

## **PM underlines top priorities for 2010**

On the threshold of the New Year 2010, PM Nguyen Tan Dung wrote an article recalling Vietnam's lessons and experience of overcoming difficulties and challenges amid the global economic crisis. The PM also pointed out solutions to strengthen macro-economic stability and obtain a higher growth rate.

“In 2008 - 2009, our people and country had to cope with and overcome many difficulties and challenges due to unusual and reverse changes of the world economy, worsening the national economy's internal weaknesses and limiting the country's choice of responsive and development policies.”

“The story began with inflation, when the rocketing prices of food, petroleum and most of imports pushed up prices on domestic market. In addition, financial and monetary policies were loosened for years, foreign investment capital into the stock market sharply increased, the total means of payment and debit balances surged, especially in 2007, and we were forced to readjust prices of coal, petroleum and electricity in line with the market mechanism. The combined impact of all these factors made the consumer price index in our country increase to a double digit, higher than those in other regional countries, production and people's life difficult, worrying and diverting the society. In such a context, we adopted the priority targets of curbing inflation, stabilising the macro-economy, ensuring social security and maintaining a proper growth rate through eight groups of solutions in order to fulfill this unscheduled major task.

“Since September 2008, the financial crisis and economic recession, emerging from the US, has spread out worldwide, seriously affecting most of economies and exerting negative impacts on our country, especially in terms of export, investment capital, tourism revenue and overseas remittance, hindering growth and threatening macro-economic stability and social security.

“Having recognised serious impacts of the crisis, in early fourth quarter of 2008, we shifted priority targets from curbing inflation to preventing growth recession while maintaining macro-economic stability and social security. The Government timely issued economic stimulus policies and provided interest rate-subsidised regime in line with the actual situations in order to push up production and business, secure employment and growth.

“Thanks to great efforts made by the entire Party, people, army and the business community, under the sound leadership of the Party Central Committee and the effective management of the State, we realised the overall targets of each year. Since mid-2008, inflation has been curbed and slashed down to 6.52 percent in 2009. Vietnam obtained a GDP growth rate of 6.23 percent in 2008 and in 2009, when the world economy saw a negative indicator, it continued to be one of few countries attaining a relatively high growth rate of 5.32 percent; macro-economy was stabilised; social security and welfare maintained; national sovereignty, political security and social order and safety guaranteed; the country's status and strength further consolidated, and its position

heightened on international arena.

“At the Consultative Group (CG) Meeting in last December, international donors offered a record ODA commitment of over 8 billion USD in 2010. This showed the international community’s high appreciation of the Party and State’s renovation policies, leadership and socio-economic development management.

"We can draw out many valuable lessons and experience of coping with difficulties and challenges over the past two years: (1) Sustaining macro-economic stability and social security while creating a favorable climate for business activities; (2) Mobilising all resources for investment to boost production and business, and to expand markets in an increasingly effective way is the decisive factor for sustainable growth and the material resource to stabilise macro-economy and ensure social welfare; (3) Closely following actual market changes, so as to make timely and sound readjustments; at the same time, directing the implementation in a drastic and prompt manner; (4) Ensuring national defense and security and enhancing diplomatic work to lay the good foundation for socio-economic stability and development; and (5) Creating high political and social consensus as an important driving force and a combined strength to realise all missions in the difficult time.

“In 2010, though the world economy has seen positive changes, signs of its recovery remain weak. The global economic growth rate is estimated at about 3 percent, mainly due to stimulus packages for investment and domestic consumption in different countries; the world commodity trade is expected to increase by 2.7 percent over 2009. Developed economies, which are now major export markets and are pouring a large sum of investment capital in our country, still face difficulties with their growth rate expecting to stand at around 1.3 percent and their import demand up only 1.5 percent, lower than the average of the world. Many countries are weighing the options to continue policies of economic stimulus and loosen credit on the one hand, or to tighten these policies on the other hand. The US dollar, the major currency used in international payment, is experiencing ups and downs, affecting prices of many goods and investment channels. Some economies are trying to readjust the relationship between accumulation and consumption and protectionism tends to emerge. In this situation, such an open economy which is deeply integrating into the world economy and greatly depends on external factors like Vietnam will continue to face high risks and instability.

“2010 will be a significant year of Vietnam, when the country concludes its five-year socio-economic development plan 2006-2010 under the Resolution of the 10th National Party Congress, organises Party congresses at all levels before convening the 11th National Party Congress, celebrates the 1000th anniversary of Thang Long–Hanoi, and hosts many national and international events. Thus, the successful implementation of the Socio-economic Development Plan for 2010 and the completion of the five-year plan 2006-2010 facilitating the realisation of the socio-economic development strategy for the 2011-2020 period, is not only responsibility of each and every cadre and Party member but also a legitimate requirement of the entire people.

“At its 6th sitting session, the National Assembly adopted the overall targets for 2010, namely striving best to recover economic growth rate higher than 2009; increasing macro-economic stability; improving growth quality; preventing the recurrence of high inflation; further maintaining social security; proactively integrating in and raising efficiency of international economic cooperation; securing political stability, social order, national defense and security; obtaining highest norms set in the five year socio-economic development plan for the 2006-2010 period.

“The main guideline in directing socio-economic development in 2010 is to strengthen macro-economic stability in order to attain a higher economic growth rate, both in quantity and quality, while preventing the recurrence of high inflation. And a growth rate higher than in 2009 will bring about conditions and resources to ensure macro-economic stability and better social security.

“In this spirit, while taking consistent measures to fulfill the overall target and specific norms mentioned in the plan 2010, it is necessary to realise five major groups of tasks and solutions as follows.

"First, enhancing macro-economic stability and secure key balances of the economy

“Macro-economic stability is a prerequisite for production and business development, social stability and sustainable development. The fundamental principle of macro-economic management is to observe rules of the market economy, secure key balances of the economy, closely combine fiscal policies and monetary ones and instruments of these policies; properly deal with the interrelationship between credit interest rate, exchange rate and international balance of payment, especially balance of trade; well manage foreign exchange market and national debt; guarantee capital and liquidity of the economy; try to increase revenue and save spendings; push up investment and growth, prevent inflation and secure safety of the financial and banking systems.

“It is necessary to further highlight the State’s regulatory role, especially in such a transforming country like Vietnam, where the market economy is not yet formed synchronously, economic balances not yet stabilised and competitive environment still imperfect. The State intervention into the market helps to guarantee market economic rules, market relations and macro-economic stability. When using regularoty tools, we must pay attention to the scope and duration for high efficiency and low expenditure. We need to anticipate all market responses; if these responses can distort fundamental balances and make macro-economic unstable, they must be timely adjusted.

"Second, sparing no effort to boost investment, production, business and economic restructuring.

"Macro-economic stability is very important but is not a policy issue. Policy itself cannot decide everything but can create favorable environment and conditions for developing production and business, mobilising and allocating resources, regulating possibilities of development and orientating economic activities. Macro-economic management also

depends on economic potential. If economic potential is not strong enough, macro-economic management will be constrained. Therefore, removing difficulties, mobilising investment resources, pushing up economic restructuring, expanding production and business, and boosting exports are the most decisive factors which must be centered in sustainable development.

“Agriculture, including forestry and fisheries, plays an important role in poverty reduction, social stability, food security and export. Agricultural products, especially essential ones, though slightly affected by the global financial crisis and economic downturn, are the group of commodity strongly influencing prices in our country. It is necessary to foster agricultural production with increasingly higher quality and efficiency to provide more products for domestic consumption and export, raise purchase power and improve farmers’ living standards. Climate change, storms and floods, droughts, and epidemics always threaten agricultural production, so we need to fruitfully take preventive measures in order to minimise damages.

“Developing value-added industrial products is the centre of economic restructuring and national industrialisation and modernisation process. To obtain a growth rate higher than 2009, we must raise production value and added value of the industry sector. The declines in production and consumption during the crisis shows us the competitiveness and demand for different products in each market. Enterprises, sectors and localities should be aware of this to outline production plans in 2010. The main orientation is to place focus on products with high added value, large market share and rapid growth rate, at the same time enlarging consumption markets and closely watching all new changes and making timely readjustments.

“In 2010, the State would continue to increase investment in order to stimulate growth, encourage all economic sectors to invest in infrastructure construction and production and business development. Increasing investment will not only create new production capability, boost growth in the construction sector but also create more markets for goods and services, generate more jobs, and therefore, bringing about pervasive effects on the entire economy. At the moment, it is very urgent to speed up the construction of projects and generate more products, so as to improve investment efficiency. Thus, capital allocation and mobilisation of resources for the projects which will be finished in 2010 must be carried out promptly and strictly. We resolve to stop dispersing resources, prolonging the schedule, and delaying the operation of the projects.

“Our economy is entering a stage when economic relations become diversified, complicated and intermingled; specialisation and cooperation popularised and therefore higher services required. Over the past years, the service sector has posted a higher growth rate than GDP growth rate, even higher than the figure for industrial production in 2009, making increasingly significant contributions to the economic growth. This situation requires and also creates chances for rapid development of services, particularly finance, information, consultancy, tourism, trade, transport, and logistics.

“Boosting export, narrowing trade gap, and improving the balance of trade are very

important to stabilise macro-economy and growth. Though there remain difficulties due to the slow recovery of the world economy, the situations are more favorable than in 2009. It is necessary to tap traditional markets and those with free trade agreements while exploring new potential ones in East Europe, West Asia, Middle East, Africa and Latin America. The Việt Nam-Japan Economic Partnership Agreement, which came into effect on October 1, 2009, will surely be brought into full play in 2010. The ASEAN-China Free Trade Agreement, under which about 90 percent of import tax of China and six ASEAN countries are slashed down to zero since early 2010, will facilitate the penetration of Vietnamese goods into these big markets. Enterprises should make use of new chances to raise export turnover.

“Our domestic market is very large, with a high growth rate and stability. For consecutive years, the retail goods and services revenue increased by around 10 percent, and in 2009 about 12 percent (after eliminating price increase); distribution services in the domestic market contributed about 14 percent of GDP, over 5 million jobs were created, making the highest percentage in the service sector. Multinational groups have been proactively exploiting our domestic market. Last year, with the view of “domestic market is the foundation, external markets are important” and in response to the “Vietnamese people buy Vietnamese goods” campaign, the domestic market has taken off. Enterprises have attached greater importance to this market and more and more Vietnamese consumers are looking towards made-in-Vietnam products. However, to occupy the domestic market, enterprises should improve their competitiveness and pay greater attention to rural markets. They should make high-quality products which are appropriate for each group of consumers and foster specific features of Vietnamese commodities. At the same time, they should place importance on the development of distribution network, considering it the foundation to establish linkages between production, distribution and consumption as well as to form sustainable circulation channels. State management agencies must create favorable conditions for domestic enterprises to develop the distribution system and nurture powerful Vietnamese distributors. This must become the political thought and actions of leaders of sectors and localities. It is impossible to attract foreign investors to found distribution establishments while ignoring domestic enterprises. Each and every Vietnamese, first and foremost leaders and managers, should thoroughly grasp the viewpoint underlined in many resolutions of our Party: Internal strength is decisive, external one is important. Domestic market and enterprises are important factors to comprise the country’s internal strength.

“It is required to remove all obstacles to investment and business in order to promote production and expand market; we resolve to simplify administrative procedures, especially in such fields as market penetration, investment, capital construction, customs, tax declaration and payment, so as to save costs and increase enterprises’ competitiveness. We are determined to cut down at least 30 percent of current administrative procedures. The Government’s determination is being transformed into actions of ministries, sectors and localities. It is important to ensure synchronism in operations of different sectors at different echelons because a weak component can hinder and hold back the operation of the whole apparatus.

"Apart from administrative procedure reform in favor of investment, production and business, the Government will channel its aid to agriculture and rural areas, and complete credit guaranteeing mechanism for small and medium-sized enterprises, facilitating their access to development resources.

While striving best for higher growth rate and preventing inflation, it is necessary to attach importance to growth quality. We need to tighten supervision and management over public investment and operations of State-owned enterprises; complete management and salary mechanisms in State-run sector, so that salary must be closely attached to business performance and efficiency of the use of capital and property. Enterprises in all economic sectors must review different phases of production and circulation, complete their management, save input materials and energies, reduce intermediary costs, better the performance of each enterprise and the whole economy. All forms of enterprises are encouraged to develop. Role of State-owned enterprises should be highlighted in stabilising macro-economy and growth.

"To improve growth quality and sustainable development, apart from the above-said tasks, it is necessary to restructure the economy and renew the model of growth. This is a decisive condition to increase competitiveness in the context of globalisation and international economic integration. This work must be done continuously for years, in combination with resource accumulation in each and every enterprise, each production industry and in the entire economy. We must develop gradually while taking short-cuts in the fields where science and technology are changing rapidly and we have necessary conditions. This process must be sped up since 2010.

“We must complete all prerequisites for restructuring. First and foremost, we need to form an integrated market economic mechanism, develop technology market, create an equal ground for all players from different economic sectors; vigorously reform national administration; nurture high-quality human resource; and upgrade and modernise infrastructure. We should clearly define contents of restructuring, focusing on restructuring production industries, promoting economic restructuring, in combination with corporate restructuring and readjusting market strategy in order to quickly raise domestic value and added value of commodities and services, and nurturing the national business force with powerful Vietnamese brandname enterprises which can take part in the global production network. This is also the transformation from a model of growth which mainly relies on extensive factors (capital, natural resources and low-quality labor force) to an intensive model which is based on combined productivity elements, such as science, technology, high-quality human resource and modern management skills, so as to raise these factors’ contributions to growth. All enterprises should be fully aware that, in the current era of rapid science and technology development, aggregate productivity factors are playing a decisive role in terms of quality, efficiency and competitiveness. In this process, the State creates necessary environment and conditions, while the business community functions as the decisive force.

“In 2010, the Government will continue providing credit interest rate subsidiaries for enterprises to renew their technologies and expand production activities. However, renewing equipment and technology must be closely associated to new organisational and administrative models, bringing about combined efficiency and promoting sustainable

growth.

"Third, solving pressing social problems, striving for specific breakthroughs in these important and sensitive fields

"Over the past years, our Party, State and the entire political system have made great efforts in fulfilling various social tasks and have achieved some positive results, especially in reducing poverty, maintaining social security and welfare. However, these results are not really stable, the rate of re-impoverty remains high, some pressing social issues are slowly solved. These weaknesses have affected our achievements. The people recognise socio-economic achievements in a practical and specific way through their own life and the social environment. The people are requiring the Party and State to create real breakthroughs in these fields. This is also an essential criterion for preeminence of our regime.

It is impossible to solve pressing social problems in a short time but we must make advances, focusing on some following ones: (1) To rapidly and fruitfully realise the Poverty Reduction Programme in 62 poorest districts nationwide while cutting poverty rate in other regions; (2) To improve conditions and quality of healthcare and medical examination and treatment for people; ensure food hygiene and safety, and protect environment; (3) To improve quality of education and training, especially at tertiary level and in vocational training; (4) To prevent and combat corruption, crimes and social evils; and (5) To ease traffic jams and inundation in big cities.

"The basic measures to realise the above-said tasks are to complete legal system, mechanisms and policies, evaluation standards and sanctions; to further enhance legal popularisation and education; to increase openness and transparency; to boost inspection, supervision and strictly punish violations; the State's increase investment and mobilisation of all social resources; to highlight responsibilities of each and every sector at all levels, first and foremost of their leaders, at the same time to engage the entire political system in solving these burning tasks.

"Fourth, strengthening capability in directing and organising the implementation of development policies and targets

"One of basic functions taken by leaders is to organise the realisation. Outcomes of this work prove strength of the apparatus, ability of cadres, and soundness of mechanisms and policies.

"We need to conduct prompt and fruitful implementation work, words must be accompanied by actions. Party committees and governments at all levels, from central to grassroots, particularly leaders, must timely deal with all issues arising from realities. We must drastically direct and organise the realisation of policies in a resolute and prompt way, so that these policies can be converted into resources for socio-economic development but also increasingly completed in line with requirements of life and aspiration of people. Through directing and implementing the work, we can find out new and creative solutions from abundant actualities in each field, locality and unit.

"Fifth, well conducting information work, popularising guidelines and policies, creating a high consensus in the entire political system and the whole society, from thought and actions

"Development is an aggregate process with various purposes, in combination and interaction with economy, society and environment, in which specific short-term goals may be contrary. Globalisation can help to facilitate expansion and temporal change of the reproduction process; moves of development, for times, are beyond all predictions and estimations. Furthermore, no mechanism or policy can cover all socio-economic phenomena. So, it is very normal when there are different opinions to a specific policy. The most importance is that, after making decisions, we must spare no effort to fruitfully realise the set tasks, solutions and targets. We need to publicise transparent information in order to clarify the Party and State's guideline and policies. Information work must aim at the country and people's interests. It is necessary to timely reject incorrect information, creating right awareness, high social consensus, and consistent actions. This is very essential in Vietnam, a country developing from a small production, where "smallholder thoughts" and "generality psychology" remain popular. Over the past time, we have met this requirement quite well and we need to do it better in the time to come. The world economy is experiencing unpredictable changes. It is necessary to keep up with all moves of development in order to take proper and timely policy responses, so as to make use of new opportunities while overcoming difficulties, trying to gain a higher economic growth rate and solving social issues effectively.

"We need to follow close behind actual situations, take prompt actions, assume responsibility, face and overcome difficulties, realise all socio-economic norms. We need to closely associate socio-economic development tasks of ensuring national defense and security, and improving efficiency of diplomatic work. By doing so, we can protect the country's legitimate interests and national sovereignty, further raising Vietnam's status on the international arena. This will be the best preparation, both in terms of development thoughts and personnel, for the upcoming Party congresses at all levels. This is also the most practical act to welcome the upcoming 11th National Party Congress and other major events slated for 2010."