

## A SPECIAL REPORT FROM VIETNAM

Prepared by the Bich Tam Team from Hanoi University

### 1. What is the Vietnam economic review for the past ten years?

This review session just places focus on the achievements and remaining shortcomings of Vietnam economic in the period of 10 years from 1999 to 2009.

#### 1.1 Achievements

Vietnam is considered a successful story of conventional development. One of the most outstanding achievements is the constant high GDP growth rate of 7% to 8% second to China. Recently in 2008, Vietnam realized its goal of reaching low middle income country (or LMC) Vietnam with GDP per capita of more than \$1000. GDP per capita based on PPP is also on the constant rise.

The country is also on the right track in the process of urbanization and modernization initiated by the Communist Party. The labour force is shifting to the secondary (industry) and tertiary (service) sector from primary sector (agriculture). The labour structure in *agriculture* is 55.6% compared to more than 90% before Doi moi (Renovation), in *industry* 18.9% and *services* 25.5% (as of July 2005). Even though agriculture's contribution to GDP is decreasing as the industrial and service sectors increase, it is very important to remember that an agricultural miracle has turned the country of 86 million once barely able to feed itself into one of the world's main providers of farm produce.

Furthermore, Vietnam is speeding up her international integration proven by its accession to APEC, AFTA and recently, the WTO. Particularly and remarkably, the normalization of Vietnam – US relationship has paved the way for huge increases in Vietnam's export-oriented economy. The US in fact is our largest and most influential

export market. Our exports account for more than 40% of the GDP. Vietnam is one of Asia's leading agricultural exporters, especially for rice.

Vietnam has achieved a great deal of success in poverty reduction: from 58.1 % in the 1990s to less than 25 % (2004). The country once was synonymous with the phrase of "boat people", refugees escaping because of politics and poverty, has become an amazing lesson in poverty reduction by economic growth and unity. We are very close to the MDGs of the UN in this field.

## 1.2. Challenges

Despite the high growth rate of the country's GDP, it is not all due to the higher aggregate production of the economy but is also dependent upon the investment, including FDI and public financing. What matters is public-funded projects are often notorious for infeasibility, corruption and inefficiency. While FDI is good, the range of FDI is low in comparison with regional countries. All things considered, a conclusion can be drawn that the growth rate of Vietnam does not truly reflect the real health of the economy.

Nevertheless, the biggest issue turns out to be the problematic government management capacity. In many cases, the poor ability to forecast has led to low reaction to changeable world markets. This especially harms exporting industries, such as rice-growing, textile and fisheries. The government budget process and revenue sources also raises concerns. The main sources of government revenue are not from taxpayers but the ODA and money from selling natural resources. This makes Vietnam vulnerable in two ways: depleting our natural resources and being overly dependent upon our revenue sources' foreign affair policies.

The government's administrative mechanisms restrain economic development; especially, in the private sector. To make it even worse, Vietnam state officials are shadowed by the black cloud of corruption, which leads to higher transaction cost. The state-owned corporations and enterprises are highly inefficient and uncompetitive, making the country's ICOR index less attractive compared to that of many other emerging economies.

Finally, Vietnam still needs to improve the problem of land use. Land is under the state's possession; thus, the government can retake and transform it into other purposes at any time. In fact, many local officials manipulate the cause of modernization in order to reclaim land from rice farmers. This massive reclamation has lessened the amount of cultivation land and simultaneously adversely affected farmers' lives – farmers account for 70% of the population. Without better policies for land ownership and use, this situation will likely cause social unrest in Vietnam in the coming years.

## **2. What are Vietnam Strengths and Values**

### **2.1. Vietnam Strengths**

The Vietnamese economy is traditionally subsistent agriculture. People live on and cultivate an area of land for generations, based on self-sufficiency. Each village is considered as a complete economic unit in which exchange of goods as well as services occurs among families. This tradition has been deeply-rooted in Vietnamese psychology. The so-called smallholder lifestyle, management system and culture are prevalent in Vietnamese history and society.

The strengths of Vietnamese agriculture have been revealed throughout history. Vietnam has two major natural resources contributing to our great agriculture: cultivated land and water.

The size of agricultural land is roughly 17% of the whole nation. There is a great and rich diversity of kinds of fertile soil which are distributed in the country. This creates opportunities for each region to take advantage of the soil in growing specific and suitable plants.

Vietnam has a complex system of rivers and streams which can be utilized as a water source for irrigation. Two main rivers, Mekong River in the South and Red River in the North, bring a vast amount of silt for areas along the banks. We also have a beneficial climate. The tropical climate and monsoon bring to Vietnam a large annual volume of rainfall. The relative humidity during the year is about 80%.

In addition to favorable conditions granted by the nature, our workforce contributes to the success of Vietnamese agriculture. This indispensable element should be regarded in terms of population and quality of the labor. Vietnam has a dense and young population; the number of people in working age constitutes more than 50% of the national population. In spite of the fact that most of Vietnamese workers do not have high skill educations, the farmers' characteristic diligence and hard work makes the agricultural sector very strong and sustainable for a long time.

With the features above, it is obvious to see an enormous agricultural potentiality in Vietnam. Till now, Vietnam is still a primary commodity production-based nation. The country needs to make better use of its advantages. By exporting a vast number of agricultural commodities like rice, coffee, pepper, rubber, tea and so on, this will guarantee of national food security but also help Vietnam to integrate with the global market. During the current recession, the agriculture sector plays the key role in supporting the industry and service sectors in order to restrain declining rate of economy.

Nevertheless, agriculture in Vietnam in the future will face lots of challenges. Unless improvements are made in raising productivity and the quality of goods; applying modern technology into production; and increasing awareness of environmental issues, Vietnam will lose its strong point. The target of sustainable development is an urgent and critical necessity.

## 2. Vietnam "Strengths and Studies"

Vietnam's strengths include the large population of young people who are eager to explore and absorb the enlightenment of knowledge. They are creative in applying their lights to the development process of society. Vietnamese youth are also ready to participate in the global community where ideas and experiences are shared and exchanged. The application of English teaching from primary level does help to

generate a valuable human resource, young Vietnamese citizens who can work in international environment and undertake research in foreign countries.

Vietnamese students are getting more and more open choices in studies. Subjects are extended in both social as well as science specialties. Finance and banking, IT, nano technology and biotechnology are new majors that provide chances for learners to approach various perspectives of global issues. Students are learning what factors directly relate to the achievement of society's progress. To a certain extent, all this progress need to incorporate an environmentally-friendly approach. Now is the time to add the impacts on future generations into the current cost-benefit analysis. How to acquire sustainable development – in other words, how to get economic growth, a higher living standard without environmental degradation?

More and more students now have an intention of pursuing further studies. They can determine either domestic education or foreign tertiary studies. Many attempt to carry out applicable researches. A lot of students are engaging in activities that help them to accrue practical experiences. All things considered, these plans will surely contribute to the success of Vietnamese youth and the success of Vietnam.

### **III. What do Vietnamese students dream?**

Having been seriously affected by the financial crisis, we believe that Vietnam will overcome the crisis soon. But which way Vietnam will choose to grow out of this crisis may be the most concerned question for us – the Vietnamese students.

Regarding the dreams of Vietnamese students today, we are being practical for the present as our most practical problem is how to find good jobs despite the lack of opportunity due to the Global Financial Crisis. However, unlike the previous generations, Vietnamese students now are more active and have more chances to access good education and work learning opportunities. Also, they would rather

pursue their ambitions than find the boring jobs reflecting nothing but stability. However, because of the current economic crisis, graduates in several fields like finance, economics and banking find it hard to get good jobs. Students and their parents are refocusing to other fields like environment, public works and community services, which can be more flexible and less affected by the world economy.

We know that in Vietnam, like most of other Asian countries, the family is always respected. Now, with big changes in every aspect of life because of the cycle of huge development and crisis, the complicated differences between generations is unavoidable and they are leading to the breakage of the family bond. Hence, towards family, Vietnamese young people wish to reduce these conflicts. There is a fact that Vietnamese of older generations are still influenced by Feudalism and Confucianism, which are conservative philosophies and may keep prejudices and biases while significant changes in the world force other people to try new things in order to adapt. On one hand, students today try to broaden their parent's knowledge, make them more open minded, on the other hand, parents keep family traditions and encourage young members to respect build up family bond. Protecting family must be from heart and soul, naturally and sincerely, so sometimes there is conflict in making it a young person's "responsibility" in this era of change.

We, the contemporary generation of Vietnamese students, living in a society which has a lot of unsolved problems, dream to have a better life in future. Indeed, as a third world country, Vietnam has been pushing itself hard in the process of modernization. While doing so, our country still has not solved the many problems with environment, the unstable infrastructures and the gap between the rich and the poor, which is becoming larger. The water we is under constant threat of pollution, the air we breathe is filled up with car exhaust fumes, we worry about the inefficient traffic systems and we are afraid of crossing the street. And when we look at the other countries, which are more developed, we desire to have a better living standard. So, we hope in the future, when Vietnam overcomes the crisis, we would be able to develop ourselves in a brighter way. We would rather choose to develop everything

from the roots, to cope with those everyday issues rather than starting when the problems are worse.

Moreover, as a nation which has four thousand years of history, we dream to remain our own identity through the process of globalization. Vietnam has been more and more open to the world due to the influence of trade and cultural exchange. While the world has a tendency to unite as one, to be all the same, we are concerned that our own identity will disappear one day if we don't wisely consider our own strength in traditions. When modernization began in Vietnam, lots of old values were not as respected as they were before and eventually disappeared. To day, our government does see the important of those values but they are not powerful enough to fundamentally maintain all of our old traditions and values. Just over the past few decades, we've been losing a lot of our own nation's characteristics due to the globalization process.

How can we preserve our culture? If Vietnam is to become stronger in the world, which way it is going to choose to achieve this? To answer these questions, we'd like to say that there are many way to reach a single destiny, but we are concerned with the ways the could destroy our cultural identity.

Last but not least, we were brought up in a country where the war has just been over for a few decades. Yet, the remains of war still exist on our country's mind and soul. Therefore, we know the value of peace, and how the differences among countries and people may lead to discrimination and hardship. Those differences are sometimes big obstacles for us; we have a lot of difficulties in accessing the world, to travel to where we want or to make friends with others across borders and oceans. And so, when Vietnam changes, we hope to cross out all those differences, to keep people in touch and in peace.