

# Gender Dimensions of Viet Nam's Comprehensive Macroeconomic and Structural Reform Policies

by Le Anh Tu Packard





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Comprehensive Macroeconomic and  
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# acronyms

AFTA	ASEAN Free Trade Area
ASEAN	Association of South East Asian Nations
CMEA	Council of Mutual Economic Assistance
DFID	Department for International Development (UK)
FAO	Food and Agricultural Organization of the United Nations
FDI	foreign direct investment
FHH	female-headed households
GSO	General Statistical Office (Viet Nam)
HCMC	Ho Chi Minh City
HDI	human development index
IMF	International Monetary Fund
JV	joint venture
MHH	male-headed households
NCSSH	National Centre for Social Sciences and Humanities
NGO	non-governmental organization
NME	non-market economy
ODA	official development assistance
PE	private enterprise
REER	real effective exchange rate
SBV	State Bank of Viet Nam
SOCB	state-owned commercial bank
SOE	state-owned enterprise
SRV	Socialist Republic of Viet Nam
SSG	Special Safeguard
T&G	textile and garment
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USBTA	United States(/Viet Nam) Bilateral Trade Agreement
VCP	Viet Nam Communist Party
VLSS	Viet Nam Living Standards Survey
VND	Viet Nam dong
WTO	World Trade Organization

# summary résumé resumen

## SUMMARY

From a gender perspective, Viet Nam is an interesting case study because it is widely seen as a “globalization” success story where historically the social and political status of women have been high compared with women’s status in many other developing countries. At the same time, there is concern that women’s status may be eroding during the country’s rapid transition to a market economy. Thus, it is of interest to examine the relationship between gender equality and economic performance, and to assess how women have fared when macroeconomic and structural reforms are judged to have produced successful results for the society as a whole. Viet Nam’s recent reform experience is particularly instructive because it helps to identify the preconditions for women to benefit from these reforms.

Similar to other rapidly growing Asian countries, Viet Nam’s high growth has been accompanied by increased gender inequality as well as increased income inequality. Policy makers are paying more attention to this phenomenon of growing inequality because the country is entering a new development phase which involves an acceleration of the globalization process. At risk are poor households (many headed by single mothers) in rural and remote areas which are least able to cope with the transmission of external shocks.

This paper seeks to contribute to a better understanding of macroeconomic policies that benefit women by analysing the links between reform, gender equality, economic development and women’s welfare as they played out in Viet Nam during the 1990s, when the government carried out far-reaching and comprehensive reforms. It employs descriptive, narrative and quantitative approaches to explain how macroeconomic and market liberalization policies, although gender-neutral in intent, can give rise to gendered outcomes as a result of various underlying and interrelated factors. These include social attitudes and conventions influenced by patriarchal values, the pattern and structure of occupational segregation and related gender wage differentials, gender differences in education levels, and labour regulations that have the effect of increasing productivity differences between men and women.

The main finding of this paper is that the welfare of women in Viet Nam generally improved as a result of macroeconomic stabilization and controlled external liberalization policies adopted by a government that espoused a “developmentalist state” model. The *Doi Moi* reform policies were effective because they were broadly appropriate for Viet Nam’s particular circumstances. Women on the whole are better off as a result of the reforms, but the gains are not evenly distributed across income groups, regions and ethnic groups. Household and enterprise survey data present a mixed picture regarding gendered outcomes. Urban women belonging to the dominant ethnic group, by virtue of their higher status in society and better access to economic resources, have benefited more. Women who live in rural and remote areas and/or are members of ethnic minority communities tend to have low status and have benefited least.

The negative aspects of the reforms bear mention. Although they were gender-neutral in intent, culturally influenced patterns of horizontal segregation and occupational segregation in Viet Nam gave rise to gendered outcomes and increased social stratification. Moreover, women bore the brunt of deflationary measures such as fiscal austerity and public sector downsizing (experienced during the early reform period). As globalization accelerates in Viet Nam, the anticipated change in ownership structure will influence the evolution of the gender wage gap. The output shares of the foreign-invested (FDI) and private sector are expected to rise at the expense of the state enterprise sector. In light of the current pattern of gender wage discrimination in the FDI and private sector, the government will need to adopt and vigorously enforce measures to increase competition in the high-wage sectors of the economy and strengthen laws against gender discrimination, in order to counteract the likelihood of a widening gender wage gap associated with private sector growth.

Section 1 of this paper presents an overview of main issues and findings on the gender effects of Viet Nam's reform policies and transition to a market economy. To provide the context for understanding gender disparities in outcomes, Section 2 presents basic socioeconomic, health and educational data disaggregated by gender, and outlines the legal status and condition of women in Viet Nam. Section 3 describes the main policy episodes (marked by broadly homogenous policy packages and economic circumstances) of Viet Nam's recent history, and analyses the gender dimensions of key reform policies. Section 4 concludes with a review of policy lessons, directions for future policy research, and recommendations that would enable women to improve their economic and social welfare.

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## RÉSUMÉ

Si l'on se place du point de vue du genre, le Viet Nam est un cas intéressant parce que, aux yeux de beaucoup, la mondialisation lui a réussi et que, historiquement la condition sociale et politique des femmes y a été meilleure que dans beaucoup d'autres pays en développement. En même temps, il y a la crainte que la condition féminine puisse se dégrader pendant la transition rapide du pays à l'économie de marché. Il est donc intéressant d'examiner les rapports entre égalité des sexes et performance économique et d'étudier dans quel sens la situation des femmes a évolué à un moment où les réformes macroéconomiques et structurelles sont estimées avoir été bénéfiques pour l'ensemble de la société. L'expérience récente de la réforme au Viet Nam est particulièrement instructive parce qu'elle aide à dégager les conditions préalables à remplir pour que les femmes bénéficient de ces réformes.

Comme dans d'autres pays d'Asie qui connaissent une croissance rapide, la forte croissance s'est accompagnée au Viet Nam d'une aggravation des inégalités entre les sexes et des disparités de revenu. Les responsables politiques sont d'autant plus attentifs à ce phénomène d'aggravation que le pays entre dans une nouvelle phase de développement qui va de pair avec une accélération de la mondialisation. Les ménages pauvres des régions rurales et reculées qui résistent mal aux chocs extérieurs (et dont beaucoup sont dirigés par des femmes élevant seules leurs enfants), sont les plus menacés.

L'auteur de ce document s'efforce de faire mieux comprendre quelles politiques macroéconomiques sont le plus favorables aux femmes, en analysant les liens entre réforme, égalité des sexes, développement économique et condition féminine tels qu'ils se sont manifestés au Viet Nam pendant les années 90, à l'époque où le gouvernement procédait à des réformes ambitieuses et profondes. Par une approche à la fois descriptive, narrative et quantitative, il explique comment les politiques macroéconomiques et mesures de libéralisation des marchés, bien qu'en intention indifférentes au sexe, peuvent donner lieu à des résultats différenciés selon le sexe, du fait de divers facteurs sous-jacents et connexes: attitudes et conventions sociales empreintes de valeurs patriarcales, caractéristiques et structure de la ségrégation professionnelle et écarts de rémunération entre hommes et femmes, disparité entre les niveaux d'instruction des hommes et des femmes et législation du travail ayant pour effet de creuser les différences de productivité entre hommes et femmes.

La principale conclusion de cette étude est celle-ci: la stabilisation macroéconomique et la politique de libéralisation maîtrisée adoptée à l'égard de l'étranger par le gouvernement, qui a opté pour le modèle de "l'Etat développemental", ont entraîné, en général, une amélioration de la condition féminine au Viet Nam. La réforme *Doi Moi* a été utile parce que les mesures choisies convenaient à la situation particulière du Viet Nam. Les femmes, dans l'ensemble, ont vu leur sort s'améliorer à la suite de ces réformes, mais les gains sont inégalement répartis entre tranches de revenu, régions et groupes ethniques. Les résultats, différenciés par sexe, d'une enquête menée auprès de ménages et d'entreprises forment un tableau contrasté. Les réformes ont profité aux citadines membres de l'ethnie dominante, du fait de leur position relativement élevée dans la société et leur meilleur accès aux ressources économiques. Les femmes qui vivent dans les campagnes et les régions reculées ou qui sont membres de minorités ethniques ont souvent une position inférieure dans la société, et ce sont elles qui ont le moins bénéficié des réformes.

Les aspects négatifs des réformes méritent d'être mentionnés. Bien qu'en intention elles aient été indifférentes au sexe, les caractéristiques de la ségrégation horizontale et de la ségrégation professionnelle au Viet Nam, qui tiennent à la culture, ont donné lieu à une différenciation des résultats selon le sexe et à une stratification sociale accrue. De plus, les femmes ont été les plus durement touchées par les mesures déflationnistes de rigueur budgétaire et de réduction des effectifs du secteur public (prises au début des réformes). À mesure que la mondialisation s'accélère au Viet Nam, la transformation prévue de la structure de la propriété se répercutera sur l'évolution des écarts de rémunération entre hommes et femmes. Les parts du secteur bénéficiant d'investissements étrangers directs (IED) et du secteur privé dans la production devraient augmenter aux dépens de celle des entreprises publiques. Vu la discrimination salariale qui s'exerce actuellement envers les femmes dans le secteur privé et le secteur bénéficiant d'IED, le gouvernement devra non seulement prendre des mesures pour accroître la concurrence dans les secteurs à hauts salaires de l'économie et user de fermeté pour les faire appliquer, mais aussi renforcer les lois contre la discrimination sexuelle pour éviter que les écarts de rémunération entre hommes et femmes ne se creusent avec le développement du secteur privé, ce qui, sinon, risque fort de se produire.

La section 1 de ce document donne un aperçu général des principaux enjeux et des effets des réformes et de la transition à l'économie de marché sur les hommes et les femmes au Viet Nam. Pour faire comprendre dans leur contexte les disparités entre les sexes qui en ont résulté, la section 2 présente des données de base ventilées par sexe, qui touchent à la situation socio-économique, à la santé et à l'éducation, et expose dans les grandes lignes la condition des femmes au Viet Nam, notamment leur statut juridique. La section 3 retrace les principaux épisodes de l'histoire politique récente du Viet Nam (marqués par la situation économique et des trains de mesures assez homogènes), et analyse les dimensions sexospécifiques des principales mesures de réforme. La section 4 conclut en tirant les leçons des politiques menées, en indiquant des pistes de recherche futures sur les politiques et en recommandant des mesures propres à permettre aux femmes d'améliorer leur condition économique et sociale.

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## RESUMEN

Desde una perspectiva de género, Viet Nam constituye un caso de estudio interesante, porque muchos lo consideran un ejemplo de éxito de la mundialización en el que, históricamente, la mujer ha disfrutado de una condición social y política elevada comparada con la situación de la mujer en muchos otros países en desarrollo. Al mismo tiempo, existe la preocupación de que el estatus de la mujer en este país pudiera estar perdiendo terreno en la rápida transición de esta nación hacia una economía de mercado. Es por ello que resulta interesante examinar la relación entre la igualdad de género y el desempeño económico, y evaluar como la mujer se ha desempeñado en un contexto en el que se considera que los resultados de las reformas macroeconómicas y estructurales han sido positivos para la sociedad en general. La reciente experiencia de Viet Nam en el ámbito de las reformas resulta particularmente esclarecedora porque contribuye a identificar las condiciones previas que debe cumplir la mujer para beneficiarse de dichas reformas.

Al igual que otros países asiáticos en rápido crecimiento, el alto nivel de crecimiento de Viet Nam ha traído consigo un aumento en la desigualdad de género y mayor desigualdad de ingresos. Los responsables de la formulación de políticas prestan ahora más atención a este fenómeno de creciente desigualdad porque el país está ingresando a una nueva fase de desarrollo que entraña un aceleramiento del proceso de mundialización. El mayor riesgo se presenta entre las familias pobres (muchas de ellas encabezadas por madres solteras) de las zonas rurales y remotas que tienen menos posibilidades de enfrentar los efectos de los impactos externos.

Con el presente documento nos proponemos contribuir a mejorar la comprensión de las políticas macroeconómicas que benefician a la mujer mediante el análisis de los vínculos existentes entre la reforma, la igualdad de género, el desarrollo económico y el bienestar de la mujer en el Viet Nam de la década de 1990, cuando el gobierno llevó a cabo una serie de reformas profundas e integrales. Se utilizan enfoques descriptivos, narrativos y cuantitativos para explicar la forma en que las políticas macroeconómicas y de liberalización del mercado, si bien neutrales en su intención desde el punto de vista del género, pueden arrojar resultados que afectan este aspecto en virtud de diversos factores subyacentes e interrelacionados. Cabría mencionar entre dichos factores las actitudes y convenciones sociales derivadas de valores patriarcales, el modelo y la estructura de segregación ocupacional y las diferencias salariales en razón del género, las diferencias de género en los niveles de educación y las normativas laborales que tienen como consecuencia un incremento en las diferencias de productividad entre hombres y mujeres.

La conclusión principal de este trabajo es que, en líneas generales, el bienestar de la mujer en Viet Nam mejoró con las políticas de estabilización macroeconómica y de liberalización controlada que aplicara un gobierno comprometido con un modelo de “estado desarrollista”. Las políticas de reforma de la *Doi Moi* (renovación) fueron eficaces porque, en términos generales, resultaron apropiadas para las circunstancias particulares de Viet Nam. En general, las mujeres se encuentran en una mejor situación a raíz de las reformas, pero tales avances no se distribuyen equitativamente entre los distintos niveles de ingreso, las regiones y los grupos étnicos. Los datos de las encuestas de hogares y empresas revelan un cuadro variado en cuanto a los resultados que toman en cuenta consideraciones de género. Las mujeres de las zonas urbanas que pertenecen al grupo étnico dominante, en razón de su condición social más alta y un mejor acceso a los recursos económicos, han podido beneficiarse más. Las mujeres que viven en zonas rurales y remotas o que pertenecen a comunidades étnicas minoritarias tienden a tener una baja condición social y ser menos favorecidas.

Cabe mencionar también los aspectos negativos de las reformas. Si bien se proponían ser neutrales en cuanto al género, los modelos de segregación horizontal y segregación ocupacional en Viet Nam (con una marcada influencia cultural) incidieron sobre la cuestión de género y aumentaron la estratificación social. Más aún, sobre la mujer recayó el peso de las medidas deflacionarias, como la austeridad fiscal y la reducción de personal en el sector público (durante el período inicial de la reforma). A medida que la mundialización se acelere en Viet Nam, los cambios que se anticipan en la estructura de propiedad incidirán en la evolución de la brecha salarial entre géneros. La participación de la inversión extranjera directa (IED) y el sector privado en la producción han de aumentar a expensas del sector de las empresas del estado. En vista del patrón actual de discriminación salarial por género en el sector privado y las IED, el gobierno deberá adoptar e implementar vigorosamente medidas para aumentar la competencia en los sectores mejor remunerados de la economía y fortalecer las leyes contra la discriminación del género, a fin de contrarrestar la posibilidad de ampliar la brecha salarial en razón del género vinculada al crecimiento del sector privado.

La sección 1 del documento es una visión general de los principales aspectos y conclusiones sobre los efectos que las políticas de reforma y la transición de Viet Nam hacia una economía de mercado han tenido sobre la cuestión de género. Para definir el contexto que permitiría comprender mejor las disparidades de los resultados en cuanto al género, se esbozan en la sección 2 los datos socioeconómicos, sanitarios y educativos básicos desglosados por género; también se describe la situación legal y condición de la mujer en Viet Nam. En la sección 3 se describen las principales fases de la formulación de políticas (caracterizados por paquetes de políticas ampliamente homogéneos y las circunstancias económicas) de la historia reciente de Viet Nam, y se analizan las dimensiones de género de las principales políticas de reforma. La sección 4 contiene un examen de las lecciones aprendidas en materia de políticas, direcciones para futuras investigaciones de política y recomendaciones que permitirían a la mujer mejorar su situación económica y social.

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## I.

## introduction

Viet Nam presents an interesting case study because the country has performed extraordinarily well by conventional measures during the first 15 years of its reform process, which is known as *Doi Moi* (Renovation). Yet questions have been raised about the gender effects of

these reforms. Tran Thi Que (1995), a highly respected gender specialist, wrote:

Since reunification and peace—and especially since the initiation of economic reform—there have been growing signs that the position of women is declining, particularly in rural, secluded and remote areas. In recent years, during which a differentiation between the poor and the rich has been accentuated, women are gradually withdrawing from the activities of society and state management. At the same time, Confucian views of gender inequality are returning.

Much as in China and India, rapid growth seems to have been accompanied by increased gender inequality as well as increased income inequality.<sup>1</sup> Increased social stratification and inequality are of even greater concern today, because Viet Nam is entering a new development phase which involves an acceleration of the globalization process. Poor households (many headed by single mothers), especially in rural and remote areas, are at risk as they are least able to cope with external shocks.

This paper seeks to examine these concerns and to improve our understanding of the gender dimensions of macroeconomic policies. The focus is on analysing the links between reform, gender equality, economic growth and women's welfare as they played out in Viet Nam during the 1990s, when the government carried out far-reaching comprehensive reforms. This paper employs descriptive, narrative and quantitative approaches to shed light on how macroeconomic and market liberalization policies, although gender-neutral in intent, can give rise to gendered outcomes because of various underlying and interrelated factors. These include social attitudes and conventions influenced by patriarchal values, the pattern and structure of occupational segregation and related gender wage differentials, gender differences in education levels, labour regulations that have the effect of increasing productivity differences between men and women.<sup>2</sup>

The first section of the paper presents an overview of main issues and findings on the gender effects of Viet Nam's reform policies and its transition to a market economy. To provide the context for understanding gender disparities in outcomes, the second section presents basic socioeconomic, health and educational data disaggregated by gender, and outlines the legal status and condition of women in Viet Nam. The third section describes the main policy episodes of Viet Nam's recent history (marked by broadly homogenous policy packages and economic circumstances), and analyses the gender dimensions of key reform policies. The paper concludes with a review of policy lessons, directions for future policy research, and recommendations that would enable women to improve their economic and social welfare.

1 It should be noted that the evidence from China is inconclusive. Empirical analysis of wage-setting behaviour in China's light consumer goods industry in 1998 finds evidence of wage discrimination against women and migrant workers (Dong and Bowles 2001). However, an analysis of the impact of market reforms on the gender wage gap in China's rural economy using panel data for 1988 and 1995 finds the existence of a sizeable wage gap but no measurable increase or decrease in wage discrimination between the two periods (Rozelle et al. 2002).

2 For example, the 1995 Labour Code is generous to women in ways that may cause employers to prefer to hire men, because it contains provisions for maternity leave instead of parental leave, and sets the compulsory retirement age for women at 55 years, while the compulsory retirement age for men is 60 years.

## I.A.

## macroeconomics and gender in viet nam: background and overview

Although Viet Nam opened its economy to foreign trade and investment, the country does not fit neatly into the “Washington Consensus” liberalization model. Rather, its communist-led government broadly followed the nationalist East Asian “developmental state” model.<sup>3</sup> Vietnamese political leaders controlled the pace of reform, intervened

when they saw fit, and retained ownership over their country’s development strategy, which emphasized a commitment to growth, poverty reduction and social equity (IMF/IDA 2002); Ohno, Izumi 2002). In keeping with these objectives, the government used the increases in fiscal revenue associated with higher growth to boost spending on infrastructure, education and health in order to build up the national stock of physical and human capital. The pattern of public social expenditure had a redistributive effect because it was more evenly spread than the pattern of household income and expenditures (World Bank 2000c).

The government had room to manoeuvre during the early years of the *Doi Moi* reforms because many countries and international institutions were eager to assist with Viet Nam’s economic takeoff.<sup>4</sup> This gave the leadership greater freedom to select from a range of sometimes complementary, sometimes competing, and sometimes conflicting policy advice provided by bilateral donors, multilateral organizations<sup>5</sup> and independent international research institutes whose views on liberalization and the developmental state sharply diverged from “Washington Consensus” views. Although Vietnamese policymakers carefully considered many recommendations offered by the international community, the actual policy path they adopted was pragmatic and did not adhere strictly to neoliberal prescriptions.

Much as in China, the reform process in Viet Nam has been largely gradual, and it has brought about a significant improvement in the country’s human development index (HDI) (see section 1.2). This gradualist approach allowed time for the authorities to develop supporting institutions for businesses, households and individuals to learn and adapt to new economic rules, and for the new rules to be modified based on actual experience (IMF 2004). The late Chinese leader Deng Xiaoping famously described this process as “crossing the river by feeling the stones under the feet”. This incremental approach is also seen in the government’s policy of gradual capital account liberalization, which emphasizes prudent regulations and a balanced approach to opening the country’s capital account.<sup>6</sup> This gives the central bank—which is given the task of supporting the nation’s development objectives—greater scope to employ key prices in the macroeconomy (such as the real exchange rate) as development tools (Frenkel and Taylor 2005).

Because of their socialist orientation, government leaders are receptive to policy initiatives that integrate pro-women strategies into overall macroeconomic and socioeconomic development strategies. The Viet Nam

3 A developmentalist state is defined by its mission, which is to promote sustained economic development through steady high rates of economic growth and structural change in the productive system (Castells 1992).

4 It also should be noted that the ability to maintain macroeconomic stability in recent years, particularly following the 1997–1998 Asian financial crisis, strengthened Viet Nam’s position in international negotiations. The common view among donors is that “Vietnam’s aid dependency is lower than the average of Sub Saharan African or Latin American countries” (Ohno, Izumi, 2002), and this makes the country less susceptible to pressure from the donor community.

5 These include the United Nations, the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank.

6 Advocates of a balanced approach to opening the capital account believe that liberalization of short-term and non-bank financial liabilities should not precede liberalization of long-term and bank liabilities in order to reduce the risk of a crisis precipitated by destabilizing movements in short-term capital flows.

Women's Union<sup>7</sup> is working on developing a legal framework to promote gender equality, and it sees the need for additional policy research to identify and develop effective gender-aware strategies. There is a growing consensus around what should be the proper macroeconomic policy framework to advance women's economic and social welfare. For example, the highly asymmetrical impacts of economic instability (women suffer more during periods of economic crisis) suggest that fiscal and monetary policies should aim to moderate the volatility of key macroeconomic variables (such as inflation, interest rates and the exchange rate).<sup>8</sup> Such policies create a more predictable economic environment, lower business risk, and encourage enterprises of all forms (including micro- and household enterprises) to adopt a more long-term approach to investment planning.

In the author's view, the monetary policy that is most beneficial to women is not the inflation-targeting policy that has been adopted widely by central banks in both developed and developing countries. The social cost of this policy is too high, in that it often produces high interest rates, weak growth in gross domestic product (GDP) and slow growth in employment. Moreover, the brunt of the negative effects tends to fall on women (Epstein 2003; Braunstein and Heintz 2005). Instead, the more women-friendly intermediate target for the Vietnamese central bank is a stable and competitive real exchange rate (RER). This is a more appropriate target for the coming period of greater openness and intensified competition in both domestic and export markets. Maintained over an extended period, a stable and competitive RER promotes a pro-growth allocation of resources, reinforces macroeconomic and financial stability, and encourages financial market development. Its positive medium- to long-term impacts on structural change and development are transmitted through a variety of channels: resource allocation, shifts in production techniques, and growth of capital stock including the stock of human capital (Frenkel and Taylor 2005).

I.B.

## *macroeconomics and gender in viet nam: summary of findings*

The main finding is that the government's most important contribution to women's welfare has been its improved macroeconomic management capability. The *Doi Moi* reform policies produced a high and stable growth environment in Viet Nam. However, household and enterprise survey data present a mixed picture regarding gendered outcomes

and the amount of progress that women have made relative to men. The gender wage gap in the formal sector narrowed during the transition period, but inequality remains significant. During the 1990s, the growth rate of female wage employment was less than half the growth rate of male wage employment (see section 3.3).

Evidence from Viet Nam's rich body of economic and social statistics indicates that improvements in women's welfare in absolute terms have been dramatic. However, this does not contradict the concerns raised by Tran Thi Que (1999). Women on the whole were better off as a result of the comprehensive reforms carried out during

7 The Viet Nam Women's Union is a mass socio-political organization tasked with drafting laws and policies related to women and children (Tran Thi Que 1999).

8 Such policies benefit not only women, but society as a whole. The converse—unstable and unpredictable periods of economic activity—generally has the effect of dampening growth. This leads to greater competition over scarce resources, which tends to expose and reinforce gender inequalities (Asian Development Bank 2002; Singh and Zammit 2000).



the 1990s, but the gains were not distributed evenly across income groups, regions and ethnic groups. Women who belong to the dominant ethnic group and/or who live in urban areas benefited more, by virtue of their relatively more equal status in society and better access to economic resources. Women who live in rural and remote areas (mentioned by Tran Thi Que) and/or who are members of ethnic minority communities tend to have low status, and benefited least. It also should be noted that during the period of reform and rapid economic growth, women worked substantially more hours than men, but their average hourly wage was only about 78 per cent of the average male hourly wage (Desai 2001).

To summarize the main outcomes: Viet Nam quickly recovered from a major crisis marked by near-famine and hyperinflation (in 1986–9) to attain macroeconomic stability and a consistently high GDP growth rate over a prolonged period from 1989 to 2003. Between 1990 and 2001, Viet Nam’s per capita GDP annual growth rate of 6 per cent was the third highest in the world.<sup>9</sup> Hunger has largely been eliminated. The poverty rate was halved from 58 per cent in 1993 to 29 per cent in 2002 (thereby achieving a critical Millennium Development Goal). The national HDI rose from 0.583 in 1985 to 0.688 by 2000, placing Viet Nam in the medium human development category (0.500–0.799) despite its low per capita income classification (US\$755 or less). The incidence of child malnutrition, measured by stunted growth,<sup>10</sup> fell from 50 per cent in 1993 to 35 per cent in 1998 (Glewwe et al. 2004). With respect to health, Viet Nam experienced a major epidemiological change, as the share of communicable diseases in mortality and morbidity dropped from 59 per cent in 1986 to 27 per cent in 1997. Its human capital stock rose substantially along with steep rises in school enrolment rates at all levels of education.

On the negative side, growth has been accompanied by greater income inequality and increased social stratification. The decline in the rate of infant mortality is reported to be concentrated among better-off households, with little progress made among low-income households (Glewwe et al. 2004). The poorest people are in female-headed households (without a spouse) living in rural areas, which are at high risk of falling into deeper poverty if they are hit by natural disaster, illness or an economic downturn (SRV 2002). As regards schooling, a gender gap is apparent in the secondary-school age group and grows wider at the upper-secondary-school level, but this gap has narrowed during the years of rapid growth. Between 1992–3 and 1997–8, the gap declined from 11 per cent to 6 per cent for the lower-secondary-school age group, and from 15 per cent to 11 per cent for the upper-secondary-school age group (Desai 2001). At the same time, illiteracy among poor women has increased, which suggests that the situation of poor women has worsened.

9 China’s per capita GDP growth rate averaged 8.8 per cent and Ireland’s averaged 6.8 per cent during the same period.

10 Based on Viet Nam Living Standard Survey (VLSS) 93 and VLSS98 survey data on stunted growth (low height for their age) among children below the age of five.

## II.

the socioeconomic  
and legal status of  
women in viet nam

## II.A.

data on the status  
and condition of women  
in viet nam

Although Viet Nam belongs in the category of low-income countries, its gender profile (in terms of life expectancy at birth, adult illiteracy rate and gender wage gap) is more similar to that of higher-income neighbours in East Asia and the Pacific. This is indicated in table 1. The country's relatively high literacy rate for both men and women, and lower child mortality rate,<sup>11</sup> are largely attributable to social welfare policies enacted in previous decades which reflect the government's socialist orientation,<sup>12</sup> and gave Viet Nam many features of a middle-income country. Compared with the average low-income country, the female illiteracy rate in Viet Nam is considerably lower (9.3 per cent versus 47 per cent), female participation in the labour force is higher (49 per cent versus 38 per cent), and female life expectancy at birth is also higher (72 years versus 60 years). As was suggested in section 1.2, the attributes associated with the relatively more equal socioeconomic and legal status of women provide important advantages, enabling women in Viet Nam to benefit from the *Doi Moi* reforms.

An important source of information on gender demographics in Viet Nam comes from two nationally representative household living standard surveys that were carried out during the first decade of reform and economic transformation. The first Viet Nam Living Standards Survey was conducted in 1992–3 (VLSS93), and the second was conducted five years later in 1997–8 (VLSS98).<sup>13</sup> These two surveys covered 4,800 and 6,000 households respectively. The data from VLSS93 captures the situation of Vietnamese households before transmission of the full effects of the *Doi Moi* reforms, while VLSS98 data captures outcomes from the early reform years.

11 Viet Nam's under-five mortality rate (per 1,000 live births) in 1993 was 48, compared with an average of 144 for the low-income group and 57 for the middle-income group (World Bank 1996).

12 Governments with a socialist orientation tend to allocate more resources to health care and education. Relative to other countries at comparable income levels, people in communist countries enjoyed better health and education, particularly at the lower end of the income scale (World Bank 1996).

13 The General Statistical Office (GSO) conducted these household surveys with help from the United Nations Development Programme (UNDP), Sweden and the World Bank.

TABLE 1  
SUMMARY GENDER PROFILE: COUNTRY AND REGIONAL COMPARISONS, 2000

	East Asia & Pacific	Low- income countries	Viet Nam	Thailand	Philippines	China	India
GNP per capita (US\$)	850	410	390	2,020	1,020	840	450
<b>Population</b>							
Total (millions)	1,805.5	2,462.3	78.5	60.7	76.6	1,262.5	1,015.9
Female population (% of total)	48.9	49.4	50.6	50.8	49.6	48.4	48.4
<b>Life expectancy at birth (years)</b>							
Male	67	58	67	67	67	69	62
Female	71	60	72	71	71	72	63
<b>Adult illiteracy rate (% of people aged 15+)</b>							
Male	7.8	28.6	5.5	2.9	4.9	7.9	31.6
Female	19.9	47	9.3	6.1	5.2	22.1	54.6
<b>Labour force</b>							
Total labour force (millions)	1,026	1,113	40	37	32	757	451
Female labour force (% of total)	45	38	49	46	38	45	32
Gender wage gap (%)	NA	NA	69.3	61.9	58.7	65.6	37.5

NA = not available.

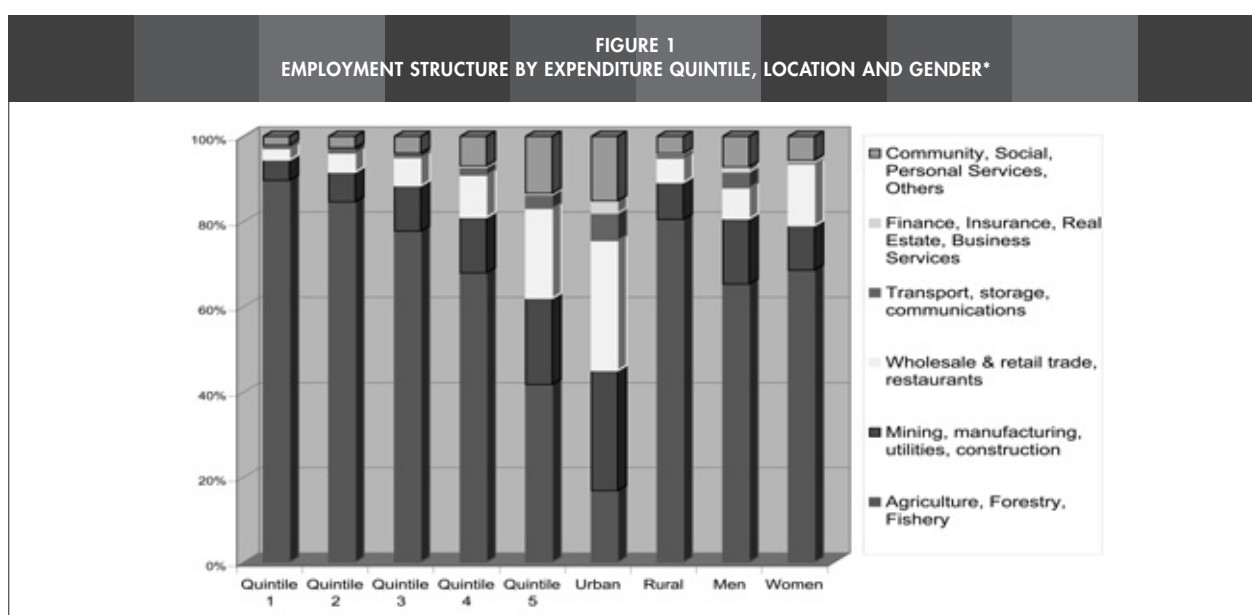
Sources: World Bank, United Nations Development Programme (UNDP).

The demographic and socio-cultural setting is as follows. Most individuals live with other individuals in households related by family ties. It is an administrative requirement to designate one person as household head, and that person is usually the oldest male. While formally he commands the greatest respect, actual respect is most often accorded to the family member with the strongest character, regardless of gender. A large majority (71 per cent) of households are nuclear households consisting of one male adult, his wife and their children (based on VLSS98).<sup>14</sup> Female-headed households (FHHs) account for about 26 per cent of all households. While 96 per cent of male household heads are married and live with their spouse, 67 per cent of female household heads do not live with their spouse. Thus, a basic difference between male-headed households (MHHs) and FHHs is that MHHs have at least two economically active adults, while FHHs tend to have only one economically active adult. Widowed women account for 44 per cent of FHHs; the heads of another 7 per cent of FHHs are married but their spouse is absent.

<sup>14</sup> According to Desai (2001), "In several households the oldest adult is not designated the head, and headship is identified with a younger adult, usually a son. This is more likely to occur if the oldest adult is a woman."

Many are surprised to learn that FHHs are disproportionately urban and have a more mature profile (they have more older adults and fewer young children). Correlated with their urban location, and reflecting the urban–rural wealth and income gap, these households are generally smaller, and their living standards are higher, than male-headed households. In other words, urban location trumps gender disadvantage.

Indeed, the importance of urban location in income determination is underscored in figure 1 and figure 2. Figure 1 summarizes the employment structure by industry, expenditure quintile<sup>15</sup> and residence. It disaggregates primary employment by industry for each expenditure quintile, type of residence (urban or rural) and gender. Because Viet Nam is at the early stage of economic development, over 80 per cent of the bottom expenditure quintiles (representing the poorest households) still derive their main income from the primary sector (agriculture, forestry and fishing), which is characterized by subsistence-level earnings. Higher-wage jobs in secondary and tertiary industries tend to be concentrated in urban areas. As seen in figure 1 and figure 2, those in the higher household expenditure quintiles are more likely to be employed in the higher-wage industry and services sectors. The figures also show clear gender differences in sectoral employment: a higher percentage of men work in mining, manufacturing (except for export-oriented light manufacturing such as garments and footwear), utilities, construction, transport, storage, communications, finance, insurance and business services, while women are more active in trade and food services.<sup>16</sup>

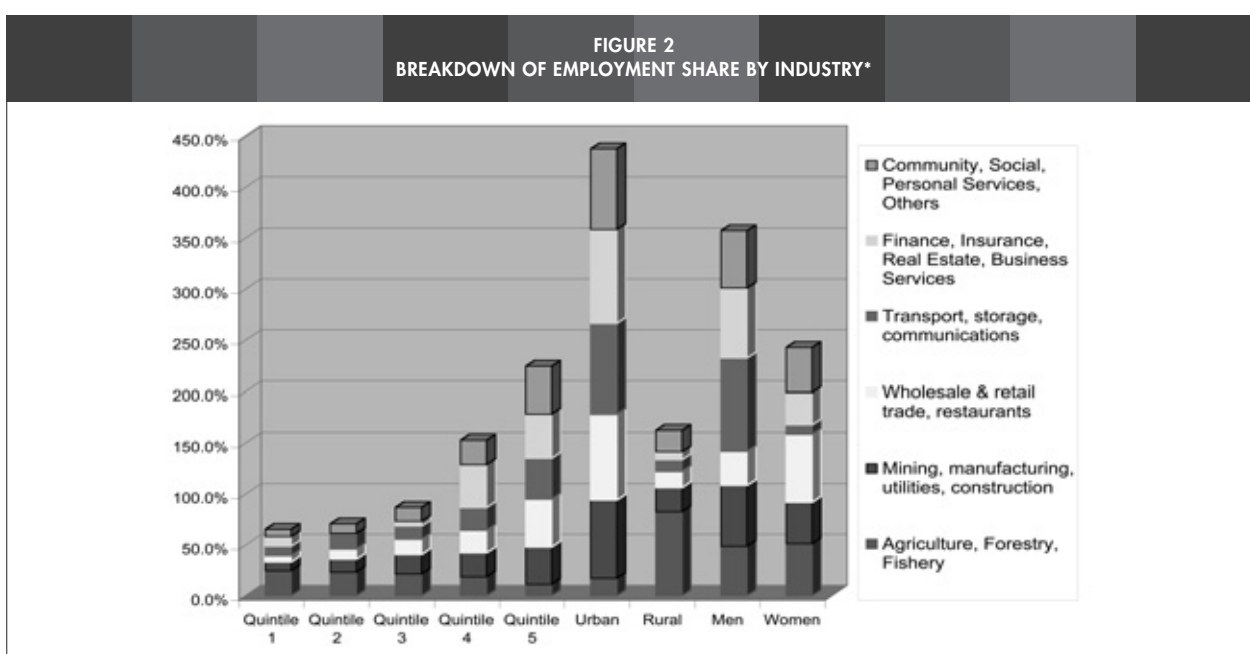


\* 1992-93 for expenditure quintile; 1997-98 for location (urban/rural) and gender.  
Sources: VLSS93 (expenditure quintile), VLSS98 (location and gender).

15 Based on VLSS93 and VLSS98, households are disaggregated into quintiles according to the level of their expenditures, so that the top quintile (20 per cent) of households consists of those with the highest expenditures, and the bottom quintile of households contains those with the lowest expenditures. It is generally believed that households participating in surveys are likely to be more candid about their expenditures than about their incomes, and as there is a close linkage between income and expenditure, household expenditure quintiles serve as proxies for household income quintiles.

16 Historically—even before the period of French colonial rule—Vietnamese women have played a dominant role in commerce.

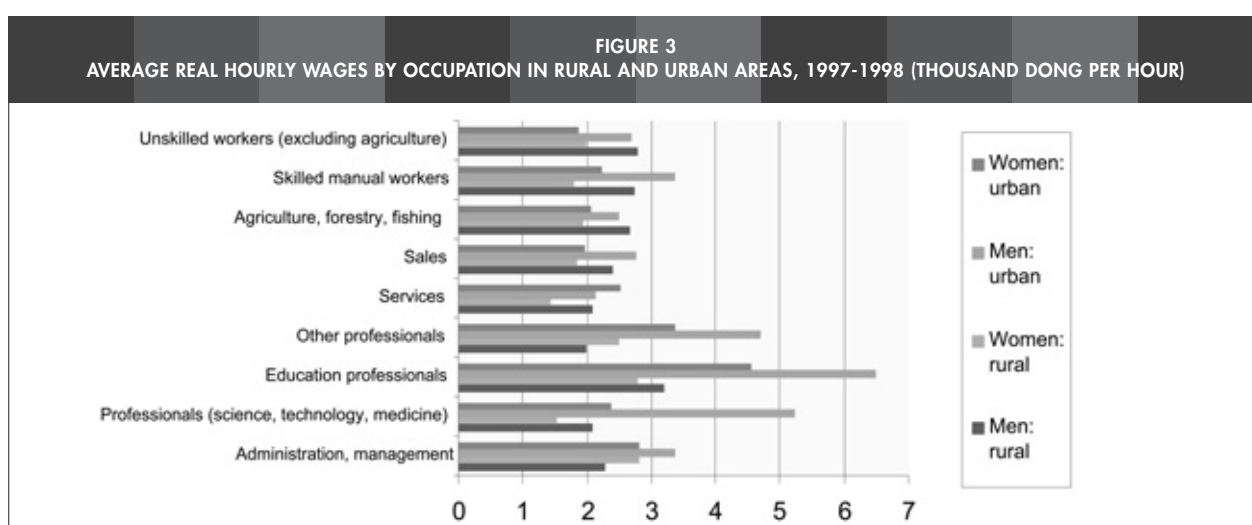
Figure 2 highlights the powerful impact of diversification of employment structure on national income determination, by showing how the breakdown of employment share by industry sector is distributed across household expenditure quintiles, urban–rural location and gender.<sup>17</sup> The difference in column height provides a vivid illustration of the critical impact of greater employment in the more productive higher-wage secondary and tertiary sectors in widening both the urban–rural income gap and the gender wage gap. It serves as a remarkable proxy for income differences between household expenditure quintiles, between urban and rural households, and between men and women. It also shows that the urban–rural income gap is significantly greater than the gender income gap. From this chart, one should not draw the conclusion that mass migration to the cities will solve the problems of rural poverty. Rather, what is needed are investments in rural infrastructure, and policies to strengthen economic links between urban and rural areas in order to diversify the structure of employment in rural areas.



\* 1992-93 for expenditure quintile; 1997-98 for location (urban/rural) and gender.  
Sources: VLSS93 (expenditure quintile), VLSS98 (residence and gender).

17 The construction of each household expenditure quintile column is as follows. The blue box, which represents the percentage share of those mainly employed in the agriculture, forestry and fishing sector for each household expenditure quintile, must equal 100 per cent for all five quintiles. The dark red box, representing the percentage share of those mainly employed in the mining, manufacturing, utilities and construction sector, must also equal 100 per cent for all five quintiles. This is repeated for the other industry sectors. The columns for urban and rural households, and for working-age men and women, are similarly constructed.

The urban–rural and gender wage gaps are illustrated in figure 3, which presents the average real hourly wages for men and women in various types of occupations, based on VLSS98. In urban areas, the gender wage gap favours men in all occupations except services. In rural areas, the gender wage gap favours men in all occupations except administration, management and “other professionals” categories. In light of the urban–rural wage gap in favour of urban areas, it is somewhat surprising that the hourly wages of female unskilled workers in urban areas are slightly less than the hourly wages of female unskilled workers in rural areas. (More research is needed to determine the cause of this.)

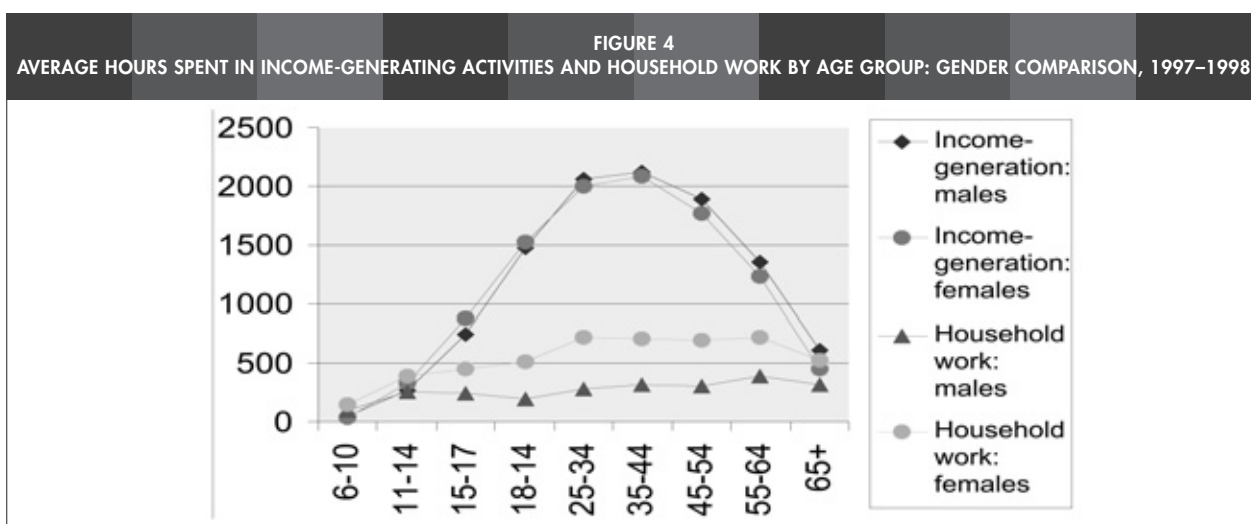


Source: Desai (2001).

Self-employment in the informal sector is still the predominant form of employment. This reflects both Viet Nam's low level of economic development and its transition path to a market economy. Over 80 per cent of working people are self-employed in at least one of the two or three jobs they hold in the course of a year. Although the proportion of all adults in relatively stable wage employment increased from 26 to 32 per cent from 1992–3 to 1997–8, the increase was much greater for men than for women. More women than men are self-employed in their primary job in both urban and rural areas (FAO/UNDP 2002). This means that the economic status of women is more insecure than that of men, because income from self-employment is typically more volatile and unstable than income from wage employment.

As in other countries, and consistent with social custom, women in Viet Nam tend to assume primary responsibility for raising children and taking care of elderly relations. Consequently they play a larger role in the care economy, and spend nearly twice as much time as men doing unpaid household work (which includes family care work), while spending about the same amount of time as men in income-generating activities. This means that women have much less leisure time than men. Figure 4 compares the hours spent by men and women on income-generating activities as well as household work for each age group over one year, based on VLSS98 (Desai 2001). Although the transition period was marked by an increase in paid working hours for both men and women, the reforms generated more paid work for young women than for young men. Between 1992–3 and 1997–8, women in the 25–34 years age group recorded a 19 per cent increase in paid working hours, while men

in the same age group recorded an increase of 9 per cent. At the same time, the women in this age group spent much more time doing household work than their male counterparts. Because rural women work longer hours than men, their ability to improve their future income-earning capacity is undermined because they have little time left for agricultural extension or training courses to improve their labour skills.<sup>18</sup>



Source: Desai (2001).

It should be noted that published estimates of time spent on household work vary considerably. For example, a time allocation survey conducted in Ho Chi Minh City (HCMC) reported that urban women spend almost six hours on household work a day compared with 1.5 hours for men, while women in rural areas spend 7.5 hours on household work and men only 30 minutes (Long et al. 2000). It is possible that differences in the definition of household work may help to explain the wide variation of these estimates, although it is difficult to imagine scenarios that would justify the HCMC survey's time estimates for urban women.

<sup>18</sup> Although women spend as much time as men working in cultivation and more time than men in livestock maintenance, they comprise only 10 per cent of participants in extension courses on cultivation and 25 per cent in courses on animal husbandry (Asian Development Bank 2002).

## II.B.

*government policy  
and the legal status of  
women in viet nam*

This section considers whether government policies and legal institutions have been favourable for improving the condition of women in Viet Nam, and it explores the scope for additional government actions and policies to bring about gender equality. The main finding is that the state has played a broadly positive role in promoting gender equality, but much remains to be done to help women

overcome the disadvantages and deprivations that arise from gender bias.

Viet Nam's national constitution includes legal provisions for gender equality, and holds men and women equal in all aspects of the economy, politics, society and family life. The state has also enacted laws on gender relationships and on marriage and family to protect the rights of women. The 1986 Law on Family and Marriage states that wives are equal to their husbands in the family, that a couple should have joint responsibility for household chores and childcare, and that sons and daughters should receive equal treatment (Tran Thi Que 1995). The revised 2000 Law on Family and Marriage states that land-use right certificates should include the names of both husband and wife, which should make it less difficult for women to access the credit system (see section 3.4).

Circular Number 37 CT/TW of the Party Central Committee (May 1994) called on various branches of the state administration to improve gender awareness, to develop plans to train and retrain the women cadre, to increase the number of women employees, and to formulate policies to facilitate the work of women and develop their skills. The June 1994 Labour Code has a separate chapter on women which contains provisions on issues such as maternity leave for female workers (Beresford 1994).

The government's official long-term strategies that have direct relevance to women include the National Strategy for the Advancement of Women 2001–2010, the Strategy for People's Health Care and Protection, the National Strategy for Rural Clean Water Supply and Sanitation, the National Strategy for Reproductive Health Care, the Population Strategy for Viet Nam, the National Strategy for Nutrition, the National Action Programme for Vietnamese Children, and the Overall Programme for Public Administrative Reform (SRV 2002).

Targets to promote gender equality and empower women in labour, employment, education and health care, and female representation in political, economic, cultural and social fields, are spelled out in the National Strategy for the Advancement of Women and its associated action papers. The Strategy also sets guidelines on implementing an institutional framework that is supportive of gender equality. The targets include increasing the proportion of women representatives to 30 per cent in the National Assembly, 28 per cent in the Provincial People's Councils, and 50 per cent in state agencies by 2010.

The government's commitment to gender equality and the advancement of women was also reaffirmed in its key socioeconomic development action plan, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) (see section 3.4). Interestingly, the CPRGS emphasized the importance of gender equality not just for its own sake, but as an important vehicle to reduce poverty and to benefit children. In the view of the CPRGS, gender inequality aggravates the condition of the poor in all aspects: in addition to placing an oppressive burden on women and girls, it also has an adverse impact on their families (SRV 2002).



In terms of an action agenda, the CPRGS presented a comprehensive list, but it did not set priorities for actions. The list is as follows: provide enough cultivated land and basic resources for women farmers; set targets for hiring women in newly created jobs; enact regulations and strengthen the monitoring system to ensure equality in vocational training, social insurance, labour safety and retirement policies; set up a database system on the labour market and vocational training disaggregated by gender; develop vocational training and employment service centres for women; strengthen the capacity of women to access the credit system and poverty-reduction resources; take measures to ensure that women have equal access to education and to opportunities to improve their professional skills; encourage girls from remote and isolated areas and regions to go to secondary schools, boarding schools, colleges and universities; provide support for poor women and girls to go to school; develop measures to correct gender inequality in major fields of study and vocational training; increase female representation in managerial positions; establish the Learning Promotion Fund for women and set targets for the percentage of women in different levels of training and disciplines; promote the role and participation of women in decision-making, leadership and management positions; create favourable conditions for women to take part in village and commune meetings and in planning, implementing and monitoring projects and programmes at the village, commune, district, provincial and national level; improve laws and legal documents on the protection of women’s legal rights and benefits; improve the awareness of, access to and utilization of legal tools for women; enhance the capacity of administrative bodies and social organizations to implement policies and strategies for the advancement of women and to protect women’s legal rights; strengthen women’s rights in having the Land Use Registration Paper issued to them; and strengthen women’s role in decision-making at the local level.

To reduce the burden of domestic work, which tends to fall more heavily on women (discussed in section 2.1), the CPRGS calls for investment in “small-scale technologies to serve family needs, rural clean water, and energy projects”. It also calls for reorganizing the kindergarten and nursery school system “to reduce the burden of domestic work for women and female children” and for launching “campaigns to raise awareness and educate about sharing family responsibilities”. Specific development goals articulated in the CPRGS are the commitment to ensure that land-use right certificates include the names of both husband and wife<sup>19</sup> (as called for in the revised 2000 Law on Family and Marriage), and to reduce the vulnerability of women to domestic violence. Not least, the government is also committed to disaggregating key indicators by gender, and to monitoring them in conjunction with implementation of the CPRGS.

Important next steps are periodic progress reports on actions that have already been undertaken to implement the CPRGS action agenda, a research programme to implement the CPRGS action plan, and priority-setting to concentrate scarce resources on action items that should have the greatest effect. The name of the government ministry and/or administrative body that has been assigned responsibility for monitoring and/or implementing specific items on the CPRGS action list should also be made public.

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19 The 1997–98 VLSS indicates that households in possession of land-use right certificates are more likely to obtain bank credit (VDR 2005).

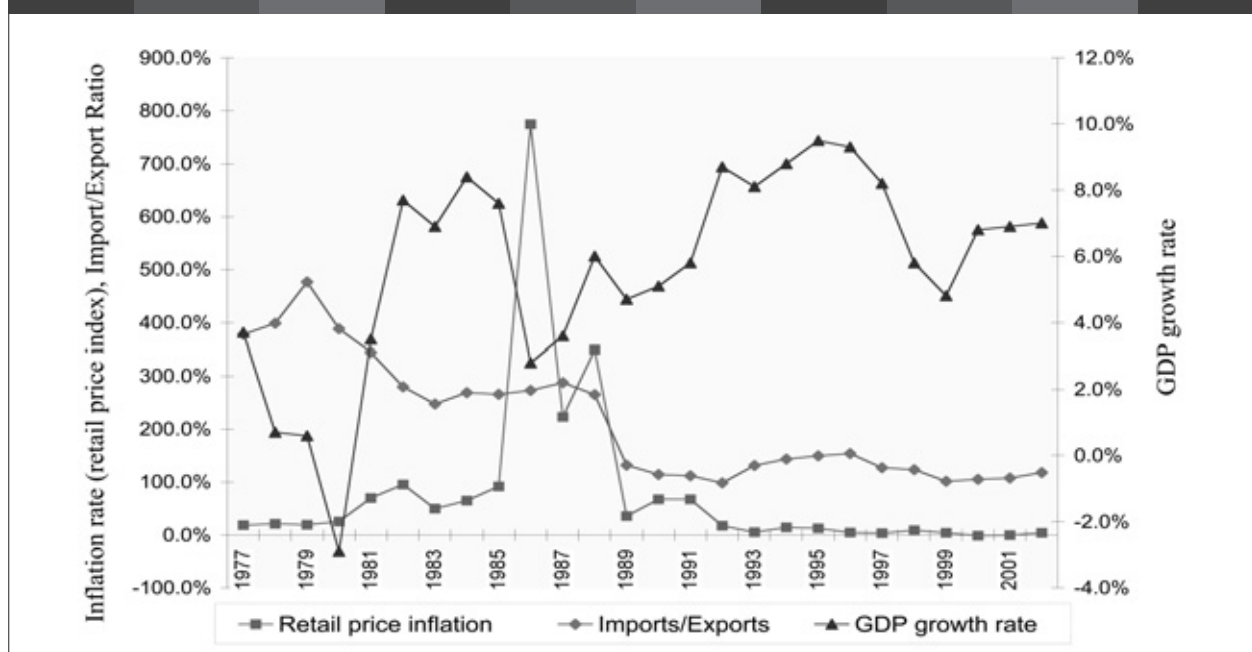
## III.

# doi moi and macroeconomic policy: socioeconomic goals and gender impact

This section presents the context for the *Doi Moi* (Renovation) reforms from a gender perspective. The historical and quantitative narrative that follows takes us from the immediate postwar period (1975) to the present, a time frame that covers the country's triple transformation from war to peace, from centrally planned to market economy, and from isolation to international integration (NCSSH 2001). This transformation is partially captured in figure 5, which tracks Viet Nam's inflation rate, trade balance (as measured by the ratio of imports to exports), and economic growth rate, from 1977 to 2002. The graph clearly shows the large trade imbalances of the pre-reform period, the economic crisis of 1979–80, the fiscal crisis and hyperinflation of the mid- to late 1980s, and the *Doi*

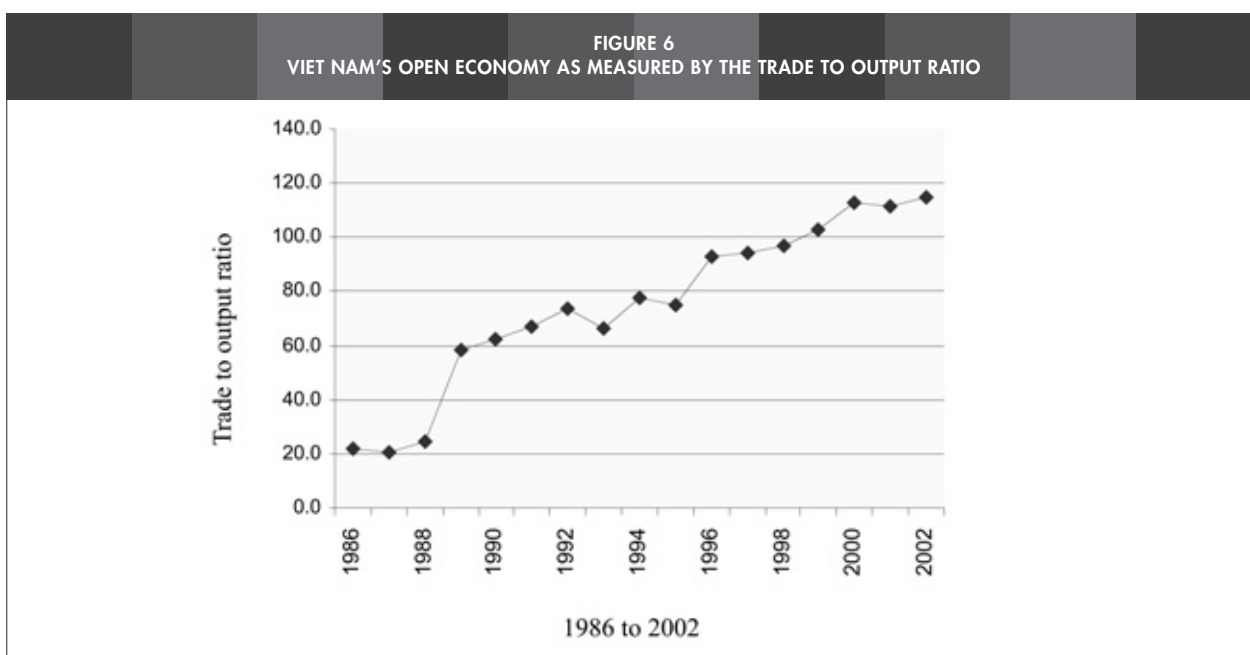
*Moi* phase of macroeconomic stability and rapid economic growth.

FIGURE 5  
VIET NAM'S ECONOMIC GROWTH AND INFLATION, AND RATIO OF IMPORTS TO EXPORTS



Source: Transformations by author based on an original series from the Viet Nam General Statistical Office (GSO).

Figure 6 shows Viet Nam’s transformation into an open economy, as measured by the trade to output ratio (defined as the sum of the nominal value of exports and imports of goods and services divided by nominal GDP). In 1988, the total trade to GDP ratio was less than 25 per cent, but by 2000 it had already climbed to over 112 per cent, reflecting the success of the external liberalization measures adopted as part of the *Doi Moi* reforms.



Source: Transformations by author based on an original series from the Viet Nam GSO.

Table 2 summarizes Viet Nam’s main economic indicators during each distinct policy phase. From 1975 to 1980, the immediate postwar period, the economy suffered from sharp drops in real output and per capita national income actually declined (see section 3.1). The economy was consuming far more than it was producing (in 1975, total consumption and investment spending exceeded gross domestic output by 37 per cent, and imports were 4.6 times the size of exports). During the “Subsidy” period (1980–88) the centrally planned and closed economy was highly dependent on Soviet bloc loans and grants. Macroeconomic management was weak and the government was unable to control inflation. Gross capital formation as a share of GDP dropped to its lowest level (13.2 per cent), while per capita income in 1984 was estimated to be only around US\$117 (in 1984 US dollars).

The first phase of *Doi Moi* (1989–93) saw vigorous reforms, and the government showed a greater capacity for effective macroeconomic management. A significant shift in the composition of aggregate demand took place (final consumption as a share of GDP fell to 90.6 per cent while the share of gross capital formation rose to 17.2 per cent; imports make up the difference between output and total demand), and growth in the services sector accelerated (see section 3.2). This was followed by a period of reform ambivalence (1994–2000): per capita income growth accelerated to 7.1 per cent as the economy reaped the gains from earlier reforms, but policy-makers felt less urgency to press with new reforms (see section 3.3). However, in the aftermath of the Asian financial crisis, Viet Nam has entered an accelerated phase of external and domestic reforms (see section 3.4).

TABLE 2  
MAIN ECONOMIC INDICATORS FOR VIET NAM, 1975–2000

	<b>GDP (annual growth percentage)</b>	<b>Per capita national income (annual growth percentage)</b>	<b>Final consumption as percentage of GDP</b>	<b>Gross capital formation as percentage of GDP</b>	<b>Agriculture, forestry &amp; fishing (annual growth percentage)</b>	<b>Industry (annual growth percentage)</b>	<b>Services (annual growth percentage)</b>
1975–80	0.30*	–1.9*	105.9	20.3	0.80	2.20	–1.50
1981–8	5.60	3.7	101.5	13.2	4.80	9.10	4.20
1989–93	6.50	4.6	90.6	17.2	4.10	6.10	8.30
1994–7	9.00	7.1	81.9	26.2	4.20	13.20	8.80
1998–2000	5.80	3.9	75.7	28.7	4.20	10.50	4.30

\* 1977–80

Source: Transformations by author from an original series by the Viet Nam GSO.

### III.A.

## *postwar period: closed-economy “subsidy” regime (1975–1988)*

A gendered transformation of social structure and labour distribution took place following the abrupt collapse of the US-supported regime in the South in 1975. During the war years, women played a key role in social management and production activities. Extensive oral histories taken from people living in the Mekong Delta provinces indi-

cate that women also played a decisive combat role.<sup>20</sup> Recognizing that their contribution was critical, the government enacted policies to promote gender equality and to give priority to female workers. However, after the war, a gender transfer of local and household authority accompanied the demobilization of the armed forces. Millions of returning male soldiers resumed their positions as family heads and replaced older people and women as community leaders (Tran Thi Que 1995).

This period saw the introduction of flawed policies which had the unintended effect of worsening living conditions in the war-torn economy. For example, when the Fourth Party Congress (meeting in 1976) decided to impose the North’s socialist institutions on the South, it set unrealistic targets for the shift to large-scale socialist production. The misguided decision to give priority to heavy industry produced measures that squeezed the livelihood of farming families. The burden fell disproportionately on women, who struggled to provide adequate family care on budgets that were hardly adequate to feed, clothe and shelter members of their household.

<sup>20</sup> Dr Ngo Vinh Long, Professor of History, University of Maine, interview, 23 June 2005. Dr Long has been collecting oral histories from Vietnamese who lived in the Mekong Delta during the US–Viet Nam war.

A vicious cycle was set in motion: state policies geared towards depressing the relative price of agricultural products (in order to shift resources to the industrial sector) effectively lowered returns to agriculture. This in turn dampened farm investment. As a result, productivity in the agricultural sector declined (Beresford and Dang Phong 2000). The campaign to collectivize the Mekong Delta also seriously weakened incentives, and passive resistance from farmers caused agricultural output to fall (by 6.4 per cent in 1978). Rural households gained more from tending their own private plots, and devoted less energy to the agricultural co-operatives (Beresford and Dang Phong 2000).

While both men and women endured considerable economic hardship, women suffered more owing to the gender division of labour. Their main source of livelihood came from the agricultural sector, while higher-wage employment opportunities in the more favoured industry and construction sectors were largely confined to men. Moreover, the time pressure on women was made more intense because—in spite of laws calling for gender equality and shared responsibility for household chores and childcare—the activities of the “care economy” were done mainly by women with little or no help from their husbands (see section 2.1). Women’s preoccupation with household work (including family care), and their displacement by returning male soldiers from community spheres of decision-making, caused their participation in public life to be diminished. This was seen in the decline in female representation in the National Assembly, from 32.3 per cent in 1975 to 21.8 per cent in 1981, and to 17.7 per cent in 1987 (Tran Thi Que 1995). By 1992, female representation in this body had fallen to 10 per cent (UNDP 1996).

Viet Nam’s international relations also took a bleak turn. The invasion of Cambodia in December 1978 put an end to Chinese and Western aid, and led to a stringent world economic embargo. As a result, from 1975 to 1993, Viet Nam received minimal outside assistance other than from Soviet bloc countries and some international non-governmental organizations (NGOs). From 1976 to 1980, the level of per capita aid from socialist countries fell precipitously to R/\$13 (Beresford and Dang Phong 2000).<sup>21</sup> This had a devastating effect because Viet Nam was largely dependent on imports of capital goods, spare parts and raw materials to maintain its industrial production. Industries in the South were especially hit hard because of their near-total dependence on inputs imported from capitalist countries.

The constraints facing Viet Nam were a result not only of the limited range of industrial supplies that were made available by the Council of Mutual Economic Assistance (CMEA) countries, but also of the rigidities of central planning, which gave rise to frequent bottlenecks. Machinery and equipment often piled up and was left to rust because storage facilities were inadequate and factory construction could not keep up with equipment deliveries. Of the 378 projects using imported equipment that were initiated during the Second Five Year Plan (1976–80), only 28 per cent were completed by the end of the plan period. Moreover, many completed factories operated at below capacity (or did not operate at all) because of raw material shortages or lack of power (Beresford and Dang Phong 2000).

In response to the economic crisis of 1979–80, the state adopted a series of pragmatic reforms (the mini reforms) in order to stimulate production. In January 1981, it introduced an output contract system in agriculture.

21 From 1970 to 1974, per capita socialist country aid to the north averaged transferable roubles (R/\$)19. If US aid to the south is taken into account, per capita aid nationwide averaged R/\$24.60. It should be noted that socialist bloc transactions are denominated in transferable roubles (or gold roubles), whose value is about equal to the US dollar (Beresford and Dang Phong 2000).

Farming families were permitted to sell on the free market all output in excess of the amount they had contracted to produce. To encourage industrial output, a complex “three-plan system” was adopted, which allowed state-owned enterprises (SOEs) to produce and sell goods not covered by quota on a free-market basis (Fforde and de Vylder 1996). This brought about a sharp rise in agricultural and industrial output,<sup>22</sup> and called attention to the link between earlier policy disincentives and the amount of slack that existed within the production system. The lifting of restraints on non-state-sector development allowed households to generate more resources for their own use, which improved family welfare, including the welfare of women. It stimulated domestic demand, with positive economy-wide multiplier effects.

With improved economic performance came an acceleration of the inflation rate, from 25 per cent in 1980 to 95 per cent in 1982.<sup>23</sup> A large gap emerged between “free market” and “organized market” prices. At the same time, the mini reforms produced a surge in smuggling and speculative activities; rampant corruption accompanied the slide in state employee real wages. With increased lawlessness came renewed efforts to clamp down. The government once again tried to regulate private trade, expand state and co-operative control of the wholesale and retail sectors, and curb the autonomy of exporters (Riedel and Turley 1999). Because women participate much more than men in private trading activities, and account for about 70 per cent of employment in this sector (see section 2.1), the unintended effect of clamping down on trade was to sharply curtail women’s income-generating opportunities.

Although the Third Five Year Plan (1981–85) has been described as an “awkward compromise” between concessions to pressures from below and the Viet Nam Communist Party’s (VCP’s) bias towards re-centralizing (Riedel and Turley 1999), this overlooks the important learning process which eventually led to more comprehensive reforms. The VCP realized that it urgently needed to have a better understanding of development dynamics, and the plan documents the Party’s evolving views. For example, its authors accepted the concept of a “multi-component economy” with regional differences. Departing from earlier ambitions to rush the nation into large-scale socialist production, the 1982 Fifth Party Congress reduced the number of large-scale projects and gave top priority to agriculture. The bias in favour of the state sector remained, however, and was reflected in its relatively strong growth performance. It should be noted that even as the leadership was searching for policy solutions that would put the country on a more stable growth path, there was little awareness of the need either to consider the gender impact of the proposed solutions, or to fashion strategies to improve women’s welfare.

Indeed, women gained much less from public expenditures during this period (see figure 7, section 3.2). Resources for health and education were severely squeezed because the government experienced chronic fiscal pressure and diverted scarce resources to maintain a very large (1.5 million man) army.<sup>24</sup> The level of government spending on health and education actually declined in real terms from 1985 to 1988. Although this placed greater stress on the care economy, slowed the accumulation of human capital, and increased the burden on women, the negative effects were mitigated by the state’s socialist health strategies, which emphasized cost-effective preventive and early treatment care.

22 Agricultural and industrial output increased by 10.6 per cent and 9.7 per cent respectively in 1982. Not surprisingly, the output response was greatest in commodity sectors where there was an adequate supply of domestic inputs, and where there was strong market demand.

23 Several factors contributed to high inflation. First, state-sector spending was necessarily large, given the financial burden of maintaining one of Asia’s biggest armies. Second, the trade embargo created shortages of imported inputs, leading to supply-side scarcities.

24 Revenues declined as a result of various weaknesses in the planning system including output volatility associated with supply-side shortages.

Between 1984 and 1988, public spending on health averaged around 0.5 per cent of GDP, a very low figure. (The average for low-income countries is 1.2 per cent of GDP.<sup>25</sup>) Yet the population’s general state of health was comparable to that of countries with much higher levels of per capita income than Viet Nam’s. This is mainly due to the high rate of adult literacy as well as the considerable investment of resources in establishing a large network of primary health facilities and in developing programmes to address priority health concerns such as malaria, diarrhoeal diseases and immunizable diseases (World Bank 2000c). These programmes were credited with reducing Viet Nam’s infant mortality rate, from 160 per 1,000 live births in 1960, to 90 in 1975–80, 75 in 1983 and 45 in 1989.

In the period leading to the phase of vigorous reforms, the government adopted a series of measures that represented important concessions to free market and private business concerns (Fforde and de Vylder 1996). Provinces and cities were instructed to close internal customs posts, which were impeding the domestic flow of goods. This relaxation of controls was especially helpful to women, who made up nearly four-fifths of those who worked in the private trading sector (Beresford 1994). There was greater acceptance of the private sector, and the state monopoly was abolished in the trade of most commodities, including food items, gold and silverware. Permission to conduct import–export businesses was granted more widely. Major policy decrees issued at the end of 1987 covered foreign investment, land, foreign trade, state industrial management, the private, family and individual sectors, and agriculture (Fforde and de Vylder 1996). These reforms, particularly the land and agricultural reforms, unleashed the productive energies of a nation comprised mostly of farmers. The reforms unlocked a rich array of income-generating opportunities in economic sectors dominated by women (agriculture and trade), and women quickly found ways to improve their own living conditions and those of their families. Per capita food production increased from 303 kg in 1990 to 444 kg in 2000, and revenues from agricultural exports increased more than fourfold (SRV 2002).

### III.B.

## *liberalization phase I: vigorous reforms (1989–1993)*

The 1987–9 macroeconomic crisis provided the impetus for *Doi Moi*’s far-reaching reforms, which brought about a “complete upheaval of the economic system” (Ronnas and Sjoberg 1991). The dire confluence of hyperinflation, near famine, severe shortages, abrupt termination of CMEA assistance and the loss of Soviet-bloc markets

associated with the collapse of the Soviet Union crystallized a decisive point in the government’s policy stance. To gain new trading partners, Viet Nam undertook a series of foreign policy initiatives: withdrawal from Cambodia, and normalization of relations with ASEAN, China and Western countries including the United States, thereby removing the major obstacles to expanded trade with the West and neighbouring countries.

The reforms were deep and comprehensive, covering many fronts (see box 1). External liberalization measures included the introduction of a very liberal foreign investment law, unification and massive devaluation of the exchange rate, significant reduction of tariff barriers and quantitative restrictions, liberalization of controls on

25 World Bank: [http://www.worldbank.org/data/wdi2001/pdfs/tab2\\_15.pdf](http://www.worldbank.org/data/wdi2001/pdfs/tab2_15.pdf), accessed on 10 May 2004.



the retention of foreign exchange by exporting firms, and foreign trade reforms that gave firms better incentives to export and also provided easier access to imported inputs. Anti-inflation measures included the introduction of positive real rates of interest, greater fiscal discipline and tighter budgets. Rural reforms that gave farmers the incentive to expand their output included the decollectivization of agriculture, a return to self-managed family farms, the granting of long-term leases, and not least, abolition of controls on the price of rice in 1989.

#### BOX 1 THE DOI MOI REFORMS

##### External liberalization measures

- > Unification and massive devaluation (by 90 per cent) of the exchange rate.
- > Liberalization of controls on retention of foreign exchange by exporting firms.
- > Trade liberalization: reduction of tariff barriers and quantitative restrictions.
- > Foreign trade reforms: state and private firms have easier access to imports and a better incentive to export.
- > Foreign Investment Law to attract foreign investment.

##### Anti-inflation measures

- > Introduction of positive real rates of interest.
- > Budget tightening and greater fiscal discipline.
- > Credit restraint.

##### Rural reforms

- > Decollectivization of agriculture.
- > Return to self-managed family farms.
- > Long-term leases granted to farmers.

##### Pro-market measures

- > Price liberalization: virtual elimination of price controls.
- > Removal of two-tier price system.
- > Imported intermediate materials valued at market prices.
- > Encouraging private sector development: new laws defining the rights and obligations of companies and private enterprises.

##### State-owned enterprise (SOE) reforms

- > Hardened budget constraint; SOEs placed on a self-financing basis.
- > Drastic reduction of subsidies; easy access to cheap credit ended.
- > Decentralization of decision-making and increased management autonomy.

##### Banking reforms

- > Separation of central banking from commercial banking.
- > Diversification of institutions and of ownership.
- > Foreign participation permitted.
- > Greater autonomy and independence.

##### Legal reforms

- > Law on Private Business and Law on Companies approved in December 1990.
- > Foreign Investment Law amended in 1990.
- > Law on Central Bank, state-owned banks and credit institutions approved in 1990.
- > 1992 Constitution officially recognizes a multi-sector economy.
- > Property rights strengthened with amendment of Land Law in 1993.
- > Law on Environmental Protection enacted in 1993.
- > Bankruptcy Law, Labour Code and Law to Promote Domestic Investment enacted in 1994.
- > Civil Code and Commercial Law enacted in 1995.



Price liberalization led to an improvement of resource allocation because imported intermediate goods were valued at market prices. State and non-state enterprises were allowed to set the price of their own products. (Prior to this, most goods produced or imported by SOEs were sold at below free market prices.) By the end of 1989, the state only retained control over transport, communication, electric, petroleum and cooking oil prices, and continued to regulate indirectly the price of other essential commodities, such as rice or gold, by buying or selling stockpiles of those commodities.

Without being obliged to by the International Monetary Fund (IMF), the government voluntarily embraced orthodox stabilization measures. After 1989, a policy decision was made to stop funding SOE capital investment through the budget (World Bank 1992). Working capital for SOEs directly financed by the budget declined to VND68 billion in 1990 from VND128 billion in 1989 and VND 88 billion in 1988. Government subsidies, representing 5.3 per cent of GDP in 1988, were largely eliminated in 1989. As a result, the “other” category<sup>26</sup>—which includes state subsidies (food procurement, production and exports) and defence spending—declined from 9.7 per cent of GDP in 1988 to 4.3 per cent by 1991.

Figure 7 shows the evolution of key components of government expenditures, normalized and adjusted for inflation.<sup>27</sup> Total current expenditure includes general administrative and economic services,<sup>28</sup> social services, interest payments,<sup>29</sup> and the “other” category mentioned previously. Although it is displayed separately, government spending on health, education and pensions and social relief is included under social services. The sharp cutbacks in government subsidies and defence spending in real terms (from 1988 to 1991) and in capital spending (from 1989 to 1991) are also illustrated in figure 7. Quite remarkably, during this period of retrenchment the government managed to protect social spending, which increased in real terms.<sup>30</sup>

26 This component is functionally classified by the Ministry of Finance as belonging in the “other” category of government current expenditures.

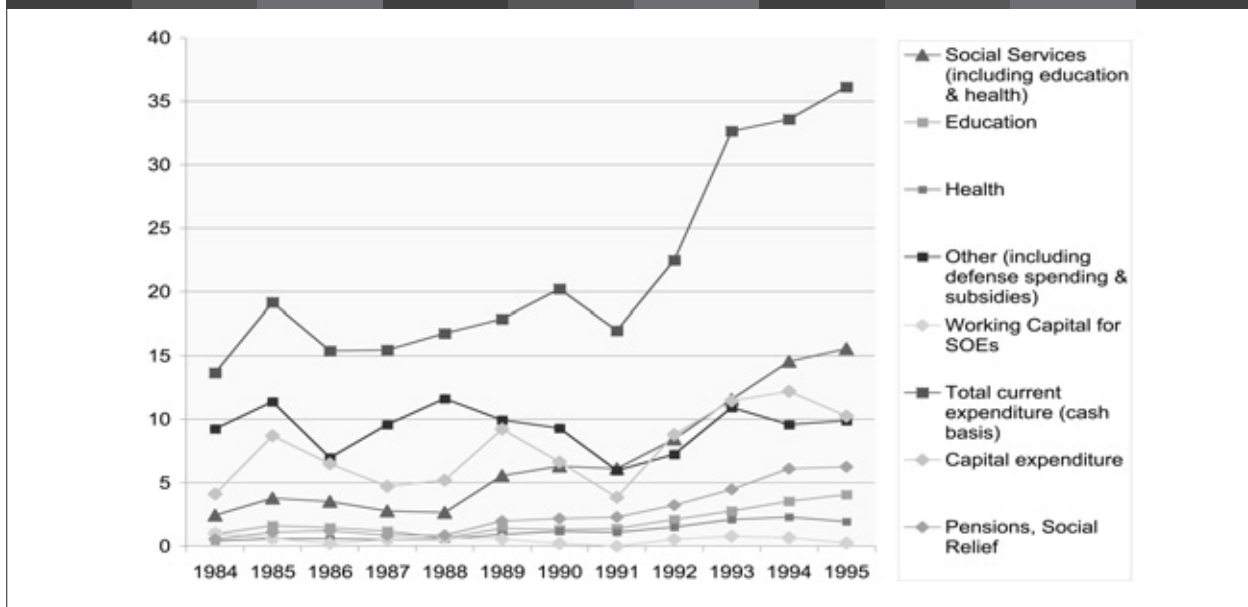
27 The 1984 level of GDP is set at 100, and the 1984 level of each component of government expenditure is set as a percentage share of the 1984 level of GDP. Assuming that the deflators of the components of government expenditure do not deviate significantly from the GDP deflator, each component is estimated as its nominal share of GDP times the level of real GDP (defined as an index number where GDP = 100 in 1984). This approach provides a rough approximation of the evolution of key components of government spending in level terms adjusted for inflation.

28 This includes government spending on agriculture, forestry, transport and so on (World Bank 1992).

29 Data on interest payments from 1984 to 1988 include amortization.

30 The degree of protection of social services spending may be overstated because the method of paying teachers, health workers and other social services personnel changed in 1989. Prior to this, all public-sector employees received some of their compensation directly in the form of rice, which was included as a food procurement subsidy. In other words, part of the observed increase in social services spending and decrease in spending in the “other” category is simply attributable to this switch (World Bank 1992).

FIGURE 7  
LEVEL OF REAL GOVERNMENT EXPENDITURES, NORMALIZED, 1984–1995 (1984 GDP = 100)



Source: Transformations by author based on Viet Nam GSO and World Bank data. World Bank data from various Viet Nam country reports (Report No. 11902-VN, Report No. 13143-VN) published by Country Department I, East Asia and Pacific Region.

Public spending on education as a share of GDP fell to 0.6 per cent in 1988 from 1.6 per cent in 1985, but gradually rose again to reach 1.7 per cent of GDP in 1993.<sup>31</sup> During this period, teachers' salaries were so low that most teachers had to take second and even third jobs to survive. In 1991, the top salary for seasoned primary school teachers (a field dominated by women) was about VND95,000 (US\$11.30) per month, or two-thirds the wage of an average SOE worker (World Bank 1992).<sup>32</sup>

As noted, subsidies to SOEs were curtailed drastically, and financial discipline was imposed on SOEs, forcing major restructurings and massive layoffs that fell disproportionately on women. The total number of employees in the state-owned sector fell from 3.86 million in 1985, representing about 15 per cent of the total labour force, to 2.92 million in 1993 (Beresford 1994). Employment in the co-operative industrial sector declined even more steeply, from 1.2 million in 1988 to 287,600 in 1992, and it is estimated that about 70 per cent of the laid-off employees were women. Between 1990 and 1991, some 553,000 women were laid off from the state-owned and collective industrial and trade sectors; this is equivalent to 19.7 per cent of all female wage employment in 1992–3 (Beresford 1994; Rama 2001).

31 Public spending on education has continued to increase, reaching 2.6 per cent of GDP in 2002, and there is recognition that teachers' salaries must be increased in order to remunerate and motivate teachers adequately.

32 Teachers' wages are still low. Although the average wage for public-sector employees in education rose to VND449,000 per month in 1998, this represented only 87 per cent of the average wage of all public-sector employees.

At the same time, new economic opportunities were created as a result of policy incentives to expand output. The government gave SOE managers greater autonomy and eased restrictions on private sector activity. To further encourage economic activity, the structure of the banking system was transformed, with diversification of both institutions and ownership.

Foreign direct investment (FDI) was to be a key pillar of the *Doi Moi* reform strategy. Vietnamese leaders were hopeful that FDI would help raise productivity and boost productive capacity by increasing employment, upgrading the physical infrastructure and transferring technology. Their expectations were only partially met, because FDI’s contribution to employment growth has been weak. The reason is that the presence of foreign enterprises creates a more competitive environment, and this forces domestic firms to adopt measures such as labour-shedding to increase their productivity. A UK Department for International Development (DFID)-funded study found that in Viet Nam in general, foreign firms create less employment per unit of output than other firms, and that FDI’s dominant effect was to crowd out local private firms and to increase pressure on SOEs to rationalize their workforce. The net effect is to reduce employment, since for a given level of output domestic private enterprises create five times as many jobs as foreign firms, while SOEs create almost twice the number of jobs.<sup>33</sup>

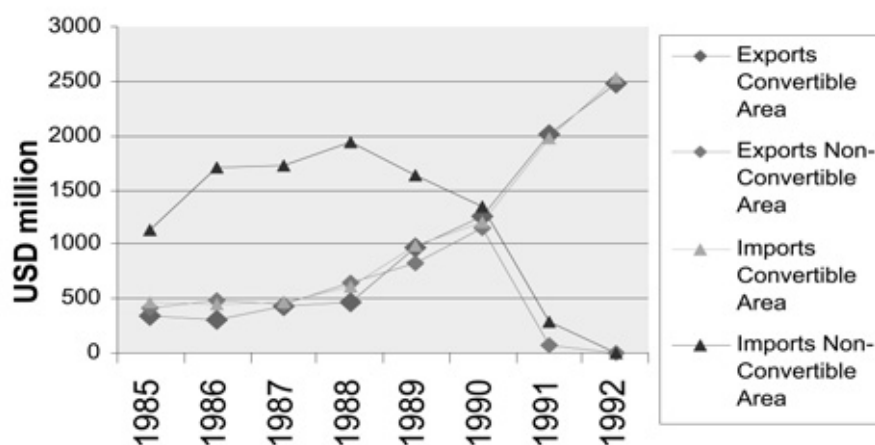
Viet Nam’s open-door policy and receptiveness to FDI coincided with the economic boom in East and Southeast Asia. Domestic institutional reforms in the Republic of Korea and Taiwan Province of China facilitated their outward investment, and they quickly became the largest foreign investors in Viet Nam. Along with other Asian investors, they were eager to preside over the country’s economic take-off,<sup>34</sup> and the FDI sector experienced explosive growth. Thanks to highly favourable foreign investment incentives, FDI quickly became a dynamic force in the economy,<sup>35</sup> as its share of total investment rose from nearly nothing to 17.4 per cent during the 1989–93 period, peaking at 30.6 per cent during the 1994–7 period. FDI gross industrial output recorded average annual increases in excess of 44 per cent. From 1988 to 2001, over US\$38 billion of FDI projects were approved.

33 During the period 1995–1999, industries that have seen a significant increase in foreign ownership have tended to lag behind in employment growth (Jenkins 2002). The main reason is that FDI during this period formed joint ventures with SOEs in capital-intensive import-substituting industries (see section 3.3).

34 By 1999, the four Asian tigers (Singapore, Taiwan Province of China, Hong Kong SAR and the Republic of Korea) and Japan accounted for 55.5 per cent of total registered FDI capital. However, these investors were hard hit by the Asian financial crisis in 1997–8, which led to a sharp fall in FDI flows to Viet Nam (see section 3.3). From an average annual growth rate of 16.3 per cent during the 1994–7 period, FDI flowed out during the 1998–2000 period, causing the FDI share of Viet Nam’s total investment capital to contract sharply to 21.6 per cent from 30.6 per cent during this period.

35 By 2000, FDI accounted for 13.3 per cent of GDP, 33.8 per cent of non-oil exports, and 35.2 per cent of industrial output.

FIGURE 8  
VIET NAM'S TRADING PARTNERS: SWITCH TO CONVERTIBLE AREAS

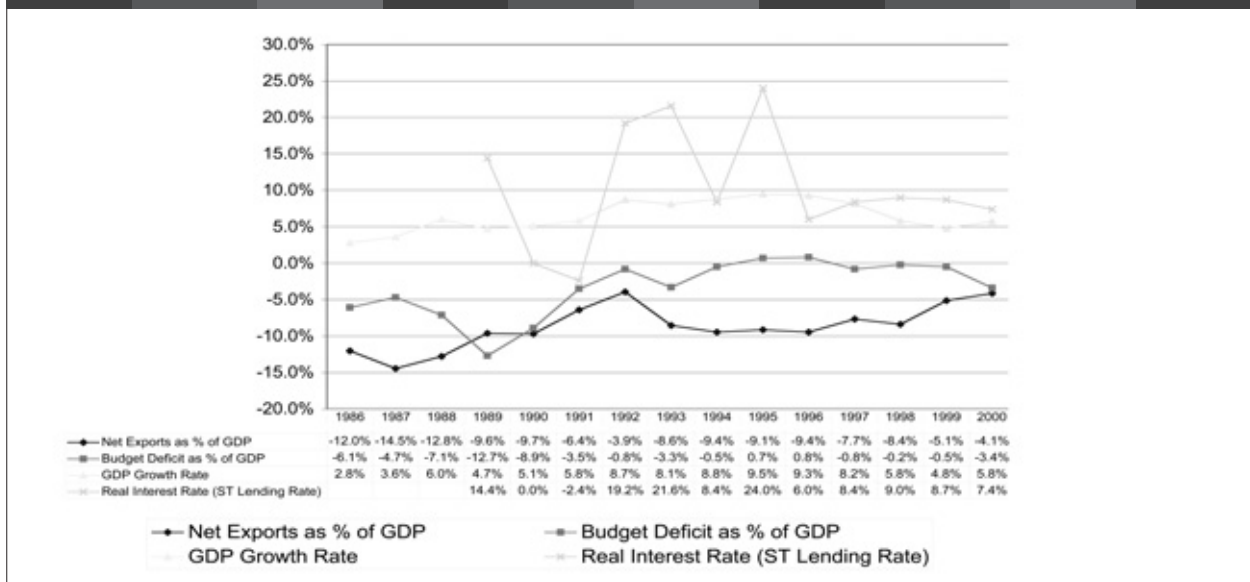


Source: Viet Nam GSO and World Bank. World Bank data from various Viet Nam country reports (Report No. 11902-VN, Report No. 13143-VN) published by Country Department I, East Asia and Pacific Region.

The gradual liberalization of trade (summarized in box 1) produced immediate results. Viet Nam was able to quickly develop new export markets and change the composition of its trading partners (see figure 8). For example, although CMEA partners in 1988 provided 57 per cent of Viet Nam's imports, by 1991 they provided only 5 per cent. It was a similar story for exports: in 1988, the non-convertible (CMEA) area accounted for all of Viet Nam's light industry and handicrafts exports, yet by 1992 it accounted for only 4 per cent. As for agricultural and forestry exports, the non-convertible area accounted for 30 per cent in 1988, but only 1 per cent in 1992. By then, Viet Nam had restored normal ties with most Asian countries and the European Union (EU) nations had resumed aid.

Other major results of the reforms could be seen in the government budget. This is vividly illustrated in figure 9, which shows a dramatic reduction of the fiscal deficit from 12.7 per cent of GDP in 1989 to 0.8 per cent by 1992. The trade deficit (net exports as a percentage of GDP) also fell from 14.5 per cent of GDP in 1987 to 3.9 per cent in 1992. It is especially remarkable that these gains were achieved during a period of very little external assistance, as Soviet-bloc aid was fast disappearing and Western official development assistance (ODA) had not yet resumed. The gap was filled by hard currency earnings from the sharp rise in oil production (as earlier investment in offshore oil production started to bear fruit) and rice production (brought about by the agricultural reforms), as well as the rapid growth of FDI. From 1989 to 1993, the annual average growth rate from FDI was 149.3 per cent (from nearly nothing under the 1980–8 "Subsidy" period).

FIGURE 9  
EVOLUTION OF REAL INTEREST RATE, TRADE AND BUDGET DEFICITS, 1986–2000



Source: Transformations by author based on Viet Nam GSO data.

Although hyperinflation was vanquished and new trading partners were found, the adjustment costs were considerable. As previously noted, they fell heaviest on public sector employees, mainly women, who were made redundant. The unemployment problem was further exacerbated because, in addition to a very high labour force growth rate,<sup>36</sup> the economy had to accommodate an additional 500,000 demobilized soldiers and other workers released from the civil service, plus thousands of overseas workers who were repatriated from Eastern Europe and Iraq. While government adjustment assistance helped to ease some transition pains, the number of skills training centres established by the government (55 by the end of 1992) and the number of unemployed workers who could be helped was very small relative to the scale of the problem (World Bank 1993). Redundant public sector employees were given severance pay (one month's salary for each year of service and assorted increases to cover health expenses, education, and compensation for loss of housing benefits). After that they were expected to fend for themselves in an economy and society that was undergoing rapid and tumultuous change.

The burden of adjustment also fell on the state enterprise sector. The hard budget constraint and anti-inflation high-interest-rate policy increased organizations' debt-servicing costs. Their financial situation deteriorated, and they were forced to liquidate inventories and to restructure. Trade liberalization also brought in a flood of imports from China, Thailand and Japan, which hurt Vietnamese bicycle, household goods, textiles, clothing, porcelain, pottery and electric fan makers. In 1989, a majority of local state enterprises were in trouble. It was estimated that only 20 per cent of all SOEs were profitable. About half were loss-makers, and 30 per cent underutilized their productive capacity. The industry sector experienced a 4.3 per cent contraction, and state-sector gross industrial output fell by 7.1 per cent. The non-state sector, which had been doing relatively well in 1987

36 This is related to Viet Nam's particular demographics: it has a relatively young population whose big bulge reached the age to join the labour force at this time.

and 1988, was also affected. In 1989 and 1990, non-state-sector gross industrial output contracted by 4.2 per cent and 8.2 per cent respectively. The manufacturing industry in the state sector (especially engineering and metallurgy) was particularly hit hard. It contracted by 19.5 per cent in 1989, and by another 8.6 per cent in 1990. The non-state manufacturing sector also contracted, but not by as much.

The workers of many financially strapped SOEs went without pay. Meanwhile, production by co-operatives and small handicraft industries and trade organizations also fell (Vo Dai Luoc 1995). In addition, with price liberalization, SOEs were no longer able to profit from the difference between official and free market prices. Their financial difficulties were passed on to the government in the form of reduced SOE contributions to the budget, further weakening already shaky public finances. The severity of the budget constraint led to even more cutbacks in the delivery of public social services, further stressing the care economy. The disintegration of the co-operatives that funded health care and education at the local level cut deeply into the provision of health and education services, as there was no adequate replacement by other public institutions. The government stopped investing in infrastructure, which was already dilapidated. Roads, irrigation, water supply and power generation facilities were neglected (World Bank 1993).

Yet the Vietnamese economy managed to emerge from this period of painful structural adjustment with largely positive outcomes.<sup>37</sup> In focus group interviews, men and women said that the *Doi Moi* reforms had brought about major changes in their lives. They were optimistic about the future, believed that wealth was becoming a more important factor in social relations, and that more opportunities were becoming available thanks to greater labour mobility. Residents from Go Vap, an urban community, believed that the position of women in the household had improved because younger women had more opportunities in the labour market, and older women whose husbands had retired became the more important income earner. Women in the rural community of Dang Cuong reported that their living conditions had improved and that they had better access to information from television (Long et al. 2000).

### III.C.

## *liberalization phase II: reform ambivalence (1994–2000)*

This section covers the high-growth period between the two living standard surveys (1992–3 and 1997–8) which provide an in-depth picture of the initial effects of the *Doi Moi* reforms (see table 2 and figure 5). It also covers the Asian financial crisis of 1997–8, which reverberated in Viet Nam and contributed to reducing the annual

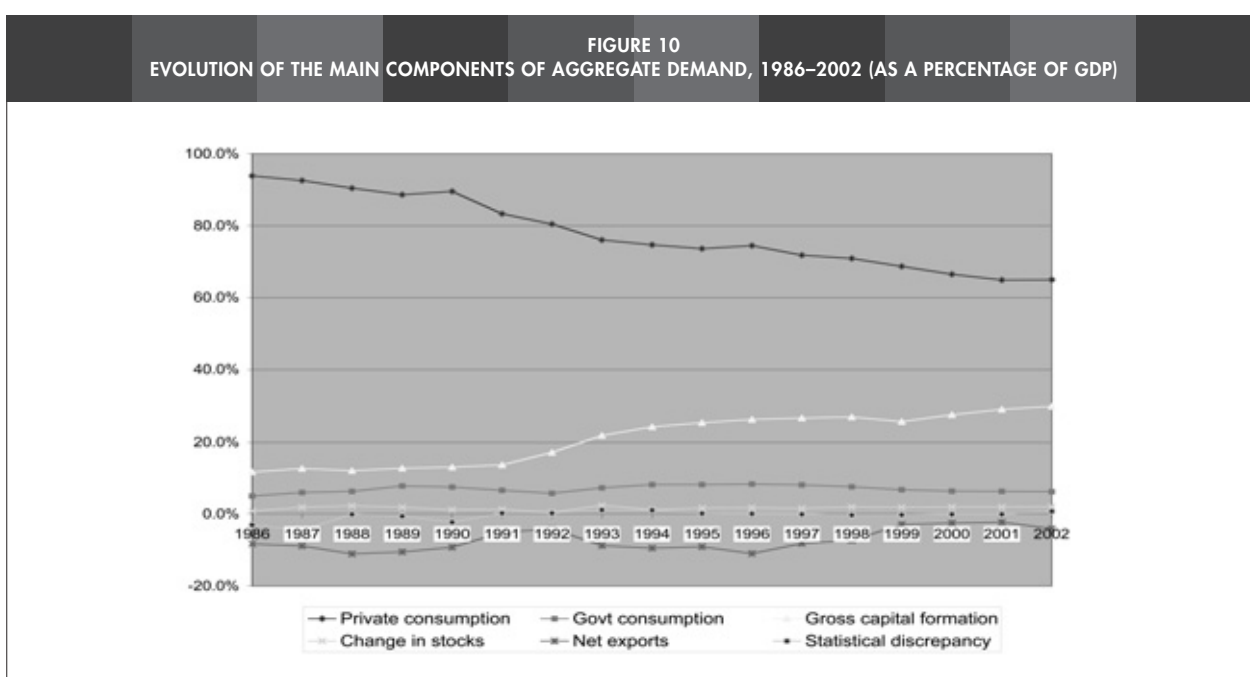
average GDP growth rate from 9 per cent (from 1994–7) to 5.8 per cent (from 1998–2000). Its even greater impact was on the country's policy path: for the Vietnamese leadership, the need to review and reassess the reform agenda took on new urgency (see section 3.4).

The 1994–97 period was a time of mostly smooth sailing for the economy, and was reflected in a recovery in state finances (see figure 9). Government revenues (including grants) climbed steadily as a share of GDP, peaking at 24.7 per cent in 1994 from the 1988 low of 11.3 per cent. The inflation rate was brought down, from 14.4 per cent

<sup>37</sup> Viet Nam was spared the severe recessions that marked the early stages of transition in Eastern Europe because, even though its industry sector suffered large contractions, this sector accounted for a much smaller share of GDP than in the more heavily industrialized Eastern Bloc countries.

in 1994 to 3.2 per cent in 1997, and actually turned negative (–1.6 per cent) in 2000 (see figure 5). The real effective exchange rate also rose sharply from 1992 to 1997, as a result of the combined effects of price deregulation, FDI inflows (IMF 2003a), and the desire on the part of policy-makers to maintain an overvalued exchange rate in order to reduce inflationary pressures.<sup>38</sup>

Figure 10 presents the evolution of the main components of macroeconomic demand (as a share of GDP), from the last years of the closed-economy ‘Subsidy’ regime to the Doi Moi reform period. It shows a trend shift in the pattern of aggregate expenditure which is expected to have long-term beneficial effects on women’s welfare because these compositional changes support macroeconomic stability. The decline in the share of both private consumption and government consumption is offset by a roughly equivalent rise in the share of gross capital formation (both public and private), so that the structure of the Vietnamese economy has begun to resemble that of its dynamic Asian neighbours. The rising share of capital spending in total expenditure suggests that substantial infrastructure is being laid to expand the economy’s productive capacity. This lowers the risk of volatile swings in output from supply-side bottlenecks like those experienced during the ‘Subsidy’ period (see section 3.1). Because women are more likely to bear the brunt of economic instability, expenditure patterns that support a more stable macroeconomic environment have positive gender implications.<sup>39</sup>



Source: Transformations by author based on Viet Nam GSO data.

<sup>38</sup> Viet Nam’s hyperinflation experience during the 1980s deeply influenced the government’s approach to monetary and exchange rate policy, and helps to explain why the authorities did not intervene to halt the appreciation of the real exchange rate.

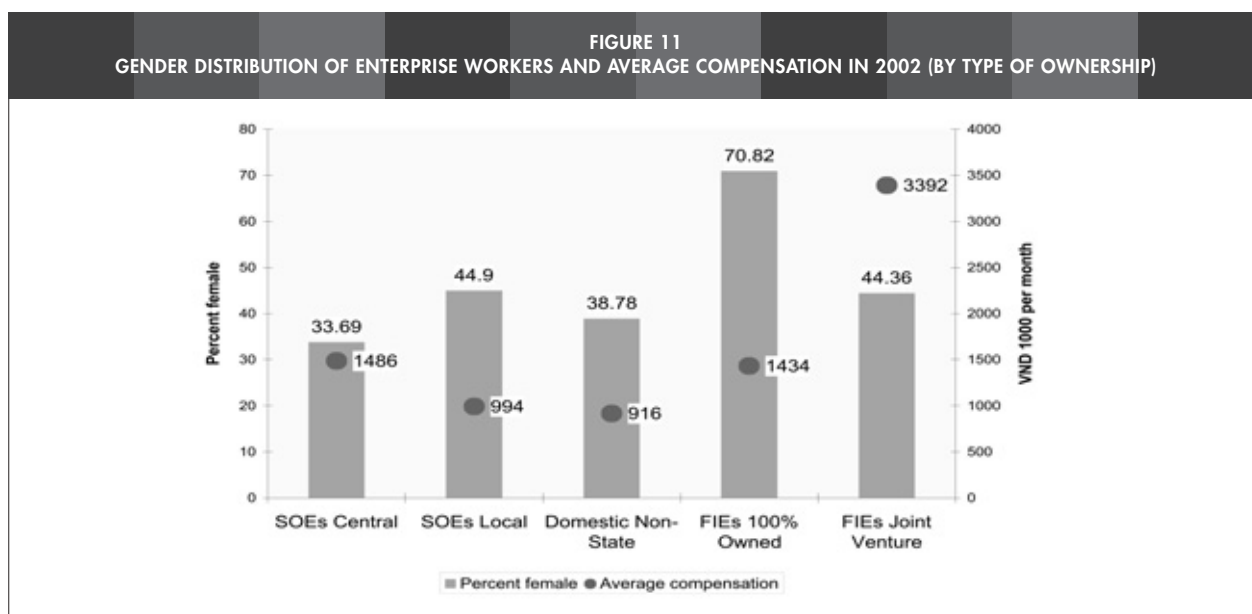
<sup>39</sup> The basic argument is as follows. Economic instability tends to increase the volatility of household income, in part because of the greater likelihood that wage earners will lose their jobs in the formal economy. Female wage earners must often turn to the informal sector for work that is insecure and less remunerative. Unpaid female domestic workers are also pressured to find work in the informal sector to offset the loss of income from unemployed male wage earners, usually without any lessening of their burden of household work. The environment of economic instability also increases household stress and domestic violence, which takes a heavier toll on women. In these instances, the condition of women tends to be worse than that of men because of their dual burden as income earners and caregivers (Cagatay 1998).



It should be noted that the changing composition of GDP demand components (and the growing weight of investment spending) took place even as the economy shifted towards production of non-tradables (that is, goods and services that by their nature cannot be traded between regions and nations, such as haircuts and lawn mowing services) as a result of changing relative prices in favour of the non-tradables sector<sup>40</sup> and government policies on behalf of the larger SOEs. The relatively faster growth of the male-dominated formal non-tradables and import-substitution sectors helps to explain why the number of women in wage employment grew more slowly than the number of men during this period. (Between 1992–3 and 1997–8 wage employment rose by 10.1 per cent for women and 25.6 per cent for men.<sup>41</sup>) Given that the female participation rate in the labour force remained high and in fact rose during this same period (Rama 2001), we may infer that the main source of income for large numbers of working women very likely came from the more insecure informal sector.

The improved financial situation of the SOEs and subsequent rise in their financial contributions to the state budget was a major factor in the state's improved fiscal health (see figure 9). It also increased their influence within the Party, which became more receptive to SOE lobbying for increased protection. There was some pulling back from the hard budget constraint that had been imposed on the SOEs during the crisis period (see section 3.2), and ad hoc preferential measures were adopted to help out SOEs with financial problems. During this period, trade liberalization and tax reform initiatives were also delayed (IMF 1998).

The SOEs' increased ability to exert monopoly power (in certain sectors) and to benefit from rent-seeking activities had negative gender implications: it diverted scarce state resources away from expenditures that were more supportive of the care economy, such as health, education and basic infrastructure (safe water, rural transport and markets, irrigation and so on). Moreover, the SOEs that were most favoured by the state tended to have a significantly higher concentration of male workers (see figure 11).



Source: Transformations by author based on Viet Nam GSO Enterprise Survey data.

Note: FIEs = foreign-invested enterprises.

<sup>40</sup> The sharp appreciation in the real exchange rate from 1992 to 1995 brought about a relative rise in production of non-tradables.

<sup>41</sup> Reflecting the large gender difference in the growth of wage employment, and the higher concentration of male employment in the non-tradables sector, the share of men employed in the mining, manufacturing, utilities and construction sector increased from 13.6 per cent in 1992–3 to 15.3 per cent in 1997–8, while the share of women employed in this sector declined from 11.3 per cent in 1992–3 to 10.4 per cent in 1997–8 (VLSS93 and VLSS98).



In the foreign-invested sector, the structural composition of FDI inflows continued to shift in response to policy incentives and better information about sectors with significant growth potential. Initially FDI was attracted to the oil and gas sector, which accounted for nearly 37 per cent of total FDI disbursement during the 1988–93 period. By 1998–2000, this sector’s share of FDI flows had declined to less than 15 per cent. The government’s more protectionist policy stance (after the economic crisis had receded) encouraged FDI flows towards sectors with high levels of trade protection, and motivated the rapid growth of joint ventures (JVs) as foreign investors began to team up with well-connected SOEs in import-substitution industries.<sup>42</sup> About 50 per cent of FDI went into sectors enjoying effective rates of protection of over 90 per cent, and 25 per cent of FDI into sectors with effective protection rates of over 120 per cent. As a result, heavy industry’s share of total FDI rose from 7.9 per cent in the 1989–93 period, to 19.2 per cent in the 1993–97 period. Initially, there was concern that this emerging alliance would become a powerful lobby for protective tariffs and other import restrictions to shut out competitive imports, but this threat receded as a result of the shock effects of the 1997–8 Asian financial crisis and its transmission to Viet Nam through FDI and trade flows,<sup>43</sup> which caused the government to reassess its policy priorities and to recommit to opening up the economy.

Ownership type has significant gender implications. This is seen in figure 11, which shows the gender concentration of enterprise workers by ownership type and their average compensation, based on the results of enterprise surveys conducted by the Viet Nam General Statistical Office (GSO) in 2001, 2002 and 2003. What is particularly striking is the size of the wage gap and difference in gender concentration between foreign-invested enterprises (FIEs) that are wholly foreign-owned and joint-venture FIEs. As noted, the FIE joint ventures—typically with well-connected state-owned enterprises—tended to be in capital-intensive import-substitution industries with high levels of trade protection, such as cement and steel. The average wage in these joint-venture FIEs (where the majority of workers are men) is 2.4 times higher than the average wage in the wholly foreign-owned FIEs. The latter are mainly concentrated in labour-intensive export-oriented industries (for example, garments and footwear), and women account for over 70 per cent of their workforce.<sup>44</sup>

The perception that average wages tend to be lower in sectors with a higher concentration of women workers is reinforced when we consider the gender distribution of labour between SOEs governed by the central authorities (central SOEs) and SOEs governed by local authorities (local SOEs). Women workers are least represented in the central SOEs, where the average wage is significantly higher than in the local SOEs. It should also be noted that the ownership sector with the lowest average wage is the domestic non-state sector. A detailed econometric analysis of wage determination in the textile and garment (T&G) industry, based on data disaggregated by ownership type,<sup>45</sup> found clear evidence of gender-based wage discrimination in private enterprises (PEs) and FIEs, but not in the SOEs (Hoang Thi Thanh Huong 2002).<sup>46</sup> Estimation of the gender wage gap in the non-state sectors

42 As with most developing countries, Viet Nam’s import-substitution industries include heavy industry.

43 FDI capital inflows dropped sharply from over US\$2 billion in 1997 to about US\$700 million in 1999, as the regional financial crisis devastated Viet Nam’s main foreign investors, the Asian countries.

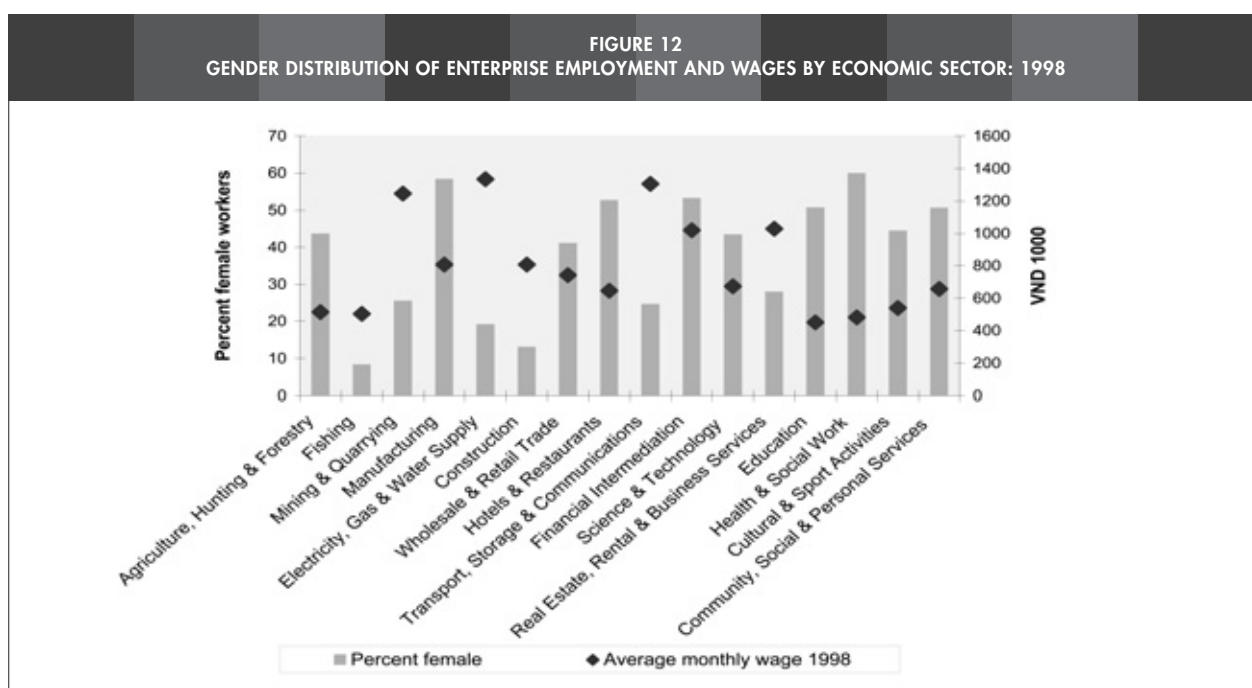
44 In 2002, the total number of workers employed by the wholly foreign-owned FIEs came to 455,178, or 3.2 times the number of those employed by the joint-venture FIEs.

45 Primary data comes from the Viet Nam Textile and Clothing Competitiveness Survey conducted by the Institute of Economics in 2001, for two years (1999 and 2000), covering 150 T&G firms randomly drawn from eight provinces that are leading T&G employers. The sampling frame is based on the census of manufacturing firms in Viet Nam carried out by the GSO and the United Nations Industrial Development Organization (UNIDO) in 1998.

46 This is because the government has clear rules governing wage determination in SOEs which give managers little discretionary power to discriminate on the basis of gender.

found that on average, male FIE employees received 11.6 per cent more, and male PE employees 9.4 per cent more, than their female counterparts.<sup>47</sup>

Disaggregating the GSO survey data by economic sector tells a similar story of female under-representation in the higher-wage sectors. Figure 12 presents a breakdown of enterprise employment and wages by gender and by economic sector.<sup>48</sup>



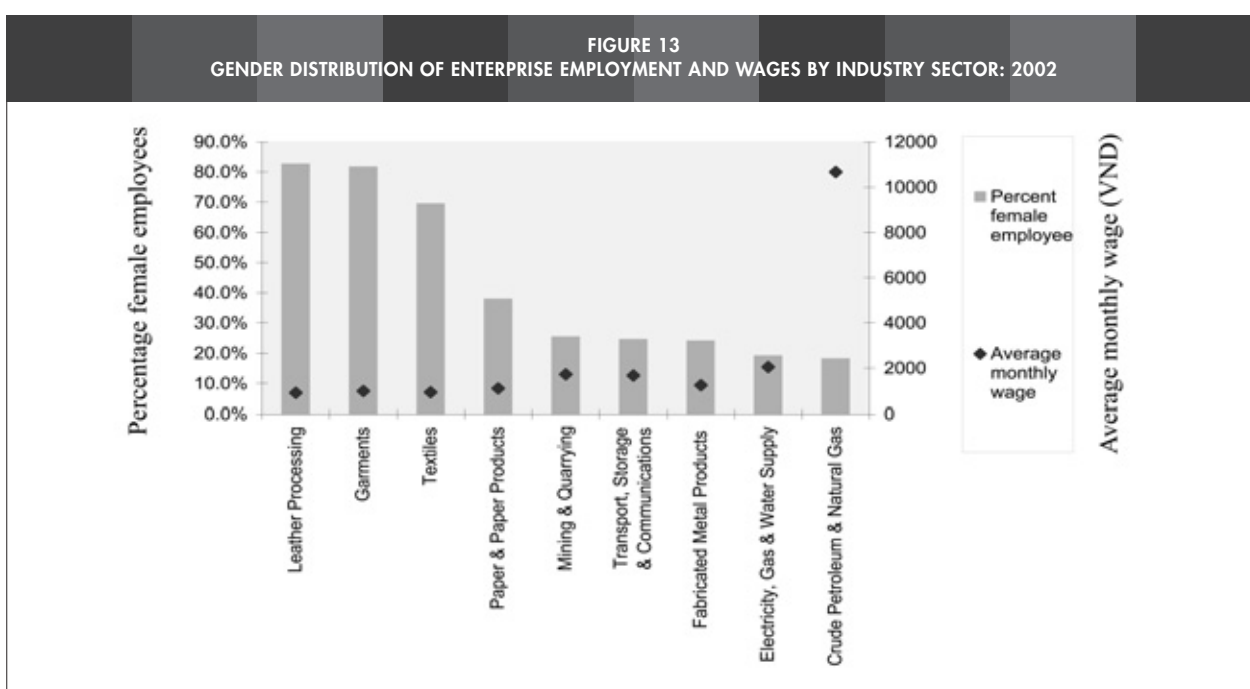
Source: Transformations by author based on Viet Nam GSO survey data.

47 A wage equation was estimated using as the dependent variable the natural log of real hourly earnings adjusted for regional price differences. The finding is significant at the 1 per cent level for FIEs and the 5 per cent level for PEs. There is no evidence of a gender wage gap in the SOE sector. The estimated coefficient for the SOE sector not corrected for selection bias has a different sign from the same estimated coefficient corrected for selection bias (Hoang Thi Thanh Huong 2002).

48 Figure 12 combines a gendered disaggregation of all enterprise employment (representing employment in the formal sector) by industry sector, with official estimates of average state-sector wages disaggregated by industry. Because of data constraints, I have had to combine 2002 data on enterprise employment by sector with 1998 data on average state-sector wages. The latter serves as a reasonably accurate proxy of industry wage differentials. It should be noted that the gender share disaggregated by industry shown in figure 12, which is collected from enterprise surveys, differs from the gender share generated from the VLSS dataset, which is generated from household surveys. Household survey data also captures informal sector employment disaggregated by industry.

A gendered analysis of the disaggregated export sector suggests a mixed picture of gender wage inequality among the different export sectors, along with greater opportunities for women to find wage employment in the formal sector. During the transition period there has been a shift in the composition of Viet Nam's exports away from unprocessed raw materials towards light industrial goods.<sup>49</sup> This has helped to create more jobs for women, as a higher percentage of women than men are employed in light industry. Although export-oriented industries are more likely to employ women, their average wage is low. It is about 20 to 26 per cent below the average wage in the formal sector.

Figure 13 shows the percentage share of female employees in a selection of industries, and their average monthly wage. The 2002 data come from a survey of enterprises conducted by the Viet Nam GSO. At one end of the spectrum are leather-processing and garment enterprises, where women account for over 80 per cent of the workforce. At the other end of the spectrum are non-tradable and import-substitution industries where men form the majority of the workforce. The exception is the crude oil and natural gas industry, which is a major export earner, and hires mostly men. The general impression from the survey data is that average wages tend to be higher in the non-tradable and import-substitution industries, whose share of women workers tends to be lower than in the export-oriented industries.



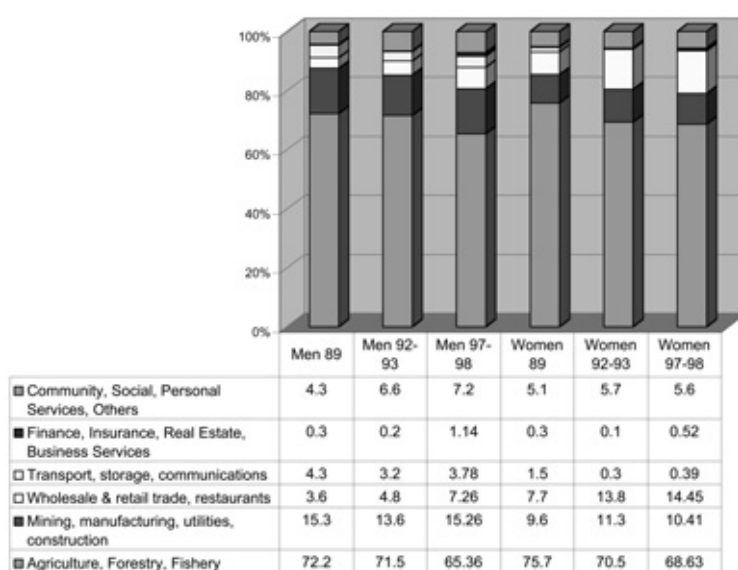
Source: Transformations by author based on Viet Nam GSO survey data.

<sup>49</sup> The share of earnings from rice exports declined from nearly 16 per cent in 1990 to less than 5 per cent by 2000. Similarly, the share of revenues from crude petroleum exports fell from over 27 per cent during 1990–3 to 18.5 per cent by 1998–2000. At the same time, the share of light industry exports has expanded. By 1998–2000, exports of textiles and garments, and of footwear, accounted for 14.6 per cent and 11.1 per cent respectively of total export earnings.

At present, we have limited information about the evolution of the gender wage gap over the transition period. Evidence from the VLSS suggests that a substantial decline in this gap took place in the formal sector between 1992–3 and 1997–8 (Rama 2001). The VLSS93 and VLSS98 survey data indicate that the gap in earnings was larger in the private sector than in the public sector. However, both sectors have seen a decline in this gap: the proportion of average male wages earned by women in the private sector was 72 per cent in 1992–3 and increased to 79.3 per cent in 1997–8; in the public sector the proportion was 77.6 per cent in 1992–3, and the gap narrowed as it became 84.4 per cent in 1997–8. It is unlikely that the narrowing of the gender wage gap was caused by a decline in male wages, given the economy's high growth rate. It is not known if there has been any narrowing of the gender earnings gap in the informal sector because the VLSS does not have data on earnings of the self-employed (Rama 2001). More research is needed to identify and analyse the determinants of the gender wage gap during the transition process.

The impact of the *Doi Moi* reforms on the gender division of labour is shown in Figure 14. It draws on data from the 1989 population census and the two living standard surveys, VLSS93 and VLSS98. As regards the sectoral structure of employment, a key indicator of rising incomes is seen in the trend decline in the share of the labour force—both men and women—employed in agriculture, forestry and fishing. In 1989, on the eve of the *Doi Moi* reforms, 72.2 per cent of employed men and 75.7 per cent of employed women worked in this sector. By 1997–98, the proportion of men and women employed in that sector had declined to 65.4 per cent and 68.6 per cent respectively. The fastest employment growth area for women has been the wholesale and retail trade and restaurant sector. It accounted for 7.7 per cent of total employment for women in 1989, rising to 14.5 per cent in 1997–98. It was a high-growth sector for men as well: the proportion of men working in this sector rose from 3.6 per cent in 1989 to 7.3 per cent in 1997–98.

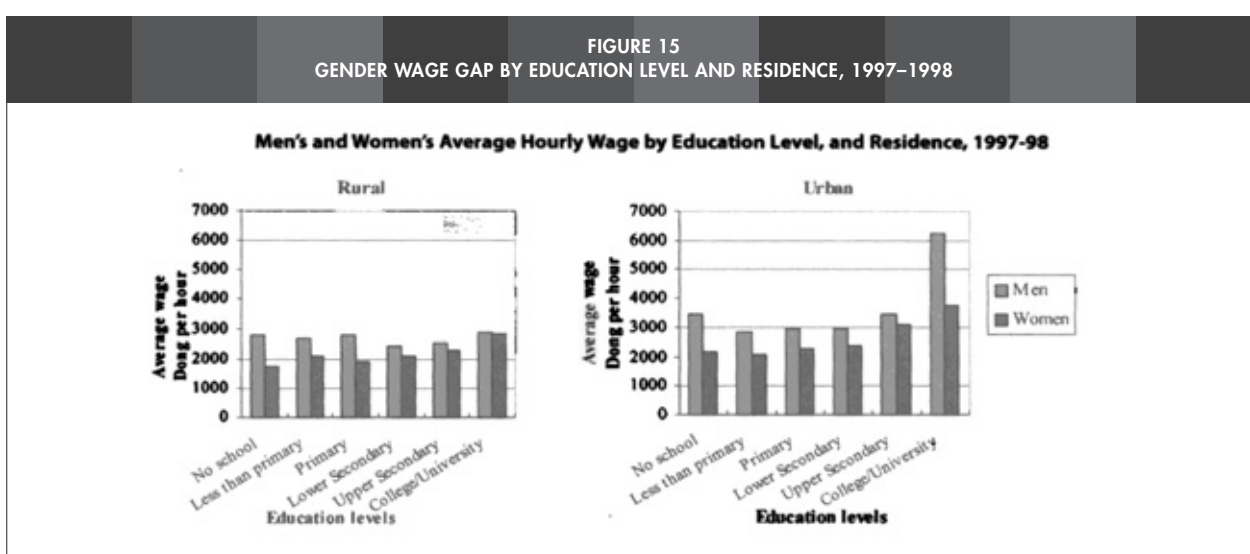
FIGURE 14  
EVOLUTION OF EMPLOYMENT STRUCTURE BY SECTOR AND GENDER, 1989–1998



Source: Beresford (1994), VLSS93 and VLSS98.

As regards the gender division of labour, apart from agriculture, women are more concentrated in sales and distribution activities, either as street vendors, or working in market stalls and in shops. Men are more likely to work in forestry, mineral and energy exploitation, metallurgy, construction and transportation. In the industry sector, women are over-represented in leather processing, textiles, garments, electrical machinery, food processing and beverages. The rapid increase in the number of women employed in manufacturing is due to high output growth rates in these areas. In the services sector, women are more concentrated in education and social services, while more men are employed in state administration. The most significant changes that have taken place in the gender division of labour between 1989 and 1997–8 are as follows. The percentage of male workers in the transport, storage and communications sector rose from 74.1 per cent in 1989 to 90.6 per cent in 1997–8. In the finance, insurance, real estate and business services sector, the percentage of male workers rose from 50 per cent to 68.7 per cent, which meant a decline to 31.3 per cent for women.

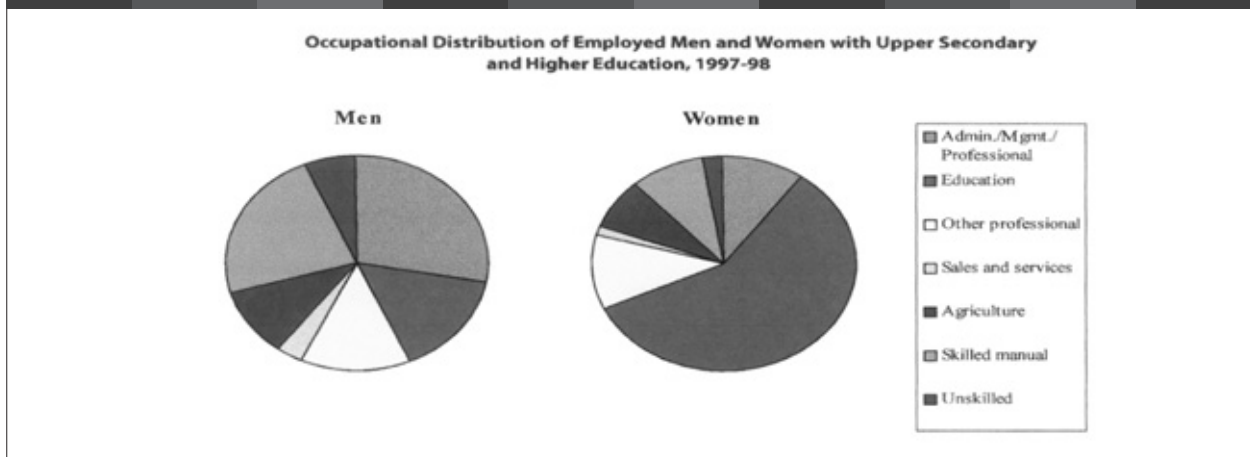
The particular characteristics of the *Doi Moi* reforms and transition to a market economy have given rise to several related outcomes linking growth and inequality. First, between 1993 and 1998 rural inequality declined while urban inequality widened. Second, the gender wage gap in rural areas is much smaller than in urban areas. This is because occupational gender differences are much smaller in rural areas than in urban areas (see Figure 15).



Source: FAO/UNDP (2002).

The gender wage gap is greatest at the college/university level, in part because women are more concentrated in the lower-paying teaching professions, while men's occupations tend to be more diverse. This is shown in Figure 16, which shows the occupational distribution of all men and women with at least upper-secondary education.

FIGURE 16  
OCCUPATIONAL DISTRIBUTION OF EMPLOYED MEN AND WOMEN WITH EDUCATION TO UPPER SECONDARY OR HIGHER LEVEL, 1997–1998



### III.D.

## *liberalization phase III: new reform momentum (2001–2005)*

As previously noted, the sharp drop in FDI and the slow-down in export growth associated with the East Asian financial crisis imparted a sense of renewed urgency and concern about the country's capacity to compete effectively in international and domestic markets by 2006, the deadline for trade barriers to be dismantled in compliance with Viet Nam's international trade commitments.<sup>50</sup> The new reform momentum focused on the growth-oriented

policies summarized in the CPRGS, a report prepared by the government (with extensive donor support<sup>51</sup>) to implement Viet Nam's medium- and long-term socioeconomic development strategies. It outlines the policy framework to encourage private-sector development and speed up external liberalization. The policy plan includes proactive management of monetary policy to support macroeconomic stability, control inflation, and provide adequate credit to support growth, and the continuation of institutional and structural reforms including banking reform, SOE reform, fiscal reform and public administration reform.

<sup>50</sup> These included commitments made to establish the ASEAN Free Trade Area (AFTA) and its consequent broadening to include China, Japan and the Republic of Korea, the Bilateral Trade Agreement (BTA) with the United States, and the process of joining the World Trade Organization (WTO).

<sup>51</sup> According to Kenichi Ohno (2002), "On the surface, Vietnam's PRSP [Poverty Reduction Strategy Paper] is considered a great success by the World Bank and the international community at large. The main reason for this is Vietnam's strong ownership of the PRSP process, with a national team drafting the main report and adjusting its contents."

Consistent with its reform agenda, the state’s attitude towards the domestic private sector has changed remarkably, from lukewarm acceptance to more recent pledges of greater support and fair treatment, as the political leadership has come to recognize its potential to generate employment for some 1.2 million new entrants to the labour force every year.<sup>52</sup> As previously noted (see section 3.2), the labour-intensive domestic private sector creates more employment per unit of sales than the FIE and SOE sectors. The business environment created by policy reforms during the late 1980s (allowing non-state sectors to engage in large-scale agriculture, industry and trade<sup>53</sup>) removed important constraints to private-sector growth. As a result, the recorded number of non-state industrial establishments more than doubled between 1985 and 1996, but the sector stagnated and even declined a little during the period of reform ambivalence (GSO 2000). To revitalize the formal private sector, a revised Enterprise Law was enacted in 2000, which levels the playing field for all domestic private enterprises and simplifies requirements for the entry registration of firms. Business confidence was strengthened, and during the 2000–2 period new business registrations reached nearly 50,000. However, despite the rapid growth of private-sector enterprises, the formal domestic private sector is still very small, and in 2002 accounted for less than 4 per cent of total GDP, 6 per cent of manufacturing output, and about 3 per cent of total employment (World Bank 2002/VDR 2003).

The challenges to private-sector growth in Viet Nam can be seen in figure 17, which compares output share disaggregated by ownership sector in the Vietnamese economy in 1998 and 2002 and the Chinese economy in 1998. The output share of China’s SOE sector as well as its foreign-invested sector is smaller than Viet Nam’s.<sup>54</sup> However, the most striking difference in the ownership structure of the two economies is found in the output shares of the private sector and the household sector. The private sector’s share of output in China is 30 per cent, while it is less than 9 per cent in Viet Nam, and the (low productivity) household sector’s share of output in China is less than half that of Viet Nam.<sup>55</sup> The information contained in figure 17 suggests that Viet Nam has made little progress (relative to China) in reducing the household sector’s output share. In other words, much of the labour force has not yet shifted from the household sector to the formal private sector, which implies that the business climate in Viet Nam is less favourable to private sector development than the climate in China.

52 The National Assembly approved changes to the Constitution making the private sector an important component of the economy, and recognized the right of enterprises to determine their forms of business. The Central Committee of the Communist Party of Viet Nam in March 2002 also formally acknowledged the private sector’s critical contribution to economic growth, employment creation, poverty reduction and government revenues, and endorsed key policies aimed at encouraging private-sector development (SRV 2003).

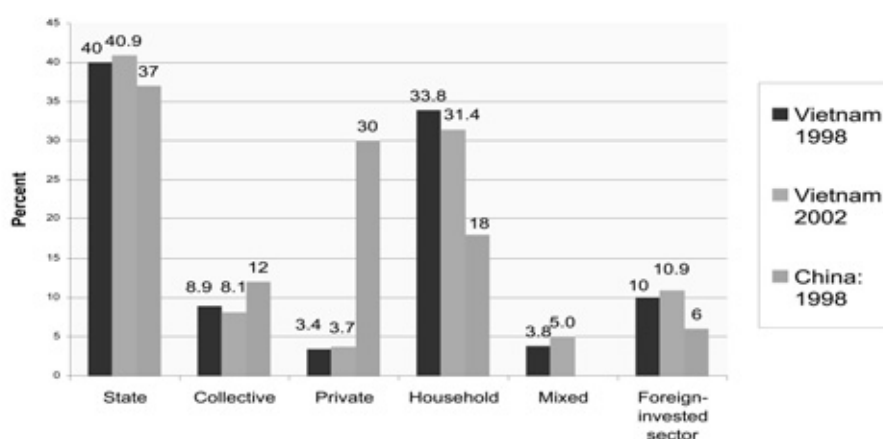
53 Although until 1989, private enterprises were still banned from export–import operations and banking activities (Vo Dai Luoc 1995).

54 Even though China is the world’s largest recipient of net FDI flows.

55 For comparability, the output shares of Viet Nam’s private and mixed sectors are added together.



FIGURE 17  
OUTPUT BY OWNERSHIP SECTOR IN VIET NAM AND CHINA, 1998 AND 2002



Source: GSO (2002) and SSB (2002).

The gender dimensions of employment growth and compensation in the formal private sector following the enactment of the revised Enterprise Law are presented in table 3. Between 2000 and 2002, total employment in the formal domestic private sector increased by nearly 64 per cent, but the growth rate of female employment lagged behind that of male employment, which resulted in a decline in the proportion of female workers from 41.6 per cent in 2000 to 38.8 per cent in 2002. The number of women employed in the higher-wage subsectors of the domestic private sector rose dramatically, but the rate of increase was significantly below that for men. The equitized SOE sector (private joint stock companies with 50 per cent or less state capital) has the highest concentration of women workers, reflecting the legacy of the less discriminatory labour practices of the state sector (see sections 3.2 and 3.3). It is also the subsector with the highest average compensation. In absolute terms, private limited liability companies experienced the largest increase in the number of employees, and also accounted for 62 per cent of new female hires in the formal domestic private sector.<sup>56</sup>

<sup>56</sup> More research is needed to determine why the growth rate of new male hires was nearly twice the growth rate of new female hires in the subsector with the second highest average compensation: private joint stock companies that have no state capital investment.



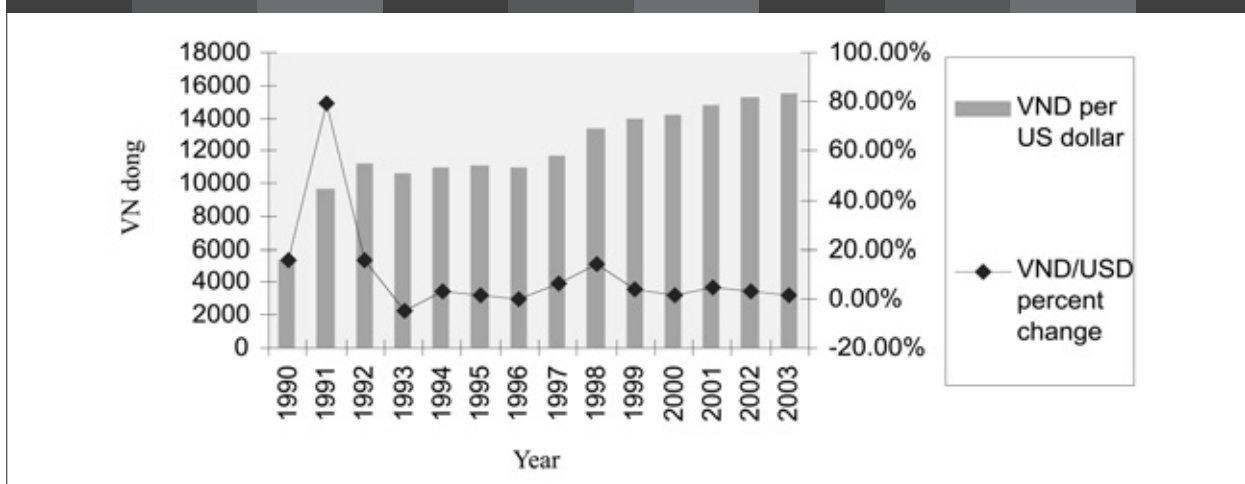
TABLE 3  
PRIVATE SECTOR EMPLOYMENT AND COMPENSATION: GENDER BREAKDOWN

	Average compensation in 2002	Percentage share of women	Growth rate of female employment	Growth rate of male employment	Total employment in 2002
Non-state enterprises	916	38.78	52.8%	72%	1,706,409
Co-operatives	646	28.53	-18.8%	-9%	159,916
Private companies	756	31.27	40.3%	45%	339,638
Collective name enterprises	753	24.05	776.9%	260%	474
Private limited liability companies	947	42.36	57.2%	98%	922,569
Private joint stock companies with 50% or less state capital	1305	45.77	111.2%	154%	143,899
Private joint stock companies without state capital	1010	37.97	147.6%	292%	139,913

Source: GSO (2004).

As previously noted, the new reform momentum also involves measures to further liberalize trade (allowing greater private sector participation) and to permit greater flexibility of the exchange rate. Viet Nam officially has a managed floating exchange rate regime, but in practice the domestic currency is informally pegged to the US dollar (see figure 18). As a result of this informal peg, the real effective exchange rate appreciates when the US dollar is strong, and depreciates when it is weak. These changes in the real exchange rate affect the allocation of resources across sectors through their influence, direct and indirect, on key macro prices such as the relative price of traded to non-traded goods and the import–export price ratio. The shifts in relative prices have differential gender effects because of the pattern of horizontal segregation in Viet Nam. (For example, export-oriented industries tend to have a higher concentration of women workers than import-substitution industries.)

FIGURE 18  
VN DONG/US DOLLAR EXCHANGE RATE, LEVEL AND PERCENTAGE CHANGE, 1990–2003



Sources: IMF, State Bank of Viet Nam.

Empirical studies using regression analysis to quantify the impact of the real exchange rate on Viet Nam's export performance indicate a high elasticity with respect to the exchange rate when quarterly data is used (Nguyen Chien Thang 2002).<sup>57</sup> A more targeted regression focusing on footwear exports yields an even higher estimated coefficient value for the exchange rate (Lord 2002), which has gender implications because women account for a large share of the workforce in the footwear industry. These findings suggest that changes in the real exchange rate affect each industry sector differently. An important area for future research to quantify the gender effects of changes in the real exchange rate with respect to employment would be to disaggregate the impact of these changes, by carrying out regressions (similar to the one on the footwear export sector) on selected export industries, noting their different concentrations of female employment. It would strengthen policy-making to know if price elasticities for primary products are significantly different from price elasticities for manufactured products, as it would help the government to better assess the ramifications of planned as well as unanticipated changes in Viet Nam's exchange rate.

In the view of Viet Nam's political leaders, international economic integration and planned accession to the World Trade Organization (WTO) is the only viable option to achieve rapid growth, because it will diversify and stabilize markets for the country's exports. At the same time, they are aware that increased integration with the world economy can expose Viet Nam to greater risk and vulnerability, and that the negative shocks usually fall hardest on women. This concern was expressed in the CPRGS policy research agenda, which recommended careful study of the impact of trade policies in order to "adopt effective measures to minimize adverse impacts on the poor caused by global economic integration and trade liberalization" (SRV 2002).

A study of Viet Nam's WTO accession process by Oxfam International (2004) has called attention to the risk of a bad accession agreement that would make future economic growth less beneficial for poorer sectors and "involve economic restructuring that could cause a major loss of livelihoods". The Oxfam study finds that the accession process is inherently unfair because the country applying for membership is disadvantaged in its accession negotiations. In addition to applicants being required to comply with all WTO rules, individual WTO member countries are allowed to ask them for further concessions (known as "WTO-plus") in return for their support for the application. (Without the support of key WTO members, a country is not permitted to join.) The concerns raised in the Oxfam study include issues of restricted market access, Viet Nam's non-market-economy (NME) status, and the risk that concessions obtained in the United States–Viet Nam Bilateral

57 The methodology employed was to apply error-correction techniques, using quarterly data from 1992 to 2001, to estimate both short-run and long-run effects of changes in the real exchange rate on real exports. The specification is as follows:

$$\ln(X_t) = a + b * \ln(E_t) + c * \ln(Y_t^f) + e_t$$

where  $X$ ,  $E$ , and  $Y^f$  represent real exports, real exchange rate and partner-country GDP index respectively. The partner-country GDP index is the sum of trade-weighted GDPs of Viet Nam's 18 most important trading partners.

The real exchange rate (ER) is defined as follows:

$$\text{Real ER} = \text{Nominal ER VND/USD (Export price index/Domestic CPI)}$$

The coefficients  $b$  and  $c$  represent initial estimates of the long-run elasticities with respect to the real exchange rate and trading-partner output. The next step in the estimation is to estimate a dynamic equation involving the first differences of the explanatory variables plus the lagged residuals from the first-stage estimation, the "error-correction term".

Using annual data, the long-run elasticity with respect to the real exchange rate is estimated at 0.67, while using quarterly data the estimate is 1.13. The disaggregated regression focusing on footwear exports yields a much higher estimated coefficient of 1.97 for the exchange rate. This finding makes intuitive sense, because the international footwear market is a highly competitive commodity market that is very sensitive to price changes.

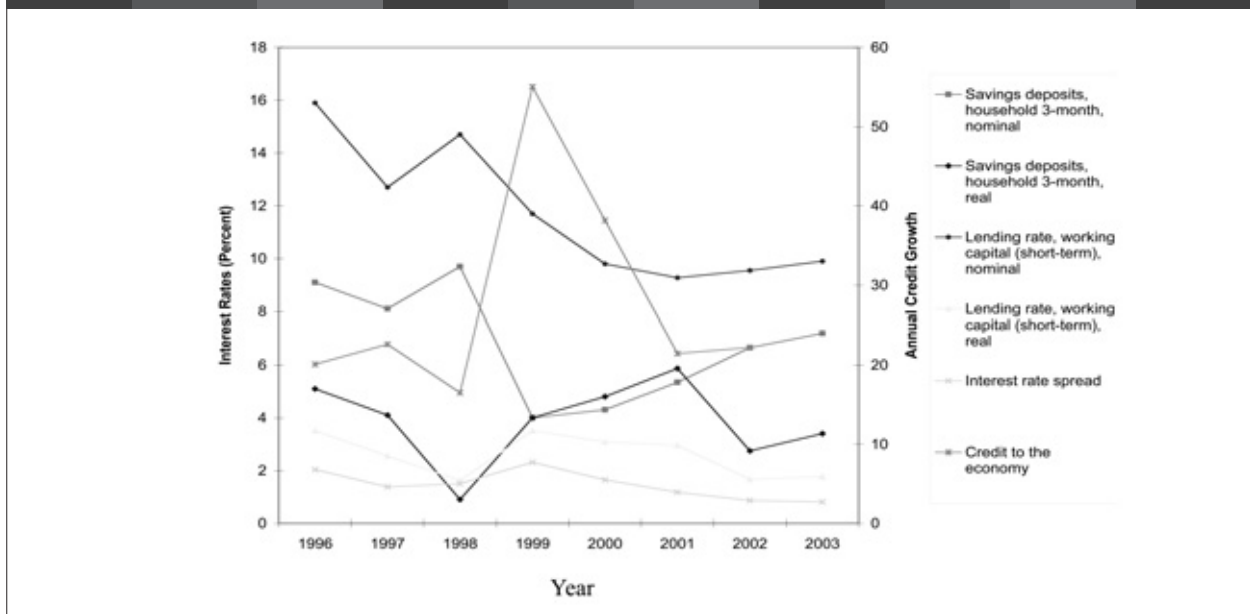
Trade Agreement (USBTA) that go beyond WTO member country requirements will be extended to all WTO members.<sup>58</sup> In Oxfam’s view, Viet Nam should be able to use all the instruments available to other developing-country WTO members, including tariff rate quotas, the current WTO Special Safeguard (SSG) provision and new provisions now under negotiation to protect vulnerable farm sectors.

Turning now to other aspects of macroeconomic management, the objective of the government’s monetary and interest rate policy is to ensure a low-inflation environment while promoting economic growth and stimulating domestic demand (SBV 2001; SRV 2003). To support this objective, the SBV’s Plan on International Economic Integration of the Banking Sector of Viet Nam is to construct a banking system that is “modern, safe, effective and up to international and regional standards”. As part of the transition to a market economy, the government is committed to interest rate liberalization, which began in 1996 when interest rates on dong deposits were allowed to fluctuate. Interest rates for foreign currency deposits were liberalized in 1999, lending rates for foreign currency loans were liberalized in 2001, as were lending rates for loans in domestic currency in 2002 (Lim 2003). The evolution of Viet Nam’s nominal and real interest rates and credit growth is shown in figure 19. Between 1998 and 1999, in the aftermath of the Asian financial crisis, nominal interest rates fell sharply but real interest rates rose as the inflation rate moved into the negative range. Despite the volatility in real interest rates, credit growth has been strong, and aggregate demand and supply have exhibited stable growth. For this reason, the government’s interest rate policy at the macro level does not appear to have significant negative gender effects.

It should be noted that the gender effects of interest rate policies are transmitted not only through changes in the cost of money facing borrowers and lenders, but also through gender differences in access to credit. In general, low-interest-rate policies have positive gender effects by stimulating aggregate demand and output growth. As with exchange rates, changes in interest rates affect overall macroeconomic growth, but the impact will not be gender-neutral because there are differential effects according to industry. For example, industries and firms that rely more on retained earnings tend to be less sensitive to interest rate movements. To quantify the gender effects, correlations between interest-rate-sensitive industries and the gender structure of employment by industry should be analysed. (This is another avenue for future research.)

58 The Oxfam study notes that recent US measures to block Vietnamese sales of shrimp and catfish damaged livelihoods in rural Viet Nam and are “worrying precedents”. According to the study, WTO members could use Viet Nam’s NME status to restrict access to their markets. Citing China’s experience in this regard, the study notes that during its accession negotiations, “China had to submit to a range of discriminatory, WTO-plus commitments”, including “a special ‘non-market economy’ methodology for measuring dumping in anti-dumping cases against Chinese companies, which considerably reduces the burden of proof.” From a development perspective, the most worrisome WTO-plus commitments agreed to in the USBTA are those on “safeguards” and intellectual property: “The USBTA allows parties to block each others’ imports in cases of ‘market disruption’, the burden of proof for which is much lower than that established by the WTO Agreement on Safeguards” (Oxfam 2004).

FIGURE 19  
INTEREST RATES AND CREDIT GROWTH, 1996–2003



At present, access to credit is not gender-neutral. One-third of all household loans come from banks, with men receiving a disproportionate share of bank lending. For MHHs, 33 per cent of their borrowing is supplied by government banks (excluding the Bank for the Poor), while for FHHs, only 18 per cent of their borrowing is supplied by government banks. Women rely more on informal lending sources, such as relatives (27 per cent of all loans) and other individuals (24 per cent of all loans). FHHs with no spouse pay higher interest rates on loans because of their limited access to credit and their greater reliance on private lenders who charge higher interest rates (FAO/UNDP 2002). Acknowledging that this is a problem, the CPRGS calls for measures to enhance “the ability of women to access the credit system and poverty reduction resources to ensure favourable conditions so that women can be coached about how to effectively utilize this capital and how to obtain credit directly”.

According to the VLSS98 survey data, FHHs—especially those without spouses—have more limited access to credit than MHHs and FHHs with spouses, and are therefore more vulnerable to negative shocks. The percentage of FHHs without spouses who borrow is lower than for both FHHs with spouses present and MHHs, and the average amount borrowed by FHHs without spouses is significantly lower than for the other household types. FHHs without spouses have fewer opportunities to develop into small-scale entrepreneurs because of their more limited access to credit. What this implies for policy is that the design of micro-credit poverty reduction programmes should take into account the special circumstances of FHHs without spouses, and should provide additional support as appropriate. (Depending on their particular needs, this could include programmes to provide business-incubator-type assistance, or to promote the development of support networks involving similar or complementary households.)

## IV.

# conclusion

The main finding of this paper is that the welfare of women in Viet Nam generally improved as a result of macroeconomic stabilization and the controlled external liberalization policies adopted under *Doi Moi* by a government that espouses a “developmentalist state” model. The reforms had a transformational effect on an economy that had been seriously constrained by supply-side bottlenecks. *Doi Moi* generated new economic opportunities for women, enabling them to play a vital role in unleashing their country’s productive energy. This in turn generated more resources for the government to channel into the infra-

structure, education and health, and critical programmes to enhance women’s capacities to improve their social and economic welfare. The policy measures adopted were effective because they were broadly appropriate for Viet Nam’s particular circumstances, and were based on a realistic assessment of key problems that needed to be tackled for the country to overcome the economic turmoil of the late 1980s.

Nevertheless, the negative aspects of the macroeconomic and structural reforms bear mention. Although gender-neutral in intent, culturally influenced patterns of horizontal and occupational segregation in Viet Nam gave rise to gendered outcomes and increased social stratification. As indicated in sections 2.1, 3.2 and 3.3, the benefits from economic growth were not distributed equitably, and income inequality widened. Moreover, women bore the brunt of deflationary measures such as the fiscal austerity and public sector downsizing experienced during the early reform period.

Although state policies played a positive role in helping to counteract gender inequalities, much remains to be done. Priority should be given to developing policies to enable women to overcome the hurdles of occupational, horizontal and vertical segregation. Moreover, the government statistics agency should periodically collect data on the concentration of women in higher-wage occupations and higher-wage sectors to measure progress. Up-to-date policy analysis of the gender effects of Viet Nam’s ongoing fiscal decentralization process is an important next step in efforts to produce gender-sensitive budgets. The government should ensure that local governing bodies have adequate female representation,<sup>59</sup> provide adequate technical and capacity-building assistance, and work with these governing bodies to put in place budget management mechanisms to ensure that public money will be well spent.

To make effective use of scarce financial and management resources, the government should review the list of actions to improve women’s welfare discussed in the CPRGS (see section 2.2) to identify those actions that are most likely to empower women and have the strongest impact on gender equality. The authorities, working closely with national as well as grassroots women’s organizations, should undertake programmes and activities that are mutually reinforcing and have good linkages in order to produce large multiplier effects.<sup>60</sup> Strong grassroots input will be essential to ensure local ownership, accountability and transparency in decision-making and implementation.

59 The government could make funding for community-directed basic infrastructure projects conditional on the local governing body having a specified minimum level of female representation.

60 For example, to ensure that women from rural and remote areas are well equipped to take advantage of economic opportunities, and that a supportive environment exists to improve their chance of success, it may be necessary to supplement programmes to provide micro-credit to women with basic training in business skills, and to ascertain that the locality has adequate infrastructure (good sanitation, safe water, good transportation, education and health services, and so on).

The anticipated change in ownership structure as Viet Nam enters the second phase of external liberalization and structural reforms is likely to have a strong impact on the evolution of the gender wage gap. The FDI and private sector's output shares are expected to rise at the expense of the SOE sector. In light of the current pattern of gender wage discrimination in the FDI and private sector, the government will need to adopt and vigorously enforce measures to increase competition in the high-wage sectors of the economy, and strengthen laws against gender discrimination, in order to counteract the likelihood of a widening gender wage gap associated with private-sector growth.

Despite the wealth of information produced by government enterprise surveys, much is still unknown about the gender effects of private-sector development and key factors driving gender selection in private-sector employment decisions, and the reasons that women are less well represented in the higher-wage subsectors. More research is needed to determine what policy measures are indicated to enable women to participate more equally in the development of the domestic private sector, especially in subsectors where average compensation is higher.

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