

# ECONOMIC GLOBALIZATION AND VIETNAMESE INTEGRATION

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**B**y the turn of the century, economic globalization becomes a challenge to development of every country. Therefore, Vietnam faces a new opportunity but not a few difficulties.

## 1. Economic globalization - a new development trend

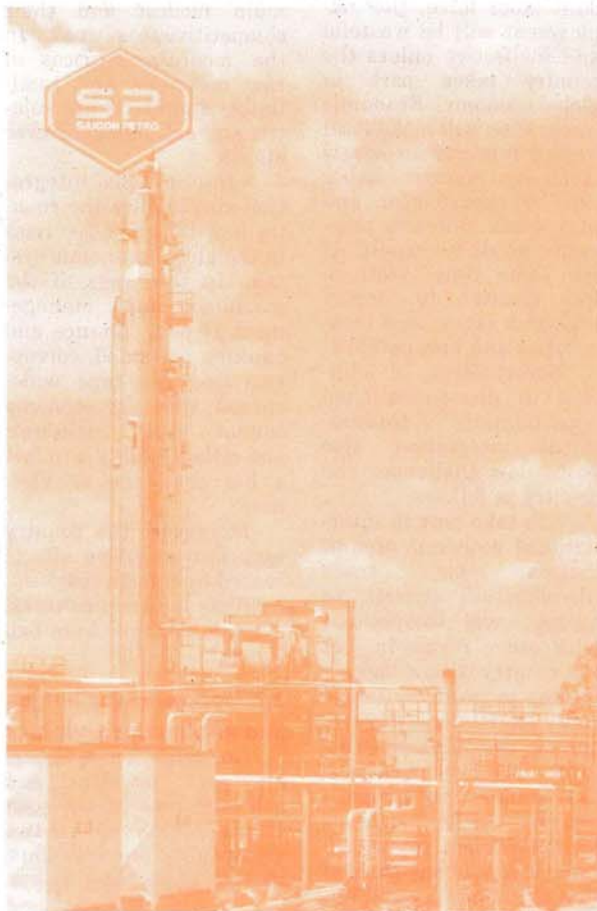
Economic globalization is a new trend of the process of developing the market economy. It reflects the high level of productive forces in which international labor division and production internationalization become prevalent.

In history, before the capitalist production method came into being, the world market in modern meaning had not existed due to poor production level, underdeveloped transport and limited goods exchange. Since the birth of the capitalist production, especially industrial revolutions, the economic life of some countries saw basic changes. The status of self-supply and self-sufficiency and close-door policy was replaced with international production and consumption. However, until the Second World War, the internationalization was mainly forced division, that is, developed countries invaded and dominated poor ones. They exploited natural resources and sold their commodities to these countries. Each

empire had its own system of colonies and dip poor countries into backwardness and difficulties.

After the Second World War, due to strong impacts of techno-scientific revolutions, productive forces and labor division grew fast. In addition, victories of the national liberation movements pushed dominant labor division to collapse and this division had to turn into a new form called economic globalization. Economic globalization is the new development process of labor division and international cooperation with new level and quality. Economic globalization has evolved at high speed since 1980s, especially in trade.

The striking characteristic of economic globalization is that the world economy exists and develops as a whole, where each country is an interactive part and developing in diverse forms. Taking part in globalization, they remain still politically independent and secure their sovereignty. They still make their own decisions on their fate and development path. Economic globalization makes countries interdependent in terms of capital, technology, materials and markets. To date, economic globalization allures many countries over the world. There are 27 regional and global economic organizations in operation. This is an ever-new development. Life proves no country whatever great and rich can produce everything up to international standard to meet its demands. Although there are contrary views, economic globalization is obviously a development trend of modern times and irreversible. Only one that keeps pace with the trend, makes use of the opportunity and overcomes challenges can survive and grow. To reject economic globalization will imply to be on the sidelines of development.





## 2. Opportunities and challenges to Vietnam's integration into international economy

Economic globalization will result in that member countries must open their doors to integrate into the world economy. Vietnam has energetically participated in this trend, step by step signed bilateral and multi-lateral trade agreements. Our country has become member of the ASEAN Free Trade Area (AFTA) and the Asia-Pacific Economic Cooperation (APEC), recently signed bilateral trade pact with the U.S. to prepare for the World Trade Organization (WTO) membership. The country's commercial relations with Japan, EU, Russia, China and so on are expanding.

As a developing country integrating into the world economy, Vietnam will face many new opportunities for its development. That is:

- Creating new conditions to expand foreign markets on the basis of trade agreements signed with the world and regional countries: If Vietnam fulfills its whole commitments in AFTA; its manufactured goods will be sold in all markets of ASEAN whose population reaches 500 million and GDP over US\$700 billion until 2006. If our country is admitted to the WTO after 2000, it will enjoy preferences under the most favored nation status in relations with the organization's 132 member countries. As a result, our goods will be exported to these countries much more easily. The tariff barrier of APEC nations will be removed after 2020 and this is a worthy opportunity for Vietnam to export its goods to APEC members.

- Facing opportunities to attract foreign investment capital: When integrating into the world economy, Vietnam's over-

seas markets will be expanded and this will be attractive to foreign investors. They will bring capital and technologies to our country, employ local labor and natural resources, produce and export products with our comparative advantages. This will thus force local enterprises to mobilize and use capital more effectively.

- Making use of state-of-the-art technologies of industrialized countries to boost the national industrialization and modernization for socialist construction: International integration is also a road to penetration into foreign markets and innovation of our technologies. In global competition, technological renovation is a must to developing countries like Vietnam.

- Creating opportunities for exchange of national resources with other countries: With an abundant labor force, the employment will be wasteful and ineffective unless the country takes part in global economy. Economic integration will make local human resource an access to foreign markets. Labor can be exported or employed via contracts processing goods for export. At the same time, Vietnam has chances to import high-tech labor, new technologies and new patents...

Nevertheless, in addition to above-mentioned opportunities, international integration also poses new challenges the country as follows:

- To take part in international economic organizations for trade liberalization implies to accept equal competition with other members, yet the country is now lagging farther in economy (especially technological level and per capita income) behind member countries. For example, in comparison with AFTA countries, Vietnam's per capita income is nearly one-third of that of Indonesia and Phil-

ippines, one-ninth of Thailand, one-fifteenth of Malaysia and one-hundredth of Singapore. This is really big challenge requiring the country's great efforts and strong determination.

- In local market, our products are less competitive than imported counterparts in terms of quality and price due to poor technology and management. Our RS sugar, for instance, sold for US\$340-400 per tonne in 1999 but the price of imports was only US\$260-300 per tonne (20-30% lower than local sugar), local steel US\$300/tonne while imports US\$285; and cement VND840,000/tonne while Thailand cement VND630,000/tonne...

- Local enterprises can sell abroad only raw materials and semi-finished products such as crude oil, rice, coffee, tea, rubber, etc. Our high quality manufactured goods remain modest and their competitiveness weak. In the meantime, prices of raw materials and semi-finished products are volatile and encounter adverse effects.

- International integration also implies the country is willing to face crises in the global economic system. In that case, if the macro-economic management is poor, finance and banking out-dated, corruption and red tape widespread, then the economy cannot avoid meltdown and collapse. This is in fact a big challenge to Vietnam.

Moreover, the country may face negative effects caused by foreign markets, conflicts between cultures, even destruction from bad forces.

## 3. Surpassing challenges and seizing opportunities

Our tradition to defeat all past invaders and achievements in the past 10 years of *đổi mới* are two significant preconditions, therefore, we hope we can

overcome obstacles to integrate into the world economy. The Party's eight national congress determined: "to boost the process of integration into the regional and the world economies". The fourth plenum of the Party Executive Committee stressed: "to be actively prepared for necessary conditions in human resource, legal infrastructure, and especially products that Vietnam has comparative advantages for integration into the world and regional markets". The following measures should be taken:

First, formulating the strategy of international integration; implementing the country's commitments to AFTA; and reforming economic policies to enhance our integration.

Second, making dissemination of economic globalization and its impacts to government agencies, enterprises and people; and affirming that it is a must to our country but we still assure our sovereignty.

Third, enhancing the national industrialization and modernization to innovate technologies and restructure investments to reduce dependence on foreign debts and aids; and build infrastructure such as transport, communications, electricity and water supply.

Fourth, making favorable conditions for all enterprises to play the game and avoiding reliance on state subsidies and protectionism.

Fifth, improving the state management: Lessons from the past economic crisis show that a smart, positive and effective government is required to overcome adverse effects fast.

Sixth, all above measures will be nonsense if the country does not reform its education and train skilled workers for the international integration. ■