

The economy has adjusted from a heavy dependence on trade with the former communist countries to regionally based partners with remarkable alacrity. Vietnamese companies are losing their subsidies from the Vietnamese government and are thus beginning to become more efficient in their production. As a result, companies are trying to become more competitive to penetrate new markets in Asia, Europe, and North America.

### **The North-South Divide**

The economy can be divided into two separate regions: the less developed north, and the richer, dynamic, and enterprising south, though this is becoming less distinct in recent years. During the early 1980s, Ho Chi Minh City had already been revitalized through free-market reforms; however, it was not until 1986 that foreign investment, private business, and a more open economy for farmers and factories became a nationwide policy. Previously austere Hanoi is now in a particularly rapid transition with extensive construction of new office buildings and establishment of international businesses in the city.

There has been a resurgence of private enterprise in Vietnam. Nonetheless, the majority of Vietnamese people have yet to see a dramatic improvement in their impoverished living conditions.

The south has a higher ratio of arable land to population than the north, and receives more hard currency remittances from family members abroad than the north due to the exodus of boat people that left Vietnam in the 1970s and 1980s. In addition, infrastructure, such as roads and ports, is superior to the north's facilities, which were extensively damaged during the war. The south also has a stronger tradition of entrepreneurs and business managers who are more familiar with international business practices.

The north has traditionally relied on Russian and Chinese aid to develop its heavy industry; however, the termination of Russian aid in 1991 and the absence of adequate technology has prevented the exploitation of resources.

The south had developed a very competitive manufacturing sector by 1975 similar to that of Bangkok and Hong Kong; however, with little investment since that time, most of the plants have become outdated and require renovation.

Exports consist mainly of agricultural products such as rice, marine products, timber, coffee, and cashews. The government is promoting the export of manufactured goods and the further processing of agricultural goods. Vietnam is also rich with natural resources, many of which remain unexploited such as mineral and ocean resources.