

## ***PREFACE***

***Industrialization and Modernization in Vietnam toward 2000*** is the second outcome of the Joint Study Project between the Institute of World Economy, Hanoi and the Institute of Developing Economies, Tokyo.

The research work focuses on analyzing the issues and factors which exert an impact on Vietnam's course of industrialization and modernization, on the basis of the socio-economic policies of the Vietnamese Party and State, and the implementation of these policies during the recent decade or so of renovation.

Apart from the preface, this book consists of six chapters:

1. Orientations of Industrialization Policy
2. Financial Problems
3. Technology and Technological Transfer in Vietnam
4. Development of Human Resource in the Course of Industrialization and Modernization.
5. Policy of Trade and Tariffs and Strategy of Industrialization and Modernization.
6. Institutional Framework for Industrialization of Vietnam.

The above-mentioned issues are not all that are related to industrialization and modernization, but are those we deem most important. Also, for each issue, we do not deal with all aspects, but only those considered more important. For instance, in the chapter on finances, we just confine ourselves to the sources of fund, and their mobilization and utilization; in the chapter on development of human resource, to several aspects of education... The requirement on the chapters written in this book

is a representation of realities, the Vietnamese Government's policies, the results, the problems which arise... The authors' thoughts are reflected in the analyses, without any intentions to argue about industrialization and modernization in their own opinions.

The first chapter analyses the changed conditions and the option for an industrialization model. And the most important factors for a successful industrialization are as follows:

First, the market, including both the domestic market and the world market.

Second, to develop the human resource. The formation of an appropriate structure of human resource, an adequate financial investment in education and public health, and the adherence to market mechanism in utilizing manpower, in combination with a preferential policy towards talents, constitute the essential sources of all successes.

Third, technology and funds. Vietnam may take two measures: self-accumulation and foreign loans so as to import advanced technologies and, at the same time, inducement of foreign direct investment. Under the new world conditions, Vietnam may induce more favorable foreign direct investment, and this may become a highly important factor for shortening Vietnam's course of industrialization and modernization.

Among the economic fields, socio-economic infrastructure is the one to which the State should give priority of development investment, and the development of which relies mainly on the state budget (including ODA). The manufacturing industries are the most important, for they govern the development level and the industrialization degree of a nation. Of these, the export processing industry should be given prime attention. Also, adequate attention should be paid to the development of the service sector.

The question of the state role and the dominant role of the state economic sector in the process of industrialization and modernization is carefully considered from renovative viewpoints.

Lastly, the author analyzes the question of stimulating the development of private economy and inducing foreign indirect investment.

The second chapter analyzes the issues of investment fund and the financial market of Vietnam in the course of industrialization and modernization. It comprises 4 parts:

The first part presents an overall picture of the mobilization of investment fund of Vietnam's financial market in recent years. The market of investment funds has been established in Vietnam despite its defects and infancy. The ratio of Vietnam's accumulation and investment is by far lower than that in the countries of Northeastern Asia and ASEAN. This shows that the mobilization of investment fund for Vietnam's economic development, despite its preliminary results, remains an ebullient sphere, and a great and long-term challenge in the course of industrialization and modernization.

The second part gives a forecast on the requirement of investment capital, which is feasible and necessary, for the 1996-2000 period, and analyzes the orientations for investment capital allocation in this period, including domestic fund, FDI, and ODA.

The third part deals with the measures and policies to promote the development of the financial market, and to intensify the mobilization of domestic and foreign investment funds.

The last part examines the question of investment for the development of non-state enterprises in order to make the private economic sector stronger and bigger, thus securing a higher place in the national economy.

The third chapter analyzes the issue of technology and technological transfer in Vietnam.

It consists of two parts. The first presents the actual state of technology and technological transfer in Vietnam. Before 1987, technologies imported to Vietnam were mainly from Soviet Union and the East European countries through the channels of non-refundable aids and long-term loans at preferential interest rates. The imported technologies were concentrated in some branches only, and were mostly retarded by the world standard.

Since 1987, following the implementation of the law on foreign investment and the decree on technological transfer into Vietnam, the renovation through technological transfer has been carried out on a large scale and at a fast pace. Particularly since 1991, technological transfer has unfolded vigorously in all branches to various extents, such as post and telecommunications, auto and motorcycle assembly, textile and garments, paper... At present, about 80-90% of technologies available in Vietnam are imported.

Through such channels as joint venture, business cooperation, 100% of foreign investment-capital projects, trade..., Vietnam has assimilated more new technologies, and its technological level in the sphere of production has been heightened (some imported technologies are modern and advanced by world standards). If before, Vietnam had to import almost everything, now it is capable of turning out about 20 products to meet 70-80% of the domestic demand. This is a considerable progress, compared with the pre-1987 period. However, during the early years, technological renovation through cooperation and investment was not remarkable, and the rate of technological transfer was low. In quite a number of cases, even the obsolete technologies and equipment were imported, causing harm to the environment and the workers' health.

To avoid the risk of becoming a dumping ground of foreign technologies, Vietnam should work out technology policies and take concrete, appropriate measures which are in keeping with the new

requirements and conditions of the process of industrialization and modernization.

The second part analyses the orientations for policies and measures to be implemented in the conduct of technological transfer to Vietnam in the coming future.

From the experience of the technological transfer in recent years, the following viewpoints should be carefully grasped for the coming future:

- + Technological transfer should ensure the enhancement of economic efficiency, heightening of the country's technological level, and reduction of the development gap between our country and the world.

- + The process of technological transfer should, at the same time, be the process of linking science and technology with socio-economic development. Technological transfer should be conducted for all economic sectors.

- + Technological transfer should be conducted with flexibility, deep analysis and careful choice on scientific foundation.

- + The state role should be enhanced vis-à-vis technological transfer.

Some essential measures are also analyzed with a view to promoting technological transfer. First, to work out a strategy of technological development, and to combine technological transfer from abroad with augmentation of the technological capacity in the country. Second, to continue to improve and renovate the policy of finance and credit. Third, to bring into play the human factor in order to assimilate and master new technologies, to adapt imported technologies to Vietnamese conditions, and to proceed to creating new technologies. And lastly, to continue to build up and to improve the system of economic legislation, to promulgate such new laws as on state enterprises, competitions..., to amend the current laws such as the law on company, to promulgate a new investment law in replacement

of the law on foreign investment and the law on stimulating domestic investment at present...

Chapter 4 deals with the development of human resource in the course of industrialization and modernization.

The chapter addresses three principal questions as follows:

First, an analysis of the results obtained by the Vietnamese branch of education through the years, particularly the recent years. The data presented on the scale and system of education, and the budget allocation for the educational sector show that Vietnamese education has developed unceasingly. Thanks to the State's attention, education has made a step ahead of other branches. However, there remain some drawbacks such as declining quality, and inadequate budget allocation leading to the poor material foundation of the country's education system. In the present conditions of transition to market economy, education fails to catch up with stringent requirements of the labor market. Thus, educational efficiency remains at a low level.

Second, presentation of the viewpoints of strategic significance on the development of human resource in the period of industrialization, together with forecasts on development objectives and measures to be taken for their attainment.

Third, investment in education is investment for the future, and the result cannot be seen immediately. Analyzing the reasons for success in the case of Japan and South Korea in connection with their policies of development of human resource for the sake of industrialization, we are offering here our recommendations as to the priorities for the development of human resource. First priority should be given to the preparation of the premises for industrialization. Therefore, in the early stage of development, universalization of elementary education will play a key role.

Chapter 5 analyses the policy of trade and tariffs in connection with the strategy of industrialization and modernization.

The first part of chapter analyses Vietnam's policy of trade and tariffs in the 1986-1995 period with two distinct watersheds. During 1986-1990, despite some changes in the policy of trade and tariffs, in general, the impress of the old thinking remained obvious with a definite preference of the state monopoly in foreign trade. During 1991-1995, there have been most significance changes in the policy of trade and tariffs, such as adherence to the principle of multilateralization and diversification of foreign economic relations, in replacement of the state monopoly in foreign trade; a shift from the regime of management over foreign trade operation by administrative orders to a regime of management mainly by economic measures, and from measures of mainly non-tariffs to those of mainly tariffs... Thanks to these, Vietnam has made considerable achievements in foreign economic relations.

The second part, on the basis of economists' policy makers' forecasts and calculations, puts forth the tasks for the policy of trade and tariffs in connection with the export-oriented industrialization strategy in the coming years.

The last chapter deals with the legal aspect for the course of industrialization and modernization in Vietnam, the progress of Vietnam in the sphere of legislation in recent years. This article focuses on the key actors of "industrialization". Under the "Doi Moi Policies", Vietnam is adopting multi-sector economy. Among the sectors, the leading role is allocated to the State-sector. The foreign investment sector has a role to support the State-sector in collaboration with it, as a supplier of capital, technology and management know-how. The collective sector is expected to be another leading player, however the institutional framework for it has not yet developed. The recent State-sector reform process shows the direction of strengthening state-sector and promotion of forming large-scale state-

enterprises through merger and re-establishment process. At present, the policy which attaches importance to state-sector is effective to protect domestic industries and develop competitive industries in the world market. However, as some experiences of neighboring countries shows, in order to develop efficient and competitive state-sector, it is necessary to develop private-sector correspondingly. In the near future, the measures for encouragement of private-sector will be required to avoid monopoly economy.

The research work is sure to have defects and limitations, so we look forward to the readers' advice for improvement.

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