

# Negative Effects Of Globalization on Vietnam's Sustainable Development

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The term 'globalization' is very familiar to all of us now by appearing in a lot of articles, books and reports. The world is considered as flat now and in this trend underdeveloped countries can get better chances of development and catching up with other countries. Are really all countries that open their markets and integrate fully into the world economy benefiting from the globalization? Is the globalization a miracle that can turn a developing country into a flying dragon? In this paper I want to estimate effects of the globalization on trade and investment in Vietnam.

Until recently, in the conference on experience from 13 countries that gained sustainable development (7% in the past 25 years since 1950), the WB experts have introduced five causes of development of these countries: devoted administrative machinery, international integration, high savings and investment, environment and use of energy, relations between rural areas and cities. Thus, the international integration, or engaging in the globalization, seems to be a must for sustainable development. Let's think of it in a different way. Mahathir Mohamad, the former Malaysian PM who has studied effects of the globalization on developing countries for years, has remarked that the in the globalization as promoted, realized and imposed on developing countries, there were big winners and big losers, and the basic patterns of both losers and winners didn't change – and they were not fair because winners were always rich countries and losers were the poor ones.

## 1. Global trade

In theories of international trade, economists maintain that if countries with their own advantages concentrate on and make the best use of them and exchange for goods that they have no advantages needed for producing them, all parties engaging in the exchange can gain benefits. therefore, all countries had better open their domestic markets to allow goods and services from other countries. If all parties involved enjoy equal positions the theory is very perfect but in fact, the rich and developed countries that always call for equal

trade and trade liberation are trying to maintain inequality in international trading.

At a conference of policies on economies in transition held in Hà Nội in 2004, Alan Deardorff, professor of international economy at Michigan University, said that bilateral trade agreements usually led to unequal arrangements between small economies and the U.S. or Europe. In such agreements, powerful countries or trading blocs like the EU tended to ensure benefits for them and they didn't always think of benefits for their partners. Bilateral agreements didn't reflect the liberated trade in terms of traditional achievement of the international trade. They were discriminatory agreements made by some against other countries in the world.

In Vietnam today, over 70% of the population still live on the agriculture in rural areas. Its staples exports are farm products and raw minerals of low values. Moreover, they are facing technical barriers around foreign markets. After its accession the WTO, the so-called level and free playing field where goods with comparative advantages could be traded favorably, Vietnam's situation was not much improved. After its establishment in 1995, the WTO paid no attention to farm products, an urgent problem for developing countries. The U.S. and EU still maintained high price support to their farm products (some US\$300 billion a year), which made export prices of their farm products much lower than the production costs in developing countries. The Seattle Conference in 1999 was a turning point: developing countries, for the first time, openly confronted developed ones and refuted a suggestion about a new negotiation round on liberation of trade. Meanwhile, various civic organizations launched demonstrations against the WTO all over the world.

At Doha in 2001, the inauguration declaration of the negotiation round about "development" affirmed that needs and benefits of developing countries should be put at the center of the agenda, and international trade could play an important role in promotion of economic growth and alleviation of poverty. In spite of their signatures on the declaration,

many countries in the South had doubt about promises made by countries in the North, and realities proved they were right. Once again, developed countries didn't keep their words, and first of all, in the field of agriculture. In 2002, The U.S. Government decided to double its price support to the agriculture. In the same year, the EU reform in agricultural policies proved to be a new form for the previous price support.

As a WTO member, Vietnam has to make more commitments: removing right away all subsidies for farm products as exports (other members enjoy a grace period from now till 2013); and refusing the right to use protective measures in the agricultural field (other members are not forced to do so.)

Developed countries always offer "carrots", such as open market, promotion of foreign investment, and technology transfer but they are ready use such "sticks" as anti-dumping tax, intellectual property, and technical barriers when their benefits are under danger to fight against any rivalrous countries. Ironically, these measures affect most badly poor peasants, who have suffered too many difficulties.

Besides unequal competition, the international trade also provides developing countries with "abundant resources" from industrial and household waste. When treatment of such waste caused high expenses and pollution, developed countries are ready to "export" it to developing countries, including Vietnam, and turn them into dumping grounds, recycling factories or vast polluted areas. Many people may think of second-hand machines, computers or automobiles of cheap prices as some help from developed countries to the poor ones and in fact, they can't resist such flows of goods. After engaging BTAs, developing countries can use neither protectionist measures against foreign goods nor technical barriers because of their low technological levels.

## 2. International investment

At present, flows of investment are not limited by quantities, boundaries or time. Their objective is only some profitability. Investors from developed countries always call for open market and protest closed markets on the grounds that they want to bring about capital, employment, solutions to social issues among others.

There is no denying the fact that foreign investment has produced positive effects on an economy, which has been proved by many studies. Looking at another aspect, however, there are many problems

with the international investment, especially in the aspect of sustainable development.

Firstly, the foreign investment comes from many sources, including ones from multinationals rich in capital, technologies and managerial skills. With such strengths, they can take various measures to manipulate the market and take control of an economy. Most domestic companies find it hard to compete against them and many companies have to act as their subsidiaries. One of the best examples in Vietnam was the case of an international softdrink company that was ready to suffer losses for years to buy shares and take control of the domestic market. If the domestic market is under control of multinationals, the economy may collapse (unemployment rate rises, supply of goods reduces, etc.) when they withdraw their investments because of some reasons (economic crisis, depression or political unrest).

Secondly, many industries brought from developed to developing countries, including Vietnam, are causing environmental problems. With strict regulations about protection for the environment in their countries, many companies find it difficult to produce goods with existing technologies, and they decide to do it in developing countries where foreign investment is welcomed and environmental regulations are not so strict. They argue that it is very good for developing countries to become powerful players in certain industries, and through international investment and cooperation, this will be a dream come true.

At the end of 2007, Vietnam ranked sixth among the world biggest shipbuilders, and this was really a pride. And Vietnam tends to ignore the fact that traditional shipbuilders, such as England, have stopped developing this industry. In fact, Vietnam is only a subcontractor because it undertakes only 30% of the work and jobs it implements cause serious pollution.

Thirdly, another aspect of the international investment that should be taken into consideration is the financial investment. Globalization saves investors from taking their money to some remote countries to make some profit. They can stay in New York, Paris, Tokyo or London to run their financial investments in other hemisphere. Foreign financial investment put in securities and real estate in developing countries may help these markets develop quickly at certain times. After earning some profit, foreign investors may decide to withdraw their investment, which leaves markets in the doldrums.



and brings many companies to the brink of ruin, and many local residents to hard times. This is the lesson from the 1997 Asian financial crisis.

It seems that the history repeats itself in all emerging economies when foreign investors call for more open markets, especially the financial ones. In late 2006 and early 2007, the Vietnam's stock market was boosted remarkably when stock prices rose day after day and attracted a lot of potential investors. From experts to laypersons, from intellectuals to peasants, were eager to engage in the securities market without knowing from which companies they were buying shares. Of course, this situation made the market develop excessively and the financial bubbles could burst at any time. When the Government adopted a tight-money policy to curb the inflation and foreign investors started withdrawing their money, the stock market fell quickly. Many investors turned from millionaires or billionaires into debtors overnight.

Fourthly, presence of foreign investors drives provinces into competition for investment needed for building industrial parks. Land used for industrial purposes naturally comes from farming land. Without a long view and reasonable planning, a lot of peasants become landless before they can learn new trades. Many of them are too old to learn new skills or take new occupations. Their life comes from bad to worse. Many peasants don't know what to do with compensations for their land. Many many social vices start to make their appearance in rural areas: unemployment, gambling, and drug addiction, etc.

The concept of sustainable development was introduced in 1987 in the Brundtland Report by WCED (Brundtland Commission now). The report defines the sustainable development as the one that could satisfy present needs without causing harm to abilities to satisfy future needs for next generations. In other words, the sustainable development should ensure efficient economic growth, equal opportunity and protection for the environment. To achieve this aim, the government, civic organizations and the public should make concerted efforts to ensure harmony in all economic, social, and environmental issues.

The above analyses show that the globalization has big negative effects on the sustainable development in such developing countries as Vietnam in economic, social and environmental aspects. In the international integration, Vietnam has to pay full attention to these effects. In fact, they are 'contrary aspects' of advantages brought about by the global-

ization. Vietnam can't stay outside this trend and it needs a strategy to integrate into the world economy in a sustainable manner and develop its economy, and at the same time, take necessary measures to solve environmental and social problems. ■

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## Hyundai Vinashin shipyard must clean up dangerous pollutant

Vietnam has imposed a three-year deadline for Hyundai Vinashin Shipyard Co. Ltd. (HVS) to clean up its copper slag waste, which has polluted the environment in the central province of Khánh Hòa.

In particular, HVS must finish handling or recycling over 700,000 tons of waste comprised of NIX particles by 2010, and ensure that no restored copper slag remain in the aftermath of its operation. The local People's Committee and related organizations were assigned responsibility for assessing possible environmental impacts resulting from HVS' cleanup project.

The shipyard, a joint-venture between South Korea's Hyundai Group and the Vietnam Shipbuilding Industry Corporation in Mỹ Giang Village, Ninh Phước Commune, Ninh Hòa District, began operating in 1999. According to a group of scientists in Khanh Hoa, the copper slag dust dispersed from the site contains metal elements such as iron, copper, and lead which adversely affect humans' health.

Because HVS failed to meet environment protection standards and responsible organizations did not supervise HVS' operations properly, the dust residue has gravely affected the health of surrounding locals in Mỹ Giang and Ninh Yên Villages of Ninh Phước Commune. (Thanhnhien)