to US\$ 0.25 billion. The projects on fields like industry, construction, oil and gas prospecting, articles of daily use and the manufacture and processing of construction materials accounted for 46% of the whole investment project, the registered capital of which accounted for 83.4% of that of the entire investment.

The biggest investment project in foreign countries of Vietnamese enterprises was the project of prospecting and exploiting oil in Iraq and the invested capital reached US\$ 100 million. But it discontinued due to the instability of Iraqi political situation. The scale of other projects was comparatively small, but the fields involved were relatively broad.

Apart from the above-mentioned countries, Vietnamese overseas investment scattered in countries like Ukraine, Australia, Uzbekistan, South Korea and the EU countries.

9.3. The Import and Export of Service Trade and the Export of Labor

Under the circumstances of limitation in the expansion of commodity export scale, developing its service trade, which was helpful for the economic development, was an important factor in promoting the increase of gross export amount and a major source of Vietnamese foreign exchange earnings. Its service trade and export of labor increased at a relatively high speed in 2004.

9.3. 1. Trade of Service

In 2004, the export of service trade amounted to US\$ 3.405 billion with an increase of 8.8% over the year 2003, over-fulfilling 3.2% of the annual plan. Its export in service trade was mostly in tourism and international shipping income.

Tourism: According to the estimates of Vietnam National Tourism Bureau, in spite of the impact of Bird Flu at the beginning of 2004, the number of foreign tourists that Vietnam received in 2004 still increased by 19.3% over the year 2003, amounting to 2.9 million people with the foreign exchange earnings of about US\$ 1.27 billion. Among the foreign tourists received in 2004, the number of Chinese tourists was 7.78 billion, ranking first; followed by the American tourists with 2.71 billion and the Japanese tourists with 2.67 billion. In order to develop tourism, its tourist activities were more active and outstanding in 2004 than in 2003. From the beginning of the year, Vietnam organized many activities, theme activities and exhibitions to publicize its tourism. For instance, the Vietnamese Tourist Culture Festival held in Sweden, Ho Chi Minh Vietnam-Japan Cultural Festival, Da Nang Tourist Culture Festival, "the Bridge Across Asia" Tourist Culture Festival were held in Quang Tri Province and so were the tourism promotion activities during the Asian-European Summit Conference, which helped the Vietnamese service trade resume and develop rapidly. The Vietnamese aviation departments also increased their international and domestic flights.

Other Service Trade: Compared with that of 2003, other service trade kept on developing and increasing. Transportation of goods increased 10.2% if calculated in tons, and increased 10% if calculated in ton/kilometer. Although the carriage in 2004 declined several times, the business earnings of the whole year was higher than that of the 2003.

The import of Vietnamese service trade in 2004 reached US\$ 4.98 billion, increased by 23% over the year 2003, and 55.6% more than the annual plan of 2004. Its unfavorable balance of trade was US\$ 1.575 billion, accounting for 46% of its gross export amount. The proportion of the unfavorable balance of service trade is far higher than that of commodities.

9.3. 2. Export of Labor

In recent years, in order to solve the problem of employment and abolishing poverty in the countryside, the Vietnamese government has been encouraging all economic departments and units concerned in all provinces and cities to exploit international labor market, to sign work contracts with foreign countries, and to export more labors to increase income for the

country and individuals.

In 2004, Vietnamese export of labor took on a downtrend. The number of labor exported to more than 40 countries and areas was 67.4 thousand, much lower than the annual plan of 80 thousand and the number of labor exported to China's Taiwan continued to decline, which was 48 thousand. Its export in Japanese and Korean markets also declined a little bit. Because of the gradual fulfillment of investment projects in Laos, Vietnamese labor export to Laos increased stably. The labor export to Malaysia showed a tendency of resumption, the number of which was 14 thousand. During the first 11 months, Vietnam had all together exported 61, 219 people to other countries, among them, 36,116 to Thailand, 6,600 to Laos, 3,618 to South Korea and 1,988 to Japan.

The Vietnamese government asked all departments to attach importance to the export of labor. In 2004, it showed great concern to the cooperation between the Ministry of Commerce and other functional departments on the aspect of adjusting and promoting the export of labor. In order to strengthen and increase the competitive ability of its labor section after Vietnam' entry into the WTO, the government, apart from speeding up making out rules for development of domestic labor export, also required that the Ministry of Commerce make research into how to set up necessary personnel institutions and make out laws and regulations to meet the need of general allocation and guidance in this field in the future.

But there existed many problems in its export of labor to foreign countries, most of which were the escape of workers and ceasing work contract at will, etc. These phenomena still existed now in Chinese Taiwan and Malaysia, which caused bad effect on the export of labor.

Chapter 10 TOURISM

The year 2003 was a crucial year for Vietnam's tourism, for it was the fifth year that law for tourism had been enforced, and also an important year when Vietnam carried out the resolution of "the Ninth People's Congress", which was to develop tourism as a pillar industry of its economy. Meanwhile the year of tourism when both the 22nd Southeast Asian Games and the 2nd Southeast Asian Games for the Disabled were held in Vietnam. However, its tourism also experienced hard challenges, which were the Iraq War, and terrorist threats in some parts of the world, especially "SARS", which severely affected the development of tourism and brought about direct bad consequence to the tourism

Against this backdrop, Vietnam became the first country which successfully controlled the spread of "SARS" and meanwhile held a series of important cultural and tourist activities through out the country: 2003 Halong Bay Tour Year, the 350 anniversary of the Founding of Khanh Hoa province, the 100 anniversary of the Founding of Sha Ba, the 110 anniversary of the Founding of Da Lat city, Hanoi Tour Gala, Hoi An Tourist and Cultural Festival, and the Mekong River Delta Tour Gala, etc were successfully held. In the latter half of 2003, its tourism regained a fairly high speed of growth, and some important tourist markets maintained quite a high increase with an increase of 25% of Chinese tourists visiting Vietnam over the same period of 2002, American tourists 11%, Chinese Taiwan tourists 40% and South Korean tourists 70%. Vietnam received about 2.20 million persons/times of foreign tourists nationwide in 2003, only amounting to 84.6% of 2002, with 13 million persons/times of domestic tourists same as that of 2002. The annual revenue from tourism reached about 20 trillion Vietnamese Dongs and was equal to 87% of that of 2002. The international tourists mainly came from Asian Pacific countries or regions including China, Japan, South Korea, Chinese Taiwan, Australia and some ASEAN countries, as well as Western Europe, Northern Europe and Northern America. It also opened tourist markets in the Commonwealth of the Independent States (CIS) and Eastern Europe.

Furthermore, in 2003 Vietnam tourist and hotel industry obtained investment and aids from many international organizations, in which 11.80 million Eurodollars aids were from the European Union; US\$ 12.20 million from ADB; and US\$ 2.90 million from Luxemburg. The tourism and hotel industry of Vietnam attracted 21 FDI projects with registered investment totaling US\$ 0.1365 billion. In the final meeting for tourism of the year, the vice premier in charge of tourism Vu Khoan summed up the four successful experiences of tourism in 2003 as being flexible and adaptable under the sudden outburst of “SARS” and performing efficiently after the disaster, keeping a close watch of the important national events, being active and forceful in promotion and keeping increasing awareness of the importance of developing tourism in many parts of the country.

10. 1. DEVELOPMENT IN 2004

10.1.1. Goals and Strategies

There were quite a number of advantages in tourism development in 2004: firstly, its economy was growing at a fast speed, which led to the rise of its international status day by day; secondly, the successful hosting of the Southeast Asian Games in 2003 raised its notability in tourism; thirdly, there were a lot of significant events including the 50th anniversary of the victory at Dien Bien Phu, Tourist Festival in Hue, and Asia-Europe Conference; fourthly, Japanese tourists had been offered the preferential policy of exemption of visas and direct flights to US had been opened. In order to make full use of the advantages to attract more tourists and achieve greater benefits from tourism, Vietnam tourist department made some goals for 2004 at the beginning of the year: the whole country would receive 2.70~2.80 million persons/times of foreign visitors, 14.00~15.00 million persons/times of domestic tourists, with total tourism revenue reaching 25 trillion Vietnamese Dongs.

To accomplish these goals, the tourist department had proposed ten important tasks: to perfect the draft of the Law for Tourism and pass it to the government for the Congress to consider and try to have it passed in 2005; to carry out strategies for developing tourism; to smoothly proceed the national tourist action plan; to actively promote tourism and make a correct orientation of the tourist markets; to coordinate and supervise the effective construction of infrastructure projects and relative projects aided by the government finance; to strengthen the international tourist cooperation by participating in the regional and world tourist activities; to improve the structural and

personnel system of the General Bureau of Tourism according to No. 94 resolution; to supervise and inspect the running of tourism and the accommodations and facilities for tourism; to reinforce the competitiveness of Vietnam tourist enterprises in the international cooperation; and to improve both the spiritual and material life of the staff working in tour departments.

The main strategies to develop its tourism in 2004 were: first, to go on carrying out the national tourist action plan and conduct a series of important activities concerning tour and culture along with some big domestic and world events; second, to strictly follow the policy of the government to develop tourism, for instance, to effectively use the government special fund for the construction of infrastructure for tourism, to encourage various social and economical factors to join in the development of tourism; to offer preferential policy of exemption of visas to South Korean, Japanese tourists and some other foreign tourists; to allow Chinese citizens to tour in Vietnam according to No. 849 regulation; third, to perfect government management structure for tourism to strengthen its management, for example, to improve the personnel system of the General Bureau of Tourism, to clarify the functions, tasks, rights and organizing structures of some directly governed institutions according to 94/ND-CP resolution, and restructure the directly governed tourist enterprises according to 97QD-TTg resolution; fourth, to continue establishing and improving the policy mechanism and regulations, with focus on the draft making of the Law for Tourism, the making of a general plan of tourist development up to the year 2010, and accelerating the tourist development of the middle and west areas; fifth, to tighten the control of the travel agencies, hotels, passenger carriage, the training of special tourist talents and environmental protection, and to supervise the execution of government instructions such as resolution No. 27, No. 39 and the 07 instruction by the premier; sixth, to reinforce the international cooperation by joining the World Tourism Organization (WTO) and the Pacific and Asian Tourism Association (PATA) and ASEAN Tourism Forum (ATF) and participating in India-Vietnam Tourist Conference and the Asian-Pacific Tourist Conference at the ministerial level held in Chile and to make full use of the aids and funds (ODA) from Luxemburg, European Union and other international organizations to foster human resources for tourism.

10.1.2. The General Development of the Entire Past Year

Just as the Vietnamese tourism was beginning to recover its growth rate, the “bird flu” broke out in the country, which again severely affected its tourist

development. However, its tourism had overcome the difficulty and over-fulfilled the quota set forth at the beginning of the year, and maintained a fairly high growth rate in tourism. Vietnam received altogether about 2.93 million foreign tourists in 2004, surpassing the planned quota 2.80 million persons/times, up 20.5% over 2003; the number of domestic tourists reached 14.50 million persons/times, up 11.5% over 2003; the total annual revenue from tourism amounted to about 26 trillion Vietnamese Dongs (the planned revenue was 25 trillion Vietnamese Dongs), up nearly 18.1% over 2003. Some important international markets still kept a high growth rate, and the increase rate of tourists from almost all the traditional tourist markets maintained two-digit rise: Japanese tourists increased by 30%; South Korea, 80%; Singapore, over 40%; Thailand, 39%; Malaysia, 26%; America, 28%; Canada, over 40%; Australia, 40%; a few markets such as Spain increased by 99%. The ten largest tourist markets of Vietnam in 2004 were from China, America, Japan, Chinese Taiwan, South Korea, Australia, France, Cambodia, Britain and Germany.

Its aviation, which had great contribution to tourism, also made satisfactory achievements in 2004: the total volume of passenger carriage reached 87.00 million persons/times, up 31% over 2003, in which 54.00 million persons/times of tourists came from abroad with an increase of 36% compared with that of 2003. The total number of passengers carried by all the airline companies in Vietnam reached 58.00 million persons/times, up 30% over 2003, in which the international market occupied 46.6% (42.5% in 2003). In 2004, its airline companies opened some new domestic airlines including Con Son_Mui Ca Mau_Can Tho_Cam Ranh bay_Quy Nhan_and Dien Bien Phu. Moreover, several new international airlines were in operation such as the airlines to Osaka and Nagoya, Frankfurt in Germany, and Bombay in India, etc.

10.1.3. Important Tourist and Cultural Activities

In 2004, in spite of many external factors, which directly influenced the development of its tourism, for example, the after-effect consequence of “SARS”, bird flu, wars and terrorism, Vietnam managed to host a variety of large tourist and cultural activities to attract tourists.

1. A series of tourist and cultural activities were held during March, 2004 centered on “Dien Bien Phu: a Milestone in History” to celebrate the 50th anniversary of Dien Bien Phu Victory, which promoted the tourist resources of Dien Bien Phu and attracted tourists and investments from home and abroad.

2. An activity called “The Road to the Heritages of the Middle Part in Vietnam” spread out in 11 provinces and cities of Vietnam, including “the Hometown of Agalloch Cultural Festival” held in April; “A Road Connecting the Middle Parts of Vietnam: Nha Trang Summer Tourist Festival” held in June; “Nha Trang: a Place to Meet Again” held in August, all these tourist and cultural festivals led to the increased number of tourists in the province of Khanh Hoa by 30%. Meanwhile, the organizational scale and specialization demonstrated in these tourist and cultural activities once again assured the people in Nha Trang that it was an ideal place to visit.

The third Hue Cultural Gala held in June was one of the most important tourist and cultural festivals of Vietnam in 2004, which attracted 102 thousand visitors, among which there were 11 thousand foreign tourists. The theme of the cultural festival was “Cultural Heritage: Assimilation and Development”, it had not only enhanced the international cultural exchanges and the introduction of the cream of the Vietnamese traditional arts to the outside world, but also realized the goal of making Hue a cultural city in Vietnam.

Da Nang Tourist and Cultural Festival held during July 23 ~ August 1 was the first time for the city to host such an important activity, aiming to promote the image and tourist resources of the city along the Han River and hoping to make Da Nang a must place to travel in Vietnam in 2005.

The Tourist and Cultural Gala of Pan-Asian countries along the railway lines was held in Quang Tri in central Vietnam during 27~28, July, it had served as a bridge for tourism and trade of Pan-Asian countries along the railway. The gala had attracted arts and cultural working teams from Cambodia, Laos, Thailand, China and Vietnam, who had given performances with various kinds of national and local color during the gala, and this had offered an opportunity for tourists to visit the famous historical sites: Quang Tri, Vinh Moc Tunnel, Nhuoc Temple_ and Truong Son Revolutionary Martyrs' Cemetery.

3. Hoi An Tourist Month with the theme of “Summer Reflection” conducted in Hoi An during July 30 ~ August 30 had made the ancient city Hoi An all the more attractive five years later after it was established as a world cultural heritage. According to the statistics of Tourism Bureau of Quang Nam Province, tourists to Hoi An during the Tourist Month reached 100 thousand persons/times, up 50% over the ordinary days, in which the number of tourists who stayed in Hoi An amounted to 24 thousand, most of whom were foreign tourists. The utilization ratio of hotels in Hoi An was up to 90%, reaching the highest level in history.

4. The Vietnam-Japan Tourist and Cultural Exchange Festival held in Ho Chi Minh City, the largest city in the south, during 19~21, November attracted over 5000 foreign tourists, among which, many were Japanese tourists, and over 100 Japanese tourist enterprises came to seek business opportunities. The theme of the festival was “Vietnam: a Place of Simplicity and Tranquility”.

5. The last Tourist Festival “the Flower of Da Lat” signaled the successful ending of the tourist and cultural activities of Vietnam in 2004 and from the festival tourists fully experienced the pleasant, poetic and peaceful private places and bathed in the fragrance of the flowers and the sunshine of the mountainous city, which led them to endless aftertastes.

10.1.4. The General Foreign Direct Investment

In the first five months of 2004, the tourist and hotel industry had already had 151 foreign investment projects with registered funds reaching US\$ 3.5 billion. In 2004, the directly foreign invested projects in tourism and hotels of Vietnam centered mostly in the capital city Hanoi which had 29 projects with the total investment amounting to US\$ 0.975 billion, making up 26% of the total number of direct investment projects in tourism and hotels from abroad, 29% of the total investment volume and 43% of the practical investment volume. Next came Ho Chi Minh City, there were altogether 35 projects with the total investment of US\$ 0.8913 billion, and the practical investment reached about US\$ 0.7383 billion, taking up 30% of the total number of direct foreign investment projects in tourist and hotel industry, 27% of the total investment volume and 35% of the total practical investment; Foreign investment also spread to some economically advanced provinces and cities with good infrastructure, such as Dong Nai_Binh Duong_Ba Ria-Vung Tau and Quang Ninh. By the end of 2004, there had been 18 FDI projects with registered funds of US\$ 0.11 billion in the tourism of Vietnam.

At present, there were 22 countries and regions investing in tourist and hotel industry in Vietnam, among which Hong Kong ranked as the largest investment market with 33 projects and their total investment volume reaching US\$ 0.6957 billion and the practical investment US\$ 0.5901 billion; Next came Chinese Taiwan province, which had 11 projects with the total investment of US\$ 0.3126 billion, and the practical investment was US\$ 0.1823 billion; finally came South Korea, Malaysia, Japan and British Virgin Islands.

The investment in tourism and hotels from abroad would improve the tour service quality, better the image of Vietnam and raise the notability of its tourism in the international market, and at the same time, would enhance the

competitiveness of Vietnamese tourism in the world market and lay a good foundation for the development of Vietnamese tourism in the years to come.

10.1.5. Tourist Development in Leading Tourist Provinces and Cities

10.1.5.1. The Capital City, Hanoi

Many important events took place in Hanoi in 2004 such as the 50th anniversary of the liberation of the capital and the hosting of ASEM in Hanoi, whose development was, like other five places, put on the top priority. Since the first half of 2004, in order to make a good preparation, Hanoi strove to improve the quality of some new tourist items, expanded the construction scale and investment volume, raised the level of some tourist facilities through investment and renovation, and enhanced the training of tourist human resources, etc. In 2004, the number of tourists received by the capital Hanoi reached 4 million persons/times, in which foreign tourists amounted to 0.93 million persons/times, domestic tourists, 3.07 million persons/times, the total revenues from tourism attained 22 trillion Vietnamese Dongs, and the profit turned over to the state reached 290 billion Vietnamese Dongs. As to the origins of tourists, Chinese tourists occupied the first place in the first half of the year, making up 34% of the total foreign tourists to Hanoi; next came the Japanese tourists, approaching 113% over the same period of 2003; Right after Japan were France, the United States and Australia. In particular, the number of South Korean tourists rose rapidly, ranking the sixth, up 213% over the same period of 2003.

10.1.5.2. Quang Ninh Province

In the past few years, the quotas for economy, technology and the introduction of investment to Quang Ninh Province had reached the annual growth rate between 20 to 30%. Islands were the largest tourist resources. Ha Long Bay, the world natural heritage, is one of the 20 most beautiful bays in the world, yet the environmental protection of the islands was in contradiction with the investment and development speed of tourism. Quang Ninh Province set the year 2004 as a tourist year for environmental protection and worked out strategies for environmental protection in 2004. As for the market promotion, it had taken advantage of the newly opened airlines to Japan and the exemption of visas for Japanese tourists to extend into Japanese markets with great efforts; it had also established information centers in Mong Cai and Bai Chay. In 2004, Quang Ninh province reached its goal set forth at the beginning of the year: the number of tourists received in the whole year reached 3.05 million persons/times, among which foreign tourists amounted to

1.20 million persons/times, the total revenues from tourism reached 1.05 trillion Vietnamese Dongs; the investment capital drawn for the development of tourism approached 1 trillion Vietnamese Dongs; 1,300 new rooms in hotels had been built and most hotels were up to international three-star hotels; a large-scale campaign of tourist promotion had been launched with focus on Japan, South Korea, Western Europe, the United States and the Southeast Asia.

10.1.5.3. Hai Phong City

The main task for tourism of Hai Phong City in 2004 was the construction of infrastructure of the chief tourist areas with the investment from both the central and local governments, for example, the water supply project of drinking water in Cat Ba island tourist area with the total investment up to 67.76 trillion Vietnamese Dongs, with the first stage water supply reaching 5,500 cubic meters, and the second stage water supply amounting to 10,000 cubic meters, and the construction project of the center for the arts and crafts selling and tourism promotion in Nam Son Village of An Duong County with the total investment up to 83 billion Vietnamese Dongs. The yearly gradual improvement of the infrastructure for tourism had facilitated the rapid development of tourism of that city. The total number of tourists received by the city in 2004 reached 2 million persons/times, up 23.52% over that of 2003, fulfilling 108.8% of the annual plan, in which there were 0.44 million persons/times of foreign tourists, up 25.71% over that of 2003, accomplishing 104.76% of the annual plan. The tourism revenues totaled about 470 billion Vietnamese Dongs, up 16.34% over that of 2003, completing 104.45% of the annual plan.

10.1.5.4. The Ancient City, Hue

The cultural heritage of Hue is precious and incomparable and therefore was established as a world cultural heritage by the UNESCO in 1993. Besides, Hue is one of the four comprehensive national tourist areas in Vietnam and is ranked as one of the two important tourist centers in the north of central Vietnam with Da Nang. The main activity of Hue tourism in 2004 was the hosting of the Sixth Hue Tourist and Cultural Festival centered on the theme of "Cultural Heritage: Assimilation and Development" (June 12~20, 2004) which had drawn art performing teams from Vietnam, France, China, Russia, Argentina and Belgium to give various kinds of excellent performances. In 2004, the total tourists received by Hue reached 0.76 million persons/times, fulfilling 103% of the annual plan, up 24% over that 2003; the tourism revenue totaled 368 billion Vietnamese Dongs, up 32% over that of

2003, accomplishing 105% of the yearly plan.

10.1.5.5. Ho Chi Minh City

The time between 2003 and the beginning of 2004 was a hard period for the tourism in Saigon. Faced with international terrorism, the outbreak of “SARS” in some countries, and the spread of “bird flu” in some provinces and cities in Vietnam and some Asian countries, Saigon took some drastic measures to adjust the tourist markets. The number of tourists received by Saigon already attained 48% of the annual plan in the first half of the year, with the number of tourists reaching 0.7204 million persons/times, up 27%, with a revenue of 4.036 trillion Vietnamese Dongs, up 10% over the same period of 2003, in which the revenue of hotels and restaurants reached 3.548 trillion Vietnamese Dongs, up 6.8%, whereas tourism alone attained 488 billion Vietnamese Dongs, up 26.4%. By the end of 2004, tourism became the fastest growing area in the service industry. The total number received in the whole year reached 1.60 million persons/times, up 23% over the same period of the previous year, the revenue from tourism 37%, and the average utilization of hotels 60%. In 2004, the foreign tourists received by Saigon were mainly from ten countries and regions including Japan, Chinese Taiwan, South Korea, Australia, the United States, China, France, Malaysia, Singapore and Britain. One of the features was that the number of domestic and Southeast Asian tourists increased rapidly, especially domestic tourists. Malaysia and Singapore for the first time were placed on the top ten countries that had a large number of tourists visiting Vietnam. Other tourist markets were also up 20~25% over 2003. The fast growth of the Southeast Asian market including Malaysia, Thailand and Singapore was mainly due to the exemption of visas, more airlines being opened, timely discount of air-tickets and the First Vietnam-Japan Cultural Gala held in Saigon.

10.1.6. Existing Problems

The main deficiencies of Vietnamese tourism in 2004 lay in that fact that the total number of tourists received and the tourism revenue were lower than those of better developed countries in the region; the tourism structure and personnel system were not in compliance with the function, position and responsibility of tourism when the Vietnamese government established tourism as the pillar industry of its economy; neither the mechanism of policy making was perfect, nor was it in accordance with the development of tourism; tourism plan and management fell behind the demand; the investment for the construction of infrastructure was inadequate; tourist

promotion, fostering and training of personnel and cultivating of human resources were backward; tourist products and service quality were low, whereas the tourist bids tended to be high, which seemed very hard to compete with other countries. In the 11th conference of the national guiding committee on tourism held on August 26, 2004, vice premier Vu Khoan pointed out that the urgent matters to tackle with were the violation of laws and regulations in many parts of the tourist development zones, for example, allotment of land were not conducted by the general planning in Kien Giang and some other provinces; in some tourist spots such as Do Son and Sam son_ the environment sanitation could not be guaranteed because of the disorder caused by many wandering peddlers who chased after tourists to sell their goods; and in many tourist resorts, the phenomenon of beggars begging from tourists was quite popular; the concentration of buildings in Cam Ranh Bay and some other tourist areas surpassed the carrying capacity of those places which severely affected the environments; just as the tourist development plan of Phu Quoc island was being submitted for the consideration of the government, all the land had been allotted, making the plan in-executable.

Moreover, the projects and programs approved by the government were not well executed and administered by the tourist departments which led to the chaos of investment and construction projects, hence, spoiling the natural beauty of some scenic spots; and finally, there was unhealthy competition among tourist enterprises which undermined their competitiveness in the international market.

10.2. PROSPECTS FOR VIETNAMESE TOURISM IN 2005

2005 is the last year of the five-year-plan (2001~2005) of Vietnam, and also a year when quite a number of important events will take place in Vietnam: the 60th anniversary of the Victory of the August Revolution; the 60th anniversary of the Founding of the Country; the 75th anniversary of the establishment of the Vietnamese Communist Party; the 30th anniversary of the Liberation of the South and the Unity of the Nation; the 45th anniversary of the establishment of Vietnam General Bureau of Tourism. Meanwhile, it is quite likely that Vietnam will join the WTO in 2005. All these will serve as favorable factors for the development of Vietnamese tourism, hence, specific plans have been put forward: the number of tourists received by Vietnam will reach 18 million persons/times, in which foreign tourists will amount to 3.20 million

persons/times, up 14% over 2004; while domestic tourists will be over 15 million persons/times, up 6.5% over 2004; the total revenue of tourism will come up to 30 trillion Vietnamese Dongs, up 15% over 2004.

In order to make good achievements and accomplish the set goals to meet the “Tenth National Congress” of the Communist Party of Vietnam, the tourist department of Vietnam has set forth ten main tasks for the entire industry:

First, it will reinforce the administration and planning of tourism through intentional and focal investment to avoid waste, at the same time, add more variety to tourist products of Vietnam to make it competitive enough and with rich national color. According to the No. 37 resolution by the Political Bureau of the Communist Party of Vietnam, the tourist development of all the provinces in the northwest and the planning of important tourist resorts including Phu Quoc, Con Dao, and Pac Po will be strengthened.

Second, it will further improve the laws and regulations for tourism. The main task for 2005 is to submit the “Law for Tourism” and additional guiding resolutions to the Congress of Vietnam for their adoption will provide complete legal basis for tourist activities.

Third, it will actively carry out every item of the national tourist action plan and make a good organization of Chairman Ho’s 115 birthday celebration and tourist activities in Nghe An tourist year.

Fourth, it will continue to encourage people from all walks of life to invest in tourism, and attract more foreign direct investment (FDI) and official development aids (ODA) to concentrate on the construction of important national tourist resorts.

Fifth, it will continue to improve and perfect the structure, cultivate human resources and raise the management level of tourism, continue improving and perfecting the management structures of tourism at both the central and local levels, and reinforce the competitiveness of the directly central-government-governed tourist enterprises.

Sixth, it will, in the development of tourism, play an active role in the world economy by participating in the ASEAN Tourism Forum (ATF) held in Malaysia in 2005 and the Mekong Valley Tourism Forum, by hosting the Asian-Pacific Conference on the Network of Training Bases for Tourism, by promoting all the activities in the framework of the tourist cooperation between Vietnam and Thailand and by executing the economic cooperation plan between Vietnam and Singapore.

Chapter 11 EDUCATION, SCIENCE & TECHNOLOGY

11.1. SCIENCE AND TECHNOLOGY

11.1.1. The Present Status of Science and Technology Activities

In 2004, there were 1,150 organizations working on scientific research and technological development and 1,800,000 research staff with college and junior college (higher education in Vietnam) educational level, among whom there were over 30,000 with degrees above bachelor (14,000 doctors and 16,000 masters). Research capacity of the scientific and technological force was further improved and the ability to master and apply technology further promoted.

The proportion of financial payout invested in science and technology by the Vietnamese government increased from 0.78% in 1996 to 2.13% in 2002. In 2003, the financial payout in its science and technology was 3,150 billion Dongs, which accounted for 60% of the total social investments in science and technology. With the increasing of the government's financial investments, one third of equipment of the research institutes was new.

Social sciences, as well as natural sciences, play an important role in its economic and social development. The problems having been and being deliberated on by social sciences include: the way for Vietnam to develop socialism; the socialism-oriented market economy; the socialism-oriented industrialization and modernization; the construction of the Party under the new conditions; the construction of a socialist legal state which was to the people, from the people and for the people; the development of culture, people and human resources; prediction of new-patterned war of rivals; the strategic intention of rival forces and the activities against national security; and the general development trend of the modern capitalism and the world.

Science and technology had been involved and was being involved in the following sophisticated fields: information and traditional technology, biological technology, new-material technology, automation technology, machinery production, science and technology applied for the manufacture of export products and main products, science and technology applied for agriculture-industrialization and modernization, science and technology of environmental protection and natural calamity prevention, basic investigation of ocean, research of technology application and science and technology applied to take care of and protect people's health.

As a developing country, Vietnam is poor at science and technology.

Thus an evaluation was made in the 6th Plenary Session of 9th Central Committee of the Communist Party of Vietnam: “Having just been formed, the market of science and technology is still in its elementary phase, lacking necessary conditions to develop; products of science and technology are so poor that backward technologies are introduced in many places; the development of science and technology mainly depends on government’s financial aid. Enterprises play a minor role in the development of science and technology. The management of science and technology has such a slow innovation that no proper way is found at the time of shifting to the market system.”

With some weak links and strong characteristics of the administration and centralization in the management of science and technology of Vietnam, a system will not be created if it fails to display scientists’ creativity and to combine closely with science and technology, educational training and production and management. The management of science and technology is being reformed in Vietnam, which is reflected in focusing on carrying out national important task of science and technology and implementing the system of choosing schemes and projects according to *the Science and Technology Law*. As the department in charge of science and technology, the Ministry of Science and Technology of Vietnam had accomplished the innovation of organizing system and science and technology activity in 2003, which included providing driving force for the development of science and technology through the innovated system and financial policies, encouraging enterprises to invest in innovation of technology, absorbing foreign investment and using it efficiently to develop science and technology. In 2004, the Ministry of Science and Technology cooperated with relevant ministries and departments to build up and launch a pilot project that combined teaching with scientific research and production. During the year of 2004, together with relevant ministries and departments, the Ministry of Science and Technology proposed and implemented many great scientific projects to fulfill the national economic plans and tasks raised by great projects, such as ship making, hydroelectricity assembling unit, transmission equipment manufacturing, cement- producing equipment manufacturing, export of flowers and plants, and matreel sea-farming, etc. During the time, the Ministry of Science and Technology signed a scheme and defined the principles of activity with relevant ministries and departments, cities and provinces in order to enhance the effects of science and technology activity so that every ministry and department, local government and even the aim of social and economic

development of the country were served. The Ministry of Science and Technology of Vietnam was awarded the Ho Chi Minh Medal when celebrating the 45th anniversary on Dec. 16, 2004.

11.1.2. Achievements of Science and Technology

Different people have different opinions on the progress of science and technology made by Vietnam. But most of the people maintain that the success achieved in science and technology in the past few years did not come easily owing to the backward economy, comparatively poor material base in science and technology, limited financial investment, difficulties in organizing and carrying out research work.

Science and technology provides scientific basis for the leadership of the Party and the nation in Vietnam and it is also used to help change people's perspective and thinking, determine Vietnam's way to develop to socialism and the pattern of economic and social development and serve for the important routes, reform policies and administrative measures made by the central government, the ministries and the local authorities. Varieties of achievements brought by the research on the problems of social sciences are available to prepare the documents used in the central conferences. For instance, 70 national-level projects on social science contributed 485 scientific suggestions to the central government and the functional departments of the Party and the government between 1996 and 2000.

Science and technology serves as the basis of the strategy of economic and social development to the year of 2010 in every department and field. It also helps to single out the production departments, fields and products which are with advantages in competition, to pave the way for the departments and fields of fishery, communication, tourism to develop fast, to provide favorable conditions for the structure adjustment in industry and agriculture, to make suggestion for the adjustment in economic policies and administrative system (economic structure, investment structure, tax system, etc.), to make influential reference on administrative reform and establishment of a political system model of socialist legal state.

Problems across departments and fields were solved through the cooperation and study of the talents in the field of science and technology around the country. The quality of education had been improved due to science and technology, which narrowed the gap of science and technology between Vietnam and other countries in the world. A lot of competent science groups as well as some advanced orientations of research formed through all these activities, such as, telemetry, molecular biological technology, clone

technology, gene technology and so on. It was through this research work that thousands of talents in the field of science and technology passed their master's or doctorate thesis defense. It also benefited the education quality of universities by involving college students in the research.

Science and technology serves for the economic and social development and people's life. Having applied the achievements of scientific research to production, new export products, high-quality products were produced to replace import products. The level of technology, production capacity and competitive power of the state were improved consequently. From 1996~2000, 172 out of 233 state-level (almost 74%) scientific and technological projects were applied to production, which brought about 613 billion Dongs of direct profits (2.5 times the total investment in scientific and technological projects). All these concrete achievements of scientific and technological research yielded notable results in agriculture, forestry, fishery, medical health, electronics and traditional technology, communication, transportation, construction. For example, Ministry of Transportation of Vietnam held *Five-year Summing-up Meeting of Science and Technology* in Hanoi from Dec. 2nd to 3rd, 2004. It was pointed out at the meeting that 225 projects of scientific and technological research had been well implemented in the past 5 years. The gradual combination of science and technology and production greatly promoted the development of transportation. Owing to the great contribution of science and technology, the construction of infrastructural facilities (large-scale bridges, culverts, harbors and roads) had achieved initial success, the development of shipbuilding industry and ocean container vessels had been promoted, air vehicles of aviation department had been perfected, and the capacity of transportation of railway, water and land had been improved.

In the period of industrialization and modernization, Vietnam plans to advance the level of science and technology from two sides. One is to improve the level of technology in every production department; the other is to adjust the structure of production, shifting to the departments with hi-tech content and high added value. There are two ways to improve technology, in which one is to introduce foreign technology, and the other is to innovate in technology by its own. As a developing country, Vietnam is able to display advantages with less advantageous power. With the introduction of foreign advanced technology, the process of technology improvement can be shortened and time and expense are saved, too. To a large extent, it depends on its internal capacity, such as science, education and culture, etc.

Therefore, Vietnam devotes major efforts to developing them and places more and more emphasis on the whole society's involving in the creativity of science and technology. For example, it set up the *Prize of Creativity in Science and Technology* and had an annual appraisal and election, which was the annual prize-winning achievement that brought about not only economic profits but also the driving force for research and production. In 2003, the contestants who competed in the *Prize of Creativity in Science and Technology* consisted of Vietnamese citizens, overseas Vietnamese who settled down in foreign countries and foreigners studying and working in Vietnam. 140 works presented from every department took part in the contest, from which the organizing committee chose 39 works to compete in the final. Four first prizes, six second prizes, twelve third prizes and 17 encouragement prizes were elected in five fields which were mechanical automation, biology, new material technology, environmental protection, and resource technology and information technology which were rationally used.

11.1.3. Viewpoints and Objectives of Scientific and Technological Development by 2010

Vietnamese Prime Minister ratified the *Development Strategy of Science and Technology of Vietnam by 2010* whose main idea was to focus on developing a system of science and technology in the modern and cooperative direction so as to develop into the middle advanced level in the region by 2010 and enable science and technology to be the real foundation and driving force of pushing industrialization and modernization forward. The main tasks of this strategy were as follows: to set up an active and efficient system of science and technology which was integrated with the world; to reinforce the international cooperation in science and technology; to play an critical role in improving the quality of economy increasing and competitive power; and to fulfill efficiently every objective of the development strategy of economy and society between 2001 and 2010 approved in the 9th Central Committee of Communist Party of Vietnam. The viewpoint and objectives of scientific and technological development by 2010 were clearly pointed out in the *Development Strategy of Science and Technology of Vietnam by 2010*.

11.1.3.1. Viewpoints on the Scientific and Technological Development by 2010

The guiding ideology to develop science and technology was obviously shown in a lot of documents of the country and the Party, such as the resolution of the 2nd Plenary Session of 8th Central Committee of the Communist Party of Vietnam; the Science and Technology Law; the

documents of the 9th Central Committee of the Communist Party of Vietnam and the conclusion of the 6th Plenary Session of 9th Central Committee of the Communist Party of Vietnam in July, 2002. Concrete explanation was made on this viewpoint in the *Development Strategy of Science and Technology of Vietnam by 2010* ratified on Dec. 31, 2003, which was in accordance with the developing trend home and abroad from now to 2010.

11.1.3.1.1. The Development of Science and Technology: the State Policy of its Top Priority and the Foundation of Industrialization and Modernization as well as the Driving Force for the Development

The policies inclined to scientific and technological development should be made by the state in order to make science and technology the foundation of industrialization and modernization as well as the driving force to push them forward. Those policies are to regard the investment in science and technology as the investment in development; to give the priority to invest in the construction of technological infrastructural facilities and develop human resource; to encourage materially and spiritually those who are involved in the research of science and technology; and to respect talents and put them in an important position.

11.1.3.1.2. Relying on Science and Technology to Develop Economy and Society and Strengthen National Defense and Security

Important policies, routes, resolutions, plans and programs concerning the economic and social development should be proved scientifically and technologically; science and technology must serve for the development of economy and society. Governments and departments at all levels must pay more attention to scientific research and apply extensively achievements of science and technology into economy, society, national defense and security.

11.1.3.1.3 Combining Scientific Research with Teaching, Science with Technology, and Social Sciences with Natural Sciences

First, scientific research must be combined with teaching in every university and every organization working on research and development. Meanwhile, the cooperation and coordination between the organizations must be promoted through the combination of motivation and administrative measures and trans-departmental cooperation must be encouraged to display the combination between different fields of social sciences, natural sciences and technological science and between science and technology so as to solve some integrated problems about economy, society and steady development of the country.

11.1.3.1.4 Speeding up the Introduction of Achievements in Science and

Technology of the World and Simultaneously, Giving Full Play to the Internal Scientific Capacity and Improve its Effect of Application

On the background of gradual globalization and integration, Vietnam must grasp the opportunities and push the international cooperation of science and technology forward. At present, stress should be put on the introduction of technology from advanced countries so as to meet the demand of the development of economic and technological departments. Simultaneously, the internal capacity of science and technology should be improved and the modern achievements in science and technology of the world should be efficiently introduced. The management system should be reformed so that the present domestic capacity of science and technology can be extended and efforts must be made to quickly and efficiently apply the achievements in science and technology of the world.

11.1.3.1.5. Focusing the National Investments on the Fields of Importance and Priority and Accelerating the Socialization of Science and Technology

The state invests selectively and combines the investment in infrastructural facilities and equipment with that in technological human resource so as to accomplish all the projects and make profits as soon as possible. The intention must be implemented in the process of making the five-year plan and the annual plan of science and technology. Organizations in various economic structure and individuals are encouraged to participate in research, application and investment of scientific and technological development.

11.1.3.2. Objectives to Be Achieved by 2010

There are three major objectives in the development strategy of science and technology of Vietnam by the year 2010.

11.1.3.2.1. The first objective is to give scientific evidence to construct socialism and merge successfully into the world economy, shorten the process of industrialization and sustainable development.

Science and technology, especially social sciences, focuses on the study of the basis of theory and practice that shortens the process of industrialization and develops socialism-oriented market economy system. It also provides scientific evidence for the measures to formulate routes and policies of economic and social development, program for sustainable development and successfully merge into the regional and international economy. It helps explain other theories that come out from life and solve the problems in practice.

11.1.3.2.2. The second objective is the development strategy plays a

critical role in improving the quality of economic increasing and competitive power of commodity and strengthening national defense and security.

First, science and technology will, by then, have played a critical role in improving efficiency, quality and effect of the important economic departments.

Second, Vietnam will promote the research on agriculture, agricultural products and food processing industry and apply advanced technology extensively, and make good use of the resource of tropical creature to increase the value added and competitive power of export agricultural products so as to reach the advanced level of agriculture in the region, optimize the economic structure of countryside and create more job opportunities. People's living standard will be greatly improved and the face of countryside will have changed a lot by 2010.

Third, it will help medium- and small-sized enterprises and handicraft industry to innovate in their technology, improve the quality of products, the added value and competitive power to meet the needs of domestic requirement of consumption, and expand export.

Fourth, it will introduce foreign modern technology and improve the service and infrastructural facilities of finance, banking, post and telecommunications, communications, transportation, aviation in order to merge successfully into the regional and international economy.

Fifth, it will develop selectively some hi-tech industries, such as, information industry and biological technology industry so as to make them develop fast, meet the increasing demand home, and expand export.

17.1.3.2.3. The Third is to Develop Science and Technology to Be Moderately Advanced Level in the Region.

First, science and technology capacity develops to be moderately advanced level in the region.

Vietnam will assure that the increasing speed of investment in science and technology of the government is higher than that of the financial payout of the government, promote diversity of the investment in science and technology, and make efforts to achieve the goal that the whole social investment in science and technology will reach 1% of GDP by the year of 2005, and 1.5% by 2010.

In the direction of giving priority to the development of science and technology, in conformity of the demand of economic and social development and at the requirement of rational regional distribution, it will develop human resource of science and technology with high quality, high level and rational

professional structure. As a result, science and technology capacity as well as the capacity of the scientific and technological force will develop to be moderately advanced level in the region by 2010.

It will set up some moderately advanced-leveled research institutes and universities in the region in some key technological and scientific fields where Vietnam is in superior position.

It will accomplish the first-phased construction of the two new and high-tech zones in Hoa Lac and Ho Chi Minh City, put the state key labs into use which are well explored and authorized, and advance the basic technological level of the organizations concerning scientific and technological information, standard meterage and quality check.

It will form the organizing net of science and technology that is able to merge into the world and combine tightly with production and management.

Second, it will set up an advanced management system of science and technology that follows the international practice.

It will innovate fundamentally in the management system of science and technology in conformity of the market system, particularity of science and technology as well as the direction of merging into the world, and provide a good environment for the scientific and technological force to display their creativity, and promote the effects of scientific and technological activities.

Third, it will improve the capacity of science and technology.

With modern technology abroad being introduced, absorbed and effectively used by the year 2010, Vietnam will be able to study and apply some modern technologies, especially information technology, biological technology, advanced material technology, automatization and electronic technology, and narrow the gap in the scientific fields where Vietnam is in superior position with the top level in the world.

11.2. EDUCATION

11.2.1 Introduction

After 20 years' innovation and development, much has been achieved in transforming the Vietnamese education system, which is now united and has various modes of studies. Some worthy accomplishments in the past few years are as follows: the basic goals of universal primary education and literacy have been achieved; junior secondary education has been universalizing; vocational/technical education has been resumed since its recession for some time; the scale of higher education developed rapidly in

the 90s after a long time's lagging behind; with more than 4,000 distance-learning centers nationwide, distance education is no longer strange to the Vietnamese people; students participating in various international and regional contests won good prizes; a certain number of non-public schools have been set up, thus promoting the education socialization; relations with other countries have been promoted and some international achievements and experience in accord with Vietnam's situation have been adopted. In a word, the scale of Vietnam's education is being expanded largely and rapidly to meet the national learning needs.

Vietnam's Ninth National Party Congress in April 2001 and the sixth Plenum of the ninth Communist Party of Vietnam Central Committee in July 2002, as well as the Education and Training Development Strategy in the 2001~2010 Period enacted in December 2001 directed the solutions for the existing contradictions among educational scale, quality and conditions. They are to realize varieties of educational levels and modes; to guarantee the standardization and modernization of the educational quality; to socialize the educational resources. Now efforts will be focused on ensuring and improving the quality while enlarging the scale.

In the implementation of the innovation and development measures of the country's higher education system, which is characterized by developing in correspondence with Vietnam's actual situation and with the international trend, the higher education sector has made many significant changes in the past years. For example, the network planning in colleges and universities approved by the government has been continuously expanded and improved; a batch of educational institutions offering master and doctoral programs have been established; the training procedures of higher education have been redesigned; a great number of new specialties have been opened for students to choose from; an integration of academic year system and credit system has been widely used. Besides, keeping the rules of being standard, basic, modern, practical and continual in mind, the educational departments are making every effort to make up programs and curricula, renovate testing system while guaranteeing the quality, adopt modern teaching methodology, give guidance to students as to study and self-study so that they will become qualified and use computer technology widely in teaching and educational management. Since 2002, the enrollment has also improved. Students have more choices in state, community, comprehensive, non-public and public colleges and universities. The order and rules in all kinds of schools have been gradually strengthened. At the same time, the quality of post-graduate

education under reform has been promoted. A project named Project 322 has also been carried out, which focuses on sending technical personnel abroad for further studies with the state financial aid. Thus, the foundation in both material and technology in higher educational institutions has been strengthened. Consequently, many universities develop international cooperation and make themselves parts of the world education. During the 15 years' higher education reform, Vietnam conducted a series of key tasks, including introducing various international projects, accommodating experts and volunteer teachers from abroad, exchanging students with other countries, sending Vietnamese experts abroad to give lectures or to work, hosting all kinds of exhibitions from time to time, organizing international seminars so as to communicate with overseas universities, allowing foreigners to invest and set up schools in Vietnam, achieving a reform with which students can pursue their studies in their country but obtain a foreign graduate diploma.

It was in 2001 that Vietnam began to carry out this educational mode. But actually the students would study in Vietnam for the first two years or the first year and then go to the certain country that offers the cooperation program for the last two or three years. It is a kind of international cooperation between Vietnam's universities and foreign universities or Vietnam-based foreign institutions. The students who take this program can save quite a lot of tuition fees and other life expenses. Nowadays, some universities have developed or are developing this new educational mode, including Hanoi University of Technology, National Economics University of Vietnam, Ho Chi Minh City University of Technology, University of Economics, and Ho Chi Minh City. The most renowned one offering such programs is Hanoi University of Technology, which has established relations with many countries like Russia, Germany, and Japan, etc. and whose specialties offered are quite plentiful, such as machinery, automation, information technology, electronics, petroleum and natural gas and so on. Some universities focusing on social sciences like University of Social Sciences & Humanities, Ho Chi Minh City (National University of Ho Chi Minh City), University of Education, Ho Chi Minh City also offer such program and quite a few students are taking it. Moreover, at present, a large number of international universities open campuses in Vietnam. They are free from the Vietnamese educational system and keep their own way in training the students. When the students graduate, they are considered qualified as international students. A typical example is RMIT International University Vietnam (RMIT Vietnam), which has been running for

3 years in Ho Chi Minh City and attracting many students. Recently, RMIT Vietnam set up a branch in Hanoi. All these facts show that under the current circumstances when the Vietnamese economy is still weak and people have comparatively low incomes, this educational mode makes it easier for students to access the advanced knowledge and lay solid foundation for their specialty. It is reported that Vietnam's Ministry of Education and Training (MOET) called for more such cooperation with advanced universities so as to enter the international human resources training market. In implementation of the Education and Training Development Strategy in the 2001~2010 Period, the educational departments have indeed done quite a lot.

11.2. 2. Developments during 2003~2004

11.2. 2.1. General Situation at All Levels

In the 2003~2004 academic year, the data on education at all levels are as follows: there are 88,700 kindergartens, with 2,172,900 children and 106,700 teachers; 14,346 primary schools, with 8,346,000 pupils and 366,200 teachers; 8,745 junior middle schools, with 6,569,800 students and 290,400 teachers; 1,664 senior middle schools, with 2,589,600 students and 98,800 teachers; 238 public technical schools, with 321,500 students, 107,800 graduates and 10,000 teachers; 30 non-public technical schools, with 38,900 students, 8,000 graduates and 1,100 teachers; 187 public institutions of higher education, with 993,900 students, 152,600 graduates and 34,900 teachers and 27 non-public institutions of higher education, with 137,100 students, 13,100 graduates and 5,100 teachers

Compared with the previous academic year, the number of kindergarten children and middle school students had increased while that of primary school students had dropped 5.3%. There had been a rise in the number of teachers at all levels, but in comparison with the established index, there still lacked 25,500 junior middle school teachers and 21,100 senior middle school teachers nationwide. Though the primary school teachers were enough, there existed an imbalance between regions, marked by the lack of about 2,000 teachers in the western part of the country. Up till 2003, 17 provinces and cities had universalized junior secondary education. In 2003, expenditures for education were 3% of GDP.

In the 2004~2005 academic year, there were 2,449,000 kindergarten children, up 12.8% against the previous academic year, covering 60% of the children at the ages of 3~5; 7,948,000 primary school students, a drop of 4.8% as compared with the last academic year; 6,792,000 junior middle school students, an increase of 2.7%; 2,847,000 senior middle school

students, 8.8% more. As for teachers, there was an increase at all levels. There were about 366,000 primary school teachers, 308,000 junior middle school teachers, 110,000 senior middle school teachers, respectively 0.3%, 10%, 13.4% more than the figures of the previous academic year. But compared with the established index, there was a shortage of junior and senior middle school teachers, up to 6,500 and 22,300 respectively.

11.2.2.2. Ten Criteria Setting for Inspecting the Education Quality in Institutions of Higher Education

In 2004, Vietnam's MOET enacted a set of criteria of inspecting the education quality in colleges and universities, which involved every aspect of the public and non-public universities. Every criterion was concretized by certain indicators and every indicator could be quantified. Accordingly, the institutions could self-assess and work out plans and functional bodies could inspect the education quality of the institutions.

These ten criteria include the university's mission and target (two indicators), organization and management (five indicators), training plans (four indicators), training activities (five indicators), contingent composed of management personnel, teachers and other staff members (five indicators), students (six indicators), scientific research and technological development (four indicators), international cooperation (three indicators), library, learning facilities and other material basis (four indicators), financial condition and its management (three indicators).

One of the training indicators was to implement a credit system. As for the cadre and teacher contingent, adequate cadres should be recruited and sufficient teachers are required, with one teacher to 26~35 students. Another outstanding indicator was to protect students' legitimate rights, such as providing accommodations and daily services for over 30 percent of the students. Graduates' employment also played a key role in assessing a university's education quality. Thus, every university should set up an employment consultancy institution to help students by offering consultation, finding jobs for those who were not capable of getting a position, establishing relations with potential employing enterprises and units. According to the criteria, there should be 60~70 percent of the students who had graduated for one year working related to their majors.

The ten criteria have been put into practice on a trial basis in 10 universities, which can get investment on certain projects to make every aspect of the school better. In 2005, the assessment task will be carried out nationwide.

11.2. 2.3. Discussion on Education Ideology

At the present market economy, the policy on the educational socialization introduced by the Party and State has seen great changes. But up till now, the educational socialization has not been given an exact definition; all of the discussions about it are too superficial. Thus, it becomes one of the causes of many shortcomings in Vietnam's education and a focus in the whole country. On the sixth session of the 11th National Assembly of Vietnam on Nov. 15, 2004, many members, when discussing the education, pointed out that it was correct and necessary to promote the educational socialization, but the term "socialization" could not be abused to the degree of "commercialization". They hoped that the education and training sector could understand the situation and develop the country's education to meet the demand for the national industrialization and modernization.

On Dec. 4, 2004, the Central Committee for Science and Education held a seminar in Hanoi with the theme on the education in socialism-oriented market economy. The attendees discussed and specified some viewpoints such as the impacts of market mechanism on education, how education meeting the demands for the development of the socialist market economy, the management in the educational departments and schools under the socialist market economy, whether education market existing, whether educational units being enterprises or business units, education and commercialization, and so on.

The attendees reached some agreements. The education in the Vietnamese socialism-oriented market economy is vital and quite sensitive question. It is also a theoretical question with practicality worthy of pursuing. So it should be looked into objectively and directed correctly. In the current situation, there should be no education market; especially schools cannot be turned into education market. Hence Education Law stipulated that no educational act be commercialized. Instead, mechanism and policies should be created to guarantee the profits of the units and individuals that put investments in education. What's more, during the process of education development, the positive impacts of the market economy should be exploited and the negative ones should be restricted.

11.2. 2.4 Vietnamese Students Participating in Various World Contests in 2004

In 2004, Vietnam sent six student delegations to participate in the International Olympiads of Mathematics, Physics, Chemistry, Biology, Computer and the Language of Russian held in Greece, Korea, Germany,

Australia and Russia and one to the Asian Olympic Contest of Physics held in Hanoi, Vietnam. Among the 38 contestants, 34 won prizes, including 10 gold medals and 11 silver medals and 10 bronze medals.

On Dec. 10, 2004, Vietnam's MOET commended the students who took part in various international and regional tests and got high grades. And the Prime Minister gave away citations to the 10 students who won gold medals in the Olympiads.

11.2. 2.5 Vietnamese Students Studying Overseas

These years, more and more Vietnamese students go abroad to pursue their studies. All of them will play a vital role in the current and future economic and social development.

There are quite a few ways of studying abroad. For example, students can apply for the state's scholarship or the position provided by the government in accordance with its agreements with other countries or organizations (now there are about 5,000 such students), and students can go to study abroad at their own expenses. But it is hard to figure up the number of the self-funded students. According to incomplete statistics, there are about 38,000 Vietnamese students studying abroad at present. It is predicted that the figure will increase to 100,000 in five years, with the majority at their own expenses. Most of the students who were funded by the state or got the opportunity of studying abroad thanks to the agreements signed by the government and foreign countries have returned to Vietnam or stay in the host countries for further studies, while the other few stay in the foreign countries for their own development when finishing the studies. As for most of the students studying abroad at their own expenses, the MOET cannot get enough information about them. The reason is quite simple. In recent years, this studying form has developed rapidly. Particularly since 2000, the Vietnamese citizens can go abroad without permission of the MOET if they have the admission notice of a certain foreign university and the visa of that country. Though the number of the students and the countries they go to can be checked by the Ministry of Police, their majors and when they begin and finish their studies cannot be tracked. Facts show that plenty of negative phenomena come up among the students. Some, including both of the two mentioned types, cannot catch up with others in their studies and break the local laws and the signed agreements. Australia is one of the target countries, but in less than one year, 151 Vietnamese students' visas have been revoked because the students have been absent from school for too many times. Moreover, some students have been misled by some education consultancy

services in Vietnam and have chosen low-quality foreign universities. As a result, though the students have obtained foreign diplomas, their competence should be questioned. Now time and condition is not available for Vietnam to make an overall check-up to the study and life of the students studying abroad, which has caught the attention of the concerned departments.

Aiming at the complicated situation, on Oct. 22, 2004, Vietnamese Prime Minister issued Directive No. 35/2004/CT-TTg to strengthen the management of Vietnamese studying overseas. Under the directive, the MOET has to update the related information in time and render it timely to the Vietnam's representative agencies in foreign countries so that they can also join in the management. Besides, MOET should promote co-operation with relevant agencies in countries of residence to track the study and life of Vietnamese students and make up effective measures for the management of overseas study services. And MOET is also required to coordinate with relevant ministries and services to make amendments and supplements to legal documents on the management of overseas students and consultancy service on studying abroad. Vietnamese representative agencies abroad should widely disseminate information about the interests and obligations of citizenship registration and expand cooperation with schools and administrations in countries of residence to help overseas Vietnamese students study and to provide the domestic functional departments information about the authoritative and high-quality institutions. These representative agencies are also required to encourage the overseas Vietnamese students to keep frequent contact with them and student organizations. In order to implement the indicative, MOET will guide education consultancy services and make them record the consultancy information and report it to the local education departments. The Ministry of Police will work out the information of the students intending to study abroad, including who they are, when and where they will head for, what they will major in, and so on and then proceed it to the Vietnamese representative missions abroad. In the past few years, most of the students followed the trend, so they took management, information technology and costume design as their majors. If this situation is not looked into, millions of returned students in a few years will be trapped in a dilemma. The information provided by the Ministry of Police will serve as the basis of sending students overseas funded by the state.

11.2.3. Existing Problems

For all the progress made, however, Vietnam's education system still suffers from a number of critical shortcomings. The education system aims at

cultivating people, which focuses on training people's qualities like being loyal, responsible, disciplined, creative, independent, cooperative and competitive. But now, education strays from the actual situation; teaching and learning remain teacher-centered and mainly aim at high results on examinations, and fail to train some key abilities like that of thinking independently, of putting theory into practice, of using computer and foreign languages and the sector still fails to pay due attention to education in ethics, practical skills for students; the human resources cannot meet the demands for industrialization and modernization, especially technicians and high-level professionals. In a word, in education, there still exist plenty of long-lasting shortcomings that have not been conquered, leaving a quite closed education system that does not adjust to the development of market economy in many respects.

Actually, the contradiction between scale, quality and condition has always existed. The second Plenum of the eighth Communist Party of Vietnam Central Committee in December 1996 pointed out, "the educational cause now is faced with a great contradiction, that is, it develops rapidly and the quality has to be enhanced accordingly, but we are still not up to the capability and conditions." The higher education exemplifies the contradiction. From 1996 till now, in the light of universalizing junior secondary education, enlarging senior secondary education, developing informal education, adapting education for all, and training professionals with high skills, more and more people pursue university-level studies, with an increase of 20 percent per year, while enrollments in universities, with an increase of only 5-6 percent a year, do not rise so greatly to meet the demand. The substantial unmet demand for access has caused many problems and drawbacks, such as the abused offering of low-quality training classes, and fake diplomas and certificates emerging.

It is still a long road lying before Vietnam's education.

Chapter 12 CULTURE

12.1. The Tenth Plenary Session of the Ninth National Congress of the Communist Party of Vietnam on Cultural Work

The Tenth Plenary Session of the Ninth National Congress of the Communist Party of Vietnam on Cultural Work was held in Hanoi on 5~7, July 2004. Nong Duc Manh, the general secretary of the Central Committee of the Communist Party of Vietnam chaired the meeting and made the opening and closing speeches. During the meeting, the past five-year execution of the resolution “to construct and cultivate an advanced culture with rich national color” put forward at the Fifth Plenary Session of the Eighth National Congress of the Communist Party of Vietnam was reviewed and summarized for the first time, from which a proposal was raised to continue to carry out the resolution in the years to come. And at the meeting another proposal was raised and discussed on the preparation for the Tenth National Congress which will be held in the second quarter of 2006. In the review of the past five years of the practice of the resolution put forward at the Fifth Plenary Session of the Eighth National Congress of the Communist Party of Vietnam, participants all agreed that the practice of the past five years showed that the resolution of the Fifth Plenary Session of the Eighth National Congress of the Communist Party of Vietnam signaled the advancement of thoughts and culture of the Communist Party of Vietnam and since it is in conformity with the law of the social and economic development of Vietnam and meets the needs and demands of the people, it has quickly stepped into people’s life. The combination of culture with all aspects of life will facilitate political stability and the development of national economy, social security, national defense and diplomatic relations. The meeting fully acknowledged the righteousness of the resolution “to construct and cultivate an advanced culture with rich national color” put forward at the Fifth Plenary Session of the Eighth National Congress of the Communist Party of Vietnam, and is resolved to promote the execution of this resolution with greater efforts, to closely combine the cultural construction with the economic construction and the construction of the Party so as to guarantee the synchronous development of culture and economy and form a solid spiritual base for the society. The meeting pointed out that “Economy and culture are the two legs of development, we cannot walk with one long leg and one short leg, we can not just consider the material (economic) base for social development, and ignore the spiritual (cultural)

base. We should be fully aware that the development of economy is the basis and the first requirement for the development of culture, and vice versa, the development of culture also serves as the objective and impetus to the social economic development”.

12.2. The Preservation of Historical and Cultural Relics

In recent years, Vietnam has worked out a series of strategies to protect and propagate its historical and cultural relics. In 2002, Vietnam enacted and implemented the “Law for Cultural Relics”. In 2004 soon after the ancient city, Hue and the sacred place, My Son were listed among the world cultural relics by the UNESCO, the Royal Refined Music of Hue in Vietnam was universally acknowledged as one of the world cultural heritages.

In 2004, the departments in charge of culture and communication in Vietnam have defined “the national historical and cultural relics of special values which need urgent preservation”, in which 32 extremely important relics will receive investment between 2005 ~2010. Meanwhile, a number of projects on the preservation of historical and cultural relics will be conducted and further developed.

12.2.1. The Establishment of the Association of Vietnamese Cultural Heritage and the National Committee of Cultural Heritage.

On 26, June 2004, the Association of Vietnamese Cultural Heritage was established, which is a social organization, and whose task is to organize those (either organizations or individuals) that have shown a strong sense of responsibility and made great contributions to the preservation and promotion of cultural heritages, and to call on all the people in the country to actively participate in the preservation and propagation of national cultural heritages.

On November 22, 2004, the Premier of Vietnamese Government issued 1243/QĐ-TTg Resolution to establish and organize the National Committee of Cultural Heritage. The resolution pointed out that “the purpose of the establishment of the National Committee of Cultural Heritage is to provide consultation to the Premier on issues concerning preservation and promotion of cultural heritages. The committee is responsible for giving counsel and aid to the Premier while he or she is making decisions on issues such as the orientation, strategies and important policies over the preservation and propagation of cultural heritages; the making of a list of some special national heritages; the identification of specially protected areas of national relics; identification of national treasures; the maintenance, reparation and recovery of the first class relics according to *the Law for Construction and Investment*;

the exhibition, study and custody of national treasures by foreign countries; the establishment of national museums and other specialized museums; raising suggestion to the UNESCO to approve the typical Vietnamese cultural heritages though not in the material form as the world cultural heritages; making proposals to the UNESCO to list the typical cultural relics of Vietnam in *the Directory of the World Cultural Relics*; the scientific and technical problems of cultural relics related to the large social and economical projects and other important issues concerning cultural heritages demanded by the Premier of the Government or proposed to the Premier by the National Committee of Cultural Heritage. The National Committee of Cultural Heritage has one chairperson, two vice chairpersons, one standing committee person and some committee members. The term of service for each committee member is five years.” At the same time, the appendix to the resolution announced the name list of the chairperson, the vice chairperson, the standing committee members and 24 committee members in 2004~2005 term of office.

12.2.2. The Announcement of the Development Plan of the Historical Relics of Hung Vuong Temple up to the Year 2015

Hung Vuong is the ancestor of the Vietnamese according to the legend recorded in the History of Vietnam. The tenth of March in every Lunar Year is the day when the Vietnamese offer sacrifices to Hung Vuong, with the magnificent national temple fair held in Hung Vuong Temple on Nghia Linh Mountain of Hy Cuong Village, Lam Thao County of Phu Tho Province. From the feudal age, the temple fair at Hung Vuong Temple was hosted by an official sent by the court with the presence of officials from all parts of the country. Up to now, the government of Vietnam still keeps the tradition by sending a high- ranking official to host the temple fair on this day. On April 24, 2004, a ceremony was held in Phu Tho Province to announce the decision by the Premier over the development schedule of the historical relic, Hung Vuong Temple up to 2015. Vice Premier Pham Gia Khiem and representatives from ministries and commissions under the State Council and local officials attended the ceremony. According to the planning, the first area including Hung Vuong Temple, Hung Vuong Tower, Hung Vuong Tomb and primeval forest occupying 32 hectares will be renovated. The Second Area is the protective area of the relic and the landscape, and some constructions will be made there to serve the temple fair. The following constructions are included around the center of the temple fair: Ritual Area, Central Square, Reception Area, and Hung Vuong Tourist and Cultural area; Hung Vuong Tower and the

Ecological Area representing all parts of the country for sight-seeing; North Forest Area, South Forest Area, a zone for planting memorial trees and Hung Vuong Cultural Area for teenagers. According to the planning, 5,918 hectares of countryside around Hung Vuong Temple will be built as demonstration villages or townships. And there are also seven projects to be conducted: renovation and protection of the ruins; the construction of the central area of the temple fair; the renovation and construction of national gardens; the project of Hung Vuong Tower; tourist projects; financially aided projects of border area and the infrastructure projects.

12.2.3. The Site of the Ancient City, Hanoi Rewarded the Certificate of National Historic Relic

On October 1, 2004, Hanoi People's Committee was holding a grand ceremony to accept the ancient city Hanoi's Certificate of National Historic Relic and an opening ceremony of a foot street along Hang Dao-Hang Ngang-Hang Duong- Dong Xuan markets at Dong Kinh Nghia Thuc Square. After the ceremony, lively and amusing art performances with national color were demonstrated at Dong Kinh Nghia Thuc Square and Dong Xuan Market. The purpose to set aside a cultural day for the ancient city is to increase the inhabitants' awareness of the precious values of the history and traditional culture of the past capital city Thang Long and hence to stimulate the inhabitants' sense of pride and responsibility to protect the beautiful sight of the ancient city as well as to introduce and promote publicity of Hanoi, an ancient city with thousands years of history, to the outside world.

12.3. The New Discovery of Archaeology

In 2003, the archaeological departments of Vietnam conducted archaeological excavation of the histories in the Stone Age, the Bronze Age, the Iron Age and Cham in 18 places.

In 2004, the international archaeological teams including Japan, South Korea, Australia as well as Vietnam conducted excavation in Hang Cho of Hoa Binh Province in Vietnam, and discovered the cultural layer of Hoa Binh, whose discovery has provided a lot of important information to the research of prehistoric Vietnam. Vietnam Archaeology Institute, the Management Committee of Hung Vuong Temple and Phu Tho Museum joined together to conduct excavation covering over 130 square km in Go De of Phu Tho Province, in which they found 11 tombs buried with many cultural relics of Dong Son Culture with a history of 2,300 years. In the excavation of Ho Dynasty City conducted by Vietnam Science Academy and Showa Girls' University of Japan, important traces of architecture and 21 names of villages

participating in the production of construction material have been found. This is the first time to discover so many cultural relics recorded with names in the archaeological field of Vietnam. And a well-known archaeological excavation was the Ruins of the Imperial City Thang Long conducted in 18 Hoang Dieu Road in Hanoi. The area of this archaeological excavation covered 19 thousand square km, and the excavation lasted from the end of 2002 to March 2004, and archaeologists found tens of architectural ruins and many cultural relics during the 6th ~7th centuries to the beginning of the 21st century. In 2004, the scientists in the relevant ministries and commissions hosted a number of national and international conferences on these relics in which it was confirmed that the site was one part of the western forbidden city of the Imperial City Thang Long. Scientists from both Vietnam and foreign countries agreed that those ruins and cultural relics are priceless.

12.4. 2004 Hue Cultural Gala

To make Hue a famous cultural city, Vietnam holds a grand cultural gala in Hue once every two years. The first and the second Hue Cultural Galas were held in 2000 and 2002 respectively. On 12~20, June 2004, the 2004 Hue Cultural Gala with the theme of “Cultural Relics: Assimilation and Development” was held ceremoniously in Hue. On the evening of June 6, the opening ceremony was held on Ngo Mon Square as scheduled in spite of the bad influence of No. 2 Typhoon and storm. Present at the opening ceremony were the member of Political Bureau of the Central Committee of the Communist Party of Vietnam, the permanent secretary of the Central Secretariat Phan Dien _vice Chairperson Truong My Hoa, vice Premier Pham Gia Khiem and representatives of ministries and commissions and local governments, officers from the World Tourism Organization (WTO), and 100 representatives from the tourist departments of 20 Asian-Pacific countries and regions. During the gala, over one thousand artists from 15 art performing teams from France, China, Argentina, Russia and Germany and 25 art performing teams from Vietnam put on 127 professional performances and also held 37 mass temple fairs. The performances ranged from national theatrical music, dance and singing including Royal Refined Music, improved plays, Ca Tru Opera, Hue popular tunes to French song and dance dramas, Chinese acrobatics and performing of a lion’s dance and Russian folk dances and Argentine tango. There was also a special fashion show of 500 national costumes, robes made by designers from both Vietnam and France and demonstrated by Vietnamese models. Moreover, there was an exhibition of arts and crafts and other cultural products, a Food Festival, and a display of

cultural relics, artistic pictures and sculpture. With its great variety of activities, the cultural gala of this year attracted 120 million persons/times of visitors more than the previous two sessions.

12.5. Activities in Memory of the 50th Anniversary of Victory at Dien Bien Phu

In May 1954, the Vietnamese soldiers fought a decisive battle, the Dien Bien Phu Battle during the Anti-French War. The battle ended with the victory of Vietnam on May 7, and France was forced to sign on “Geneva Agreement” on July 20, 1954. With the ending of the Anti-French War, North Vietnam was completely liberated. There have been countless art and literature works which mirrored the victory at Dien Bien Phu and they have become an indispensable part of Vietnamese literature. Since the year 2004 was the 50th anniversary of the Dien Bien Phu Great Victory, various kinds of activities in all parts of the country were organized in memory of the event. There was also publication of books and the holding of seminars and exhibitions, and knowledge contests as well as dance and singing performances centering on the theme.

12.5.1. The Publication of Commemorative Books to Mark the 50th Anniversary of the Dien Bien Phu Battle

At the eve of the 50th anniversary of the Dien Bien Phu Battle, the Vietnamese Central Commission of Thoughts and Culture, together with the Ministry of Culture & Communication announced to organize an activity of publishing a series of books marking the 50th anniversary of the event. The General Office of Vietnamese Books & Publishing Corporation collected and prepared over 45 kinds of books on the battle published by different publishing houses, which were planned to the market from March 20 to May 20, 2004. Among them, there were 7 brand new books firstly revealing many historic cases of importance, *such as Division 308th and the Dien Bien Phu Battle, Memoir of Dien Bien Phu_ three volumes_, Oration of Indochinese Battle by a French Soldier, Subway A1 Under-channel, Guiding Files Concerning Battle During the Period of Autumn and Spring from 1953 to 1954 and the Dien Bien Phu Battle, A Review of 50th Anniversary of the Dien Bien Phu Battle, A French General Experiencing Two Indochinese Battles*, all published by the General Office of Vietnam Books and Publishing House as well as the People’s Army Books and Publishing House, and those books were all first impressions of historic accounts.

12.5.2 International Academic Symposium Marking the 50th Anniversary of the Dien Bien Phu Battle

On April 27~28, Vietnam Social Science Academy held an International academic symposium marking the 50th anniversary of the Dien Bien Phu Battle in Hanoi. Phan Dien, Member of Political Bureau of the Central Committee of Vietnam Communist Party & the standing secretary of Central Secretariat, general Vo Nguyen Giap, vice premier Pham Gia Khiem, and veteran soldiers involved in the Battle, including some scholars from France, China, England, Laos, Russian Federation and Cambodia all participated the meeting. The theme of the seminar was historic background and the course of the Dien Bien Phu Battle, the Dien Bien Phu Battle and the Geneva Conference on Indochina in 1954, and causes, historical meaning and contemporary effect of the Dien Bien Phu Battle as well as national and international significance of the Dien Bien Phu Battle. Vice Premier Pham Gia Khiem attended the opening ceremony of the symposium and made a speech.

12.5.3. The Northwest Folk-culture Festival

In memory of the 50th Anniversary of the Dien Bien Phu Battle, the Northwest Folk-culture Festival was held on April 8~12, 2004 both at the centre of Vietnam Cultural Arts Exhibition and the United Park in Hanoi by the Ministry of Culture and Communication, the Vietnamese Central Commission of Thoughts & Culture, the Ethnic Commission of the Congress, Governmental Ethnic Commission, together with the government of Hanoi City as well as other provincial government such as Dien Bien, Hoa Binh, Lai Chau, Lao Cai, Son La, and Yen Bai. Nong Duc Manh, the general secretary of Vietnamese Communist Party's Central Commission, Tran Duc Luong, national chairman, Phan Gia Khiem, vice premier, Nguyen Phu Trong, party secretary at city level of Hanoi, and Pham Quang Nghi, the minister of Culture & Communication Ministry, etc. attended the opening ceremony held on the evening of April 8 in the United Park. There were many colorful programs to show the strong cultural characteristic of Vietnamese northwest arts performance, traditional temple fairs, folk activities for playing & relaxation, people's cultural gala and so on. Simultaneously, an expo, with the focus on *Northwest: Tradition, Innovation & Development*, was held at the centre of Vietnam Culture & Arts Exhibition, aiming at introducing various local customs and practices as well as great achievements of the reforming and opening policy in all the northwestern provinces.

12.6. The 14th Film Festival of Vietnam

On November 4~7, 2004, the Film Festival of Vietnam was held in Buon Ma Thuot City in Dak Lak Province. This was the first time that the national

film festival was held in the western plain of Vietnam in full blast. Twenty-one film companies and more than 500 movie artists and staff all over the country took part in the festival. The films on-show included 37 feature films and 46 science documentary films and 18 cartoons which were selected. Audience was up to 25,000 persons/times. Furthermore, the mobile film projection teams went to show movies to the people in the suburbs and remote regions. The audience was more than 10,000 persons/times.

The films exhibited on the festival reflected three themes: Firstly, figures of leaders, national heroes and culture celebrities were cast. Secondly, those that reflected the themes on revolutionary wars, national liberation or defense of the motherland and thirdly, those of the postwar. Films with the theme on leaders, national heroes and cultural celebrities were "Nguyen Ai Quoc in Hongkong", which was about the story of Chairman Ho Chi Minh_Nguyen Ai Quoc_who conducted revolutionary activities in Hong Kong, and was arrested by the British colonial government of Hong Kong, and then escaped safely with the help of a lawyer named Loseby and his Chinese friends, and "the Gia Dinh' Student", which tells the childhood of the patriotic poet of southern Vietnam Nguyen Dinh Trieu in 19th century. Those on the theme of revolutionary wars, national liberation or defense of the motherland included "the Twelve Days and Nights in Hanoi", which was about the fierce battle of the Vietnamese army and people against the American imperialists, and "the Memory of Dien Bien Phu", which partly showed the historical operation of the Dien Bien Phu Battle by French soldiers. More films were on the theme of economic construction after the war, such as "the Sleepwalking Woman" and "the Net of the Sky" which focused on the exposure of corruption and problem of opportunism. Films like "the Crowd of People" and "the King of Garbage" depicted the respect to personality, no matter which class and what kind of environment one was in, one should withhold his personality firmly. The movies "the Dancing Girl" and "the Long-legged Lady" described the destiny of the characters, and mirrored the social problems of the contemporary Vietnam. The comedy film "Who Will Bring Luck This Spring Festival" brought pleasure to the audience by the story of the daily life. The film industry of Vietnam was in the transitional period. In many films, directors searched carefully the reformation of the movie language and brought a brand new feeling to the audience. Some films attracted lots of audience, for example, "the Dancing Girl" obtained an income of 13 billion Dongs in 2003. Some films were awarded prizes in international film festivals. For instance, the film "the Sleepwalking Woman" gained the special award in the 49th Asian-Pacific Film

Festival held in Japan. During the film festival the Golden Lotus Award and the Silver Lotus Award were given to feature films, science documentary films and cartoons respectively. "The Sleepwalking Woman" won the Golden Lotus Award for feature films. Films like "the Net of the Sky", "the Twelve Days and Nights in Hanoi", and "the Long-legged Lady" won the Silver Lotus Award for feature films. "Nguyen Ai Quoc in Hongkong", which was shot by the Film Studio of Vietnam Writers' Association and China Zhujiang Film Studio, won the special award. During the festival, a seminar with the theme on *How to Attract Audience* was held. And 15 articles were received. The seminar came to a conclusion that professionalized film industry of Vietnam should be developed, that the film quality shall continue to be enhanced, that more focus should be put on appealing plays, that the standards of sincerity, goodness and beauty should be fostered to solve urgent problems concerning contemporary society, that modes of traditional themes should be changed, that all themes should cover the portrayal of characters which are loved by the audience or resonant to the audience, that the themes should be various, especially those on morality, life style and love, to meet the demand of the artistic appreciation and amusement of the audience, that the techniques of production and cinemas should be modernized, that there should be a compromise between national films and foreign films, that to the recommendation and introduction of films should be strengthened, that study and survey of the audience should be conducted, and that the film market in the country and the remote regions should be revitalized while that in the city can not be neglected.

12.7. Copyright Protection Enforced for its Cultural & Art Products

With the development of culture and arts, Vietnam starts to pay high attention to literal and arts copyright. Copyright and technical transfer regulation was stipulated in Vietnam Civil Law on November 9, 1995, in which copyright and literal works right was officially defined. With more exchanges and communication on culture and art with countries all over the world, international copyright protection regulation is required in Vietnam. Therefore, the Vietnamese government signed copyright protection agreement with the US and Swiss governments, and enlisted under international copyright protection law, *the Berne Pact*, and became the 157th member of the Berne United Association. The Berne Pact took affect in Vietnam from October 26, 2004. During the years 1986~2003, 14,161 works were registered, and the number increased year by year, which indicates that intellectuals, artists, and literary and art workers have become more and more aware of the copyright

protection. Therewith, a number of associations assisting copyright protection or consultation were set up.

Chapter 13 THE CAPITAL CITY, HANOI

As the second largest city in the country, Hanoi is the political and cultural center as well as the economic and transportation center of the north of Vietnam, whose development and exchange are vitally interrelated with those of the whole country.

13.1. THE HIGHER ECONOMIC GROWTH RATE THAN THE NATION'S AVERAGE IN 2004

In the year 2004, having overcome the influence of unfavorable factors like the bird flu, Hanoi achieved rapid development of its economy, and surpassed the economic and social targets. The GDP of the City in 2004 increased 11.12% over the previous year (the target was 10~11%) and higher than the average 7.7%, accounting for 8% of the national GDP. The City's finance revenue rose up by 8.5% (the target was 4%), taking 14.5% of that of the whole country. Its industrial output value increased by 16.1% (the target was 15~16%), 10% of the national value. The export of the City went up by 19% (the target was 10~12%), 9.15% of the whole country's export. The social investment increased 12.2% (the target was 10%), taking 10.2% of that of the country. The service industry realized an increase of 11.8% (the target was 8.5~10%). The material life and the spiritual life of its residents have been greatly improved with a poverty rate lower than 5% and a favorable public security situation. All these have laid a solid foundation for the City's rapid development in 2005.

13.1.1. The Fast and Constant Growth in Industry

There were two features of Hanoi's industry development: one is the fast growth of industries and industrial districts from various economic sectors, and the other is the steadiness and constancy of the growth.

The rapid growth of industries and industrial districts from various economic sectors is the most prominent feature of Hanoi's industrial growth. The industrial output value of the whole city reached 115 trillion Dongs, up 16.1% over the previous year. Of this total, the local-capital industry increased 15.7%, the state-owned industry 15.7% and the foreign-capital industry 8.4%. The industries with the fastest growth are: paper making and manufacture of paper products (up by 39.5%), manufacture of electric power equipment (up by 28%), machinery manufacture (up by 23.4%), chemical industry (up by 15.9%) and manufacture of metal products (up by 20.6%). The output value of foreign-capital industry rose up by 18.5% over 2003, of this total, the plastic

and rubber production went up by 275.9%, the woods processing 138.8%, while the office appliance manufacture 41.4%.

There are 6 large-sized industrial districts and 16 median-small sized industrial districts in Hanoi. The 6 large-sized industrial districts are: Hai Ba Trung District, Ninh Hiep District, Phuoc Minh District, Soc Son District, Tu Liem District (2nd term) and Vinh Tuy District (2nd term). Having kept constant and balanced growth of production and management, these 6 districts have absorbed 230 thousand employments of the labor force. Owing to their unceasing improvement of infrastructure, and Tay Dong B District attracted 73 foreign-capital projects with US\$ 873 million investment. Thang Long District had got 33 foreign-capital projects with a total investment of more than US\$ 400 million. Among the 16 median-small sized industrial districts, 3 of them have begun production and management, the other 5 have had invested projects. The area of land leasing reached 748 hectares.

In the year 2004, Hanoi successfully staged various economic forums, attracting foreign capital from Thailand, China, Switzerland, Spain, Italy and other countries. Furthermore, the simplification of administrative procedures and the shorten of approval time for visa and investment certificate created good conditions for attracting foreign capital to the industrial districts and the export processing zones, and brought more and more foreign investment to Hanoi. Most of the investment was in the industrial districts of plastic and rubber, woods processing and machinery equipment processing. In the first 11 months of 2004, the administrations of the industrial districts and the export processing zones in Hanoi approved 10 invested projects with a total investment of about US\$ 33 million, adjusted and transferred about US\$ 17 million new investment. The official statistics of Hanoi of the first 10 months, foreign-capital industrial districts grew much faster than all other districts, up by 26.4%. The second fastest growth came from non-state-owned industry districts, up by 15.8%, and then followed by state-owned industrial districts, up by 15%.

Up to 2004, there were 28,181 registered enterprises in Hanoi. Of this sum, there were 7,890 newly registered enterprises with about 18 trillion Dongs of registered capital. The total number of enterprises increased 33% over the previous year, and the registered capital 34%. Among these registered enterprises, there were 209 state-owned and 24,000 private-owned. From the structure of industry output value, it was still the state-owned enterprises that held the leading position, taking 51.7% of the total industrial output value. And then the foreign-capital industry made up 32.8%, and the

non-state-owned industry only took 16%. Hanoi Textile Company was the one with the fastest growth among those state-owned enterprises. Its turnover reached 950 billion Dongs per year, up by 9.3%, and its export value was about US\$ 30 million. The turnover of private-owned enterprises was about 50 trillion Dongs, with the employments of above 200 thousand. These enterprises' payment of the tax plus a percentage of profits reached 2 trillion Dongs, their investment accounted for 22% of the total of the City, their output value made up 20% the City's GDP, their export value took 10% of the City, while the finance revenue from them was 22% of that of the whole city. There were 40 of them absorbing more than 500 labors, and there were 50 of them with investment more than 50 billion Dongs.

The township enterprises were recovering. There were 80 villages and 6,580 production bases producing traditional handicrafts. The respective capital of 6.2% production bases was more than 300 million Dongs, and that of 25.8% bases was between 50~300 million Dongs. These bases absorbed 6,700 labors, providing them one to three times more than what they could get when they worked in farm. The governments' support to township enterprises effectively helped some towns shake off poverty and set out on a road to prosperity.

13.1.2. Further Rational Achievement in Structure of Planting, Breeding and Aquatic Farming

In the year 2004, although the breeding industry of Hanoi suffered a lot from floods and the bird flu, the agricultural output value still amounted to 1.442935 trillion Dongs.

The Planting Industry: Along with the fast speed of urbanization, farm land of Hanoi decreased 1,000 hectares in 2004. However, because the City had adjusted the agricultural structure without delay, cut down the planting area of grains, increased the planting area of vegetables, fruits, flowers and economic corps, paid attention to the protection of the ecological environment of agriculture, and introduced new technologies and new varieties, Hanoi's planting industry achieved great harvest. The City invested 24 billion Dongs to build the 15.7-hectare "Hanoi Base of Quality Seeds and Seed Production", which was the first hi-tech agricultural production base which was combined with research, demonstration and production in Hanoi. After the structural adjustment, the City established 3,400 *mau* of production base for environment-friendly vegetables, 1,606 *mau* for bonsai and 2,751 *mau* for fruits. Tay Tuu-Tu Liem Flower Production Base and the Production Bases for

Environmental-friendly Vegetables of Van Duc, Dang Xa, and Dong Du-Gia Lam, of Van Noi, and Nam Hong-Dong Anh and of Linh Nam-Thanh Tri, and Phu Yen, Minh Khai-Tu Liem Fruit Production Bases were initially established. In 2004, the agriculture production of Hanoi increased 2.6%. The output per unit area in Tu Liem County topped the whole city, which amounted to 80 million Dongs per *mau* and that of Dong Anh County, Thanh Tri County and Gia Lam County also reached 50 million Dongs per *mau*.

Breeding Industry: In the first half of 2004, due to the influence of the bird flu, the poultry industry of Hanoi remained stagnant. Although the poultry industry recovered very slowly and kept on small scale, the livestock farming enjoyed sound development. In the first 6 months, 372,626 pigs were raised, up by 6%, 21,160 tons of pork were produced, up by 4.02% over the previous year. By the end of 2004, the pig rearing of Hanoi increased 1.5%, pork production 6.7%, cattle raising 4.1%, of this figure, cow rearing up by 10%, and beef production 4,702 tons, 433 tons more than that of the previous year.

Aquatic farming increased 6.6%.

13.1.3. Rapid and Healthy Growth in Trade and Service Industries

In 2004, the trade and the service industries were very brisk. Tourism, postal service, telecommunications, credit business, trades and real estate enjoyed rapid growth.

In trade industry, there are about 300 supermarkets and shopping centers, 400 registered tourism companies (1500 more than that of 2003), and 158 starred hotels, including 7 five-starred hotels in Hanoi. In 2004, the service industry grew by 11.8%, the commodity flow valued 93.518 billion Dongs, up by 17% over last year. The volume of commodity flow in Long Bien, Hai Ba Trung and Tu Liem rose by 14% over last year. The commodity flow of retail trade in Hanoi during the New Year Day holiday increased 20% over last year.

In tourism, the SARS has inflicted serious damage upon the tourism of the South East Asia, including Hanoi since 2003. In the first quarter of 2004, influenced badly by the bird flu, the tourism of Hanoi didn't stop dropping until April. In order to build the tourism into a pillar industry of Hanoi, the City adopted vigorous measures to improve the tourism infrastructure of Ha No, to develop tourism products with distinctive feature, to strengthen tourism advertising and marketing, to improve the management of tourism enterprises, to establish the General Tourism Company of Hanoi and to further enlarge its cooperation with other cities in Vietnam and other countries and areas like Thailand, Laos, Cambodia and Malaysia. Owing to these

measures, more and more tourists came to Hanoi. Altogether 4.5 million tourists visited the City in 2004. Of this sum, about 1 million were foreigners, up by 12%. Among the foreign tourists, Chinese took the biggest portion, and Korean accounted for 24%, a double of last year. Domestic tourists amounted 3.5 million, up by 16%. The total tourism revenue reached 5.3 billion Dongs, up by 16%. Of this total, the revenue of hotel and restaurant was as much as 2.3 billion Dongs.

In postal service and telecommunications, 118 post service spots were newly established in 2004 with the total amounting to 627. There were 133 post offices, 96 spots for postal and cultural service at village level in Hanoi. There were 93,989 new fixed-lined telephones, up by 12%. The availability of new telephones was 3.6% higher than planned, up by 2.2 folds than that of 2003. Mobile subscribers increased 115,546. Public telephone increased 41,100, 16% higher than planned with the total number of public telephone amounting to 59,625. The total number of phones reached 1.12 million, averaging 37 for 100 persons, both of which were on top of the country.

In 2004, there were about 400 enterprises for software design, information and human resource training and computer installment service. Among them, there were more than 200 for software design. Although the number of information enterprises was only 1/3 of that of Ho Chi Minh City, most of them were large-scaled enterprises. The turnover of 206 of these 400 enterprises was respectively more than 600 million Dongs. And the Internet has covered all colleges and universities of Hanoi.

13.1.4. New Records of Growth in the Foreign Trade and the Exports

The total volume of export amounted to US\$ 216.42 thousand, up by 19%. Shoes, coal, electronic products, calculator, cable and plastic products were of rapid growth in export. The export volume of state economic districts was as much as US\$ 149.6 thousand, up by 14.7%. Enterprises with rapid export growth included Hanoi Leather Shoes Factory, "10-10" Textile Enterprise, Sai Gon Haproximex, Intimex Company and Thang Long Gold Vessel Manufacture Enterprise. In 2004, the City not only kept the traditional export markets, but also explored new markets in African countries like South Africa, Latin American countries, Korea, Taiwan of China and so on.

But most of its export products were rough-wrought products, and 60~70% of the export products depended on imported raw materials. Most of those products of advantages like shoes and textile were to process materials supplied by clients and then to export. Therefore, the growth of export volume

could not achieve balance with the value increase.

13.1.5. Rapid Increase in Foreign Investment

Since 2003, Hanoi has made great efforts to adjust its foreign investment management. A Bureau of Foreign Investment Management was set up for a unified management of foreign investment, the reform of management system, more fields for investment, and the issue of a serial of preferential policies for inviting investment. In 2004, Hanoi attracted US\$ 307 million foreign investment (including additional investments), ranking the fourth in the country.

In 2003, there were 601 direct investment projects from 42 countries in Hanoi with the total registered capital amounting to US\$ 9.1 billion, and the fully funded capital US\$ 3.7 billion. In the first 11 months of 2004, there were 95 FDI projects with more than US\$ 1 billion registered capital, up by 526% over the previous year. At the beginning of 2005, there were 3 super projects of more than US\$ 100 million investment settled in the City, which were the CDMA telecommunications project cooperated with Hong Kong (the total investment will be more than US\$ 600 million), the shoes factory project of US\$ 100 million invested by Taiwan POUYEN Company and the real estate project of US\$ 300 million by Korean company. Another project of US\$ 1 billion by American company is under negotiation.

At present, Hanoi establishes relationships with 60 capitals and cities of 50 countries and areas, as well as the overall cooperation relationship with 7 provinces of Vietnam.

13.1.6. The Sound Balance of Financial Revenues and Expenditure and the Stable Financial Function

Financial Revenue and Expenditure: In the year of 2004, the financial revenue was 21.4 trillion Dongs, the tax plus a percentage of profits turned over by enterprises accounted for 69% of the total municipal financial revenue, up by 21% over 2003. Of this sum, the tax plus a percentage of profits from foreign enterprises increased 67%, non-state-owned enterprises 32%, and state-capital enterprises 11%. The 1st Bureau of Private-owned Enterprises Management, the Administration of Foreign Investment, Hoang Mai, Tu Liem and Cau Giay counties surpassed their financial taxation targets.

Financial and Credit Service: Data from Hanoi Statistics Bureau showed that the special fund appropriated for city infrastructure construction was 3.3415 trillion Dongs, that was a full accomplishment of the planned target,

and up by 18.8% over the previous year. The credit capital issued to private-owned enterprises hit 21.5 trillion Dongs, up by 40%, accounting for 24.2% of the total credit capital of the city. State commercial banks held the leading position of credit issue, the cooperated banks and foreign banks took 17.4%, and joint-equity banks 16.2%.

In 2004, 278 financial credit projects were approved by counties of Hanoi, with a general credit volume of about 24.5 billion Dongs. The implementation of these projects provided jobs for 9,000 women, retired soldiers and farmers.

13.1.7 Appearance of the City Renovated and the Material and Spiritual Life of its Residents Greatly Improved

In 2004, Hanoi successfully organized the Fifth Asia-Europe Summit and the 50th Anniversary of the Liberation of the Capital, which upgraded Hanoi's international status and influence. To show distinguished guests from Asia and Europe a most impressive Hanoi, the Vietnamese Government allocated special fund for renovating the public hygienic facilities and the infrastructure of the City, made great effort to improve the public order and disposed 10 projects which polluted the environment seriously. In 2004, its supply of clean water reached 503 m³/day (43 m³/day in 2003). The municipal environment was obviously improved. The city government made active effort to develop public transportation. The delivery capacity of bus reached 300 million persons/times. Besides, the city government invested 343 billion Dongs (303 billion from the state government, and 40 billion from the private), launched 127 upgrading projects for rural electricity networks, and renovated the electricity network of 110 villages. All these potent measures pushed Hanoi much forward towards urbanization.

The City provided jobs for above 56 thousand labors in 2004. Of this sum, 27 thousand possessed stable and well-paid jobs. The material and the spiritual life of the residents have been greatly improved. The best-paid units of Hanoi in 2004 were: the Postal and Telecommunication Construction Company (7.5 million Dongs per capita, about RMB thousand), Hanoi Postal Service Enterprise (6.5 million Dongs per capita, about RMB 3.45 thousand), the First Construction Company of Hanoi Construction Bureau (4.3 million Dongs per capita, about RMB 2.3 thousand), Hanoi Tran Phu Mechanical and Electrical Company (2.9 million Dongs per capita, about RMB1.5 thousand) and Hanoi Czech Locks Company (2.3 million Dongs per capita, about RMB 1.2 thousand).

13.2. PROBLEMS

13.2.1. Infrastructure In-compatible with the Fast Economic and Social Development

There were 122 thousand automobiles in 2004, having increased successively by 10% for many years. Calculated by this speed, till the year of 2010, the automobile ownership will be 100 for every 1,000 persons. However, owing to the sluggish improvement of roads in the City, the improper arrangement of traffic lights and the narrowness of roads, the City was suffering serious traffic jams. Furthermore, traffic accidents happened frequently because of the awful road condition. There were 1,450 traffic accidents during 2004, 521 dead and 1,284 injured. Compared with that of 2003, the accident rate went up by 2%, the mortality decreased 5% and the injury rate rose up by 12%. In 2004, traffic police handled averagely more than 1,000 violations of the traffic rules in one day. The total amount of violations was 428.5 thousand for the whole year, up by 37%. These indicated that its municipal infrastructure could not satisfy the needs of rapid development of modern city.

Although in 2001~2004, 4.488 million square meters of new dwellings were built in Hanoi, these only met 75%~80% of the demand for housing. The resettlement problem of city renovation was the most serious. Only 1/3 of the 3,000 resettled families of 2004 were allocated new dwellings. It was predicted that till 2010 Hanoi would be in demand of 8,500 dwellings. Besides, the disposal of pollutants and the protection of the environment were also urgent problems confronting the city government in its process of economic and social development.

13.2.2. Projects Slowly Advance with Poor Social Benefits Despite the Increase in Social Investment

During the 4 years from 2001~2004, the social investment amounted to 93 billion Dongs, averagely up by 15.4% for each year. The city government appropriated special funds for 868 projects in 2001, 910 projects in 2002, 850 projects in 2003, and 795 projects in 2004. But some of these projects were of long construction time and slow progress. In 2003~2004, only 52~53% projects could be completed within the planned time limits, which seriously damaged the benefits of the projects.

13.2.3. Unstable Factors in the Growth of Industry

Depended upon imported raw materials, the manufacture of Hanoi's export products was of high cost. In addition, owing to the unfavorable quality and the poor competitiveness of the products, they were under high pressure of survival, especially after Vietnam's entry into the WTO.

13.3. Hanoi's Vision for Economic and Social Development in 2005

Hanoi government formulated its main targets of economic development of 2005 as the follows:

- GDP increases 10.5%~11.5% over 2004.
- Industry increases 15%~16%.
- Agriculture rises up by 2%~3%.
- Financial revenue goes up by 17.7%.
- Social investment increases 12.1%.
- Service trade increases 10%~11%.
- Export volume rises up by 15%
- New dwellings amount to 1 million square meters.
- The popularization of middle school education and equivalent education reaches 73%~75%.
- And the malnutrition of children under 5 decreases to 14.1%.

To realize the above targets, the city government decided to strengthen its introduction of foreign investments, create conditions for the industrial districts and the export processing zones, encourage the development of various economic sectors (especially the private sector), further rationalize the agricultural or rural economic structure. At the same time when economy is developed, the city government will make more efforts to further the infrastructure construction. Firstly, it will pool investment in the construction of 4 key projects: the Project of Nhat Tan Bridge in Hanoi, the Hanoi section of the Extension Project of No.5 National Highway from Hai Phong to Hanoi, the Project of Vinh Tuy Bridge and the Project of Lang-Hoa Lac Avenue. In addition, the Government will accelerate the progress of the construction of North Thang Long-Do Thi Moi Van Tri, pay attention to the construction plan of the north bank of the Hong River in Hanoi, improve the renovation of transportation and townscape, handle well the problems of pollutant disposal and environmental protection, try its best to build the capital into a modern metropolis with the integration of advanced hi-tech industry, tourism of new economic era, modern transportations, communications and insurance services, and comprehensive banking and financial organs.

Chapter 14 THE INDUSTRIAL & COMMERCIAL CENTER, HO CHI MINH CITY

Ho Chi Minh City is the first largest city of Vietnam in term of area and population, the biggest industrial and commercial center and the window of opening up to the outside world, as well as political, cultural and transportation center in South Vietnam. The City's opening up and development is pivotal to the whole country.

14.1. BRIEF ACCOUNT OF THE ECONOMIC AND SOCIAL DEVELOPMENT IN 2004

The Report on the Work of the Government delivered at the Third Session of the 7th Municipal People's Congress on Dec. 7, 2004 showed that although it suffered from some unfavorable factors like the bird flu and the tremendous run-up of international market price of some commodities, through great efforts, the City has successfully sustained its status as the industrial and commercial center, maintained its social stability, achieved the further development of its economy and society, and surpassed the economic and social tasks assigned by the Vietnamese National Congress and the Central Government.

14.1.1. The Administrative Reform

Proposed by the People's Committee of Ho Chi Minh City at the 13th Session of the 6th Municipal People's Congress on Dec. 2003, 2004 was the Year for "Action for Environmental and Administrative Reforms". According to resolutions passed by the Congress, the City has carried out the following work on the administrative reform:

14.1.1.1. The Organization of New Leadership

Reported by the *Vietnam Investment Review* on May 24, 2004, a new municipal leadership was formed at the 1st session of the 7th Municipal People's Congress of Ho Chi Minh City. Pham Phuong Thao, the former director of the Department of Ideological and Cultural of the City Committee, was elected as the chairman of the Municipal People's Congress with a tenure from 2004~2009. Tran Thanh Long was elected as the chairman of the National Front. A new Municipal People's Committee (the Government) and leaders of each department of government were also elected. The 4 leaders, Le Thanh Hai, the chairman of municipal people's committee, Nguyen Van Do, Nguyen Thanh Tai and Nguyen Thien Nhan, were re-elected deputy

chairmen to form the leadership of the municipal government. The former director of the Municipal Department of Planning and Investment, Nguyen Huu Tin was elected to exercise the functions and powers of the deputy chairman of the Municipal People's Committee. The other 6 new members of the Municipal People's Committee were: Nguyen Chi Dung, director of the Municipal Department of Public Security; Le Minh Thang, head commander of the Municipal Military Headquarter; Chu Minh Bi, director of the Municipal Department of Internal Affairs; Nguyen Thi Hong, director of the Municipal Department of Finance; Ha Van Dung, director of the Municipal Department of Communications and Transport; Vu Van Hoa, director of the general office of the Municipal People's Congress and the Municipal People's Committee. The session also passed a practice that directors of the Department of Planning and Investment and the Department of Communications and Transport enjoyed certain examination and approval power of municipal leadership, for example, director of the Department of Planning and Investment was authorized to examine and approve foreign-invested program of 5 billion Vietnamese Dongs or US\$ 5 million.

14.1.1.2. Contents and Measures of the Administrative Reform

The city government held that to fulfill the economic and social tasks in 2004, it was crucial to successfully implement the administrative reform, to improve the municipal management, to create a healthy city environment, to mobilize the whole society for the urban construction and to attract foreign investment. Therefore, the city government put forward 4 programs for the Year of "Action for Environment and Administrative Reforms". They were: the program for improving environment and raise the living quality of city inhabitants, the program for the safety and security of city inhabitants and tourists, the program for building Three-no residential area (no narcotics drugs, no pornographic activities and no crime), and the program for supplying adequate clean water and public transportation vehicles. To realize these programs, the city Party committee and the city government regarded the effective building of government officials as the crux, and adopted some specific measures. The first was to settle the moral degeneration of government officials in certain period of time, especially the undesirable phenomenon in city construction and land using. To counter those serious corruption problems in city construction and land using reported intensely by the masses, the city government published the city planning drawings on the scale of 1/2,000, 1/1,000, and 1/500, implemented open tender for all

construction projects and land using, and at the same time, treated sternly the illegal acts of land using and construction quality control.

14.1.2. Economic and Social Development in 2004

14.1.2.1. Targets of Economic and Social Development in 2004

The 2004 Economic and Social Development Plan of the City approved at the 13th Session of the 6th People's Congress of Ho Chi Minh City were such that GDP increased by 11.5%~12% over year 2003 (the GDP increase of 2003 was 11.2%), of this figure, the service industry increased 11.5%, the industry 15.5%, the agriculture 6%, the export of industrial products 13%; the public finance budgetary revenue reached 47.457 trillion Dongs; 80 thousand new jobs were created and the living quality of inhabitants was improved.

14.1.2.2. Main Measures

14.1.2.2.1. To Set up a Land Fund for the City Construction

Along with the economic development, the expansion of the City needs more and more land. To settle this problem, the City conducted land using planning and set up a land fund. According to the Land Using Plan of 2004~2010 formulated by the City, from 2004, industrial districts will not be planned haphazardly in the city proper. There are two phases in the Land Using Plan: 2004~2005 is the first phase mainly for the setting up of a land fund to ensure the compensation of resettlement and the re-planning and adjusting of some counties like Soc Mon, Binh Chanh, Cu Chi and Nha Be 2006~2010 is the second phase mainly for the moving of industrial enterprises from downtown to industrial districts and the developing of pillar industries, like machinery and manufacture, electronic information and chemical industry. Therefore, from 2004~2010, the City will prepare double land for transportation, water conservancy, and drinking water resources and replenish the land fund of building residential districts for inhabitants and low-income families in preference.

14.1.2.2.2. To Strengthen City Management and Improve Investment Environment

Although Ho Chi Minh City has made progress in attracting foreign investment in recent years, because of its unfavorable investment environment, many foreign-invested projects have been attracted to its neighboring cities like Binh Duong, Can Tho and Da Nang. To regain the initiative and attract more foreign investment, the City has adopted measures

to strengthen city management and improve the investment environment. The city government decided that from Sept. 1, 2004 foreign investors can learn all investment information they need from “one window”, the Municipal Department of Planning and Investment. The City also regulated that as long as investors required, the Department should provide information on the following 4 aspects in 24 hours: investment policies, land planning for investment, market information and price information. Besides, the Department would provide investors with index for investment and city planning drawing on the scale of 1/2,000, give preference to foreign investors’ investment application, and set up a special passage for investors at a Tan Son airport. Oct. 14, 2004, the People’s Committee of Ho Chi Minh City endorsed *Resolution No. 263 on the Formalities, Procedures and Coordinating Mechanism for Foreign-involved Investment in Ho Chi Minh City*. The resolution clearly regulated the time limit for the examination and approval of invest license, the responsibility of the People’s Committee of counties and departments, and the time limits for various administrative procedures. It indicated definitely that if superintended leaders of related departments and chairmen of County People’s Committee put obstacle in or interfere with foreign investors’ business, the related departments and counties should report to the City People’s Committee. The detailed content of the Resolution is:

— Time limit for the examination and approval of invest license. Having received all listed application materials for investment, the Planning and Investment Department of Ho Chi Minh City should endorse registered project license within 5 days, project license registered through the net in 2 days, project license in need of screening (but not opinion from related departments) within 10 days, and project license in need of opinions from related departments within 20 days.

— Responsibility of the People’s Committee of the County. Having received tentative invitation for investment project from related department, the county should submit an average price evaluation about the resettlement compensation in the would-be invested area to the planning and investment departments within 3 days, legal documents for land leasing application within 10 days, establish a project compensation committee within 40 days and instruct the committee to work out a compensation plan for resettlement, to allocate compensation to the relocated and help them to be resettled.

— Responsibility of related departments. Having received the application materials for investment project transferred from the Planning and Investment

Department, the Construction Department should verify and approve the basic design of investment project within 10 days. One written request for supplementary materials to investor is allowed, and the investor should submit all supplementary materials within 30 days.

— Time limits for various administrative procedures. Having received all application materials, time limits of related departments are: 2 days for seal engraving (Public Security Department), 8 days for endorsing taxation code (Taxation Bureau), 2 days for endorsing customs code (Customhouse), 2 days for endorsing license of machinery equipment and raw materials (Trade Department), 3 days for endorsing foreigner's working permit if he is not supposed to have judicial resume (Department of Labor, Disabled Soldier Settlement and Social Security).

The Resolution also requires that the Resource and Environment Department must report its opinion upon applying land reclamation to the City People's Committee within 5 days after receiving the Committee's decision on land reclamation, and finish the marking of periphery of the invested district, define its border, location and area, and submit land leasing application to the City People's Committee within 20 days. The Committee will issue approval of land leasing within 5 days, and issue land using certificate to investor within 3 days after the investor's financial procedure is completed.

The above measures have been effective to the City's attraction of foreign investment. According to the statistics of the Planning and Investment Department of Ho Chi Minh City reported by *Vietnam Investment Review* on Nov. 24, 2004, the City's estimated foreign investment in 2004 (including additional investment of old projects) reached US\$ 0.755 billion, 31% more than that of 2003 (US\$ 0.6 billion for 2003). Since there is a large amount of population of the City living abroad, they have a good prospect of the City's investment environment because of the above resolutions. Reported by *Vietnam Investment Review* on Dec. 8, 2004, up to December 2004, the City had attracted US\$ 1.845 billion from its overseas population, which had made a new record in the history of the City.

14.1.2.2.3. To Raise Social Funds and to Enlarge Investment

While making efforts to attract foreign investment, Ho Chi Minh City has paid much attention to mobilize all works of the society to raise funds for investment of economic and social development, and has achieved remarkable success. According to the Government Work Report of the People's Committee of Ho Chi Minh City delivered at the 3rd Session of the 7th

People's Congress of the City on Dec. 7, 2004, the social investment of the city in 2004 reached 42.8 trillion Dongs (about US\$ 2.73 billion), or 15.6% more than that of the previous year. Within the social investment, the City has focused its investment to industry field, so that its industry has achieved rapid development with a 15.1% increase of output value. Among 26 industrial professions, 22 have achieved increase of output value. The respective output value increase of textile industry, Chemical industry, Plastic industry, metal processing, machinery equipment and some other professions has been more than 15%. At same time, the City has also attached importance to the investment for hi-tech industry. 27 kinds of products of equipment manufacture have realized independent design and production. Commercial banks in Ho Chi Minh City have made great contribution to investment. The credit fund provided by the banks has reached 147.3 trillion Dongs, 28.6% over that of 2003. Since its foundation in 2000, the Mutual Fund for Development of Ho Chi Minh City has provided and managed credit funds of 2.54 trillion Dongs for 1,000 projects, provided credit funds of 2.6 trillion Dongs for 663 export contracts, ODA capital of 14.5 trillion Dongs for 41 projects, entrusted funds of 3 trillion Dongs for 750 projects and interests help for 265 projects, and raised 700 billion Dongs by itself.

14.1.2.3. Over-fulfillment of the Economic and Social Tasks in 2004

According to the Government Work Report of the People's Committee of Ho Chi Minh City delivered at the Third Session of the 7th City People's Congress on Dec. 7, 2004, owing to the above measures, the City exceeded the economic and social tasks of 2004 and continued the rapid economic development that had lasted for four years. The GDP of 2004 was 131.523 trillion Dongs (about US\$ 8.377 billion at the exchange rate of 2004), an increase of 11.6% over 2003 (2003's GDP increase was 11%), which was the highest from 1998. Of this figure, taking the top of all industries, the output value of industry and construction industry reached 102 trillion Dongs, an increase of 15.1% over 2003 (2003 was 15%), and its contribution percentage to GDP was 6%. The output value of private-owned enterprises increased 21.9%, the foreign-invested enterprises 12%, the agriculture 2.1% (2003 was 9%). The export value reached US\$ 9.816 billion (the export value of crude oil was 56.66), 17.5% over the previous year (that of 2003 was 12%). Of this sum, the export value of domestic enterprises was US\$ 7.78 billion, an increase of 36.1% over last year, while that of foreign-invested enterprises was US\$ 2.03 billion, an increase of 24.5%. The import value was US\$ 5.645

billion, up by 18.1%. The development of service industry was the greatest in 4 years, reaching 11.1% (2001, 7.4%; 2002, 9.2%; 2003, 9.7%). The service industry has taken 51.4% of the economic structure, while the commercial trade 25%, up by 15.8%. Tourism has made biggest progress among all trades of service industry. It had received 1.6 million tourists in 2004, up by 23% over last year. The tourism revenue rose up by 37%, the average hotel occupancy was more than 60%. The total social investment reached 42.8 trillion Dongs (36 trillion Dongs for 2003), which were about US\$ 2.73 billion, up by 15.6%. The introduced foreign investment reached US\$ 7,550 million. In year 2004, the City settled the problem of 220 thousand people's employment (150 thousand in 2003). Of the amount, 82 thousand were new labor. The development of economy and society, the increase of employed population brought reliable resources for the City's finance revenue. It was predicated that the City's national finance revenue would be 57.6456 trillion Dongs (about US\$ 3.12 billion), including the local finance revenue of 10.18865 trillion Dongs. (The City's national finance revenue of 2003 was 50.8457 trillion Dongs, including the local finance revenue of 12.3547 trillion Dongs). The balance of city finance also came to normal level. Both the budgetary revenue and the expenditure of local finance were 10.18865 trillion Dongs, reaching good balance. And in 2003, the local finance budgetary expenditure was 12.317 trillion Dongs, a little more than the budgetary revenue. All these figures show that the City's economy and finance budget has been on a healthy track.

The City has made great achievement in poverty alleviation during 2003~2004. From 1992, the City launched a 10-year program for poverty alleviation. Measured by the standards of 3 million Dongs per capita annual income in urban area and 2.5 million Dongs in rural area, by the end of 2003, 115 thousand people had been lift out of poverty, and the percentage of poverty-stricken family decreased from 20% of the beginning of the program to 0.15% of 2003. In 2004, the City announced that almost all particularly poor families had been lift out of poverty (measured by poverty standard of 1992-2003). The development of economy and society has greatly improved the citizens' income. The per capita GDP of the City in 2004 reached US\$ 1,800.

14.1.3. Existing Problems

The Work Report of the City government evaluated that there were still some poor aspects in the City's development in 2004: the economic development was not stable and its quality was unfavorable, the economic

development heavily depended on investment and labor-intensive products, the competitiveness of domestic enterprises and products was still poor, products of high additional value took small portion in industry products, the development level of state-owned enterprises was lower than the average, the situation of introducing foreign investment was not recovered yet, the progress of infrastructure construction program was slow, the sluggish public works disturbed transportation and people's life, the poor municipal management was complained by citizens. The most serious problem was the undesirable phenomenon in construction projects and land using. To settle this problem totally requires longer time and greater efforts.

14.2. THE ECONOMIC AND SOCIAL DEVELOPMENT TARGETS OF 2005 AND DEVELOPMENT PLAN FOR 2010

14.2.1 The Economic and Social Development Targets in 2005

Approved by the Third Session of the 7th People's Congress of Ho Chi Minh City, the economic and social development targets of the city in 2005 are as follows. GDP increases 12%, export rises up by 17% (crude oil not included) and industry increases 13%. Finance revenue reaches US\$ 3.46 billion, including US\$ 1.94 billion local finance revenue and US\$ 0.78 billion local finance expenditure. The social investment reaches 53 trillion Dongs (about US\$ 3.38 billion), up by 23%, of the sum, capital from direct foreign investment and ODA will be 12 trillion Dongs, and capital from domestic economic sectors will be about 41 trillion Dongs (including 11.5 trillion Dongs invested by the city finance budget for municipal infrastructure). 230 thousand people will be employed. Of this total, 90 thousand posts are newly provided, and the unemployment rate is cut down to 6%. Clean water will be supplied to 85% of the city inhabitants, the demand of bus delivery of 200 million persons/times is satisfied, and 1.8 million persons/times foreign tourists will be received.

To ensure the effective utilization of investment, Ho Chi Minh City named 2005 the Year of Fighting against Waste and Practicing Thrift. The City will concentrate on developing banking, financial trades, communication industry and transportations, enlarge the outbound-oriented economy, strengthen export and explore new market, develop city tourism, promote consultation service and technology transfer, adjust the industry structure, and implement the plans for developing machinery, information and chemical (especially pharmaceutical) industries. It will establish automobile industry base, electronic and machinery industry district in Co Chi and launch technological

reform to pollution enterprises or move them out of the City.

14.2.2 Development Plan for 2010

Reported by *Vietnam Investment Review* on Nov. 5, 2004, the Premier of the Vietnamese Government signed Resolution No.188/2004/QD-TTg on the Development Plan of Ho Chi Minh City for 2010. According to the plan, Ho Chi Minh City will become the industrial center of Vietnam, taking 29.1% of the national GDP and industrial output value. The annual GDP increase within 2006~2010 will be 11.7% with the annual increase of industrial output value of 10%. The City will give preference to develop machinery manufacture industry, including automobile assembly, agricultural equipment, and new serial of machine tool, electronic communication industry and chemical industry. The City will make efforts to lift the annual per capita income of urban inhabitants to reach 6 million Dongs and rural inhabitant 5 million Dongs.

Main Reference:

1. *Saigon Liberation Daily*, Ho Chi Minh City, Vietnam, Dec. 2003 to Dec. 2004
2. *Vietnam Investment Review*, Vietnam, 2004

Chapter 15 The Border Economy with China

Sino-Vietnam relationship is one of the most important external bilateral relations, whose situation in the border regions is an important barometer of the development and change of the bilateral relations. China has 1347 km of border line with Vietnam. On Vietnam side, there are 6 border provinces from east to west_ Quang Ninh_ Cao Bang_ Ha Giang_ Lai Chau, whose opening and developing conditions draw much attention

15.1. QUANG NINH PROVINCE

15.1.1. General Situation

Quang Ninh Province is located in the Eastern North Vietnam, at 20°_21°40_ north latitude and 160°_180° east longitude It borders with Guangxi of China to the northeast with neighbors such as Lang Son, Ha Bac, Hai Hung Province and Hai Phong City of Vietnam to the north and west, and it confronts the Beibu Gulf, with 250 km of coastal line. The area of the province is 5,938 square km, of which, the mountainous region is 2,773.5 square km (covering 46_), the hills and plains 2,511 square km(covering 43_), and the island area 653.7 square km (covering 1_). The annual average temperature is 23°C; the rainfall is 2000_2500 mm and the average humidity is 83__ There are 7 nationalities: Kinh, Tay, Dao, San Chay_ Cao Lan, San Diu and Hoa. By the end of 2003, the population was 1.0556 million. Under the jurisdiction of Quang Ninh is the city of Halong (similar to Chinese prefecture-level city) , 3 county- level cities_ Cam Pha, Uong Bi, Mong Cai_ and 9 counties_ Binh Lieu, Quang Ha, Tien Yen, Ba Che, Van Don, Hoanh Bo, Dong Trieu, Co To, Yen Hung. The capital is Halong_ which is 165 km away from Hanoi, the capital of Vietnam.

Quang Ninh is abundant with land, forests, marine products and mineral resources, which provides favorable conditions in developing kinds of important industries; and coal mining, machinery, construction materials, rural processing of marine products, port economy, tourism and trade, etc, are the important industries of Quang Ninh.

15.1.2. Development of Foreign Capital, Tourism and Port Economic Zone in 2004

15.1.2.1. Great Achievement in Attracting Foreign Capital

In 2004, the foreign capital attracted to Quang Ninh amounted to US\$ 107 million_ of which, the capital of new investment was more than 92 million and

the amount of investment added to 4 enterprises was 15 million. 2004 was the first year in which the drawn foreign investment exceeded US\$ 100 million, with 45.2% increase more than 2003.

By the end of 2004_ there were 68 items of foreign funded projects in Quang Ninh; the total registered capital amounted to \$495 million_ and the effected investment totals \$260 million_ accounting for 53% of the registered capital. In 2004, the fiscal levy turned over to the state by the foreign investment enterprises was 20 million, with 39% increase more than 2003; 4000 jobs were created and now over 10 thousand laborers work in the foreign investment enterprises.

In 2004, the turnover of imports and exports of the foreign enterprises in Quang Ninh reached US\$102 million, an increase of 87.85% over 2003, accounting for 59% of the value of imports and exports in the whole province. This was the year in which the foreign enterprises of Quang Ninh had surplus in export for the first time. Better achievement was gained in the export of almost all the foreign enterprises (Industry, Tourism and Service trade). The various indexes of business income, the value of imports and exports, the fiscal levy turned over to the state and employment opportunities are all higher than those in 2003. The total business income of the foreign enterprises in tourism and service sectors added up to \$ 23 million_ with 21 % increase more than 2003, accounting for 38% of that in tourism and service lines of the whole province. The business income of the foreign enterprises in industry department totaled \$234.5 million, an increase of 43.68% over 2003; the value of industrial output amounted to 2230 billion Vietnamese Dongs, with an increase of 19.2%_ accounting for 19.87% of that in the whole province.

15.1.2.2. Positive Development of Tourism Industry

In recent years_ a great deal of promotion work has been done in Quang Ninh to attract Chinese tourists, and annual average number of whom travel to Halong Bay of Quang Ninh is 400~500 thousand persons/times.²⁰ Moreover, lots of tourists from home and abroad go to visit Quang Ninh every year, which promotes the economic development of relevant local industries, as is seen in the following form:

Table 11

²⁰ According to the report in Vietnam *Economic Times*, September 25, 2004

Various Indexes of Travel Business of Quang Ninh in 2001~2004

Item	2001	2002	2003	2004_Esti mated sum_
Total of tourists (persons/times)	1_977_6 46	2_344_55 8	2_500_63 6	2_665_ 370
Especially: international tourists	679_555	921_203	1_085_81 1	1_043_ 370
Total business volume (hundred million Dongs)	4_682_0 50	7_461_85 0	8_742_75 0	10_60045 0
1. Business volume of tourism	3_389_9 40	5_617_54 0	7_114_94 0	8_826_ 350
esp: Trip	1_087_0 80	2_411_00 0	2_012_08 0	1_966_ 800
Hotel	944_380	1_343_94 0	1_370_83 0	2_145_ 800
Food	349_350	553_850	631_150	1_291_ 900
Entertainment service	628_980	853_870	2_653_85 0	2_259_ 000
2. Entrance tickets to the Halong Bay	226_970	296_700	281_060	345_600
3. Entry and exit fee	376_060	628_270	462_990	540_200
4. DTLSVH tickets	85_830	19_090	19_930	20_200
5. Infrastructure construction fee	21_390	32_870	30_000	35_400
6. Other relevant sectors' income	366_000	564_510	475_000	510_000

Fiscal levy turned over to the State	822_810	1_203_27 0	1_380_65 0	1_814_ 600
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Reference resources: *Vietnam Tourism Paper*, Volume 48, December 2, 2004

15.1.2.3. Development of Mong Cai Port Economic Zone

On September 18, 1996, according to the spirits of No. 675 Document of the Central Committee, Port Economic Zone was founded in Mong Cai including such counties as Hai Xuan, Hai Hoa, Binh Ngoc, Tra Co, Ninh Buong, Van Ninh, Hai Yen, Hai Dong, Hai Tien, Vinh Trung, and Vinh Thuc, etc.

According to the stipulation of the policy of the Central Committee of the Communist Party of Vietnam, the said port economic zone enjoy a lot of preference policies. Take trade and Tourism for example, various forms of trade are developed according to international practice, citizens in the border regions of both sides can come and go freely, and one may stay for 7 days with a border pass; citizens of the both sides and those from the third country can go traveling or visit each other more conveniently.

As to investment, 50% of the total annual local fiscal income is left to the local place as regional investment. In the local place, besides preference policies of the general investment stipulated by law, investment projects from home and abroad enjoy preference treatment of land lease fee (reduced 50%), reducing the income taxes and taxes of profits remitted abroad.

Since the economic zone was founded, the annual fiscal revenue amounted to 300 billion Dongs, 50% of which is deducted from the whole to make investments in the local area. Mong Cai has got infrastructure system which serves for the development of trade, tourism, in-city transport, rural transport, water supply and drainage, culture, sanity and education, especially the transportation conditions from the Halong Bay to Mong Cai have been improved obviously, fastening the developing speed of movement of people and logistics.

According to the statistics, in these years, per-capita income has risen from US\$ 370 to US\$ 500. As a result, poverty rate has greatly decreased; the rural and urban aspects have been further changed; employment problems of thousands of laborers from other provinces have been solved, thus promoting the joint development of the nearby provinces. Many enterprise groups and entrepreneurs go to inspect and invest in Mong Cai. There are 53 domestic

enterprises that have branch offices and investments in the port economic zone.

By 2010, the development strategy of Mong Cai is to make full use of various preferential policies given by the state, and build up Mong Cai as the largest center of port economy, import and export trade, tourism and service in Quang Ninh Province.

15.2. LANG SON PROVINCE

15.2.1. General Situation

Located between 29°19'__22°27' north latitude and 106°6'__107°21' east longitude, Lang Son Province is of tropic monsoon climate, which features rain and high temperature from May to September and dryness and cold from November to April the next year. During a year, the temperature in January is the lowest (12.8°~15°) and the temperature in July is the highest (26.7°_28.5°). Average humidity is 78_88% and the monthly fluctuation is less than 4%. Average rainfall per year is 1100_1600 mm. The north of Vietnam borders on Cao Bang Province and Guangxi Province (253 km boundary line) of China, the southeast of its territory is neighboring to Bac Thai Province, and the southern part is in the vicinity of Ha Bac and Quang Ninh Province. Being a mountainous area in the north of Vietnam with 252m average altitude, Lang Son covers an area of 8187.25 sq km, the widest part from east to west being 124 km and the longest part from south to north being 119 km Land devoted to agricultural production covers an area of 84,700 hectares, among which the area of farmland is 48,800 hectares; forestry land covers an area of 673,000 hectares, among which the area of forest is 140,400 hectares (including 112,000 hectares natural forest and 14,300 hectares artificial forest) and that of waste mountain is 56,100 hectares. Lang Son has such 7 nationalities as Kinh, Tay, Nung, Dao, Mong, San Chay and Ngai, and its population as statistic showed in 2003 is 724,300. There are such 11 provinces and cities as Lang Son, Trang Dinh, Van Lang, Van Quan, Binh Gia, Bac Son, Huu Lung, Chi Lang, Cao Loc and Dinh Lap subordinate to Lang Son, and Lang Son City is the provincial capital. Total railway length in Lang Son is 110 km, and 6 national highways, such as Nos. A1, D1, A4, U4, 279 and 31, total a length of 495 km

15.2.2. Development of the Port Economic Zone

15.2.2.1. Development Policies

On September 11, 1997, Vietnamese government adopted a regulation

on *Several Special Policies Tried out in Some Border Port Areas of Lang Son*, whose main contents are:

First of all, it will set up Dong Dang Railway, Youyi Highway (including Dong Dang Town and Bao Lam Village in Cao Loc county), Tam Thank Port (opposite to Pingxiang Puzhai International Trade and Commerce Market in Guangxi, China, including Tam Thank and Tam My Villages of Van Lang County in Lang Son, Vietnam) as the economic development zones given priorities on import and export trade, technical cooperation, tourism and industrial processing and etc. In this region, focus will be given to the business of import and export, processing trade, transit transportation, border cargo transportation, and so on, and processing zones, bonded warehouses, tax-free shops, commodity exchange fairs and product introduction departments will be established.

Secondly, besides the favorable terms in the coastal economic zones, the domestic and overseas investors can enjoy more soft terms in the following aspects. _ 50% reduction in current land rent; _ the favorable business income tax will be given to some investment projects during their implementation; _ such favorable terms as income tax reduction will be endowed to investment in infrastructure projects in accordance with current regulation; _ tax reduction will be given to foreign investors on remittance abroad of their earning profits.

Thirdly, Vietnamese central government will allocate special funds from Lang Son public finance to Dong Dang, Youyi, and Tam Thank Port Zone, whose sums are not less than 50% of these port zones' annual revenue.

Fourthly, the residents living in Chinese border provinces or cities opposite to this region can leave or enter Vietnam with the border passport issued by the relevant departments of China or the individual ID card, and enjoy a stay of 7 days. If he/she needs to go beyond this region, he/she can turn to the Public Security Department in Lang Son to apply for the passport, and then can reside in Vietnam for 5 days. Chinese citizens not living at the border regions can enter the economic zone without visa by right of common passport issued by the relevant departments in China and reside there for 15 days. As for the need of going to the other regions in Vietnam, Vietnamese Ministry of Interior Affairs authority located in the region can directly transact the visa procedure.

15.2.2.2. Development in Tam Thank Port Economic Zone

Located in Vietnamese side of No. 15 boundary marker between China and Vietnam, this region is 18 km away from the provincial capital of Lang

Son, and 7 km to Van Lang Downtown. It is subject to jurisdiction of Van Lang County with a layout area of 64 hectares.

According to the statistics by the end of 2000, there have been 24 investment projects, among which 10 have been finished and put in use. They are: No. 2 United Inspection Station, Tam Thank Port Exchange Market, Trade and Tourism Center, International Recreation Club, Tax-free Department Store, Agricultural Bank, Industrial and Commercial Bank, Investment and Development Bank as well as their branches. Among the above investment projects, Tam Thank Port Exchange Market, which was put into use in January, 2000, has attracted an investment of 5.1 billion Dongs, possessing more than 200 stalls. In accordance with statistics at the end of 2000, there have been 86 Chinese merchants and 40 Vietnamese merchants running the registered businesses here.

In September, 1997, governmental premier issued the No. 748 document on decision of pilot policies in Tam Thank Port Economic Zone. The highest priority of the port is given to investment attraction in trade development, tourism, service industry and industrial production. 50% of total expenses of taxation in the port are reserved for the local infrastructure construction. It is informed by the chairman of the People's Committee of Lang Son that Lang Son not only is planning to build Tam Thank Port into a key border county, but also has reported to the central government for its development into a free trade zone. Lang Son has constructed a lot of port economic zones, among which Tam Thank Port is a leading economic zone capable of driving the economic development in other regions.

Tam Thank Port Economic Zone, the same as other port economic zones in Lang Son and across the country, is approved by the state to formally carry out favorable terms from 2001 to 2005.

Since April 1, 2000, the Vietnamese United Inspection Station next to No. 15 boundary mark has withdrawn to the last pass in Tam Thank. Chinese citizens taking up commercial activities in Tam Thank Port Economic Zone need not to hold visa, but to buy a ticket of 2000 Vietnamese Dongs.

Chinese personnel running the registered business or by right of ID card can live there for 3 months. Each exchange booth charges a monthly rent of 250,000 Vietnamese Dongs.

15.3. CAO BANG PROVINCE

15.3. 1. General Situation

Cao Bang is mountainous province in the north of Vietnam, and shares with China a boundary line of 314 km. Its main import and export outlets are:

Ta Long, Tra Linh and Soc Giang. Average altitude of Cao Bang is 600 m, mountain valley being 300_500 m height above sea level and high mountain area being 600_12000 m height above sea level. Heights of Phi Ha Mountain and Phi Bihe Mountain are 1980 and 1930 respectively. Its average temperature per year is 19_20°C, and average rainfall per year is 1500 mm. Cao Bang covers an area of 844.65 sq km, among which the acreage of agricultural land is 70,000 hectares, 6.6% of the whole acreage, while the acreage of farmland is 56,152 hectares, and that of forestry land is 565,600 hectares, 67% of total acreage. Its forest coverage area is 185,000 hectares. There are such 9 counties as Bao Lac, Ha Quang, Thong Nong, Tra Linh, Trung Khanh, Nguyen Binh, Hoa An, Ha Lang and Thach An and the provincial capital Cao Bang City subject to Cao Bang Province. With several ethnic groups such as Tay, Nung, Dao, Mong, Kinh, Hoa and San Chay, Cao Bang has a population of 503,000 according to statistics in 2003.

Cao Bang Province has abundant mineral resources: total reserve of Mn is 6 million tons with 25_35% equilibrium content; the reserve of Fe is over 100 million tons with 50_63% equilibrium content; the reserve of Al is 207 million tons with 45_55% equilibrium content, including grade B, C1 and C2. In addition, Cao Bang province has such resources as Pb, Zn, Cu, Ni, Sn, gold and gem, among which reserve of Sn is 17,800 tons.

15.3. 2. Economic development

15.3. 2.1. The construction of Ta Long Port Economic Zone

Located in the east of Cao Bang Province and inside Phuc Hoa County, Ta Long Port Economic Zone (including Ta Long County and Hoa Thuan), is opposite to Chinese Shuikou Port, and is 72 km away from Cao Bang City and 5 km boundary lines away from Longzhou County of Guangxi, China. Its area is 642 hectares.

15.3.2.1.1. Programming and Development Orientation of the Port Economic Zone

Ta Long Port Economic Zone is a border economic region constructed with the approval of the People's Committee of Cao Bang Province. Cao Bang Province is planning to build the port economic zone into a modern city as well as a key economic region of Cao Bang to develop the port economy, to give play to its present potentiality and superiority, and to attract foreign investment. On the basis of the layout, the following sub-zones are to be established: State Port Administration Zone, International Trade Zone, Domestic Trade Zone, Tax-free Department Store, Industrial Processing and

Installation Zone, Tourism Service Zone, Office Building Leasing Zone, Hotel and Recreation Zone. What's more, Administrative Public Servicing Center and Residential Area are to be built to attract investors home and abroad.

Development orientation of Ta Long Port Economic Zone is:

_ Infrastructures such as traffic, power supply, water supply and drainage, warehouse, station and dock, communications and so on are to be constructed and modernized for the investment and business services in Ta Long Port Economic Zone.

_ Administration procedures are to be discussed and improved, and suggestions are to be proposed to the relevant departments on implementation for more favorable terms on land rent, land use tax, business income tax and land expropriation. "Three Accesses" are to be carried out in the investment projects (ie. access to traffic, electricity and water).

_ Suggestions are to be made to Guangxi, China about the plan that Cao Bang Province in Vietnam and Guangxi Zhuang Autonomous Region in China should apply to and report to the central governments respectively to upgrade Ta Long Port in Vietnam and Shuikou Port in China as the international ports for the third country's travelers to pass through. Phuc Hoa County of Cao Bang Province and Longzhou County of Guangxi Province should keep regular contact and exchange on summarizing achievements in cooperation and resolving in time the problems unsettled. Both parties should exchange the plans of port economic zone, establish the close cooperation and simplify the import and export procedures, so as to provide investors with the advantages and push forward the economic development.

_ Suggestions are to be proposed and entry certificate issuance procedure are to be adjusted and improved in conformity with uniform principle, for investor's smooth and quick visit, tour, and business affairs-related survey in Ta Long Port Economic Zone.

15.3. 2.1.2. Infrastructure in the port economic zone

On basis of the approved layout, Ta Long Port Economic Zone in 2003 has constructed the following projects: county trunk roads in Ta Long Port and mobile communication launcher, and the new residential area under construction. It is estimated that the infrastructure in Ta Long County will be finished in 2010. After 2010, the investment will be further expanded.

15.3. 2.1.3. The investment policies in Ta Long Port Economic Zone

Pursuant to Vietnamese government's policies on development of port economy, the People's Committee in Cao Bang Province has issued the following favorable terms for Ta Long Port Economic Zone to attract

investment:

_ Land and water rent. If the investments are given to fields and trades that are encouraged in Appendix A of the Law on the foreign investment in Vietnam or domestic investment, then, within the time limit of the projects renting land or water, all land and water rent, land and water use tax and charge are exempted. If the investment is not subject to encourage fields or trades, land and water rent are free in the first 4 years.

As for the organization or individual gaining the investment certificate, the longest land rent term is 50 years, whereas for the organization or individual renting land to construct shops or residence, land rent term is 20 to 25 years.

If the investment is given to fields in which all land rent and tax are exempted, then the investor need not to assume any land expropriation compensation for the rented land.

_ Taxation

For foreign investors, during the time limit of the whole production operation, the business income tax rate is 10%; the business income tax is exempted in the first 4 years counting from the period that the enterprises gain profits, and 50% reduction is given in the next 4 years; for BOT, BTO and BT projects, forestation project, infrastructure construction project and large-scale projects taking impact on the economy and society in Cao Bang Province, the business income tax is exempted for 8 years (including expanding investment and deepening investment of projects) counting from the period that the enterprises gain profits. The tax rate for the profit transferred abroad is 3% (the common tax rate is 7%). The enterprise is exempted from the import duty of mechanical equipment for production.

_ People's Leave and Entry

Nowadays, Ta Long Port Economic Zone is on the stage of investment and construction of infrastructure. After the completion of the market, Chinese citizens running production operation in Ta Long Port Economic Zone can temporarily reside for 7 days with registration. In the future, when the infrastructure in Ta Long Port Economic Zone is sound, its management committee will advise each functional department to allow Chinese citizen's for 3 to 6-month temporary residence.

15.3. 2.1.3. 4. Investment Attraction in Ta Long Port Economic Zone

Infrastructure construction of Ta Long Port Economic Zone is on investment stage. In 2003, there were 6 enterprises applying for investment in Ta Long Port Economic Zone. Among them, two are foreign-owned enterprises: one is Mingzhou Affiliated Company who has gained the

investment certificate issued by Vietnamese Investment Department and invested mainly in hotel and lottery-attached entertainment. By the first half of 2004, the company had finished its land requisition and reclamation, while its projects have been under construction by the latter half of 2004. The other is Mingfeng Affiliated Company. This company has applied to the People's Committee of Cao Bang Province and the relevant departments for its major investment in tax-free shops in Ta Long Port Economic Zone and other projects. There are 4 enterprises in Cao Bang Province, whose investment are mainly given to such fields as tourism, hotel, office building, equipment installation, import and export, mineral exploitation and etc.

15.3. 2.2. Import and Export Trade Expansion

Cao Bang Province has made great achievements in cooperation with Guangxi, China on the import and export trade, especially during the recent two years, the annual increase of import and export sum is 30%. In 2002, the gross import and export sum reached US\$ 51 million and US\$ 68 million in 2003. Its main products for export are agricultural and forestry products, Fe mine and Mn mine, and imported products are coke, electronic components, Al and agricultural products.

Cao Bang Province is now inviting businessmen to open companies there and attracting investments in production and processing of industrial, agricultural and forestry products, exploitation and processing of mineral products. Products in Cao Bang Province for export are bamboo, Ku Ding tea, tobacco leaf, various processed Fe and Mn mines. Its major export market destination usually goes Guangxi and Taiwan, whereas it can import such products as mechanical equipment and other consumption commodity.

15.3. 2.3. Great Efforts to the Development of Ku Ding Tea

In 1999, Bureau of Science and Technology in Cao Bang Province began to plant Ku Ding tea. In 2000, Thach An Ku Ding tea processing factory was set up in Dong Khe City of Thach An to conduct experimental production of Ku Ding tea. Another Ku Ding tea processing factory is subsequently established in Cao Bang City. After a period of trial production, this product is favored by a lot of consumers. Then, with approval of the People's Committee of Cao Bang Province, Thach An Ku Ding tea processing factory is put into volume-production of Ku Ding tea.

In 2002, Ku Ding Tea Co., Ltd was founded subject to the Bureau of Science and Technology in Cao Bang Province. 2 years later, the company made great success in Vietnamese market for developing various products, such as King tea, fresh tea, bud tea, filtered tea bag and tin-bag tea. The sale

volume in 2003 reached 3 billion Dongs and that in the first half of 2004 reached 1.6 billion Dongs.

According to the decision made by the People's Committee of Cao Bang Province on developing Ku Ding tea in 2010, the annual raw materials planted cover an area of 500 hectares. Planted area of raw materials for Ku Ding tea will reach 1000 hectares in 2006 and 3000 hectares in 2010.

15.3. 2.4. Education and Training Enhancement

There are only 15% of trained labors in Cao Bang Province. This low proportion directly influences its economic development. Vietnamese party and government then bring forward that "Education is the Primary National Policy". As for the general education, Cao Bang Province proposes to popularize junior high school education in 2009, and improve teaching quality as well as enrollment quotas in the entrance examination for college. As for training, Cao Bang Province has upgraded the normal school into technological academy, cemented technical secondary schools of agriculture, forestry and medicine. Cao Bang Province is now developing the labor vocational training system, establishing Cao Bang vocational education and training school and exploring human resources to promote economic and social development.

15.4. HA GIANG PROVINCE

15.4.1. General Situation

Ha Giang is a mountainous border province in the northernmost part of Vietnam, bordering on China in its north, and Tuyen Quang Province in its south, Cao Bang Province in its east and Lao Cai and Yen Bai Province in its west. Its acreage is 7831.1 sq km. With various nationalities such as Kinh, Tay, H'Mong, Dao, Nung, Cao Lan, Hoa and San Diu, its population is 648,100 according to statistics in 2003. On administrative district base, there are Ha Giang City, the provincial capital, and such 10 counties as Dong Van, Meo Vac, Yen Minh, Quan Ba, Bac Me, Hoang Su Phi, Vi Xuyen, Xin Man and Bac Quang.

15.4.2. Economic Construction in 2004

15.4.2. 1. Agriculture and Forestry

15.4.2. 1.1. Crop Cultivation

In 2004, crops area in Ha Giang Province is 121,211 hectares, outstripping target by 4.4%, an increase of 4905.6 hectares over 2003; grain crops area is 79,100 hectares, a decrease of 626 hectares; beans and peas cover an area of 14506.8 hectares, an increase of 567 hectares; short-term

cash crops cover an area of 19,405 hectares, an increase of 3315 hectares; pastures cover an area of 2,336 hectares, an increase of 1,356 hectares.

Production structure of crops has been properly and effectively adjusted, transforming from planting low-yielding corns and miscellaneous grain crops to planting other high-yielding crops. Total grains output in 2004 are 240,000 tons, an increase of 6,000 tons, 100% fulfilling its target. Among them, there are 150,300 tons of rice, an increase of 3,839 tons; 89,700 tons of corn, an increase of 1,186 tons. The sown area of soybean is 14,849 hectares, 134.64% fulfilling target, an increase of 2,546 hectares over last year. The planted area of exported bamboo shoot is 1,042 hectares, and that of tea is 14388.1 hectares, among which 528 hectares are newly planted areas, outstripping target by 5.6%. There are now 9,446 hectares of fruit trees and 2,509 hectares of fructus amomi trees.

15.4.2. 1.2. Livestock Breeding

On account of policies issued by the government on supporting and encouraging living stock breeding and excellent performance in veterinarian services, Ha Giang Province sees a rapid development in its living stock breeding. In 2004, on a basis of 50% prime lending rate, the state lent money to 2,778 farmers for their purchase of 8,657 baby ox and buffalos, and to 8,000 poverty-stricken farmers for their purchase of 17,000 breeding sheep.

15.4.2. 1.3. Forestry

There are 9,032 hectares special shelter-forests and production forests, and 100 hectares newly planted area, fulfilling the target. Current percentage of forest cover reaches 41%.

15.4.2.2. Industry, Construction, Transportation and Posts and Telecommunications

15.4.2.2.1. Industry

Industrial output value is 316.9 billion Dongs, increasing by 6.9% over last year, fulfilling 90.5% of annual program, among which 141.4 billion Dongs are made by state-owned enterprises, decreasing by 9.49%, and 175.4 billion Dongs are made by non-state economy, increasing by 25.25%.

15.4.2.2.2. Construction

Construction output value reaches 79.7 billion Dongs, 100% fulfilling the target.

15.4.2.2.3. Transportation. Investment is given to improve grade of all highways, and to construct several bridges, asphalt road of 11.9 km being done on No. 4C and 279 national highways and arch bridge of 1,525m being built.

15.4.2.2.4. Posts and Telecommunications

Smooth communications are basically ensured between provincial leaders and all county governments and residents. There are 15 villages possessing posts and telecommunications office, and 30 villages are accessible to telephone. There are 4,274 telephones newly added, and business turnover reaches 38.8 billion Dongs as there are 3 telephones for 100 persons in average.

15.4.2.3. Finance and Credit

Total financial revenue is 1.2270 trillion Dongs, outstripping the target by 25% set by the central government, and 100% fulfilling the target set by the provincial government. Among those, there are 172.4 billion Dongs paid by enterprises in the province to fiscal levy, 100.8% fulfilling the target set by the province.

There are 1.1991 trillion Dongs of aggregate expenditure, outstripping target by 11%, among which expenses on investment and development account for 39.03%, recurrent expenditures account for 51.38%. Governmental debenture issue revenue is 6.164 billion Dongs, 154% fulfilling the target set by the central government and 137% that by the province.

15.4.2.4. Commerce and Trade and Tourism

For increasing purchasing power of residents, total volume of retail sales of commodities and services reaches 818 billion Dongs, fulfilling 116% of annual program and increasing by 27.9%. Smooth transportation development and commodity circulation has improved the development of wholesale and retail business in outlying mountain areas. 2004 Ha Giang Commodity-Tourism Trade Fair was successfully held here.

Total volume of foreign trade at all ports reached US\$ 70 million, increasing by twice over last year and fulfilling 75% of annual program. Open of such ports as Bac Di in Yen Minh county of Ha Giang Province to Yangwan in Ma Lipo County of Yunnan Province and Meo Vac in Ha Giang Province to Tianpeng of Funing in Yunan Province facilitate mutual economic exchange.

15.4.2.5. Development of Miscellaneous Economic Sectors

Since the reform performed on the state-owned enterprises on July 1, 2004, 3 state-owned enterprises have been dismissed and 6 enterprises have been transformed into joint-stock one with labor employment plans. In 2004, there are 105 enterprises, cooperatives, self-employment owners registered in accordance with business law. Nowadays, there are 237 cooperatives and 7,541 self-employment owners run registered business operation.

15.4.2.6. External Activities and Internal Economy

Ha Giang Province organized the delegations to visit Yunnan Province, China, with a view to seek the cooperation partner and promote the economic and cultural communication as well as the mutual cooperation. Foreign travelers entering Vietnam was more than that of last year, entry of 17,925 persons/times through Thanh Thuy Port and entry of 289 persons/times of Chinese travelers through other ports into Vietnam. There are altogether 10,187 persons/times entering Vietnam through Thanh Thuy Port. Besides Chinese travelers, there are other 252 tourist parties and investigation groups.

15.4.2.7. Social and Cultural Aspects

Students in school are increasing. 100% villages have elementary schools established, and 122 villages start up junior high schools or classes, and 11 counties and cities have junior and senior high schools set up. There are nationality senior high schools in all counties. From 2003 to 2004 academic year, the enrollment rate of 6-14 years old children is 96.7%, increasing by 0.43% over the last academic year. Popularization rate of junior high school education is also increasing. Up to now, there are 109 villages and towns and 4 counties and cities in the province reaching the state standard of junior high school education popularization.

Medical equipments in all of the hospitals are greatly improved, and consequently problems on seeing a doctor and receiving treatment are partly resolved.

Aid-the-poor work also achieves a lot, resolving the employment problems for 10,166 laborers among whom 50 persons are for labor service export, fulfilling 88.4% of the annual program.

15.5. LAO CAI PROVINCE

15.5.1. General Situation

Lao Cai Province is east to Ha Giang Province, north to China, west to Lai Chau and Son La Province and south to Yen Bai Province. Lao Cai Province shares a boundary line of 203 km with China and that of 100 km with Ha Giang Province. Covering an area of 6,357 sq km, Lao Cai Province has 8 counties, 1 city and 163 towns and villages, being 296 km (of railway) and 345 km (of highway) away from Hanoi. There are altogether 25 nationalities in this province, such as Kinh, H'Mong, Tay, Nung, Dao, Thai, Giay, Bo Y, Kang, La Chi, Muong, Ha Nhi and La Ha, its population in 2004 was 567,000, among which 64% are minorities. Temperature in Lao Cai City is 29.912, rainfall is 1736.2 mm, and humidity is 86%. Average temperature per year in Xa Pa Town is 12.512, rainfall is 2837.3 mm and humidity is 87%. Average temperature in Bac Hai Town is 18.4C, rainfall is 1972.8 mm and humidity is

87%. Average wind speed is 2.65m/s and total sunshine time per year here is 1400 hours.

15.5.2. Economic Potentiality and Port Economic Zone

15.5.2.1. Economic Potentiality and Superiority

15.5.2.1.1. Industrial Development Potentiality. It is proved that there are 35 kinds of mineral products and 150 mines in Lao Cai Province, among which many precious minerals feature high quality and large reserve, such as apatite, copper, iron, raw materials of pottery and porcelain and crystal.

15.5.2.1.2. Abundant Tourist Resources

Famous tourist scenes are Xa Pa, Bac Ha, Bat Cat and etc. Xa Pa is the most renowned tourist area home and abroad.

15.5.2.1.3. Trade Development Superiority.

Lao Cai Province is a bridge connecting such economic corridor as “Kunming- Lao Cai - Hanoi- Hai Phong- Quang Ninh” between China and Vietnam. With superior geography and one international port, Lao Cai –Hanoi, Lao Cai is a key door of Vietnam and other ASEAN countries into the west of China. Since 1990s, the trade between Lao Cai Province and Yunnan Province of China has gained the rapid development with an average increase of 30-50%. In 1991, the trade turnover between Lao Cai Province in Vietnam and Yunnan Province in China was US\$ 1.4 million, and that increased to US\$ 347 million in 2004, an increase of 247 folds over 1991. The import and export activities earned 230 billion Dongs for financial revenue, 5 times that in 2000. The commodities imported from China are metal, chemical raw materials, coke, plaster, mechanical equipment, fertilizer and other highly productive crops servicing agricultural production in Vietnam. The commodities mainly exported to China are raw materials (of various mineral products, rubber, dry cassava sheet and cashew), agricultural products, fresh fruit, seafood, consumption articles (plastic products, shoes, coffee, sugar and etc). Cargoes imported and exported in 2004 is of 1.8 million tons, increasing by 4.5 times over 2000. Big enterprises participating in import and export comes from Hanoi, Hai Phong, Ho Chi Minh and so on places.

Meanwhile, tourists leaving and entering the country is of 1.2 million persons/times, increasing 10 times over 2000.

15.5.2.2. Lao Cai Port Economic Zone

On May 26, 1998, premier of Vietnamese government issued No. 100 decision permitting the establishment of the port economic zone in Lao Cai Province. Lao Cai Port Economic Zone covers Lao Cai International Port, Lao

Cai Lane, Tan Cai Lane, Coc Lieu Lane, Duyen Hai Lane, Van Hoa Village, Luc Kieu Village of Dong Tuyen District in Lao Cai City, Na Mo Village of Ban Phat District in Bao Thang County, while Muong Khuong Port Economic Zone includes the whole area of Muong Khuong Village.

The same as other port economic zones, favorable terms on investment and trade given by the state are carried out in Lao Cai Port Economic Zone.

15.6. LAI CHAU PROVINCE

15.6. 1. General Situation

Located in 20°24__22°49' north latitude and 102°30__103°48' east longitude, Lai Chau is a mountainous province in the northwest of Vietnam. It borders on China in the north, Laos in the West, Lao Cai and Dien Bien provinces in its east and south. Along the boundary line of 700km shared by Lai Chau Province, China and Laos, the main ports are Tay Trang and Ma Lo Duong. With an area of 17,133 sq km, the administrative districts of Lai Chau are such 6 counties and cities as Lai Chau, Muong Te, Phong Tho, Sin Ho, Muong Lay and Tuan Giao, Lai Chau City being the provincial capital. With various nationalities, such as Thai, Mong, Kinh, Kho Mo, Ha Nhi, Giay, La Hu, Lao, Cong, Mang, Phu la, Khang and Si La, Lai Chau has a population of 642,500 in accordance to statistics in 2003.

The main cash crops in Lai Chau Province are acreca, coffee, tea, mulberry and medicinal materials, and some cash crops areas are thus coming into being, such as tea in Tam Duong and coffee in Tuan Giao. Output of tea in Tam Duong per hectare reaches 8 tons. Lai Chau Province has an advantage of forest, featuring 1.4 million hectares of forestry land, 208,000 hectares of lands with trees, 8.2 million cubic meters of wood reserve and 25.7 million bamboos. What's more, fructus amomis and other medicinal materials can also be found here. In terms of minerals, small-scale Cu, Au and coal mines can be founded here.

15.6. 2. Investment and Development in Ma Lo Duong Port Economic Zone

Located inside Phong Tho County of Lai Chau Province, Ma Lo Duong Port is opposite to Jinping County in Yunnan Province, China, and is a trade bridge between the provinces in northwestern part of Vietnam and counties in southern part of Yunnan province. Ma Lo Duong Port is located between Dien Bien Phu in northwest of Vietnam and Sa Pa in Lao Cai, both of which are major tourist areas. Traffic here is very convenient, as it is the start point of No. 4D and 12 national highways, 50 km to the provincial capital of Lai Chau,

200 km to Dien Bien Phu and 120 km to Sa Pa of Lao Cai.

15.6. 2.1. Area and Infrastructure Construction

The area of Ma Lo Duong Port is 40 hectares. Vietnamese government has invested in the following infrastructure: riverbank, land reclamation, transportation, water supply and drainage, marketplace, rent shop and so on. Ma Lo Duong Port is divided into the following zones:

- port administration zone
- trade zone, including marketplace and rent shop
- export processing zone, including warehouse, freight transfer station, and in-and-out freight yard, etc.

According to Vietnamese laws, such services as commerce and trade, production, transportation leaving and entering the country, and such activities as manufacturing, agency, hotel, recreation and etc can be developed in Ma Lo Duong Port Economic Zone.

15.6. 2.2. Investment-stimulated Policies in the Port Economic Zone

(1) On basis of approved investment projects, domestic and overseas investors can rent land according to requirements of the investment projects. Time limit for land rented: 55 years most for investment business and production projects and 25 years most for hotel, and marketplace, etc.

(2) Land rent and tax of investment project in the port economic region

- during infrastructure construction and 15 years after its completion, land rent is exempted, and 50% reduction is adopted for the next 5 years.
- for construction projects used for agricultural production and public welfare, land rent is exempted.
- for fixed assets, such as machinery, equipment, vehicles and so on project servicing equipment, import tax is exempted.
- for raw materials used in processing products to be exported, import tax is exempted.
- 75% of the tax regulated by Ministry of Finance is levied.
- for raw materials for processing products to be exported, value added tax is exempted.
- on business income tax: for all investment projects, business income tax is exempted in the first 4 years, and in the next 7 years, the business income tax is levied at the tax rate of 10%.
- for profits legally remitted abroad, tax is levied at the rate of 3%.

15.6. 3. Investment Allowance Policies

(1) Land compensation and reclamation charges for land use are free.

(2) Such infrastructure as transportation, electricity and telecom network, water supply and drainage in the port economic zone are invested by the state. “4 Accesses” are applied to investment projects in the zone (ie., accesses to traffic, electricity, telecom and water).

15.6. 4. Administrative Management

The administration committee in the port economic zone is the administrative management authority responsible for supervising foreign investment projects and providing necessary services.

15.6. 5. Leaving and Entering the Country

Passport or ID card is required upon Chinese citizen leaving or entering the country. The travel agencies and companies in Vietnam can receive Chinese tourists at the port.

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6. Encouragement in Investment Materials issued by People's Government of Lao Cai Province, Vietnam, November 2004.

Appendix ECONOMIC & SOCIAL STATISTICS

Table 12 **Population**

Unit: thousand

Year	Total	Sex		Urban or rural areas	
		Male	Female	Urban	Rural
1990	66,016.7	32,202.8	33,813.9	12,880.3	53,136.4
1991	67,242.4	32,814.3	34,428.1	13,227.5	54,014.9
1992	68,450.1	33,424.2	35,025.9	13,587.6	54,862.5
1993	69,644.5	34,028.3	35,616.2	13,961.2	55,683.3
1994	70,824.5	34,633.2	36,191.3	14,425.6	56,398.9
1995	71,995.5	35,237.4	36,758.1	14,938.1	57,057.4
1996	73,156.7	35,857.3	37,299.4	15,419.9	57,736.8
1997	74,306.9	36,473.1	37,833.8	16,835.4	57,471.5
1998	75,456.3	37,089.7	38,366.6	17,464.6	57,991.7
1999	76,596.7	37,662.1	38,934.6	18,081.6	58,515.1
2000	77,635.4	38,166.4	39,469	18,771.9	58,863.5
2001	78,685.8	38,684.2	40,001.6	19,469.3	59,216.5
2002	79,727.4	39,197.4	40,530	20,022.1	59,705.3
2003	80,902.4	39,755.4	41,147	20,869.5	60,032.9
The growth rate percentage					
1990	1.92	1.94	1.9	2.41	1.8
1991	1.86	1.9	1.82	2.7	1.65
1992	1.8	1.86	1.74	2.72	1.57
1993	1.74	1.81	1.69	2.75	1.5
1994	1.69	1.78	1.61	3.33	1.29
1995	1.65	1.74	1.57	3.55	1.17
1996	1.61	1.76	1.47	3.23	1.19
1997	1.57	1.72	1.43	9.18	0.46
1998	1.55	1.69	1.41	3.74	0.91
1999	1.51	1.54	1.48	3.53	0.90
2000	1.36	1.34	1.37	3.82	0.60
2001	1.35	1.36	1.35	3.72	0.60
2002	1.32	1.33	1.32	2.84	0.83
2003	1.47	1.42	1.52	4.23	0.55
Proportion in percentage					
1990	100.00	48.78	51.22	19.51	80.49

1991	100.00	48.80	51.20	19.67	80.33
1992	100.00	48.83	51.17	19.85	80.15
1993	100.00	48.86	51.14	20.05	79.95
1994	100.00	48.90	51.10	20.37	79.63
1995	100.00	48.94	51.06	20.75	79.25
1996	100.00	48.01	50.99	21.08	78.92
1997	100.00	48.08	50.92	22.66	77.34
1998	100.00	48.15	50.85	23.15	76.85
1999	100.00	48.17	50.83	23.61	76.39
2000	100.00	48.16	50.84	24.18	75.82
2001	100.00	48.16	50.84	24.74	75.26
2002	100.00	48.16	50.84	25.11	74.89
2003	100.00	48.14	50.86	20.80	74.20

Table 13 **Land Use in 2002**

Unit: thousand hectares

	Total land area	Proportion of land use and lease		Total land area	Proportion of land use and lease
Nationwide land use	32,929.7	24,519.9	3. For special purposes	1,615.9	1,615.9
1. For agriculture	9,406.8	9,406.8	Construction	145.3	145.3
For annual plants growing	5,977.6	5,977.6	Traffic	466.6	466.6
For rice growing	4,061.7	4,061.7	Irrigation	572.5	572.5
Hill-land	642.7	642.7	Historic relics	6.9	6.9
For other annual plants growing	1,273.2	1,273.2	Defense and national security	153	153
For general gardening	623.2	623.2	Mining	17.8	17.8
For	2,213.1	2,213.1	Brick and	16.7	16.7

evergreen plants			tile production		
Grassland	39.5	39.5	Salt production	18.4	18.4
For aquatic breeding	553.4	553.4	Cemetery	94.7	94.7
2. For forestry	12,051	10,639.4	For other purposes	124	124
Natural forestry	9,989.6	8,600.6	4. For housing	451.3	451.3
Forestry for production	3,597.8	3,163.6	Urban residential land	79.2	79.2
Sand-break forestry	4,883.4	4,007.6	Rural residential land	372.1	372.1
Special forestry	1,508.4	1,429.4	5. Unused land, rivers and stony hills	9,404.7	2,406.5
Planting forestry	2,036.8	2,014.2	Unused flatland	535.7	153.3
Forestry for production	1,360.9	1,350.1	Unused hills	7,136.5	2,103.2
Sand-break forestry	610.2	598.4	Unused water	150.3	31.5
Specific forestry	65.7	65.7	Rivers	748.9	11.5
For nursery stock	24.6	24.6	Treeless stony hills	618.3	73.5
			Other unused land	215	33.5

Table 14 **GDP (at Price of the Year)** Unit: billion Vietnamese Dongs

Year	1995	2000	2001	2002	2003
Total					
Proportion in sectors					
State-owned sector	91,977	170,141	184,836	205,652	23,666
Collective sector	23,020	37,907	38,781	42,800	45,377
Private –owned sector	17,020	32,267	38,243	44,491	49,853
Family sector	82,447	142,705	153,223	169,122	186,084
Foreign-funded sector	14,428	58,626	66,212	73,697	87,606
Proportion in industries					
Agriculture	52,713	87,537	87,861	96,543	101,209
Forestry	2,842	5,913	6,093	6,500	6,657
Aquatic industry	6,664	14,906	17,904	20,340	24,327
Oil drilling	11,009	42,606	44,345	46,153	57,070
Processing	34,318	81,797	95,211	110,285	125,984
Electricity, water and gas	4,701	13,993	16,028	18,201	23,241
Construction	15,792	23,642	27,931	31,558	35,638
Commerce, auto repair service and furniture	37,491	62,836	67,788	75,617	83,397
Restaurants and hotels	8,625	14,343	15,412	17,154	18,911
Transportation, storage and communications	9,117	17,341	19,431	21,095	22,589
Finance and monetary	4,604	8,148	8,762	9,763	10,881
Science and technology activities	1,405	2,345	2,646	3,009	3,696
Activities related to property	12,392	19,731	21,589	24,452	27,518

management and consultation service					
State management, national security and social security	8,278	12,066	12,784	13,816	16,675
Education and training	8,293	14,841	16,245	18,071	21,461
Medicine and social relief activities	3,642	5,999	6,417	7,057	8,611
Recreational and sports activities	1,259	2,558	2,800	2,987	3,319
Activities of CPV, the league and associations	223	614	651	712	778
Private and social service	4,979	9,853	10,412	11,412	12,516
Family employment	545	953	985	1,037	1,108

Table 15 **Proportion of the GDP** (at Price of the Year)

Unit: billion Vietnamese Dongs

Year	GDP	Proportion in		
		Agriculture, forestry and aquatic industry	Industry and construction	Service
1990	41,955	116,252	9,513	16,190
1991	76,707	31,058	18,252	27,397
1992	110,532	37,513	30,135	42,884
1993	140,258	41,895	40,535	57,828

1994	178,534	48,968	51,540	78,026
1995	228,892	62,219	65,820	100,853
1996	272,036	75,514	80,876	115,646
1997	313,623	80,826	100,595	132,202
1998	361,017	93,073	117,299	150,645
1999	399,942	101,723	137,959	160,260
2000	441,646	108,356	162,220	171,070
2001	481,295	111,858	183,515	185,922
2002	535,762	123,383	206,197	206,182
2003	605,586	132,193	241,933	231,460
Distribution in percentage				
1990	100.00	38.74	22.67	38.59
1991	100.00	40.49	23.79	35.72
1992	100.00	33.94	27.26	38.80
1993	100.00	29.87	28.90	41.23
1994	100.00	27.43	28.87	43.70
1995	100.00	27.18	28.76	44.06
1996	100.00	27.76	29.73	42.51
1997	100.00	25.77	32.08	42.15
1998	100.00	25.78	32.49	41.73
1999	100.00	25.43	34.49	40.08
2000	100.00	24.53	36.73	38.74
2001	100.00	23.24	38.13	38.63
2002	100.00	23.03	38.49	38.48
2003	100.00	21.83	39.95	38.22

Table 16 **The Agricultural Gross Production (at Price of the Year)**

Unit: million Vietnamese Dongs

Year	Total value	Proportion in		
		Farming industry	Breeding industry	Service
1990	20,666.5	16,393.5	3,701.00	5,72.00
1991	41,892.6	33,345	7,500.30	1,047.30
1992	49,061.1	37,539.9	10,152.40	1,368.80
1993	53,929.2	40,818.2	11,553.20	1,557.80

1994	64,876.8	49,920.7	13,112.90	1,843.20
1995	85,507.6	66,793.8	16,168.20	2,545.60
1996	92,406.2	71,989.4	17,791.80	2,625.00
1997	99,352.3	77,358.3	19,287.00	2,720.00
1998	114,417.7	91,226.4	20,365.20	2,826.10
1999	128,416.2	101,648	23,773.20	2,995.00
2000	129,140.5	101,043.7	24,960.20	3,136.60
2001	130,177.6	101,403.1	25,501.40	3,273.10
2002	145,021.3	111,171.8	30,574.80	3,274.70
2003	153,769.6	115,887.9	34,431.30	3,450.40
Distribution in percentage				
1990	100	79.3	17.90	2.80
1991	100	79.6	17.90	2.50
1992	100	76.5	20.70	2.80
1993	100	75.7	21.40	2.90
1994	100	77	20.20	2.80
1995	100	78.1	18.90	3.00
1996	100	77.9	19.30	2.80
1997	100	77.9	19.40	2.70
1998	100	79.7	17.80	2.50
1999	100	79.2	18.50	2.30
2000	100	78.2	19.30	2.50
2001	100	77.9	19.60	2.50
2002	100	76.7	21.10	2.20
2003	100	75.4	22.40	2.20

Table 17 Industrial Production Value (at Price of the Year)

Unit: billion Vietnamese Dongs

Year	2000	2001	2002
Total Value	336,100.0	395,809.3	476,350
Proportion in exploitation industry			
Total	53,035.1	52,238.6	476,350
Coal mining	4,143.1	4,705.2	6,740.4
Crude oil and natural gas tapping	4,5401.5	43,253.7	49,222.3
Metal mining	427.0	539.5	624.2

Mining of stone and other metals	3,063.5	3,740.2	4,775.5
Proportion in processing			
Total	264,458.9	320,901.8	388,228.6
Food and drinks	80,989.4	91,859.7	100,664.2
Cigarette and tobacco	7,602.4	8,809.1	10,448.7
Textile	15,414.4	18,177.2	20,059.6
Clothing	11,479.8	12,272.3	18,484.8
Leather-ware	14,458.9	15,781.8	19,304.7
Wood-ware	6,059.3	6,684.6	8,587
Paper and products	6,086.1	7,825.5	9,163.3
Publication, printing and replica	4,177.0	4,646.3	5,545.6
Coking coal and refined oil	927.6	983.5	1,015.9
Chemicals	17,146.3	18,938.9	24,708.9
Rubber and plastic and products	10,520.5	13,708.9	17,334
Non-metal ore products	21,465.4	26,756.8	32,865.2
Metal production	9,137.2	11,510.8	15,239
Metal products	10,068.4	13,127.3	19,320.1
Machinery and equipment production	4,171.2	5,523.9	6,293.6
Office equipment and calculating products	1,736.5	2,989	4,006.6
Production of power equipment	7,699.3	11,287.1	13,777.7
Radios, television sets and communications equipment	7,370.1	8,411.8	11,063.6
Medical apparatus, measuring tools, optical apparatus and clock-wares	1,075.3	1,237.2	1,344.2

Auto repair and production	5,877.6	9,582.7	15,730.9
Repair and production of other transportation vehicles	13,385.4	21,095.9	19,981.1
Beds, cabinets, desks and chairs	7,435.5	9,489.7	12,971.6
Recycled products	175.3	201.7	318.3
The production and distribution of electricity, gas and water	18,606.0	22,668.9	26,759
The production and distribution of electricity and gas	17,011.8	20,971.8	24,848.4
The production and distribution of water	1,594.2	169.1	1,910.6

Table 18 Output of the Major Industrial Production

	Unit	1995	2000	2001	2002	2003
Processed coal	Thousand tons	8,350	11,609	13,397	16,409	18,963
Crude oil	Thousand tons	7,620	16,291	16,833	16,863	17,600
Chrome ore	Thousand tons	25	76.3	70.3	66.3	63.9
Stone materials	Thousand cubic meters	10,657	22,169	30,941	36,720	44,102
Lime	Thousand tons	1,041	1,156.1	1,351.3	1,419.7	1,420
Sand and cobbles	Thousand cubic meters	14,363	33,273	36,888	50,098	59,519
Salt	Thousand tons	689	590	669	1,089	1,275
Phosphate Rock	Thousand	785	667	779	830	

	tons					
Fish sauce	Mil. liters	149	167.1	162.3	175.6	193
Canned fruit	Tons	12,784	11,438	14,731	28,275	31,770
Food oil	Tons	38,612	280,075	282,839	317,123	329,700
Gourmet powder(MSG)	Thousand tons	65	125.2	137.3	161.7	195.5
Boxed milk with sugar	Mil. boxes	173	227.2	234.9	255.1	289.2
Processed rice and corn	Thousand tons	15,582	22,225	23,930	26,950	30,924
Sugar and honey	Thousand tons	517	1,208.7	1,067.3	1,068.8	1,363.4
Condensed sugar	Thousand tons	93	790.3	739.1	790	835
Towfu (Bean curd)	Thousand tons	24	80.3	86.2	94.8	98
Tea	Tons	24,239	70,129	82,136	99,716	104,550
Liquor	Thousand liters	51,379	124,166	134,782	143,035	150,790
Beer	Mil. liters	465	779.1	871.2	939.8	1,049.8
Cigarette	Mil. packs	2147	2,835.8	3,075.2	3,375.2	3,728.9
Yarn	Tons	59,222	129,890	162,406	226,811	253,300
Textile wool	Tons	1,165	2,683	2,013	1,818	1,650
Silk fabric	Mil. square meters	263	356.4	410.1	469.6	487
Cotton yarn for mosquito nets	Thousand meters	46,116	29,974	31,250	33,908	35,600
Canvas	Thousand meters	2,058	23,516	16,022	15,962	16,600
Towels	Million	276	430.6	438.4	508.9	588
Wool blankets	Thousand square meters	307	64.4	57.5	31.8	32.5
Hemp blankets	Thousand square meters	239	1,406	60	105	120
Textile clothes	Thousand	30,182	45,820	53,062	51,358	72,151
Summer sleeping mats	Thousand pairs	11,679	31,019	30,839	36,536	41,100

Ready-made clothes	Thousand	171,900	337,011	375,642	489,058	618,629
Hard Leather-ware	Tons	18	97	96	64	55
Soft leather-ware	Thousand pieces	1383	4806	4002	5486	5610
Leather shoes and slippers	Thousand pairs	46,440	107,944	102,259	113,070	125,930
Cloth shoes	Thousand pairs	22,199	32,391	40,821	34,851	36,320
Planks	Thousand cubic meters	1,606	1,744	2,036	2,667	2,957
Paper	Thousand tons	216	408.4	445.2	489.6	534
Paper for printing	Mil. pages	96,738	184,662	206,774	257,235	300,940
Sulfuric acid	Tons	9,768	35,652	35,650	39,830	43,930
NaOH (Soda water)	Tons	7,307	59,097	65,396	80,223	80,053
Pesticide	Tons	15,566	20,126	20,042	20,685	18,339
Fertilizer	Thousand tons	931	1,209.5	1,270.4	1,158.4	1287.9
Chemical paint	Tons	21,081	54,393	73,545	99,751	121,340
Welding rods	Tons	5,153	5,696	8,472	11,355	12,800
Capsules	Million	425	473.7	523.3	516	464.9
Tablets	Million	14,065	20,053.8	21,043	21,335.3	20,603.4
Liquid medicine	Thousand liters	3,651	10,769	3,989	4,494	4,540
Washing powder	Thousand tons	247.3	326.2	361	395.8	
Outer covers of bicycle tires	Thousand	9,703	20,675	21,658	22,778	23,110
Inner tubes of bicycle tires	Thousand	11,917	21,917	22,997	24,032	24,610
Glass	Thousand tons	77	113.1	114.9	114.7	117
Civilian porcelain	Million	187	247.1	314.1	283.9	297
Industrial porcelain	Thousand	6,000	3,947	3,387	3,517	3,575
Bricks	Million	6,892	9,087.3	9,810.5	11,365	12,864.5
Tiles	Million	561	366.2	356.4	350.1	365
Cement	Thousand tons	5,828	13,298	16,073	21,121	23,282
Asbestos tiles	Thousand	14,791	21,391	43,522	51,130	55,630

	square meters					
Building glass	Thousand square meters	4,751	30,718	34,300	38,776	39,960
Thermos bottles	Thousand	703	618	2,576	4,041	4,830
Electric bulbs	Thousand	25,085	69,744	74,208	87,797	100,960
Steel	Thousand tons	470	1,583	1,914	2,503	2,682
Tin rods	Tons	1,862	1,803	1,728	1,565	1,670
Hand-made tools	Thousand	16,516	15,918	16,854	20,639	22,604
Locks	Thousand	2,277	4,741	3,222	6,954	6,980
Pushcarts		17,720	13,705	13,542	12,944	13,060
Apparatus of thin iron plates and iron sheet	Tons	4,645	3,690	4,664	4,703	4,840
Agricultural pumps		547	3,496	4,238	3,578	3,510
Pumps		13,903	4,474	962	1,604	1,650
Sprayers		26	70.4	52.8	52.4	51.7
Tractors and transport vehicles		2,709	1,932	2,885	3,052	3,205
Power-operated threshing apparatus		1,482	11,877	12,013	12,997	13,200
Non-power-operated threshing apparatus		34,916	7,061	8,917	12,094	13,852
Pulverizers		2,043	12,484	18,298	13,433	13,150
Machine tools		1,358	431	655	661	650
Diesel engines		4,217	15,623	18,721	32,570	55,678
Motors		29,390	45,855	53,442	64,085	74,149
Pens	Thousand	700	1,725	2,361	3,924	4,150
Transformers		6,186	13,535	15,664	18,633	17,269
Standard batteries (1.5 V)	Million	138	128.6	269.8	264.4	265
Wires	Thousand meters	94,746	146,535	169,957	227,955	232,300
Electric fans	Thousand	369.2	328.4	408.8	533.7	716.7
Assembled cars		3,524	13,547	20,526	29,536	40,883
Assembled motorcycles	Thousand	62	463.4	610.3	1,051.6	957.1
Assembled TV sets	Thousand	770	1,013.1	1,125.6	1,597.3	2,099.1

Assembled radios	Thousand	111	144.6	71.4	67.3	67
Railway carriages		28	79	99	170	180
Bicycles	Thousand	236	157.3	766	991	691.8
Electric generation	Mil. kilowatts	14,665	26,682	30,673	35,888	41,117
Running water	Mil. cubic meters	521	780	837	908	976

Table 19 Investment of the Total Social Development and its Proportion (At Current Price)

Unit: billion Vietnamese Dongs

Year	Distribution in			
	Total value	State-owned	Non-state-owned	Foreign-funded
1995	72,447.0	30,447.0	20,000.0	22,000.0
1996	87,394.0	42,894.0	21,800.0	22,700.0
1997	108,370.0	53,570.0	24,500.0	30,300.0
1998	117,134.0	65,034.0	27,800.0	24,300.0
1999	131,170.9	76,958.1	31,542.0	22,670.8
2000	145,333.0	83,567.5	34,593.7	27,171.8
2001	163,543.0	95,020.0	38,512.0	30,011.0
2002	193,098.5	106,231.6	52,111.8	34,755.1
2003	219,675.0	123,000.0	58,125.0	38,550.0
Proportion in percentage				
1995	100.0	42.0	27.6	30.4
1996	100.0	49.1	24.9	26.0
1997	100.0	49.4	22.6	28.0
1998	100.0	55.5	23.7	20.8
1999	100.0	58.7	24.0	17.3
2000	100.0	57.5	23.8	18.7
2001	100.0	58.1	23.5	18.4
2002	100.0	55.0	27.0	18.0
2003	100.0	56.0	26.5	17.5

Table 20 Foreign Direct Investment (As of 2003)

	Items	Registered sum of fund in million US dollars	Proportion of the prescribed fund in million US dollars
Total	746	1,858.8	893.4
UK	9	8.6	3.7
India	1	0.2	0.1
Bahamas	2	12	3.8
Poland	1	1.3	0.4
Belgium	2	0.5	0.3
Brunei	2	3	1
Canada	7	25.5	10.7
North Korea	1	0.1	0.1
China	62	152.2	96.7
Chinese Hong Kong	45	123.6	53.6
Chinese Macao	1	7	4
Germany	7	3.3	1.8
Taiwan of China	187	371.9	185.1
Denmark	8	6.5	3.9
Netherlands	8	39.1	12.6
South Korea	181	336.2	168.5
Italy	5	4.8	2.3
Indonesia	4	12.4	12
Russia	3	10.1	4.9
Luxembourg	2	0.5	0.2
Malaysia	20	56.9	30.7
US	26	57.7	24.8
Norway	1	4.5	1.5
Japan	52	120.8	59.3
New Zealand	2	1.2	0.9
Australia	17	163.8	86.8
Panama	1	2	0.7
France	10	7.2	2.9
Virgin islands	29	210.7	57.4
Samoa Islands	1	3	3
Singapore	28	54.8	27.7

Syria	2	1	0.4
Thailand	12	49.7	28.7
Spain	1	0.6	0.6
Sweden	2	1.1	0.4
Switzerland	3	0.5	0.2
Ukraine	1	4.9	2

Table 21 Total Revenues from the Retail Commodity and Service and their Proportion
Unit: billion Vietnamese Dongs

Year	Sum	Distribution in			
		Domestic economy	Distribution in		Foreign funded economy
			State-owned economy	Non-state-owned economy	
1990	19,031.2	19,031.2	5,788.7	13,242.5	
1991	33,403.6	33,403.6	90,000.8	24,402.8	
1992	51,214.5	51,214.5	12,370.6	38,843.9	
1993	67,273.3	67,273.3	14,650.0	52,626.3	
1994	93,490.0	93,044.0	21,566.0	71,478.0	446.0
1995	121,160.0	120,560.0	27,367.0	93,193.0	600.0
1996	145,874.0	144,083.0	31,123.0	112,960.0	1,791.0
1997	161,899.7	159,701.6	32,369.2	127,332.4	2,198.1
1998	185,598.1	183,212.1	36,083.8	147,128.3	2,386.0
1999	200,923.7	198,292.2	37,292.6	160,999.6	2,631.5
2000	220,410.6	216,949.6	39,205.7	177,743.9	3,461.0
2001	245,315.0	241,319.0	40,956.0	200,363.0	3,996.0
2002	280,884.0	269,961.8	45,525.4	224,436.4	10,922.2
2003	310,469.3	302,394.4	50,277.3	252,117.1	8,074.9
Proportion					
1990	100.0	100.0	30.4	69.6	
1991	100.0	100.0	26.9	73.1	
1992	100.0	100.0	24.2	75.8	
1993	100.0	100.0	21.8	78.2	
1994	100.0	99.5	23.1	76.4	0.5
1995	100.0	99.5	22.6	76.9	0.5
1996	100.0	98.8	21.3	77.5	1.2
1997	100.0	98.6	20.0	78.6	1.4

1998	100.0	98.7	19.4	79.3	1.3
1999	100.0	98.7	18.6	80.1	1.3
2000	100.0	98.4	17.8	80.6	1.6
2001	100.0	98.4	16.7	81.7	1.6
2002	100.0	96.1	16.2	79.9	3.9
2003	100.0	97.4	16.2	81.2	2.6

Table 22 Total Import and Export Value and their Proportion

Unit: million US dollars

Year	Total value	Distribution in	
		Export	Import
1990	5,156.4	2,404.0	2,752.4
1991	4,425.2	2,087.1	2,338.1
1992	5,121.4	2,580.7	2,540.7
1993	6,909.2	2,985.2	3,924.0
1994	9,880.1	4,054.3	5,825.8
1995	13,604.3	5,448.9	8,155.4
1996	18,399.5	7,255.9	11,143.6
1997	20,777.3	9,185.0	11,592.3
1998	20,859.9	9,360.3	11,499.6
1999	23,283.5	11,541.4	11,742.1
2000	30,119.5	14,483.0	15,636.5
2001	31,247.0	15,029.0	16,218.0
2002	36,451.7	16,706.1	19,745.6
2003	45,402.9	20,176.0	25,226.9
Proportion			
1990	114.3	123.5	107.3
1991	85.5	86.8	84.9
1992	115.7	123.7	108.7
1993	134.9	115.7	154.4
1994	143.0	135.8	148.5
1995	137.7	134.4	140.0
1996	135.2	133.2	136.6
1997	112.9	126.6	104.0
1998	100.4	101.9	99.2

1999	111.6	123.3	102.1
2000	129.4	125.5	133.2
2001	103.7	103.8	103.7
2002	116.7	111.2	121.7
2003	124.6	120.8	127.8

Table 23 **Major Exporting Products**

Year	Unit	1995	2000	2001	2002	2003
Crude Oil	Thousand tons	7,652	15,423.5	16,732	16,876	17,143
Coal	Thousand tons	2,821	3,251.2	4,292	6,407	7,246
Chromium	Mil. dollars	2.3	4.5	3.4	2.9	
Tin	Tons	3,283	3,301	2,200	1,668	1,900
Slippers	Mil. dollars	296.4	1471.7	1,587.4	1,875.2	2,267.9
Textile	Mil. dollars	850	1,891.9	1,975.4	2,732	3,686.8
Bamboo and rattan work ,summer sleeping mats	Mil. dollars	30.7	78.6	93.9	107.9	
Handicraft	Mil. dollars	18.7	36.2	34	51	366.8
Embroidery	Mil. dollars	20.4	50.5	54.7	52.7	
Porcelain	Mil. dollars	22	108.4	117.1	123.5	
Rice	Thousand tons	1,988	3,476.7	3,721	3,236	3,813
Shelled peanuts	Thousand tons	115	76.1	78.2	106	83
Coffee	Thousand tons	248.1	733.9	931	722	749
Rubber	Thousand	138.1	273.4	308	455	433

	tons					
Cashew nuts	Thousand tons	19.8	34.2	43.6	62	84
Fresh and processed vegetables	Mil. dollars	56.1	213.1	344.3	221.2	151.5
Pepper	Thousand tons	17.9	36.4	57	78.4	74.1
Tea	Thousand tons	18.8	55.6	67.9	77	59.8
Processed meat	Mil. dollars	12.2	25.6	41.7	27.3	
Timber and woodwork	Mil. dollars	114.5	311.4	343.6	460.2	567.2
Cassia	Tons	6,356	3,500	3,800	5,067	4,971
Aquatic products	Mil. dollars	621.4	1,478.5	1,816.4	2,035.7	2,199.6
Of which, frozen fish	Mil. dollars	35.9	172.4	248.8	337.5	
Frozen cuttlefish	Mil. dollars	68.4	76.8	139.7	83.7	
Frozen shrimps	Mil. dollars	290.9	631.4	846.2	715.7	

Table 24 Major Importing Products

Year	Unit	1995	2000	2001	2002	2003
Trucks		12,223	13,048	22,168	24,911	15,471
Cars		7,752	9,800	13,139	21,792	31,386
Iron and steel	Thousand tons	1,116.2	2,845	3,870	4,946	4,574
Distribution of gas and other fuels in						
Total	Thousand tons	5,003.2	8,747.3	9,083	9,970	9,955
Gas	Thousand tons	1,043.5	1,480.1	1,732	2,098	2,175
Diesel oil	Thousand	2,271	4,133.2	4,048	4,434	4,654

	tons					
Heavy oil	Thousand tons	867.5	2,367.6	2,366	2,582	2,377
Kerosene	Thousand tons	314.7	387.7	525	425	415
Fertilizer	Thousand tons	2,316.9	3,972.3	3,288	3,820	4,119
Of which, urea amounts to	Thousand tons	1,356.2	2,108.3	1,652	1,818	1,943
Pesticide	Mil. dollars	100.4	143.5	102.8	116.5	146.3
Foamed plastics	Mil. dollars	229.8	530.6	551	613.5	784.7
Cotton	Thousand Tons	68.2	90.4	98	98	91
Silk threads and yarns	Thousand tons	194.6	326.4	347.5	391.6	298.3
Materials for tobacco production	Mil. dollars	97	107.6	125.6	145.4	173.6
Raw materials for textile ,clothing and leather production	Mil. dollars	488	1,422	1,589.6	1,710.9	2,033.6
Coal cinders	Thousand tons	959.3	214.5	1,498	3,500	4,079
Flour	Thousand tons	254.2	86.7	65.6	61.6	51
Milk and dairy products	Mil. dollars	58.7	140.9	246.7	133.2	163.6
New medicines	Mil. dollars	69.1	325	328.6	349.7	374.2
Cloth	Mil. dollars	108.6	761.3	880.2	1,523.1	1,364.6

Motorbikes	Thousand	458.5	1807	2,380.4	1,480.2	
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