

## Protect the Poor and Make Long-term Strategies

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First of all, the Vietnamese Government should stop regarding the annual GDP target as mandatory. In other countries, growth forecasts are only indicators or references, not something that must be met by any means. The entire world is now impacted by an economic downturn, and there is not much Vietnam can do to boost the global demand. The growth forecast of Vietnam this year seems to range from 4% to 6.5%, with the Government's forecast being most optimistic. Insisting on unrealistic growth will distort policy making toward excessive macroeconomic stimulus and away from protecting the vulnerable. In a stormy sea, the captain should mind the safety of the ship, rather than making the journey as scheduled. The year 2009 is the year when policy should divert from the usual growth mode to the defensive mode. Social stability must be maintained so that robust growth can resume when the sun shines again.

This year, the Government should concentrate on minimizing the pain inflicted on families, workers, farmers, and SMEs. Different vulnerable groups should be identified, and effective measures should be quickly introduced. The key here is speed. Don't spend too much time in doing a perfect survey or organizing conferences to find the perfect solution. If the time is lost, the storm will be over and no one will be saved. Top leaders and relevant ministries should take to action with a sense of urgency.

At the same time, there should be a serious strategic thinking about how growth should be generated in the long run. Vietnam's growth in the last one-and-half decades has been driven by large inflows of FDI and financial capital, with little improvement in the competitiveness of Vietnamese firms. Policies to encourage domestic value creation and innovation must be in place. I visit many low-income countries for policy consultation including Ethiopia, Tanzania, Uganda, and Zambia. You may think African countries are way behind Vietnam, but actually, their leaders and officials are far more intelligent than the Vietnamese counterparts, and their policy documents are superior to Vietnam's master plans. Vietnam should realize the fact that its policy capability is still low, and double its effort to correct this weakness. If this recession is a wake-up call, it serves at least one good purpose.