

# GLOBALIZATION AND PROBLEMS FACING VIETNAM'S ECONOMIC DEVELOPMENT

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## 1. Inevitability of globalization

Natural conditions always affects the birth and development of human society. Living conditions and development levels, however, vary over regions and continents because of differences in climate, natural resources and population. As a result, continents also differ widely in the GNP and personal income: Africa with big area and low population density has a per capita GNP of US\$600, compared with US\$2,450 found in Asia, a continent with population density of five times higher; while the per capita GNP in Europe is US\$13,890; 20

times higher than Africa and five times higher than Asia. It's the uneven distribution of natural resources and other factors that leads to differences in development level, personal income and living standard. That is why there is migration from places of high population density and poor living standard to better ones. This has happened over centuries and become an inevitable tendency. In addition, human being have to deal with shortage of natural resources by trading in factor inputs, from minerals, food, manufactured goods to labor. The international trade also becomes an inevitable tendency needed for the economic development because no country has

enough resources to develop the economy by itself.

Thus, the globalization, in nature, originates from the need of human beings to improve the living standard. Relations and interactions between nations are on the increase and widespread. But this tendency only comes into being when science, technology and productive forces reach a high level of development.

Mass migrations and socioeconomic relations between nations became vigorous in the early twentieth century: some 40 million people left Europe for North America and some ten million people from India and China went to South Asia and Africa.

Regarding economic activity, tendencies to internationalize productive forces, form multinationals, and amalgamate small companies with a view to controlling international markets have become predominant. In 1998, five biggest mergers were worth US\$366 billion. In 1999, 10 mergers between multinationals were worth US\$1,500 billion. Three Japanese biggest banks worth totally US\$1,200 billion also merged together in August 1999. In early 2000, the number of mergers of multinationals all over the world increased in terms of both value and quantity.

Multinationals produce great effects on the globalization and world economic development. According to



UNCTAD, in 1998 there were some 53,000 multinationals controlling 450,000 subsidiaries, two thirds of world trade volume, including a quarter of domestic trade volume. According to another UN survey, there were some 60,000 multinationals controlling a quarter of world production output, two thirds of world trade, four fifths overseas investment and nine tenths of research results transferred all over the world.

## 2. Features of the globalization

- Fast development of economic relations at both regional and international levels.

- The birth of regional and international economic, financial and trading groupings originating from cooperation tendency.

- Formation of international political organizations under the impact of the globalization.

- International laws formed in parallel with the establishment of international political organizations.

- a. Positive effects of the globalization

- helping countries with potentials make use of local and foreign resources for economic development: realities show that the world GDP increased by 2.7 times in the first half of the twentieth century and by 5.2 time in the second half.

- facilitating dissemination and transfer of technology, know-how and managerial skills from developed to developing countries.

- creating competitive environment that forces all economies to innovate their production and enhance their competitiveness.

- encouraging economic, political and cultural relations between peoples and countries in all continents.

- b. Negative effects of the globalization

Not all countries could benefit from positive effects of the globalization. Only developed countries could. And the globalization has widened the gap between rich and poor and exaggerated social inequality and difference between nations. A recent UNDP report said that the globalization had brought enormous wealth for those who knew how to exploit advantages caused by flows of goods and services over borders.

Realities show that the globalization has benefited developed countries with

ers and makes competition keener but it is a race in which advantages are given to developed countries and multinationals and poor countries will certainly lose.

The globalization also endangers national traditions and independence and causes social evils to spread.

## 3. Problems posed for Vietnamese economy

- The starting point of the Vietnamese economy is very low and the best part of its population is still living below the poverty line. Statistics show us that the Vietnam's GDP

Vietnamese goods to enter and gain a foothold in the world market.

- The value of export and import in 1999 reached US\$23.2 billion only. The per capital export-import value was some US\$300 as compared with US\$342 found in Africa and the world average of US\$1,830. Thus, Vietnam's foreign trade is poorly developed.

- Just because of backward technology and poor labor productivity, Vietnamese goods are of low quality and competitiveness and they couldn't compete against imports even in the domestic mar-



potentials, while over 85 countries experienced a worsening living standard in the past ten years. Developed countries representing 20% of the world population are controlling 86% of the global gross product while other 20% in poor countries produce only 1% of the global gross product. The gap between 5% of the rich and 5% of the poor is on the increase: the ratio of income of the richest to that of the poorest was 3:1 in 1820; 11:1 in 1913; 30:1 in 1960 and 74:1 at present.

Thus, the gap between rich and poor increases in parallel with the globalization process.

The globalization enlarges market for produc-

in 1999 was US\$28.5 billion and the per capita GDP was US\$370 (only one dollar per day). The unemployment rate in cities is high and on the increase: from 5.88% in 1996, 6.01% in 1997, 6.85% in 1998 and 7.4% in 1999. The growth rate reduced from 8.15% in 1997 to 4.8% in 1999. Its structure of industry is slow to change, manufacturing and service sectors are slowing down because of effects caused by the Asian economic crisis and ineffective investment policy.

- The technological level is under the world medium level with the result that product quality and labor productivity are very poor. It's difficult for

ket.

To deal with competitive pressure in the regional and world markets and benefit the globalization, Vietnam should:

- + modernize its production by importing new technologies and developing the labor force.

- + reform the law system by making it suitable to the trend of economic development and international practices.

- + adopt the export-oriented strategy based on internal strengths, with external resources as additional forces.

- + develop an army of competent officials who could work with foreign partners and protect national interests. ■