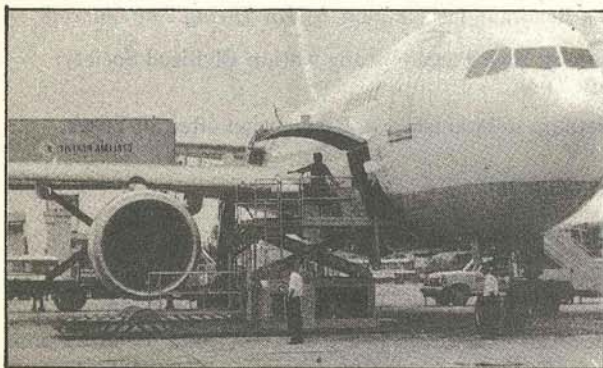


GLOBALIZATION, REGIONALIZATION AND FOREIGN ECONOMIC RELATIONS

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I. GLOBALIZATION AND REGIONALIZATION: GROWING TRENDS OF THE MODERN WORLD

1. Globalization

Globalization is considered as a process in which the isolation of countries is abolished, each nation is influenced by the others and takes its position and part in the formation of relations, rules, mechanism and order of the world community. This process takes place in all fields: politics, economy, information, culture, sport, etc.

We can say that the globalization took shape in late XV century and early XVI century when mechanics, geography, astronomy and oceanography had new achievements. Along with developments of the market economy, domestic market of every nation was expanded and unified, many promised lands were discovered. The

productive forces developed over time, labor efficiency was improved, capital was accumulated, new achievements in technology and science were made, a lot of transportation and communications means came into being, expanding the production and market became a need and the globalization became the inevitable.

In economic and techno-scientific fields, the globalization showed itself in many aspects:

- The international division of labor and co-operation become more detailed and closer. So the labor force of a nation becomes a part in the network of international division of labor and co-operation. Parts of a certain product could be made in various nation and were assembled together. For example, Boeing company had branches in 30 nations; 37,000 multinationals had 206,000 subsidiaries all over the world. International co-operation and division of labor have made many countries take part in production of a certain product.

- All economies become interdependent in the modern world. The oil crisis in the 1970s illustrated this interdependence when OPEC countries raised oil price, all economies, especially developed ones were influenced seriously. This showed that each nation was a market for both input and output factors of the world economies. Therefore, any change or fluctuation in world markets and economies could make impact to some extent on the economy of a nation.

- Capital and goods movements between countries are on the increase.

According to different calculations, the outflow capital increased from US\$44 billion in 1914 to 2,125 billion in 1993. In this year, the capital inflow coming into developed countries reached US\$181 billion, while the outflow was US\$109 billion. The development of foreign investment has formed a network of channels of capital movements.

Regarding currency matters, after Bretton Woods Agreement, the US dollar was used as the international currency in replacement for gold. In 1992, the amount of exchanged money all over the world reached US\$43,000 billion, 12 times bigger than the total value of exchanged goods. Thus, the exchange of money between nations is becoming more important than exchange of goods.

In the world trade, after the conclusion of GATT, the international trade increased strongly and became more important than the production. The average growth rate of the world in the past three decades fluctuated between 2% and 3% while the international trade increased by 8% a year, the difference is nearly four times.

- When the international standard of production cost and price came into being, the socio-economic infrastructure was also internationalized. Everything, from parts of a car, rules and regulations, to education and training...were all standardized.

- Techno-scientific activities and achievements become worldwide.

The modern time is called the techno-scientific age. The fast development of science and technology not only improves dramatically the quality of the world economy, but also establishes new and diverse relations. The techno-scientific revolution is creating unprecedented conditions in international competition. In this competition, a nation that fails to keep abreast of the current trend will be a loser.

Names of all outstanding scientists and inventors were recorded in history, but the techno-scientific revolution today is an international process because first of all, every techno-scientific achievement inevitably originated from the sum of human knowledge. Secondly, these achievements didn't take place exclusively in developed

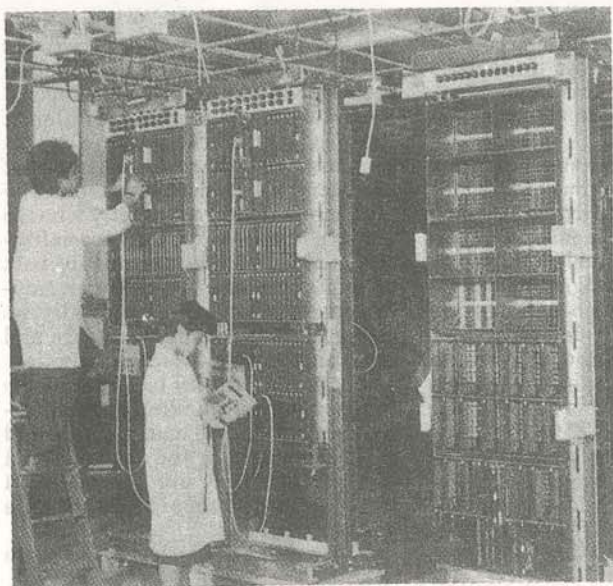
countries as before, but they depend on contributions from all over the world now.

2. Regionalization

The regionalization took place in a narrower extent compared with the globalization. In economic activities, the regionalization reflects the division of labor and co-operation between nations in a region with a view to reducing the protectionism within the region, coping with competition and protectionism from outside, enhancing the position of the region (and of each nation in it) in the world economy, and exploiting comparative advantages of all nations in the region.

The regionalization shows itself at three levels: larger region, smaller region and multinational agreement, such as EU, NAFTA, AFTA, MERCOSUR, ECO, SPF, etc. Both regionalization and globalization are growing trends in the world today.

In short, the world today is changing rapidly, especially in economic and techno-scientific fields, and isolationist nations can't survive and develop.



II. AN OUTLINE OF THE DEVELOPMENT OF VIETNAM'S FOREIGN ECONOMIC RELATIONS

In the growing trends of the globalization and regionalization, deciding whether we should expand our foreign economic relations or not is out of question. All our researches, and the making of policy, should aim at answering the question: How can we make the best use of the expansion of foreign economic relations?

Foreign economic relations include many forms: trading; co-operating on investment (both direct and indirect), on techno-scientific researches, in supplying loans and other services, etc. In Vietnam, a lot of attention is given to foreign trade and co-operation on investment.

Regarding foreign trade, a survey of 80 IMF-member nations showed that in their balances of payments, the foreign trade represented from 60% to 70% of national income and 66% of expenditures, that is, the foreign trade played a leading role in foreign economic relations. Since 1986, Vietnam's foreign economic relations have been expanded and contributed remarkably to realization of the socio-economic targets. Vietnam's trade gap has been reduced year after year:

- From 1976 to 1980: exports - imports ratio was 1:4
- From 1981 to 1985: exports-imports ratio was 1:2,8
- 1989 : exports-imports ratio was 1:1.3
- 1990: exports-imports ratio was 1:1.1

Besides reduction of the trade gap, the volume of trade has increased gradually: in 1994, the export turnover was US\$3.6 billion (an increase of 20.8% compared with 1993), while imports amounted to US\$4.5 billion. Thus, in comparison with 1990, Vietnam's exports tripled, and imports doubled. But the export turnover didn't cover imports and payments for foreign debts, markets for Vietnam exports were small and unstable, a large percentage of exports were of raw materials and semi-finished goods. In short, Vietnam per capita exports amounted only to US\$ 5 in 1993 in comparison with Indonesia's US\$40 and Sri Lanka's 79.

As for foreign investment in Vietnam, the following table shows that there's a stable increase year after year:

Year	Registered capital (US\$ million)	Realized capital (US\$ million)
1991	1,388	260
1992	2,117	463
1993	2,887	1,080
1994	4,071	1,500
1995 (est.)	8,000	2,500

Up to July 1995, there are 1,216 projects with total investment of US\$15,226,807,842 coming into operation. The foreign source of capital increased more quickly than the domestic one. But it didn't go very far towards satisfying demands of the economic development.

The source of foreign capital in the forms of soft loans and non-refunded aid is limited and difficult to access. In 1994, the ODA source promised an investment of US\$1.8 billion, but only half of it was transferred.

From 1991 to 1994, FDI source coming into Vietnam increased rather steadily, but in the first six months in 1995, there's a threefold increase compared with the corresponding period last year. The average investment for a project has increased from US\$7 million in 1991 to US\$10 million in 1992 and 1993, and US\$20 million in the first half of 1995.

These numerical data showed that the Vietnam economy has moved in the direction of globalization and regionalization. In this movement, many opportunities and challenges have made their appearance. Vietnam foreign relations were improved (the US-Vietnam relationship has been normalized, Vietnam has become an ASEAN member, the frame agreement with EU was signed), Vietnam is co-operating more closely with foreign partners but also facing the keener competition. In the domestic production, many achievements have been done providing preconditions for further development but there are also many complicated problems which should be solved as soon as possible.

At present, wars between countries outbreak in trading, economic, information or technological fields, nations who can't catch up with the others will be losers. Therefore, every nation is facing both golden opportunities for developing its economy and challenging pressure of the global race for wealth. Only nations who could learn lessons of the market economy; know how to adapt to new conditions, how to foster and exploit its human resources; and have an effective information network, a flexible fiscal-monetary policy and armies of good civil-servants and businesspersons can have chance of success.