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To: Members of the Executive Board

From: The Secretary

Subject: Viet Nam - Economic Measures

There follows for the information of Executive Directors the text of a cable from the Vietnamese authorities which enumerates the economic decisions adopted by the Party Congress held in Hanoi June 10-17, 1985. Reference to the cable and the measures was made by the staff on the occasion of the Board's consideration of the 1985 Article IV consultation with Viet Nam (EBM/85/102, 7/1/85).

We wish to inform you some economic policy initiatives adopted recently.

In order to achieve planned economic targets and renovate economic management mechanism, the present task is to eliminate bureaucratic subsidies and apply socialist cost-and-benefit business-doing with following objectives:

- promote production on proper economic structures, exploit all domestic resources, i.e., labor force, land, crafts, and existing facilities in a view to increase production with better productivity quality and efficiency;
- stabilize laboring people's living conditions. The state will exercise a better control in production, distribution, and circulation of goods, efficiently fight against negative phenomenon, control market, and step by step achieve a balanced budget and money supply;
- gradually accumulate saving from national economy itself for socialist industrialization;
- promote socialist transformation, strengthen public and collective economy and develop family's economy.

To this end, the primary task is eliminate bureaucratic subsidies in price and wage. The main points are as follows:

1. Price must be determined on the basis of reasonable productions cost. Price of goods must be attached to price and value of product thus ensuring proper relationship between various

economic interests so as to enhance sense of responsibility of producers and production units to achieving better productivity, quality and efficiency.

2. Wage must cover labor cost and regeneration of labor force, observe the principle of distribution according to work done and eliminate wage paid in kind to be replaced by paid in cash.

3. Exchange rate will [be] reasonably determined and more investment be given to export-oriented industries. Export units will be given definite targets in their operations. The supply of materials, raw materials, and other facilities to export-oriented industries will be on a priority basis, the procurement price will be readjusted, and the markup of export goods will be higher than that of domestic consumer goods from 10 to 20 percent. The units which fulfill the set targets both in production and delivery of products to state will be given bonus in Vietnamese currency from 4 to 5 percent of contract value and be entitled to use 10 percent of its net foreign exchange earnings.

4. Every economic sectors, localities and units will be given financial autonomy. Socialist cost-and-benefit approach will be applied to all production activities and business operations. All economic units must be fully responsible for their loss and profit.

5. All expenditures on widespread subsidization from central and local Governments' budgets will be eliminated to achieve an equilibrium budget in immediate future, improve taxation to ensure a stable and increasing revenue for budget.

6. Banking operations must be done on cost-benefit basis and socialist business and must serve every economic sector and locality in their cost-benefit approach and socialist business in their activities. Credit operation must be based on economic efficiency.

Some provinces have already begun carrying out the wage-paid-in cash on experimental basis include wage in production cost.

These are some newly approved economic policy initiatives which are being concretized for implementation. We will keep you informed of necessary details. Hope that this information will help the Board to have a better understanding of Viet Nam's economic situation and to complement its report on Viet Nam.

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Department Heads