



sector has a great production power, accounting for 35% of the national industrial output and 12% of the GDP. Investment in this sector represents a fifth of the gross investment equaling 7% of the GDP. In 2000, the sector showed signs of recovery, US\$2 billion was disbursed and 2.3 billion was licensed. This sector produces 100% of crude oil, auto, refrigerator, monitor, washing machine, air conditioner and seasoning output, 83% of TV output, 79% of motorbike, 59% of detergent, 55% of fiber, 52% of paint, 49% of steel and 41% of footwear.

To integrate more fully into the world community, Vietnam has joined the WB, IMF, and such regional organizations as the ASEAN and APEC. In 2000, Vietnam entered the trade agreement with the U.S. in

# INTERNATIONAL INTEGRATION AND DEVELOPMENT

by BÌNH VŨ

## 1. Integration and development strategy

International integration has produced great effects on the Vietnamese economy in recent years. The foreign trade has developed remarkably and grown faster than the economic growth. In 2000, Vietnamese exports were worth US\$14,308 million and imports 15,200 million. Thus, the value of foreign trade was 29,508 million, equaling 95% of the GDP. This is a high percentage in comparison with other regional coun-

community of international donors. From 1993 to 2000, they promised US\$17 billion of aid and soft loans for Vietnam, and 8 billion of which have been disbursed and supplied to various programs (infrastructure, human resource and administrative reform). The ODA source accounted for a sixth of the gross investment and in 2000 equaled 5% of the GDP and it was used mainly in infrastructure projects in the past few years.

The foreign sector has been encouraged by the government and has developed well. Licenses have been

an effort to seek admission to the WTO.

To developing countries, the international integration is not only a must, but also an important factor in the economic development. The problem is what strategy is needed to make the most of this tendency. Experience shows that the success of the international integration depends on the strategy taken and the government's capacity.

## 2. Opportunities from the international integration

The integration process offers many opportunities:

- More investment for development: When the domestic saving rate is low and capital accumulation is small (under 20% of the GDP), the integration allows an economy to attract foreign sources of finance (FDI, ODA, soft loans and foreign aid) in order to gain a higher growth rate.

- Larger market: In the past, main trading partners of Vietnam were the USSR and the East European bloc. After 1990, Vietnam started finding new markets, especially in the Southeast and East Asia. When the Asian financial crisis reduced the demand forces of the regional markets, Vietnam tried to enter North American and European

Economies (1998)	1998 GDP (US\$ billion)	1998 Export (US\$ billion)	Export as % of GDP
World	28,445	5,538	19.5
Developing Asia	2,360	599	25.4
East-Asia and Pacific	1,800	546	30.3
China	960	183	19.1
South Korea	320	136	42.5
Indonesia	95	53	55.8
India	430	35	8.1
Vietnam (2000)	31	14	45.2

Source: World Bank, *Global Economic Prospects and the Developing Countries*, 2000.

tries.

The economic reform in Vietnam is appreciated and supported by the

granted FDI projects with total investment of US\$36 billion and 18 billion of which has been realized. This





markets. Vietnam's exports rose because the foreign sector could produce high-quality goods.

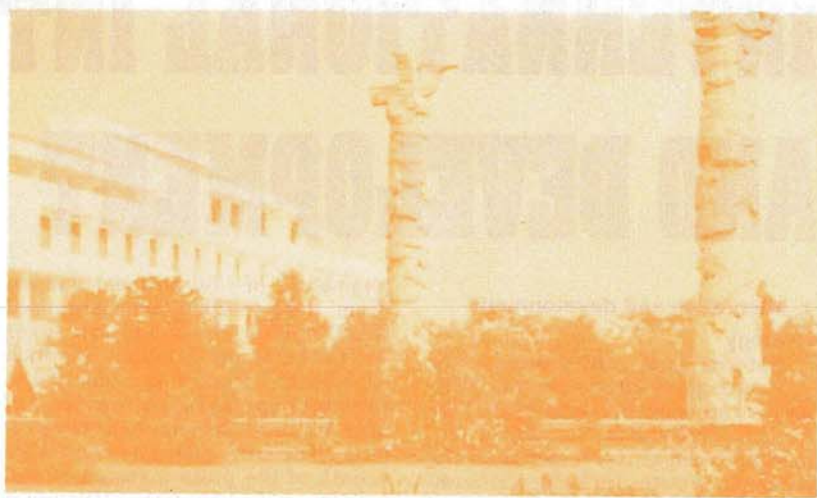
- Better competitiveness: Many local companies started producing high-quality goods by importing new technologies and improving their productivity. The number of locally made goods achieving international quality control standards (ISO9000 and ISO 14000 for example) and imported by demanding markets is on the increase.

- Better management and labor force: The ODA programs and FDI projects have contributed a lot to the training of laborers and improvement in managerial skills.

### 3. Strategy to integrate actively into the world market

The most important point in this strategy is to make the best use of internal strengths when integrating into the world market in order to industrialize and modernize the economy. The economic reform has helped overcome the socioeconomic crisis in the 1980s and deal with effects by the Asian financial crisis.

After ten years the "Strategy to stabilize and develop the socioeconomic life" was implemented, the economy made good progress. The policy to develop the mixed economy gained many achievements, the public sector became strong enough to control key industries and businesses (finance, banking, insurance, transport, electricity, telecommunications, etc.) and create favorable conditions for the development of other sectors. In agriculture, new policies have facilitated the development of large-scale farms that employed some 700,000 laborers (1999) and produced commercial farm products in large quantities. In 2000, after the



Companies Law came into effect, a lot of companies were established with a total capital of some US\$1 billion.

Generally, in spite of reduction in foreign investment in the years 1996-2000, appropriate policies have helped mobilize all domestic sources of finance with the result that the domestic investment accounted for 60% of the gross investment.

Export value has increased steadily in the past few years although Vietnam suffered many natural disasters and falls in prices of various farm products. Import business also developed well and ensure the supply of raw materials and machinery for local industrial production. The development of foreign trade reflects the fact that the economy is open to all sectors and the world as well.

Foreign investors also realized changes in the investment climate and the flow of investment increased

again. At the Business and Investment Forum held by the MPI in December 2000, businesspersons from many foreign-invested companies were present and gave many valuable opinions.

Those data show that the economic development has become a necessary precondition for the international integration of Vietnam.

It isn't necessary to discuss whether the integration is good or bad. What we should do now is to make the best use of opportunities offered by this process and deal with challenges posed by it. We should have flexible views on this process in order to prepared ourselves for the globalization. Many static comparative advantages, such as cheap labor and raw materials, have become less and less important when too many

neighboring countries share the same advantages and the new economy is increasingly dependent on other factors such as knowledge, information and well-trained laborers. That is why Vietnam should reach its full potential and enhance its competitiveness incessantly in order to survive and develop.

When talking of our achievements, we should realize our shortcomings and weaknesses. Vietnam is still one of the poorest countries in the world and its labor productivity is still low. The urgent measure to take now is to develop the socialism-oriented market economy and create conditions for the economic growth. The new economic mechanism should ensure not only the smooth integration into the world economy, but also sustainable development in all fields (production, social affairs, environment protection and national defense).■