

1990**Memo Concerning Economic Cooperation between
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Summary:

This memo details the SRV's economic development in the 1980's and highlights prospects for continued economic cooperation with the Soviet Union in the agricultural and energy sectors.

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MEMO

Concerning Economic Cooperation between the USSR and the Socialist Republic of Vietnam

1. The economic situation in the SRV

On the whole the economic situation in the SRV is characterized by gradual stabilization, a consolidation of positive trends both in the industrial and social areas. The main factor in this process is the consistent implementation of economic reforms during which the main attention of the SRV leadership has been concentrated in two key directions:

-a decisive change of the structural and investment policy in the direction of priority development of traditional and export-oriented sectors;

-a fundamental reorganization of the system of management on the basis of the broad use of market regulation in conditions of support to the equal development of various socioeconomic organizations, including private ones.

The steps undertaken have allowed Vietnam to overcome the crisis situation of its socioeconomic development. Real living conditions have improved markedly in spite of the high percentage of growth of the population which has continued. The rationed supply of the main foods and industrial goods has been abolished. Stabilization of the economy has also been facilitated by good rice harvests in the last two years and the saturation of the market with consumer goods (mainly by importing them and bringing in contraband).

Three main trends are being distinctly observed in a new policy for the agrarian sector: a massive shift to leasing relationships, a transfer of the means of production of agricultural cooperatives and state farms to private hands through auction sales, and the organization of agencies of traveling salesmen at state farms (in order to sell the farm produce in exchange for mass-market goods in other regions of the country and abroad).

The new single agricultural tax established as a percentage of the annual amount or the gross value of the agricultural output produced has promoted a considerable increase of the peasantry's interest in the production of food. The rate of this tax is determined on a case-by-case basis for seven categories of land plots depending on their fertility and location, and varies between 8 and 12.7%.

Increased attention toward the peasantry from the CPV-SRV leadership has allowed Vietnam to get an all-time record grain harvest even in the unfavorable year of 1989 (20,700,000 tons in brown rice equivalent), and shift from a situation of constant tension, a shortage of food, and a need to import it to self-sufficiency, to act as a large exporter of food and to take third place after Thailand and the US in supplying rice to the world market (1,500,000 tons).

This also explains the notable successes in animal husbandry.

The structural changes carried out in industry oriented at market requirements allowed the production of electrical power to be increased by 16.9% in 1989, rolled metal by 12.5%, sugar by 4.3%, tea by 6%, and frozen vegetables and fruits by 11.7%.

At the same time elements of the old management mechanism are still preserved, especially in the state sector of industrial production (and this is more than 3,300 enterprises). More than 20% of state enterprises, predominantly of group "B", produce output which is not in demand, which has led to a great accumulation of unsold production. The production capacity of the state sector is only 50-60% used, the production expenses are high, and the quality of production is low. There are more than 1,500,000 unemployed in cities and industrial centers, and in state enterprises unemployment is 14% and a tendency for it to grow continues.

On the whole, no notable improvement in the financial sphere occurred in 1989 in spite of certain successes achieved in a considerable reduction of the level of inflation. The state budget deficit rose to 1.547 trillion dong, and the issue of money exceeded two trillion dong, or double that in 1988. Such a situation continues a trend toward an increase of prices in the country.

The country's foreign debt is growing. As of 1 January 1990 the SRV's debt exceeded 12.6 ruble-dollars (the Vietnamese equate dollars to rubles in financial calculations), including \$2.5 billion to non-socialist countries, the annual payments for which constitute \$300 million US.

The SRV's export opportunities are limited by the small range of competitive products, the low share of goods with a high degree of processing, and mainly raw materials are exported. At the same time the measures that have been taken have recently allowed a considerable increase in exports to be achieved. In 1989 their amount was 1.55 billion ruble-dollars, which is one and a half times that of 1988.

The CPV-SRV leadership is considering a policy of diversifying foreign economic ties as one of the effective measures to improve the economy. A "law on foreign investments" (1987) has been adopted which allows the creation of enterprises on the territory of Vietnam with 100% foreign participation and a comparatively low income tax for a profit received within the range of 15-35% (for comparison: China is 30-40%, South Korea is 35%, and Malaysia is 45%).

2. Trade relations between the USSR and SRV

The Soviet Union occupies a leading place in the foreign economic relations of the SRV (65% in 1989). The USSR has 100% of the Vietnamese imports of petroleum products and cotton fiber, more than 70% of mineral fertilizers, and about 75% of rolled ferrous metal products.

Vietnam's share in the foreign trade turnover of the Soviet Union is small (1.3% in 1989); however for individual goods deliveries from the SRV occupy a notable place in the overall volume of imports. They have about 20% of the entire amount of purchases of jute abroad, about 16% of the natural rubber, 12% of the coffee, 15% of the cotton yarn, and 9% of the fresh vegetables and fruits.

The trade turnover between the USSR and the SRV is described by the following data:

(in millions of rubles)

□□□
□□□□

1981-1985

1986-1990

1986-1990 as a percentage of 1981-1985 □□□

□□□□	
trade turnover	
5749.4	
9762.0	
169.8 □□□	
□□□□	
exports	
4613.0	
7412.0	
160.7 □□□	
□□□□	
imports	
1136.4	
2350	
206.8 □□ □□	

In accordance with a request of the SRV government prices for mutually-delivered goods in 1986-1990 were kept at the 1985 level of the contract prices ("stop-prices").

In 1990 the general obligations for exports from the USSR to the SRV are 1,529,200,000 rubles (goods [worth] 287,400,000 rubles, or 18.8%, were actually delivered in the first quarter of this year), and from the SRV to the USSR, 865,000,000 rubles (goods [worth] 214,100,000 rubles, or 24.8%, were actually delivered in the first quarter of this year).

The range of Vietnamese goods being delivered to the USSR is expanding. The delivery of new goods has been specified in 1990 along with the goods of traditional Vietnamese exports such as concentrated apatite, coal, personal computers, marble flag, shampoos, toilet paper, rice, and number of others.

3. Technical assistance in the creation of economic facilities

Technical assistance to Vietnam in the construction and reconstruction of facilities, and the performance of work has been given since 1955 and encompasses practically all the primary economic sectors of the country.

Since the beginning of cooperation 265 economic facilities have been repaired, reconstructed, and built in the SRV with the economic and technical assistance of the USSR.

The production capacity put into operation with Soviet assistance comprises: in the production of electrical power - 1,600,000 kilowatts, the production of coal - 7,900,000 tons a year, cement - 1,200,000 tons, tin - 470 tons, machine tools - 680, the production of phosphate and sulfuric acid, 320,000 and 180,000 tons respectively, the production of panels for housing construction - up to 110,000 m² of housing a year, and the reprocessing of tea green-leaf, 272 tons a day. More than 2300 km of power transmission lines have been built, and state farms have been created and existing ones expanded to produce tea, coffee, and other tropical plants on an area of 100,000 hectares, irrigation systems have been built over an area of 400,000 hectares, and 90,000 hectares of hevea plantations have been established.

At the present time in the total volume of production the amount of output produced at SRV enterprises built with the technical assistance of the USSR constitutes: 70.5% of the electrical power, 71.4% of the coal, 45.4% of the cement, 100% of the

superphosphate and apatite ore, 42.0% of the tin, 100% of the machine tools, 46.0% of the tea, and 31.7% of the diesel engines.

During the years of cooperation more than 170,000 Vietnamese specialists have been trained with the assistance of the USSR. At the present time 81,700 Vietnamese citizens are working in the Soviet Union through USSR Goskomtrud [the State Labor Committee] channels.

A new direction of Soviet-Vietnamese cooperation was the creation in 1981 of a joint Soviet-Vietnamese enterprise to conduct geological exploration and produce crude oil and natural gas on the continental shelf of the south of the SRV. The enterprise began the commercial recovery of oil in June 1986 (a total of about three million tons of oil have been recovered). In 1990 it is planned to recover 2.5 million tons of oil.

There are more than 7,000 Soviet specialists and family members in the SRV.

There are difficulties in economic and technical cooperation with the SRV which reduce the effectiveness of the Soviet aid. The deadlines for the construction of a number of facilities are being pushed back and some enterprises built and placed into operation are not operating at full capacity because of a shortage of domestic financing, electrical power, fuel, raw materials, the inefficient operation of transportation, and a lack of the necessary infrastructure and social welfare conditions for the Vietnamese workers.

Agreements have been signed about the basic principles of the creation and the activity of joint enterprises, and also about direct production ties of enterprises and organizations in order to develop new forms of economic cooperation between the USSR and the SRV.

To date three joint enterprises, V'yetsovpetro, in the field of the exploration and recovery of oil and natural gas, V'yetsovlikhter, in the field of transportation, and Siprimfiko, in the field of the catch and processing of seafood products have been created and are operating in the SRV.

Soviet and Vietnamese organizations are pursuing work to study the possibilities of creating 11 more joint enterprises to produce industrial rubber articles and coffee, to reprocess coconuts, in the field of the production of small ships, and others.

Contracts have been signed about the establishment of direct production ties between 112 Soviet and SRV enterprises.

4. Credit relations and settlement payments

As of 1 April 1990, since the beginning of cooperation (1955) the Soviet Union has granted Vietnam state credits of 16.2 billion rubles, of which 12.0 billion rubles have been used, about 2.0 billion rubles of the principal debt have been repaid and refinanced, and 1.1 billion rubles of indebtedness have been written off.

As of 1 April 1990 the SRV's total indebtedness to the Soviet Union for the credits granted is 9.4 billion rubles.

The Vietnamese Side has been offered a credit of 4.36 billion rubles to balance the settlement payments in the current five-year plan. Credits have also been offered for the refinancing of the principal debt from previously granted credits (about two billion rubles) and two billion rubles for the payment of technical assistance to Vietnam

(mainly from a calculation of 2% a year, with the exception of credits for the exploration and recovery of oil, which was granted from a calculation of 4% annually).

Vietnam has been given a deferment of the repayment of credits until 1991. SRV indebtedness in the amount of 6.2 billion rubles is to be repaid between 1991 and 1995.

5. The prospects for the development of trade and economic cooperation between the USSR and the SRV

In accordance with an agreement of the Sides the planning bodies of the SRV and the USSR are developing concepts for the development of foreign economic ties between the USSR and SRV for the period until 2000 in which ways are being outlined to gradually transition to a complete balance of our trade and economic relations.

Three consultations of the planning organizations have been held to coordinate the state plans of the USSR and SRV for 1991-1995. It was intended to conclude this work during 1990. The mechanism of foreign economic cooperation should be improved in the course of the agreement of the plans for trade and economic cooperation for 1991-1995 on the basis of a shift in mutual trade and investment cooperation toward current world prices and settlements in freely convertible currency.

[Translator's note: the available text ends here]