

National progress hampered by global crises



Vietnam has translated socialist principles into action by achieving most of the Millennium Development Goals (MDGs) well ahead of time. However, it is not immune to the multiple global crises. There is an increasing gap between the rich and the poor, and rising sea levels due to climate change are already having negative impacts. Although civil society organizations still do not have much of a presence in the country, some groups have taken the lead to respond collectively to the issues.

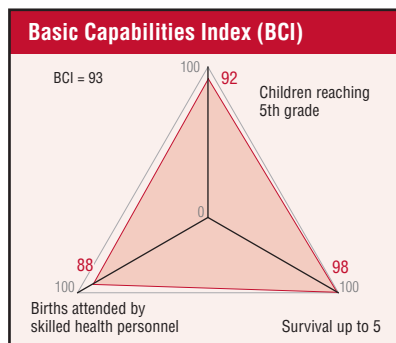
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As the global crisis began to be felt in 2008, Vietnam witnessed an inflation rate of 14.1% in February – an all time high in East Asia, almost twice that of Indonesia (7.4%) and more than twice that of China (6.5%). This led to a price hike of 24% for foodstuffs compared to the same period in 2007 and a 17% increase in electricity, water and gasoline compared to the previous year.¹ Around the time of Tet, the Vietnamese new year, in 2008 the price of rice fluctuated between VND 5,000 and VND 7,000 (about USD 0.30 and 0.40, respectively) per kilogram. Since then, the price has increased to over VND 10,000 (USD 0.60). The Consumer Price Index hit a record high of 28.9% in December 2008, though it stabilized in the first four months of 2009 and is currently at 11.6%.

Economic growth during the first quarter of 2009 was fairly high at 3.4% but far lower than the targeted annual plan. The worst hit have been the major export-oriented sectors (agriculture, garments and textiles). This has added more pressure to the macroeconomy in general and to the most vulnerable wage-earning groups in particular. Diminishing demand is affecting industries and causing unemployment. Nguyen Phu Diep, head of the Labour Management Department in Hanoi's Industrial Parks (IPs) and Export Processing Zones (EPZs), says that 19 enterprises there cut 4,300 jobs, which is approximately 20% of workers in these sectors. It is estimated that 10,000 workers in Thang Long IP will lose their jobs in 2009. Declining purchasing power leads families to cut essential expenses such as health and education; the current rate of out-of-pocket health expenditures is approximately 62.8%.

Causes and impacts of the crisis

Over the last decade, Vietnam has stood as an example of a development model that lifted millions of people out of poverty while trying to ensure that the benefits of its vibrant market economy were fairly and evenly distributed across society to maintain the Government's socialist orientation. However, the aim of reducing poverty is still a challenge, as is the increasing gap between the rich and the poor. According to the World Bank, the consumption of the richest 20% of the population accounts for 43.3% of



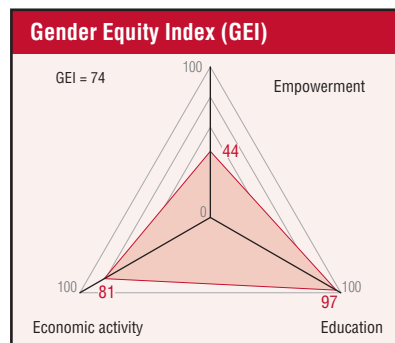
total expenditure in the country, while the remaining 80% spends modestly. The situation has created two disparate groups: a minority with “voice”, represented by emerging capitalists, and a voiceless majority made up of rural communities, wage labourers, small farmers and those being left out of the race.

Poverty and rural-urban dynamics

Since 2005 Vietnam has witnessed a blossoming of industrial zones and urbanized areas, with more than 190 industrial zones and clusters built on land recovered from over 100,000 households. This is leaving rural areas with limited livelihood resources. Approximately 90% of the poor depend on agricultural production – which is distributed in a relatively even fashion. Only 4% of rural households have no agricultural land of their own, which may be considered as an advantage for ensuring household food security.²

An estimated two-thirds of displaced households benefit from greater job opportunities and the chance to realize the cash value of their land holdings. Equal property (land) rights have become a very important issue as strong gender stereotypes still exist. Though there has been legislation to promote equal access to land for women, the implementation of these laws is very limited. As a result, women are the worst affected during transitions. Large numbers of people are trying to find an opportunity to earn a living in the cities. In Hanoi alone, the annual population growth is 3%. It is estimated that by 2010 there will be 120,000 to 130,000 people migrating to the capital city.

2 ActionAid Vietnam (n.d.). “Food Security for the Poor in Vietnam in the Context of Economic Integration and Climate Change”. Available from: <www.isgmard.org.vn/Information%20Service/Report/Plenary%20Meeting%20Report%2017-11-2008/Group%203/Bao%20cao%20tham%20luan%20AAV-En.doc>.



A 2008 report by ActionAid revealed that the urban poor and migrants, as net consumers, were the worst hit by price hikes. They have also been the first and worst affected by the impact of the recent economic crisis. The majority of migrants work on a short-term basis and are the most vulnerable group during the economic downturns affecting the employment sector. According to the Ministry of Labour, War Invalids and Social Affairs in January 2009, approximately 67,000 workers, mostly migrants, had lost their jobs. The number is predicted to rise to 150,000 by the end of 2009. Since the unemployed do not have insurance, this crisis is pushing rural migrants into extremely difficult situations.

Agriculture

Vietnam has become the world's second largest rice exporter, largely by maintaining an annual agricultural sector growth rate of 4% for the last two decades. This was a major factor in helping the country to avoid being trapped in the economic crisis of 1997. Almost 70% of the labour force works in farming. The Central Committee of the Communist Party aims to industrialize and modernize the country by reducing the farming labour force to 30% by 2020. However, the current crisis is making it difficult to achieve these goals, despite the introduction of several modernization programmes in the sector. More than 75% of the labour force has not yet undergone any vocational training, and adult education still requires a lot of reinforcement.

Membership in the World Trade Organization (WTO) has widened Vietnam's opportunities for economic growth but also introduced a number of challenges in the agricultural sector. Due to the push towards commercialized production and the increasing drive of market forces and capital accu-

1 See: <tintuc.timhnh.com/kinh_te/20080225/35A7142E/>.

mulation, poor farmers currently face a severe risk of impoverishment. At the same time, increased use of chemical fertilizers and pesticides has already caused serious damage to the local environment and undermined the indigenous knowledge of local economies. Farmers have become more vulnerable during the transition, particularly in the absence of a Law on Agriculture, due to lack of formal credit facilities and of insurance to protect them. On a more positive note, farmers have been introduced to more advanced practices and high-yield crop varieties that have contributed to increased production.

Climate change, food security and human development

Vietnam will be severely affected by climate change. As a large section of the population lives within the global low-elevation coastal zone, it is particularly vulnerable to rising sea levels.³ During a seminar on climate change organized by the Ministry of Agriculture and Rural Development in January 2008, the Minister, Cao Duc Phat, acknowledged that 73% of the population, especially poor people, are already suffering from the negative impacts of climate change and environmental degradation. Statistics show that storms, landslides and floods in 2007 caused damage that exceeded 1% of the country's Gross Domestic Product (GDP).

A study conducted by ActionAid and experts from the Rural Development Centre of the Institute of Policy and Strategy for Agricultural and Rural Development shows some clear evidence of the impact on climate change and disasters in Ha Tinh Province, where food productivity has been reduced by up to 40% in some communes. Poor households are the most affected due to the fact that cropping patterns are not diversified. The study also revealed that the local community has been proactively developing

its own mechanisms to adapt to climate change, such as modifying cropping patterns and animal husbandry practices. However, these locally initiated adaptation tools do not receive any support from the Government or donors.

Although human development indicators have shown spectacular progress during the last 15 years, climate change poses an imminent threat to achieving the MDGs, particularly in the Mekong Delta region. The United Nations Development Programme's poverty report notes that natural disasters constitute a major cause of poverty and vulnerability in the country. The poverty alleviation strategy requires a reduction of the rural and agriculture sector's vulnerability to these by mainstreaming disaster risk reduction strategies into the national plan.

Responses and policy commitments

Since the beginning of the global crisis, the Government has applied strong economic measures to combat inflation and maintain sustainable growth. The main focus has been on key issues such as strict financial policy implementation, a boost in production, export increases and reduction of excessive imports. As the economic crisis unfolds, the Government has made commitments to ensure the rights of vulnerable groups through appropriate mechanisms of social protection. It has also played a leading role in mobilizing to achieve the MDGs. However, as a signatory to most of the international human rights conventions, it must ensure stronger compliance with the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights in order to protect the rights of the affected population through appropriate policies and programmes at the local level.

While the Government is energetically addressing the issues, adopting an economic stimulus plan

of USD 1 billion (1.1% of GDP), the World Bank, the Asian Development Bank (ADB) and the IMF have released analyses of projected economic growth rates for 2009. The ADB's is the most cautious at 4.5%, which still leaves Vietnam in better shape than most Asian economies despite the global downturn, while the IMF and the World Bank project a growth of 4.75% and 5.5% respectively.

The role of civil society

Although the presence of civil society organizations (CSOs) in Vietnam is still tiny, some groups have taken the lead in collectively responding to the crisis. For example, in response to the South East Asian Call to Action, a report on the food crisis was prepared by CSOs and presented during the ASEAN People's Forum in Bangkok in February 2009.

In addition, the Vietnam Academy for Social Science is currently collecting evidence and soliciting inputs on the social impacts of the financial crisis. The findings are to be presented to the National Assembly, whose members will discuss short-term and long-term strategies to cope with economic fluctuation and its social impacts. CSOs were given an opportunity to participate in this exercise through the incorporation of the WTO monitoring process.

Conclusion

Governments should use the opportunity presented by the current global economic crisis to address other crises – including food, climate change, jobs and poverty – and to develop long-term sustainable strategies for solving them. The global crisis should be seen as a chance to develop a green global economy that will respect and preserve common global goods, prevent further global warming and ensure a sustainable, safe and clean environment for future generations. ■

³ IHDP. *IHDP Update: Magazine of the International Human Dimensions Programme on Global Environmental Change*. No. 2, October 2007. International Human Dimensions Programme. Available from: <www.ihdp.unu.edu/file/public/IHDP+Update+2_2007>.