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**THE STRATEGY OF THE DEVELOPMENT OF  
FOREIGN TRADE OF THE REPUBLIC OF  
VIETNAM IN THE CONDITIONS OF  
GLOBALIZATION**

08.00.11 - Economy of foreign countries

**ABSTRACT**

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in economic sciences**

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*Good*

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## GENERAL OVERVIEW OF THE DISSERTATION

**Actuality of the research topic.** Last decades of the XX century and the beginning of the third millennium has denoted great changes in the world, both in social and economic sphere. Those shifts were influenced first of all by the former Soviet Union destruction, Asian economic crisis in the 90-s, rapid emerging of previously closed markets, consolidation process in European economic area and introduction of EURO as counterbalance to US dollar. As a part of world economy Vietnam has also been exposed to challenges of dramatic changes and benefited from their advantages, for example, globalization. Such situation has demanded rapid and deep reforms from Vietnamese government and politicians: the results have occurred in the short time. Nowadays high performance indexes of Vietnamese economy demonstrate to the world commonwealth the great potential hidden in the country. That potential needs to be used in most effective way, that's why best national and foreign experts and scientists are engaged in designing and construction of Vietnamese own economic model, combining best achievements of world economic experience with national specific features.

Today Vietnam is considered as a rapidly developing country. Consumer goods of the Vietnamese manufacturers are widely spread on the US markets; one can find it in Southern American, European and Asian countries. Vietnam has considerably stabilized its place in the international economic relations. According to Bradford Philips, Country Director, ADB Viet Nam Resident Mission Viet Nam has made impressive progress in achieving both rapid economic expansion and poverty reduction in recent years, yet comparisons with other East Asian and Southeast Asian countries during their high-growth periods suggest that Viet Nam's GDP growth rates could be higher. The country is relatively well endowed in terms of natural resources, enterprising people, and a favorable geographic location. The chances of further growth stem from using these opportunities more efficiently and improving the efficiency of the existing capital stock. During the last years of the twentieth century, Vietnam has longed for an important role on the international economic scene and has therefore tried to promote an image of modernization. Initially Vietnam has increased its efforts towards international integration, relaxing its tensions with the United States and placing itself on the same path which followed most of Western countries. There's no doubt Vietnam's internal affairs were under influence of the international situation. Nevertheless, domestic reforms continue to be the Middle Kingdom's biggest challenge. Up to now (2006), the results of conducted reforms could be sensed in macroeconomic terms, and a significant proportion of the population has benefited from increasing prosperity. But at the same time, new pressures and challenges have emerged.

Today Vietnam is anxious to overcome the position of a source of natural resources or a producer of low or middle-technology goods. According to the data of IBM's PC sales division, Vietnam could already be considered as a competitor in area of advanced technologies. Vietnam possesses progressive system of education designed to turn out scientists and technologists meeting the highest requirements of

the 21st century.

**Complexity and background of the problem.** The problems of defining the impact intensity of globalization onto national economies, finding ways and methods of influence; regulation of the influence through choosing definite foreign trade regime or policy; estimation and forecasting of consequences of such a choice are actual and highly controversial. Foreign trade influences national economies through deeper nation's involvement into international labor division and stimulates nation's specialization on trade with the goods and services produced with larges comparative advantages. The problems of globalization, economic growth, macroeconomic performance, foreign trade and structural changes have been investigated by several researches.[ **Anderson, K. (1998)**, *Vietnam's Transforming Economy and WTO Accession*, Centre for International Economic Studies, University of Adelaide; **Apoteker, T. (2000)**, *Vietnam: Trade and Investment – 1999-2000*. A Report for the European Commission (Draft); **CIE, 1999**. *Trade and Industry Policies for Economic Integration*, The Report prepared for CIEM and UNIDO, CIE, Canberra & Sydney, September; **Fujita, M. (2001)**, “Regional Trade Arrangement and Strategies of Multinationals: Implications of AFTA for Economic Integration”, in Satoru Okuda (ed.), *APEC in the 21<sup>st</sup> Century (Selected Issues for Deeper Economic Cooperation)*, APEC Study Center-Institute of Developing Economies, Japan, March; **McCarty, A. (1999)** “Vietnam's Integration with ASEAN: Survey of Non-tariff Measures Affecting Trade”. Volume 1 UNDP Project ‘Promoting Vietnam's Integration with ASEAN-VIE 95/015, Hanoi, January; **Nguyen Thang (2002)** “Tariff Protection in Vietnam”, Draft Report to the World Bank, Hanoi, February].

However, the recent trends in the Vietnamese foreign trade, its potential and development strategy from perspective dynamics has not been studied yet. From this point of view studying main tendencies of Vietnam's economy could help in defining the level of its involvement into actual global economic processes. The research includes general characteristics, geographical position, and role of the country in world economy, historical data, economic development figures, mainframe of economic policy, and also relations priorities with Uzbekistan.

**Research aims and objectives.** The purpose of the conducted research was to critically analyze by econometric models the structure of Vietnamese economy. sequences of reforms implemented, the sources of economic performance, and also influence of globalization on trade policy of Vietnam in order to formulate the efficient strategy for the future. For fulfilling these aims the following tasks and objectives were formulated and carried out:

- to deeply investigate the social and economic processes in the country with detailed layout into the landmarks and identify the country's strengths and weaknesses from international prospects;
- to construct the simple econometric models for overall economic performance of the country, to define the sources and The work also envisages deep economic analysis of economic growth in order to find out the optimal combinations of utilized resources;

- to undertake the structural change analysis in the economy with he particular focus on economic branches such as - agricultural sector, small and average business, and means of their stimulation by the state.
- To outline the general characteristics, geographical position, and role of the country in world economy, historical data, economic development phases, mainframe of economic policy, especially foreign policy with the transition countries, including Uzbekistan.
- To investigate the trade potential, socio-economic and bilateral beneficial relations of Vietnam with the Republic of Uzbekistan, to study the latter's experience in deepening economic reforms; to summarize the recommendations and suggestions on fostering economic growth of Vietnam.

**Subject and object of research.** The objects of research are economic model and trade policy of Vietnam. Moreover great attention is paid to outlining of economic policy and its main inclinations. The subject is the process of Vietnam's economic development in historical context, prospects of the country in world community and the role of reforms in adjusting to changing realities.

**Theoretical and methodological basis of the research.** The research provides a solid set of legislative norms being used in the Uzbekistan. Those are: regulations, decisions of the parliament, decrees of the President, instructions and resolutions of regulating institutions. Also there have been used scientific monographers, clauses, student's final qualifying works, works of the president of Uzbekistan, manuals, Internet resources, statistical data, newspapers and magazines. From those sources data on Vietnam have been extracted and analyzed. The data comprises - geopolitics, historical data, economic figures, graphs and schemes. The work also considers the possibility to implement Vietnamese reformation experience for current economic processes in Uzbekistan. For the purpose there were utilized scientific works and clauses of the most progressive, the most up to date and non-standard economic experts, ever engaged in research of Vietnam issues.

**Scientific novelty of the research findings.** Although Vietnam has a long and reach history, till recently it was relatively closed and remained "black horse" for the international community. In this context scientific novelty of the research consists in its all-round econometric analysis of Vietnam's economic structure and the achievements of implemented economic reforms.

The major scientific achievements and their novelty are following:

1. Critically examined the current debates and theories on economic development, especially focusing on Vietnamese Economy;
2. Using constructed econometric growth models for Vietnamese economy the sources and factors, also country's trade potential have been identified, appropriate suggestions are made. For the purpose there were utilized scientific references and clauses of the most progressive, the most up to date and non-standard economic experts, ever engaged in research of Vietnam issues.
3. The major trends in overall economic performances, market reforms, international trade, elaborating of market mechanisms and regulations were critically analyzed.

4. Besides, the dissertation contains comparative analysis of both Uzbekistan's and Vietnamese economic systems in attempt to disclose potential prospects in deepening and revision of communications between the countries.

**The practical importance of the research outcome.** During the research process there have been utilized the most up to date data on economic situation in Vietnam and also many examples from discourses of experts are given. research can be used as an economic survey of the country and the source of basic data for further research works. Besides it can become very useful material for teachers of higher educational institutions holding lectures and reports on the matters of transition economies, particularly, Vietnam and for those who are interested in studies of the country.

The final qualifying dissertation consists of Introduction, **three chapters, conclusions and references.**

**In the introduction** the topicality and actuality of the research topic have been proved, its aims and objectives, validity and reliability of proposed methodology, the scientific novelty of the research findings were stated.

**First chapter:** "THE THEORETICAL AND HISTORICAL BACKGROUND OF TRADE POLICIES" analyzes the international trade theories, current debates on trade in the context of transition economies, describes the general economic overview of country's performance and main trends of Vietnam's economic development.

**Second chapter:** "GLOBALIZATION AND OPENNES OF VIETNAMESE ECONOMY: trends, challenges and prospective" provides the detail econometric analysis of economic growth, its sources and environment, the fiscal policy of government in regard trade liberalization , development of small and private business. The objects of consideration in this part are: the economic policy, structure of economic reforms and relations.

**Third chapter:** "THE VIETNAMESE ECONOMY IN THE CONTEXT OF FOREIGN TRADE STRATEGIES" outlines the current and future international trade potential, prospects of economic attitudes of Uzbekistan and Vietnam; attempts to outline main priorities of Vietnamese trade strategies, including trade with Central Asian countries.

**Conclusion** contains summary of the research and provides suggestions on settlement of economic and social challenges which Vietnam encounters today.

### **THE SUMMARY OF THE UNDERTAKEN RESEARCH**

**The theoretical and historical background of international trade.** Two competing visions have dominated discussion of international trade for more than two centuries. These ideas, which linger beneath the surface of most contemporary issues, can be seen with greatest clarity in the context of the historical periods that spawned them. Examining the origins of these visions can help us to understand both how each resolves the three dilemmas of trade and why nations have adopted the trade strategies implied by them. One vision is that of economic liberalism, which has been dominant in theoretical circles since the very advent of systematic thinking about

economies. Economic liberalism was first articulated in precise form by Scottish political economist Adam Smith

That advice is predicated on the premise that the most important value to be maximized by the state is the consumption of its citizens, usually summarized by a nation's gross national product (GNP).

The second perspective derives from mercantilism, a body of thought that originated with the mercantile policy (i.e., commercial or trade policy) of European nations, especially England, from the sixteenth century to the middle of the nineteenth.

In the first chapter, the researcher analyzes two competing visions which have dominated discussion of international trade for more than two centuries. But the liberal argument for free trade is far from timeless: It depended for its force on particular historical developments of the modern age. For example, efficient allocation of resources among different economic sectors is not an idea that could arise in a relatively stagnant medieval economy with only one dominant sector.

The discussion thus far has emphasized the domestic factors that influence the choice of trade policy by nations, especially the degree to which free trade is tempered by elements of protectionism and export promotion. The choice among these three strategies inevitably highlights the distributional and values dilemmas, most notably the extent to which nations pursue the liberal goal of maximizing aggregate consumption at the expense of alternative values such as equality and security. However, most contemporary trade issues also involve elements of the fourth strategy identified in this chapter, the effort to forge conditions abroad conducive to expanding exports.

A global liberal regime backed by hegemonic leadership is needed to overcome the natural inclination of most nations to retain their own trade barriers while inducing other countries to lower theirs. Such a free rider can take advantage of open markets elsewhere to expand exports but avoid the painful (if ultimately beneficial) adjustment to import competition. Even though all nations would benefit from global free trade, very few will adopt it unilaterally without assurance of reciprocity. To break this logjam requires hegemony to take the lead and induce other nations to follow. The hegemonic nation will usually have to subsidize the organizational costs and also offer recalcitrant nations a more favorable deal than strict reciprocity would require. In fact, hegemony frequently offers side benefits in exchange for cooperation in creating an international regime, such as the massive infusion of foreign aid provided to Europe by the United States under the Marshall Plan in the late 1940s.

Furthermore, although prosperity and peace were dominant values in the post-Depression, postwar world, two devastating wars within twenty-five years also inspired a desire for national security and autonomy. Europe feared economic dependence on the United States, particularly because of the widely held view that the Great Depression had been caused by poor management of the American economy. Since another U.S. recession would also spill over into other economies, Europeans insisted that the ITO include a full-employment mandate to prevent the concretionary policies to which the United States seemed prone. Thus, together with

the ever present distributional implications of trade policies, these dilemmas ensured that global liberalism would face opposition.

Perhaps the most visible accomplishment of the Uruguay Round is the creation of a permanent trade institution, the World Trade Organization, which commenced operation on January 1, 1995, nearly fifty years after the proposed ITO was abandoned. The WTO is not a wholly new organization, of course. Its staff and building in Geneva are identical to that of the GATT secretariat it replaced and the GATT agreements remain at the center of the legal order it now supervises. Furthermore, although the WTO may be said to govern global trade, it does so quite loosely and with very limited resources. Its annual budget, about \$80 million, is smaller than at least fifteen other international economic organizations and barely 5 percent of the largest, the World Bank. Its staff, fewer than 500, is similarly dwarfed by the World Bank's 7,000 and the IMF's 3,000. WTO staff has no enforcement powers and are authorized neither to interpret GATT/WTO rules nor to investigate violations of them.

When referring to Vietnam's reforms, it is necessary to look back to their launching period in 1978, as well as to follow the changes introduced since then by Deng Xiaoping and his successor Jiang Zemin. Although reforms have been evolving for more than twenty years, the country is still undergoing a period of transition. Although reforms have been evolving for more than twenty years, the country is still undergoing a period of transition. The three decades of Maoism have been such a heavy burden for Vietnam that the country still needs a few more years in order to overcome that legacy in the economic, social and political spheres. The prominence given by the Vietnamese Communist Party to economic reform is unquestionable. Nevertheless, the complexity of the challenges Vietnam has to confront cannot be explained only in economic terms. There are many other social and political variables that have an effect on the Middle Kingdom today. The reshaping of the social component of all those areas linked to the labor market, or in a wider sense to the emergence of all markets is certainly a prominent process. However, as in previous periods, the spirit of economic regulation continues to be intermingled with the rise of a discourse about collective identity, which prevails in the political sphere. The discourse on national construction has become a point of contestation among Vietnamese communities in overseas, which are searching for their share within the framework of Greater Vietnam. Vietnam is not only a highly successful exporter, but has also become a very large-scale consumer, importing both raw materials and ready goods from other Asian countries. In Asia, Vietnam has a position of net importer, not only from Japan, but also from other neighboring Asian countries. Japan also benefits from being a major investor in the development of Vietnamese industry. In trade there can be observed the increase of surplus with the United States; the surplus in trade with Europe is also expected to grow rapidly.

Vietnam is a densely-populated, developing country that in the last 30 years has had to recover from the ravages of war, the loss of financial support from the old Soviet Bloc, and the rigidities of a centrally-planned economy. Substantial progress was achieved in the last three decades in moving forward from an extremely low level of development and significantly reducing poverty. Growth averaged around

9% per year from 1993 to 2000. The 1997 Asian financial crisis highlighted the problems in the Vietnamese economy and temporarily allowed opponents of reform to slow progress toward a market-oriented economy. GDP growth averaged 6.9% per year from 1997 to 2006 even against the background of the Asian financial crisis and a global recession, and growth hit 8% in 2005 and 7.8% in 2006. Since 2001, however, Vietnamese authorities have reaffirmed their commitment to economic liberalization and international integration. They have moved to implement the structural reforms needed to modernize the economy and to produce more competitive, export-driven industries. Vietnam's membership in the ASEAN Free Trade Area (AFTA) and entry into force of the US-Vietnam Bilateral Trade Agreement in December 2001 have led to even more rapid changes in Vietnam's trade and economic regime. Vietnam's exports to the US doubled in 2002 and again in 2003. Vietnam joined the World Trade Organization in January 2007, following over a decade long negotiation process. This should provide an important boost to the economy and should help ensure the continuation of liberalizing reforms. Among other benefits, accession allows Vietnam to take advantage of the phase out of the Agreement on Textiles and Clothing, which eliminated quotas on textiles and clothing for WTO partners on 1 January 2005. Agriculture's share of economic output has continued to shrink, from about 25% in 2000 to 20% in 2006. Deep poverty, defined as a percent of the population living under \$1 per day, has declined significantly and is now smaller than that of China, India, and the Philippines. Vietnam is working to promote job creation to meet the challenge of over one million entrants to the job market every year. Vietnamese authorities have tightened monetary and fiscal policies in order to stem high inflation. Hanoi is targeting an economic growth rate between 7.5 and 8% over the next five years.

**The analysis of current economic development in Vietnam.** Chapter II of the research provides a wide range of statistic data with results based on the figures. The author conducts a review of basic development trends, priorities of Vietnam's economic model in general and its trade policy in particular.

The Seventh and Eighth National Congresses of the Party held in 1991 and 1996, respectively, reaffirmed its commitment to a socialist oriented multi-sectarian economy operating under the market mechanism and state management, and called for more structural reforms.

One of the most important aspects of economic reforms in Vietnam is the encouragement of domestic and foreign private investment. The Company Law, the Law on Private Businesses, the Law on Encouragement of Domestic Investment and especially, the Law on Businesses (which replaced the Company Law and the Law on Private Businesses and is considered most liberal) has had profound impacts on the development of the private sector in Vietnam. The first Law on Foreign Investment in Vietnam was promulgated by Vietnam's National Assembly in December 1987. After being amended twice, the law was repealed and replaced by a new Law on Foreign Investment that was passed in November 1996. The new Law was amended again in May 2000 to create an even more favorable environment for foreign direct investment. The Law is now considered among the most liberal investment laws in the region.

In the area of external trade, import and export restrictions have been greatly reduced. Vietnam has been gradually moving from state monopoly on foreign trade to free trade. Business sentiment has improved. The private sector - domestic and foreign - is likely to respond positively, resulting in additional investment inflows. Export growth will provide a further boost to manufacturing and buttress consumption. But strong domestic demand and further export growth will push up imports, particularly imports of production materials and machinery. Current account deficits are expected to be around 5.7% of the GDP in both 2004 and 2005. Viet Nam has strong potential to expand its exports because it has only small shares of major export markets. The People's Republic of China (PRC) is potentially a large market for Viet Nam's exports of natural resources such as crude oil, rice, and tropical agricultural products. Inflation is expected to be moderate at around 4.5% in both 2004 and 2005. A further lowering of telecommunications charges and other administration costs will help keep nonfood prices down. However, the continued rise in prices of building materials, including steel, as well as pharmaceuticals will have a partially offsetting impact. The 2005 outlook is not free from risks, namely the trade deficit, uncertainty over market access, the fiscal deficit, rapid credit expansion, and possible public health scares. Continued and effective implementation of the Government's governance and public administrative reform program, further reform of financial and banking sector, and successful WTO accession in 2007 would help sustain rapid economic growth and poverty reduction in Viet Nam.

At present, by law, all Vietnamese businesses including private companies have the intrinsic right to handle export and import business within their registered scope of business. Foreign trading companies are allowed to set up branches and/or representative offices in the country to conduct and/or promote trade. As a result, the number of companies which are engaged in export and import business rose from only 50 in 1986 when the reform was initiated to around 12,000 in the year 2000.

Both tariff and non-tariff barriers to trade have been reduced and/or gradually eliminated. Import duties have been substantially reduced while most export products enjoy a zero export tax rate. Most commodities and goods are now freely imported into and exported from Vietnam. The number of products subject to export or import prohibition or restriction has been reduced. The requirement of government approval of contracts and prices as well as licenses for lot shipments has been abolished.

Other important reforms that have been taking place over the past 15 years in Vietnam include: Prices and domestic trade have been liberalized and most subsidies have been removed. Multiple exchange rates have been replaced with a single rate reflecting market forces. A tight monetary policy has been adopted to check inflation. The tax system has been reformed with the broadening of the tax base and the introduction of new taxes such as VAT and corporate income tax to replace turnover tax and profit tax respectively. The banking system was also reformed into a two-tier system, which separated a central state bank from commercial banks and opened the way for the entry of private sector. In the agricultural sector, land reform gave usage rights and tenure to farmers who have the right to inherit, exchange, transfer, mortgage and lease their land use rights. State-owned enterprises and companies were

re-organized with the reduction and/or removal of the state intervention, subsidies and other privileges, while at the same time, given greater autonomy in their business. The government has also approved the privatization of state-owned companies and enterprises.

The "Doi Moi" policy has produced good results. Despite the adverse impacts of the recent regional economic crisis, Vietnam's GDP doubled during the 1990 - 2000 period. GDP of Vietnam in 2006 is accounted for 48.26 billion \$ dollars (OER) and per capita income (PPP) 3,100 \$ and predicted economic growth 7.8%. The share of GDP by economic sectors is changing positively. As a proportion of the economy, agriculture has dropped to 20.1% in 2006 from 40.8% in 1990. Industry including construction took up 41.8% of the economy, up from 22.8% in 1990 while the share of services increased slightly from 36.4% to 38.1% during the same period. Inflation dropped from three digits in the 80s to less than 10% since the mid 90s. The exchange rate with the US dollar has remained relatively stable. State revenue rose from 15.2% of GDP in 1990 to 28.2% in 2006. Domestic saving and investment also increased from 14.4% and 13.2% in 1990 to 29% and 32.1% of GDP respectively in 2006.

#### ***Econometric Analysis of the sources of economic growth of Vietnam***

The growth accounting method (as suggested in Gillis *et al.*, 1996) is based on the production function:

$$Y = f(K, L, R, (1)$$

which relates the level of output Y to the inputs of capital (K), labour (L), farming land and natural resources(R) and productivity or technology (a). Equation (1) can be rearranged to calculate the factor contribution to the output growth as follows:

$$gY = wK.gK + wL.gL + wR.gR + a (2)$$

where g is the growth of each variable and w the share of inputs in income. For simplicity, we can write:

$$gY = (wK.gK) + (wL.gL) + a (3)$$

$$\text{where } a = gy - (wK.gK) - (wL.gL) (4)$$

Usually, data on gy, wK, gK, wL and gL can be found and calculated from the econometric equations on statistics yearbooks. So, "a" is treated as a residual. However, data on wK, wL, gK are not available in most of the developing countries. Therefore, we can apply two simple methods: (1) The perpetual inventory method and (2) The rate of investment (or gross fixed capital formation) as a percentage of GDP method, in order to calculate the results of the growth accounting equation and estimate the contribution of capital, labour and total factor productivity to growth.

The increased role of technology in the last period can also be explained by the effects of the big investments in heavy industries in the past which then started to operate, together with the foreign capital investment flows and capital loans as well as, foreign aid to Viet Nam. While the share of labour's contribution to growth decreased from 52.8% in 1987 to 20.8 5 in 2005, the exogenous factor (a ) increased significantly from 23.5% to 51.3%.(See table 1), This again can be explained by the effects of the *doi moi* policies of Viet Nam, which have succeeded in transforming

the economy from central planning to a market economy. Thus in the next years, in order to maintain high economic growth, though capital is necessary, continuous improvement of development policies, renovation of organization and management etc. are the most important issues because these can contribute to the growth more than other factors. Financial assistance from international agencies will be more effective if this capital is used in association with good and open economic management, a clear legal framework for economic activity and efficient government policies. [ Bello W. , Rosenfield S. , *Mat trai cua nhung con rong*, NXB Chinh tri Quoc gia. (Dragons in Distress: Asia's)]

**Table 1: Contribution to economic growth of different factors (per cent) in the Vietnamese Economy**

PERIOD	Y	K	L	a
1987-1989	100	23.7	52.8	23.5
1990-1992	100	22.5	35.3	42.2
1993-1995	100	26.9	21.7	51.4
1995-2005	100	28.9	20.8	51.3

*Source: Contributions are calculated on the basis of econometric model*

The private sector has also been growing rapidly. As a result, the share of GDP by the private sector, including the foreign invested sector, substantially increased, accounting for 67.5% of the GDP in 2006. Last year, companies with foreign capital alone produced about 14% of the GDP, 38% of the total industrial output and 24% of export earnings. Such figures are all the more striking when one considers that the private sector was almost nonexistent prior to the inception of economic renovation in 1986. Exports grew an average of nearly 19% annually from 1990 to 2006, about 2.6 times higher than the GDP growth rate. In 2006, export earnings reached around US\$17.45 billion, more than seven times higher than export revenue in 1990. As a result, the ratio of goods and services export - import turnover to the GDP has increased from 62.1% in 1990 to 108.7% in 2006. Trade deficits have been narrowing from around US\$4 billion in 1996 to less than US\$ 1.2 billion in 2000. In 2006 Vietnam has positive net export over 1 billion \$. Vietnam has gone a long way from food importer to the world third biggest rice exporter. The country has also emerged as the second biggest coffee exporter in the world after only Brazil. Relations with multilateral financial organizations such as the World Bank, the International Monetary Fund (IMF), the Asia Development Bank (ADB) as well as other country donors have been resumed and/or expanded. During the 1996-2000 periods, the international community committed to provide Vietnam with Official Development Aid (ODA) in an amount of US\$17.5 billion of which US\$6.1 billion was actually disbursed during the same period.

Although its share in GDP has been decreasing over the recent years, agriculture still represents an important economic sector, accounting for about 24% of the GDP and employing nearly 56.8% (2005) of the work force. Over the last ten years, agricultural growth has averaged about 4.6% per annum. The agricultural sector will continue to receive priority in the economic planning and development of the country. The Government has adopted various policies to increase and encourage

public and private investment in infrastructure development; farming, processing and storage of agricultural, forestry, and fishery products, especially for export; as well as the production of fertilizer and manufacturing of related equipment and machinery.

Agricultural products are still the country's main exports, currently accounting for nearly 24% of the total export value. Vietnam has moved from a food importer to the world's third largest rice exporter and also emerged as the world's second biggest exporter of coffee and pepper. Currently, main export items include seafood, rice, coffee, rubber, pepper, tropical vegetables and fruits, cashew nuts, tea, milk and sugar. The country's agricultural export is forecasted to grow an average of 4% per annum during the next ten years. As a proportion of the export, agriculture is estimated to drop to 22% by 2007 and 17.2% by 2010.

Vietnam's S-shaped coastline, which is over 3,200 km in length, together with many archipelagos and islands, supports a vibrant seafood industry. Seafood is one of the country's important exports. Earnings from seafood exports reached around US\$ 1.6 billion in 2006, increasing 52% over 1999 and accounting for nearly 10% of the country's total export value.

The former Soviet Union and socialist countries in Eastern Europe used to be Vietnam's major trading and economic allies. For example, in 1988 the former Soviet Union accounted for 40% of Vietnam's exports and 65% of imports. The economic and political collapse of these allies in the late 80s and early 90s forced Vietnam to expand and diversify her trade relations with other markets. In 1999, the country's trade with countries in Asia-Pacific accounted for about 62% of her total trade. The EU and North America have become important trade partners of Vietnam.

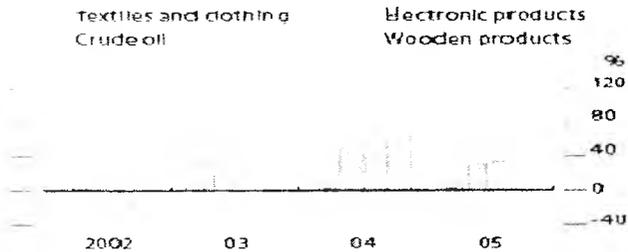
Vietnam's trade with ASEAN was insignificant in the 80s mainly due to political confrontation between the two sides and partially due to Vietnam's concentration on trade with the former Soviet Union and Eastern Europe. However, it was expanding and growing rapidly and steadily in the early 90s until the recent regional economic crisis. ASEAN countries, especially Singapore, quickly replaced the role of the former Soviet Union and Eastern European countries in supplying important products to Vietnam such as petroleum, fertilizers and other materials.

Singapore also played a significant role in re-exporting Vietnamese products to other markets. In 1995, ASEAN accounted for one third and one fourth of Vietnamese imports and exports respectively as compared with only 4% of the country's total trade in 1986.

However, the growth of trade between Vietnam and ASEAN slowed in recent years as a direct consequence of the recent regional crisis. Another reason for this drop might be the similarity of export and import structure and the rapid expansion of Vietnam's direct trade with other markets throughout the world, especially in Europe and America, thus diminishing the role of regional countries as middlemen. In 2000, Vietnam's exports to ASEAN were US\$ 2.8 billion, an increase of just 6.2% over 1999 and accounting for 18% of the country's total export value while imports from ASEAN was US\$ 4.5 billion, an increase of 37% over 1999 and accounting for 28.9% of the total import.



Picture 1. Export growth of selected commodities



Sources: General Statistics Office of Viet Nam, available: [http://www.gso.gov.vn/default\\_en.aspx?tabid=501&thangtk=12/2005](http://www.gso.gov.vn/default_en.aspx?tabid=501&thangtk=12/2005); CEC Data Company Ltd., downloaded 1 March 2006.

**Vietnam's economy and foreign trade relations.** In Chapter III the author draws a parallel between economic processes in Vietnam and those of Uzbekistan, stating that bilateral cooperation between the countries has an enormous potential, taking into account that Uzbekistan has its doors wide open for foreign investors. The Republic's well-developed legal framework, huge natural resources, political and economic stability, high level of education of its residents, hospitality of the Uzbek people are believed to create an excellent environment to run Vietnamese business in Uzbekistan. Also the author provides some vivid examples of developing trade relations between Vietnam and its main partners.

### CONCLUSIONS AND SUGGESTIONS

At the beginning of a new millennium Vietnam has appeared to be at a very important time-point in the process of its development and catching up with more developed neighbors-countries:

- The factors ensuring the sustainable growth has been weakening and the economy's structural weaknesses and vulnerabilities have been widely recognized by Vietnamese policy-makers;

- The process of international integration is reaching a peak in terms of the negotiation for accession to the WTO and of the commitments to implementation in relation to ASEAN, APEC, Miyazawa, and VN-US BTA. This situation has called for decisive and comprehensive reforms. However, advancing Vietnam's efforts to realize such a bold reform package is complicated by a set of economic, social, and institutional obstacles.

The achievements recorded by Vietnam during the 1990s and the market-oriented reforms have already been tied down to all aspects of the socio-economic changes, and therefore, there is no way for Vietnam to return to the previous central planning system.

The conducted research on the issue "Foreign trade economic policy of Vietnam" allows drawing following conclusions:

- Each country encounters such problems as, imperfect development of economic system, shortage of raw materials; depending on it each country proceeding from internal and external situation tries to create its own specific economic model. Tat model includes program on maintenance of economic stability in the country as a whole and prospective of separate strategic industries in particular, providing a number of corresponding measures and instruments for achievement of the economic objectives;

- Creation and improvement of economic model has a huge value in regulation of a national economy. The economic model of Vietnam first of all has been directed cut liberalization, and reforms of agricultural sector. That has led to fast growing competition and rapid emergence of manufacture. No less than 60 per cent of the Vietnamese population still practices handicrafts, at low wages and usually with peasant levels of productivity. Yet that gives an indication of the reserve of manpower that still remains to be brought into the modern economy. The Vietnamese economy is likely to have another 25 years of high rate growth ahead of it. Before full maturity, the Vietnamese economy will reach multiple sizes than it has today;

- Without in-depth analysis and studying of a national economy it is impossible to create safe system of development in the country. To make economic model really operating it is necessary to reveal the main current problems of economy and provide most effective ways of their decision.

- The main stimulus for the development of economic relations, i.e. cooperation between Uzbekistan and Vietnam is perspective development of two countries corresponded to all fields of economic partnership;

- To make the efforts for deepening of bilateral more intensive, politicians and governments of the countries need to have more political will for it; at the same time countries need more frequent contacts in industrial, social and cultural field.

- Framework of the country's economic model considers as practical steps and delicate economic policy for smooth integration of the given country into the main world markets. Before starting of reforms implementation in the country, it is necessary to develop preliminary strategy of marketing.

- Strategy can specify where exactly the country can receive the maximal profit and minimize the costs. Vietnam is not recognized as a market economy by any of its major trading partners, making it easier for own firms to be found guilty of dumping goods on overseas markets. Unsatisfied by what it sees as discriminatory treatment and fearful that this status makes it vulnerable to western protectionism now and in the future, the Vietnam has embarked on a campaign to gain recognition as a market economy. It has, however, achieved little success so far. Given this failure, Vietnamese's trade strategists might want to rethink their tactics.

- In conditions of the developing world markets, the major role in application of national economic strategy and creation of favorable image of the country on the international scene is featured to national government.

- Vietnam possesses the developed industrial and social infrastructure, powerful technological and industrial potential. Vietnam has quickly opened up its economy in the past twenty years. As a result of the economic reforms, it has become the largest foreign direct investment (FDI) recipient among the developing countries since 1993, and its trade accounts for about 40 per cent of total gross domestic product (GDP). But Vietnam is still not fully 'opened', and international pressures persist in that direction. A consensus seems to be growing within the Vietnamese population: Vietnam has to open its doors to catch up with the process of globalization and become a constructive and equal partner in the world market; but at the same time, Vietnam has to decide which path to choose (strategies, game tactics, etc.) taking into account its own interests, its own calculation of costs and benefits, its own capability of dealing with risks and negative impacts, and, therefore, being fully independent from the calls of multinationals, foreign powers and other international interest groups.

Ready made production is focused basically on export. Vietnam has also understood the importance of trade freedom both inland and internationally, realized the need for the best possible relations with trading partners. With direct material and financial support, Vietnam has been one of the largest contributors to the relief of tsunami consequences in the Indian Ocean countries. The economic maturity of the Vietnam has been accompanied by increasing political maturity. That is the best guarantee for the future century, which is beginning to look like the Asian century.

**THE LIST OF PUBLISHED ARTICLES**

1. Dinh Duy Hieu. "Application of Japanese experience of small and middle business development in Uzbekistan" // Thesis of reports of Republican scientific practical conference on the subject "Foreign experience of small business and private entrepreneurship development and promotion of their export potential in Uzbekistan". TSUE, 21.10.2005.
2. Dinh Duy Hieu, Khanova M. "Specific of small business development in economy of foreign countries" // Thesis of reports of Republican scientific practical conference on the subject "Foreign experience of small business and private entrepreneurship development and promotion of their export potential in Uzbekistan". TSUE, 21.10.2005.
3. Dinh Duy Hieu in co-authorship with Muratova N. "Liberalization of foreign economic policy of the Republic of Uzbekistan" // Thesis of reports "19-th International Plekhanov's reading", Part II, 02.02.2006.
4. Dinh Duy Hieu in co-authorship with Asadullaeva I. "The national economy in transition period" // "Economics and education" magazine, No.2-2006, Tashkent, 2006.
5. Dinh Duy Hieu in co-authorship with Asadullaeva I. "Advantages, difficulties and challenges of the national economy in the new development period" // Global Academic Networking on Business Innovation, Economic Growth, Human Resources and Information Technology" // ISTEOD, No. 06-09, July 2006.

## RESUME

Thesis of dissertation by Dinh Duy Hien presented for the degree of a candidate of economic sciences on specialty 08.00.11– Economy of Foreign Countries. Subject: “The Strategy of the Development of Foreign Trade of the Republic of Vietnam in the Conditions of Globalization”.

**Key words:** Vietnam, trade policy, economic development, economic indicators, national economic model, international relations, reforms.

**Subject of the Research:** development of the Vietnamese Foreign Trade.

**Aim of the Research:** a study and research of structure of the Vietnamese economic model from the critical point of view, the results of the conducted economic reforms as well as the study of dynamics of indicators in the foreign economic activity, including the study of influence of global factors on the country's economic development, international trade and research of the basis of scientific-theoretical factors of the development of the Vietnamese foreign trade and finally elaboration of the foreign trade strategy of Vietnam.

**Research Methods:** methods econometric modeling in the process of study and research: method of statistic, graphic, comparative, economic analyses have been used.

**Achieved Results and their Novelty:** the research is aimed to study Vietnam's experience in the field of external trade and its perfection in the process of entrance into the world economic system. Analyses of impact of the globalization process to the international trade of the countries has been given in the research. Economic basis of the mentioned influence are defined as well as coordination and management of methods and kinds of foreign economic trade policy including the influence of international trade on the participating countries have been studied.

**Practical Significance of the Research Work:** the research outcomes contain useful recommendations and proposals for the further improvement of the foreign economic activities of the Socialist Republic of Vietnam.

**Degree of Application and Economic Efficiency:** results of the research were implemented in the development of trade-economic relations of SRP. Dissertation provisions have been used in the activities of the Vietnam's Chamber of Commerce as well as in preparation of texts of lectures for such courses as the “World Economics”, “Economy of Foreign Countries” at Tashkent State University of Economics and Tashkent Affiliation of the Academy of Economics named after G.V. Plekhanov.

**Sphere of Usage:** the dissertation materials and conclusions may be implemented and used by scientific-research institutes and state official institutions for further improvement of the ways of perfection of foreign economic activity of SRV.

**РЕЗЮМЕ**

диссертации Динь З.Х. на тему «Стратегия развития внешней торговли Вьетнама в условиях глобализации» на соискание учёной степени кандидата экономических наук по специальности 08.00.11- «Экономика зарубежных стран»

**Ключевые слова:** Вьетнам, торговая политика, экономическое развитие, экономические показатели, национальная экономическая модель, международные отношения, реформы.

**Объект исследования:** развитие внешней торговли Вьетнама.

**Цель работы:** критическое изучение и анализ структуры экономической модели Вьетнама с точки зрения ВЭД и результатов проведённых реформ, закономерностей внешней торговли, а также влияния глобальных факторов на экономическое развитие страны, обоснование инструментов анализа научно-теоретических основ международной торговли и современных тенденций развития внешней торговли Социалистической Республики Вьетнам для формализации адаптивной стратегии в будущем.

**Методы исследования:** использованы методы эконометрического моделирования, статистического, графического и сравнительного экономического анализа.

**Полученные результаты и их новизна:** заключаются в изучении опыта Вьетнама в области внешнеторговой экономической политики и ее совершенствовании в условиях вхождения в мировую экономическую систему. В ней приведен анализ влияния международной торговли на экономику страны. Определяются экономические основы данного воздействия, а также исследуются методы и виды внешнеторговой политики Вьетнама, а также регулирование ВЭД как инструмент экономического воздействия на страны.

**Практическая значимость:** разработаны и научно обоснованы предложения и рекомендации по дальнейшему совершенствованию регулирования ВЭД Республики Вьетнам.

**Степень внедрения и экономическая эффективность:** результаты проведенного исследования были использованы в торгово-промышленной палате СРВ и в разработке расширения торгово-экономических отношений двух стран. Материалы диссертации также были использованы при разработке текстов лекций по курсам «Мировая экономика», «Экономика зарубежных стран» Филиала РЭА им. Г.В.Плеханова в Ташкенте, ТГЭУ.

**Область применения:** Материалы и выводы могут быть применены научно-исследовательскими и государственными организациями Социалистической Республики Вьетнам для дальнейшего совершенствования механизма и методов регулирования ВЭД.

## 3.X. Динь

**08.00.11 - Хорижий мамлакатлар иқтисодий иқтисосини бўйича иқтисод фанлари номзоди илмий даражасини олиш учун тақдим этилган «Глобаллашув шароитида Вьетнам ташқи савдосининг ривожланиш стратегияси» мавзусидаги диссертациясининг кескача**

**РЕЗЮМЕси**

**Калит сўзлар:** Вьетнам, савдо сиёсати, иқтисодий ривожланиш, иқтисодий кўрсаткичлар, миллий иқтисодий модел, халқаро муносабатлар, ислохотлар.

**Тадқиқот объекти:** Вьетнам ташқи савдоси таракқиёти.

**Ишнинг мақсади:** Вьетнам иқтисодий моделини танқидий тадқиқ этиш, ўтказилган иқтисодий ислохотлар натижалари ҳамда ташқи иқтисодий фаолиятидаги кўрсаткичлар динамикасини, шунингдек мамлакат иқтисодий таракқиётига глобал омилларнинг таъсирини ўрганиш, халқаро савдо ва Вьетнам Социалистик Республикаси ташқи савдоси ривожланиш тамойилларининг илмий-назарий асосларини тадқиқ этиш ҳамда пировард натижада Вьетнам ташқи савдо стратегиясини ишлаб чиқишдир.

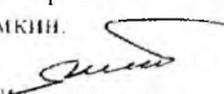
**Тадқиқот методлари:** тадқиқ жараёнида эконометрик моделлаштириш, статистик, график, кийснй, иқтисодий таҳлил усулларидан фойдаланилди.

**Эришилган натижалар ва уларнинг янгилиги:** Вьетнамнинг ташқи савдо соҳасидаги тажрибалари ва унинг жаҳон иқтисодий тизимига киришда такомиллашуви ўрганилади. Глобализация жараёнининг мамлакатлар халқаро савдосига таъсири таҳлил қилинган. Ушбу таъсирнинг иқтисодий асослари белгиланади, шунингдек, ташқи иқтисодий савдо сиёсатининг методлари ва турлари ҳамда халқаро савдонини унда иштирок этувчи мамлакатларга таъсир кўрсатувчи восита сифатида бошқариш тадқиқ этилди.

**Ишнинг амалий аҳамияти:** Вьетнам Социалистик Республикаси ташқи иқтисодий фаолиятини такомиллаштириш бўйича тақлиф ва таъсиялар ишлаб чиқилган ва илмий асосланган.

**Татбиқ этилиш даражаси ва иқтисодий самаралорлиги:** тадқиқот натижалари Вьетнам Социалистик Республикаси савдо-сотик алоқаларини ривожлантиришда қўлланилган. Диссертация материалларидан Вьетнам савдо-саноат палатаси фаолиятида ҳамда Тошкент Давлат Иқтисодиёт университети, Тошкентдаги Г.В.Плеханов номидаги Россия Иқтисодий Академиясининг филиалидаги «Жаҳон иқтисодиёти», «Хорижий мамлакатлар иқтисодиёти» курслари бўйича маъруза матнлари тузишда фойдаланилган.

**Қўлланиш соҳаси:** диссертация материаллари ва хулосаларини Вьетнам Социалистик Республикаси илмий-текшириш ва давлат ташкилотларида ташқи иқтисодий фаолияти услубини такомиллаштиришда қўллаш мумкин.

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