

What Development Pattern for Vietnam During the Globalization

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Vietnam is in the final stage in its effort to get WTO accession with the last rounds of negotiations after gaining a promising growth rate in 2005. Vietnam, however, still reveals serious shortcomings in its development quality, such as lack of transparency and strict control in managing the ODA-financed projects, slow privatization; especially in the banking and financial sector, frozen market for real estate, and bad consequences of the bird flu; and oil and gold prices, etc. The UNESCAP survey 2006 says that the Vietnam's growth rate could slow down because of such troubles. They could make expectations set forth by the government, such as finishing the industrialization and building the knowledge-based economy by 2020 too optimistic. Information about economic growth in other countries during the globalization process, such as the miraculous success of East Asian countries in the years 1960-2000; and the 200-year gap between Vietnam and its neighboring Singapore, has posed for the Vietnamese people, and especially the Government, the task of finding a development pattern suitable for Vietnam during the globalization process.

Such theories of economic growth as neo-classic one, structural change, or linear growth seem to stop to be the best pattern for Vietnam today because it faces many obstacles and makes many mistakes



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in carrying out any theory. To develop the economy based on labor and capital, it fails to improve the human resource through education service. Thirty years after the war, the structure of industry has changed very slowly, and even made no change at all when the productivity of the primary sector increased very slowly and the better part of population still live in rural areas. In the Rostow growth model, Vietnam is in the take-off stage, but this stage seems to be prolonged because its infrastructure, legal system and the service sector are all poorly developed. In recent years, Vietnam has tried to attract foreign investment with the result that only labor-intensive industries witnessed some progress.

1. Globalization is not a policy option

If we consider the globalization as the increase in cross-border flows of capital, labor, service and information between countries, we can see that the world has experienced three waves of globalization. The first wave happened in the years 1492-1760 when occupation of foreign territories and establishment of colonial empires became widespread. The second wave came in 1760-1914 with the industrial revolution that changed drastically the productivity in many countries. And the third wave started in the 1980s with the successful application of advances in biology, electronics and informatics.

While the first wave has political characteristics, the second and the third ones affect the economic growth of many countries because they

caused revolutions in productivity and flows of factor inputs. During the second wave, many countries made the best use of its opportunities by following export-oriented strategies. Asian dragons are good examples of this trend when their personal income is still low. In the 1960s, there was no considerable difference in personal income between Vietnam, Singapore, Taiwan and South Korea. At present when economists and policy makers in Vietnam are busy discussing the globalization, the world has gone a long way on its path towards the globalization. Vietnam has become one of countries that resisted the second wave because it pursued a policy to build a closed and self-sufficient economy.

It's apparent that Vietnam is trying to make the best use of opportunities of

ferred by the third wave. We should affirm that approach to the globalization must be a cost-effective one and it is not a solution for the development issue. This argument is based on the fact that there is not much information and experimental evidence of relationship between the globalization and economic growth that allows economists to develop it into theoretical patterns of growth. At present, there are two opinions about the globalization, some economists accept that "the globalization since the 1980s has helped reduce poverty and inequality remarkably," while others argue that it also brings about great challenges originated from increases in the reach of global markets, and leads to greater divide that makes inequality in developing countries more serious instead of reducing it. In the past, East Asian tigers succeeded in realizing the export-oriented strategies during the second wave, India and China when liberating their trading services, a sign of integration into the world economy, are experiencing increasing inequality between provinces, and this can't be considered as a good sign of the economic growth. In short, the globalization is only an opportunity, not a solution to the issue of development.

2. What is the suitable pattern of growth for Vietnam?

Besides neo-classic and linear growth models, a model of development in the globalization is still controversial. The globalization, an objective Vietnam is trying to achieve in its effort to get WTO accession, is not a basic solution to the problem of fast development. We accept that being slow to join the WTO means missing many good opportunities to make the best use of advantages in terms of capital, technology and labor mobility.

From this aspect, we see that the globalization is more suitable to an endogenous growth pattern because it stresses such factors as skilled labor, technology, R&D activity and knowledge-based economy. Thus, Vietnam has an opportunity to take a shortcut if it knows how to attract and employ effectively flows of factor inputs caused by the globalization.

To attract foreign investment effectively, or create favorable conditions for R&D activities requires bold and transparent policies, not to mention the fact that the globalization implies many factors that can cause shocks for such small economies as Vietnam's. These factors are instability of the world market, constant shortage of fuel, existence of wars and terrorism, racial conflicts and political instability in many countries, discrimination by rich countries against the poor ones, and inequality in terms of income and market shares, etc.

The role of the government proves essential in many countries, such as Japan, China and South Korea. The role of Vietnam's government in ensuring political and economic stability, to a

certain extent, has been appreciated by some multinational organizations. But the stability loses its meaning when no improvement in the living standard and personal income is achieved. This means that the government should adopt new policies and strategies. Most importantly, the government should limit itself to interventions in what invisible hands of the market fail to do in order to help the market achieve planned targets. From this aspect, the endogenous growth theory is still defective while other ones pay no attention to, or even deny, the role of the government. Appreciating the role of the government means supporting the new neo-classic model of economic growth. At this point, we can conclude that the globalization is expectations of cross-border flows of factor inputs but this doesn't mean everything to the economic growth. The next and very important factor is a suitable strategy and a healthy machinery operating in a transparent mechanism needed for encouraging the public to contribute to the economic development.

3. Conclusion

Three conclusions could be made here after examining development patterns adopted by different countries during the globalization:

- There is no development theory that Vietnam could copy without amending. Each pattern has its own strengths and weaknesses and is usually amended by realities in different countries.

- The globalization only means opportunities along with great challenges from global competition, and it is not the solution to the development issue. This solution must be found by the people and their representatives.

- The development pattern for Vietnam during the globalization should include not only traditional inputs (such as capital, technology and labor) but also timely and necessary intervention of the government needed for helping the market develop better and encouraging all classes to take part in the economic growth.

To find out such a pattern, we need a strong and transparent government with ability to deal with challenges and make the best use of opportunities to accelerate the sustainable growth. ■



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