In need of some snake-blood

A rescue plan for exporters.

Business is booming for at least one Vietnamese entrepreneur: an old lady in a traditional conical hat whose tiny roadside stall faces the infant Ho Chi Minh Stock Exchange. To make her wares she decapitates small green snakes with a pair of scissors and drains the blood into a plastic bottle. Many Vietnamese men believe that drinking snake-blood enhances both good fortune and sexual prowess. The vendor, who also peddles pet turtles, says she is selling more of the stuff these days. “People are so worried about the future.”

The global slowdown is casting a lengthening shadow over Vietnam’s once-booming export-driven economy. Sales of more conventional consumer goods have slumped as the fast-growing middle class has stopped spending. Electronics shops say that Tet new-year holiday sales were down by as much as 50% compared with last year. The carmakers’ trade association reports that sales tumbled by 68% year-on-year in January.

Like China, Vietnam has used manufacturing for export to transform a stale, closed economy. Last year it overheated. The government earned some plaudits for calming rampant inflation, which reached a year-on-year peak of 28% in August. But Vietnam is badly exposed to the sharp drop in demand in the West. Exports fell by 5.1% year-on-year in the first two months of 2009, with electronic goods down by 13.7% and shoes by 7.3%.

That is why government is now trying to relight the fire it had previously doused. It plans to boost spending this year by 23% (almost 100 trillion dong, or $6 billion, about 6% of GDP). Of this about $1 billion will subsidise loans to cash-strapped exporters. In the scheme’s first month, commercial banks lent some 93 trillion dong, says the central bank.

An estimated 500,000 workers lost their jobs last year, and the government reckons a further 400,000 may be laid off in 2009. These are daunting numbers in a young country that needs 1m new jobs every year to absorb its growing workforce, now around 45m people. Like China, Vietnam does not have much of a state social-safety net. Laid-off factory workers tend to return to the countryside and rely on their extended families. But farmers will find it harder to cope without the money factory workers have been sending home. The prices of their produce, such as rice and coffee, have been falling.

Many economists believe that what Vietnam, like China, needs are not measures to sustain supply but incentives to increase domestic demand: investment in infrastructure, but also in health care and education, saving for which suppresses consumer spending. Vietnam’s GDP expanded by 6.2% in 2008, the slowest rate for nine years. Most observers, including the IMF, think it will be lucky to reach 5% this year. Yet the government’s target is still 6.5% and Nguyen Tan Dung, the prime minister, has predicted that the economy will start to pick up as early as May. As weeks go by, that makes him sound more like a seller of snake-oil than of snake-blood.

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