

# INTERNATIONAL COOPERATION IN THE ĐỔI MỚI PERIOD

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In more than ten years ago, under the *đổi mới* policy, the Vietnamese economy achieved high growth rates and escaped from the socio-economic crisis, the living standard was improved and Vietnam's voice is heard in the world political arena. These good results couldn't be separated from the appropriate policy adopted by the Government and VCP to cultivate the international cooperation. This article will present four aspects of this cooperation.

## 1. Open economic and international integration policy

Vietnam faced both external and internal difficulties when starting its 5-year plan 1986-1990. The growth rate was low (around 3.9%), plus great budget deficit (equaling some 8% of the GDP), high rise in the price index (700% in 1986 as compared with 1985) and in inflation rate (67% in 1985). At that time, Vietnam had almost no ability to repay foreign debt, the living standard was low, some 10% of the working population were jobless and social unrest made its appearance.

There were also many complex developments in the region and in the world as well. The source of foreign aid dried up. The aid from the former USSR and Eastern Europe bloc reduced suddenly and came to a stop in 1991. Many traditional markets for Vietnam's exports narrowed.

Facing such a situation, the Vietnamese Government decided to introduce the *đổi mới* policy that

aimed at developing the socialism-oriented mixed economy under the government control in which the public sector would be beefed up to play the leading role.

Under the *đổi mới* policy, the foreign trade was diversified and full attention was paid to foreign investment and credit. This policy succeeded in encouraging all sectors to develop and many achievements were realized in the 1990s as shown in the following table.

Table 1: Main economic indicators in the years 1990-1998 (%)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
- Growth rate	5.1	5.96	8.65	8.07	8.84	9.54	9.34	8.8	5.8
+ Industrial sector	2.87	9.04	14.03	13.13	14.02	13.30	14.85	13.07	11.00
+ Primary sector	1.57	2.17	7.08	3.82	3.92	4.95	4.40	4.45	2.5
- Population	2.25	2.33	2.41	2.33	2.10	2.00	1.90	1.8	1.88
- Inflation rate	67.1	67.5	17.5	5.2	14.4	12.7	4.5	3.6	9.2

Those data show that in this period, the growth rate increased faster than the population growth while the inflation was reduced to under the two-digit level. The progress was made by degrees over years:

Phase 1 (1990-91): This was a transitional one in which the centrally planned mechanism was replaced by the market economy. The crisis in the years 1985-88 was dealt with effectively with the result that the industrial sector could gain high growth rate (9.04% in 1991).

Phase 2 (1992-97): In this phase the *đổi mới* policy started to produce good

results. The growth rate was around 8.9% while the industrial sector rose by 13.8% on average. Thus, this was a period of high growth rate that could bear comparison with success of the NICs in the 1970s and 1980s.

Phase 3 (after 1998): The economy was affected greatly by the Asian financial crisis, the growth rate was lower (5.8%) and the inflation rate higher (9.2%).

In spite of many difficulties still existed after

a large amount of FDI projects. This new source of finance helped develop many industries, such as oil exploration and exploitation, cement, electronics assembling, automobile, telecommunications, motorbike, etc. Through FDI projects, Vietnam has chances to absorb modern technologies, know-how and managerial skills. Thus, the reform in foreign affairs policy has produced encouraging results.

### a. Achievements:

According to the MPI,

this period, it could be seen as a good starting period in which preconditions for better living standard were built.

## 2. Attracting the FDI: the main task in development of international cooperation

In the trend of globalization, the Vietnamese National Assembly, getting aware of the importance of the FDI to the economic reform, passed the Foreign Investment Law in 1987. This law becomes a landmark in the process of reforming Vietnam's foreign affairs policy.

After over 10 years, this law has helped attract

up to the end of 1998, there were 2,104 operational FDI projects with the total registered capital of US\$35,340 million, and some US\$14,200 million of which (or 40%) was realized. In the first half of 1999, in spite of effects of the Asian financial crisis, the output of foreign sector was worth VND28,984 billion, representing 35.2% of the total industrial output, increasing by 22.6% in comparison with the first half of 1998 and 4.5% higher than the target planned for this period.

The difference in the growth rate between the foreign and domestic sectors played an important role in making the indus-



trial output increase by 10.3% in the first half of 1999 as compared with the same period last year.

The foreign sector also created over 200,000 new jobs and contributed a lot to the budget income. The export value from this sector also increased steadily, from US\$786 million in 1996 to 1.5 billion in 1997; 2.1 billion in 1998 and 1.076 billion in the first half of 1999.

The recent development of the foreign sector partly came from favorable changes in the policy on FDI adopted by the Government.

*b. Some remarks:*

In the past 10 years, there were remarkable changes in the amount of FDI projects, the registered capital and in the investment trend as well.

+ In the years 1988-90, most FDI projects were of small and medium scale, with the average capital of US\$8.5 million. Up to the end of 1990, there were 203 projects with the total capital of US\$1,726 million.

+ From 1991 to 1995, the FDI increased both quantitatively and qualitatively: the amount of projects increased by 50% a year on average and their average capital rose to US\$17.65 million.

+ In the 1997-98 period, the FDI flow stopped increasing: the total capital registered by FDI projects reduced from US\$8.5 billion in 1996 to 4.4 billion in 1997 and 4.06 billion in 1998. The average capital of a project was US\$15.6 million.

The FDI structure also changed over time and became more suitable to targets set by the Government. In the first stage, foreign investors paid much attention to the oil business (32.2%) and hotel (20.6%), and then they shifted to the heavy industry and in recent years, they focused on the manufacturing industry. In 1998 for example, this in-



dustry attracted some 55% of the total registered capital (over US\$2 billion invested in 118 projects).

Sources of FDI also varied. In the first years of the economic reform, the FDI source came mainly from Europe with big projects in oil and telecommunications businesses. In recent years, however, investors from Asian countries have emerged and taken the leading positions in the list of investors in Vietnam.

For almost the period, Taiwan had been the biggest investor in Vietnam. In 1998, Taiwanese investors proposed 67 projects. From 1996 on, however,

Singapore moved to the lead with the capital of some US\$6.5 billion, equaling 17% of the total foreign capital invested in Vietnam. As a whole, four Asian NICs represented some 50% of FDI in Vietnam.

### 3. Expanding the international cooperation to develop foreign trade relations

The biggest achievement of the *đổi mới* policy is the expansion of the international cooperation. Up to now, Vietnam, Vietnam has established diplomatic relations with 167 out of 225 countries in the

world. Its membership of many regional and international organizations has helped promote the foreign trade relations.

To integrate into the world community, Vietnam adopted a flexible foreign policy to diversify its foreign relations and expand markets for Vietnamese exports, and thus accelerating the economic development.

After the collapse of the Soviet bloc, Vietnam faced great difficulties. The *đổi mới* policy allowed the diversification of foreign relations. The success of this effort helped stabilize the economic development and promote Vietnam's position in the regional and world arenas. In the years 1991-95, the Vietnam's export value increased fast, by 20% a year on average. The following table shows the development of Vietnam's foreign trade in the 1990s.

The table3 shows that Vietnam's export value increased steadily. Particularly, it reached US\$9.4 billion in spite of effects of the Asian financial crisis (in comparison with 1997, however, it increased by only 2.4%).

Main exports from Vietnam are farm products, as raw materials or processed goods and they represented some 50% of the export value. Import increased by 20-25% a year

**Table 2: Ten leading investors in Vietnam (up to Dec. 31, 1998)**

COUNTRY	PROJECT	CAPITAL (US\$ mil.)
Singapore	208	6,478.12
Taiwan	400	4,890.06
Japan	265	3,711.79
South Korea	210	3,253.30
Hong Kong	197	2,553.47
Br. Virgin Islands	73	1,719.25
France	96	1,505.12
Russia	29	1,401.16
Malaysia	63	1,346.09
The U.S.	75	1,124.34

Source: *Thị trường* magazine, Jan.12, 1999.



**Table 3: Vietnam's foreign trade in 1991-1998 (US\$ mil.)**

	1991	1992	1993	1994	1995	1996	1997	1998
Export	2,042	2,571	2,985	4,054	5,449	7,255.9	9,145	9,361
+Farm products	1,081	1,272	1,444	1,998	2,521	3,069.9	3,431	3,450
+As % of export value	53	49.5	98.4	48.0	46.3	42.3	37.5	36.85
Import	2,338	2,535	3,924	5,825.8	8,115.4	11,436	11,626	11,494

Source: Ministry of Trade

on average. Main imports are machines and raw materials while the import of consumer goods decreased slowly.

At present, Vietnam has established trade relations with over 120 countries. The foreign trade value in 1998 reached US\$20.8 billion, a four-fold increase since 1991. From the foreign trade activity, however, certain problems have arisen:

- + The foreign trade made no basic change in parallel with the industrialization and export-oriented strategy.

- + The per capita export value is very low (US\$95) in comparison with those in neighboring countries.

- + The better part of export is unprocessed farm products that are cheap and less competitive on the world market.

In the coming years, Vietnam should take measures to restore its traditional markets that have been accustomed to Vietnam's exports and at the same time expand new markets.

#### 4. International cooperation in education

The economic reform and open foreign policy have provided a basis for the development of international cooperation in education in the past 10 years in Vietnam, and in the HCMC University of Economics as well.

##### *a. International cooperation and education service*

Up to 1998, the education machinery in Vietnam has had cooperative relations with 69 countries, 19

international organizations and some 70 NGOs. It became apparent that the international cooperation had an important contribution to the development of education service in the past 10 years. It has helped with:

- + training the army of teachers, researchers and managers needed for the modernization of education service.

- + improving facilities for study and teaching.

Many ODA projects have played an important role in improving and upgrading facilities for study in many schools and universities all over the country. Millions of dollars have been provided by such organizations as the UNICEF, UNESCO and UNDP to build classrooms and schools, especially in depressed areas and provinces affected by natural disasters.

The development of international cooperation also provided managers and teachers with chances to make study abroad or pay visit to foreign education organizations. Moreover, it helped foreign education organizations and Vietnamese expatriates cooperate with local institutions in supplying high-quality education services to local learners from all walks of life.

Many students and teachers have had chances to make study abroad based on help from foreign parties. In the 1980s, most Vietnamese student made study in the former USSR and Eastern Europe. When this bloc collapsed, the amount of Vietnamese students studying there re-

duced. When the *đổi mới* policy was introduced, the open foreign policy allowed students to attend schools in many countries around the world.

In the past 10 years, some 13,700 students have gone abroad to make study, 50% of them went to Northwest Europe, Asia and North America. Australia, for example, admits from 150 to 200 Vietnamese students every year.

##### *b. International cooperation in the HCMC University of Economics*

Entering the *đổi mới* period, the management of the HCMC University of Economics (HUE) realized that reform in curricula is the precondition for its survival and development in market economy. That is why full attention has been paid to the international cooperative relations since 1989. When the cooperative relations with the Eastern European bloc ceased to exist, the problem for the HUE management is how to develop a new army of teachers that could teach new subjects with appropriate teaching methods and approaches, thereby meeting the demand by economic development in southern provinces.

To solve this problem, the management decided to expand the international cooperation as a way to make the best use of both internal and external resources, and in the long run, integrate the HUE into the community of universities in the region and in the world as well.

The Quebec University (UQAM) was one of the

first foreign universities that established long-term cooperation programs with the HUE in 1989-90. This program is a starting point for the HUE to engage in many other cooperative programs with various universities and educational institutions in the past ten years. These programs have produced many goods results, such as:

- + Some 50% of the HUE teaching staff has taken courses offered by these programs.

- + Most curricula in use now were prepared with help from experts working in these programs.

- + At present, there are six courses supplied or financed by foreign universities and organizations in the HUE, including the Fulbright Program, SWISS-AIT project, ISS Program, CFVG Program and UQAM-USEH Project.

- + Many foreign organizations have been granting scholarships to HUE students and teachers.

- + With help from these programs, facilities for study and teaching in the HUE have been improved quantitatively and qualitatively.

In the process of economic globalization, economic reform and international integration have become main targets for Vietnam, and the international cooperation relations can serve as a basis for making the best use of internal and external resources needed for the industrialization and modernization process in Vietnam in the twenty-first century.