

From Traditional to Modern Market: The Transition in Vietnamese Traditional Bazaar System

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Extended Abstract

The failure of central planning mechanism has made Vietnamese government recognized that an economy works well when only much of it is left to markets. Against a background of hyperinflation, food shortages and structural imbalance in the economy, Vietnam introduced its comprehensive economic reform program in 1986. Renovation (Doi Moi) policy and the successive introduction of market economy have produced stunning results. Average economic growth was over 7 percent over the past 15 years. Average net incomes per capita almost doubled during 1990s. There are many statistic evidences show that the market is one the most effective means of improving people's welfare and they offer the most reliable path away from poverty for Vietnamese people.

When the economy opened up, markets, shops and private trade have been mushroomed. Markets (bazaars) are spontaneously developed everywhere. Bazaar becomes "central hub" for trade activities. It is also considered as the central distribution system for goods and products. It is, however, bazaar system is being increasingly criticized as bad working and in backward. Again, market is recognized that, it is inevitable but left bazaar itself too spontaneously developed, market can fail and they cannot deliver their full benefits. They need support from a set of rules, customs and institutions. However, at present, Vietnam is unable instantly to reach any standards in every business requirement. The rules of the market game are inadequate and it is difficult and time-consuming process for Vietnam to set them right.

To the best of our knowledge, there are rare systematic studies about Vietnamese bazaars system, but some just merely descriptive. It leaves much of what need to be explained in Vietnamese bazaar system. This paper devotes to do so. The paper is divided into two parts. Part I, we concentrate on analyzing a crucial area of market - "the Vietnamese bazaar system" and show why those markets work inefficiently. We show that unevenly distributed information can make a market work badly. The buyer's high cost search in these bazaars give sellers price-setting power. Retail trade concentration could reduce competition when there are many firms (sellers) in the same line of product clustering together. Buyer's fear of being taken advantage of due to difficulty in observing quality of goods, and low cultural standard of seller's attitude at these

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bazaars can cause markets to function at a low level of activity. Modern economic and game theory provide us with an analytic tool of markets, that suitable to understanding how these bazaars work.

Part II, we show the recent structure change from long prevalent traditional bazaar system to modern distribution system, the system is formed by supermarkets, shopping malls, department stores. The paper shows that there are many factors supporting for this optimistic change, but many problems still exist. The modern network can eventually change the way Vietnam's goods/products supply chain operates. However, it appears that there is room for both the old and the new to coexist.