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VIET NAM: THE RISE OF A NEW INDUSTRIALIZED NATION¹

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Introduction

From the 1970s, Westerners have become aware of the rise of the "newly industrialized countries. These have emerged as an increasingly threatening economic competitors. Following the path opened by the Japan, the "four dragons" (South Korea, Hong Kong, Singapore, Taiwan) became in turn of the industrial powers². Twenty years later, succeeded them the 'Asian Tigers' or 'new exporting countries'(Indonesia, Malaysia, Philippines, Thailand, Việt Nam)³. If some (Thailand, Philippines especially) have seen their growth broken by the economic crisis of 1997, confirming the reserves of Paul A. Krugman⁴, others have bounced back with success (Malaysia, Indonesia and Việt Nam). They thus appeared to reproduce the Japanese way of development described in his time by Akamatsu Kaname "model in flight of the wild goose".⁵ It is therefore legitimate to ask the Việt Nam, in particular, if not by train, in turn, to engage in this same dynamic of growth.

Other models of European origin this time, could be questioned in the case of Việt Nam:

1/ the Rostow model, by the importance it places on the change of scale in investment (*take-off*) and effort to the ripple effect of the *leading sectors*⁶;

2/ that of Kuznets, based on the reallocation of resources from low productivity sectors to high-productivity sectors⁷;

¹ Dominique Barjot et Jean-François Klein (dir.), *De l'Indochine coloniale au Việt Nam actuel*, Paris, Académie des Sciences d'Outre-Mer, Éditions Magellan, 2017, 816 p. Voir en particulier Dominique Barjot, « Introduction », p. 42-69.

² Ezra F. Vogel, *The Four Little Dragons: The Spread of Industrialization in East Asia* (Cambridge, MA: Harvard University Press, 1991).

³ Kim, Jong-Il, and Lawrence J. Lau, "The Sources of Economic Growth of the East Asian Newly Industrialized Countries", *Journal of the Japanese and International Economies*, Vol. 8 (1994), pp. 235-71; World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, Summary (New York: Oxford University Press, 1993).

⁴ Paul Krugman, "The Myth of Asia's Miracle," *Foreign Affairs*, Vol. 73 (November-December, 1994), pp. 62-78.

⁵ Kiyoshi Kojima, "The "flying geese" model of Asian economic development: origin, theoretical extensions, and regional policy implications", *Journal of Asian Economics*, 11 (2000), p. 375-401. Voir aussi : Akamatsu, K. (1961). A theory of unbalanced growth in the world economy. *Weltwirtschaftliches Archiv*, 86, 196-217; Akamatsu, K. (1962). Historical pattern of economic growth in developing countries. *The Developing Economies*, 1, 3-25.

⁶ Walter W. Rostow, *The Stages of Economic Growth. A Non-Communist Manifesto*, Cambridge (Mass.), Cambridge University Press, 1960.

⁷ Simon Kuznets, *Modern Economic Growth: Rate, Structure and Spread*. New Haven and London: Yale University Press, 1966; *Towards a Theory of the Economic Growth with Rejection on the Economic Growth of the Modern Nations*, New York, Yale University Press; 1966 *Economic Growth of Nations: Total Output and Production Structure*, Cambridge. M.A, Harvard Univ. Press, 1971.

3/ those of Perroux (role of development poles)⁸ and Porter (effects of clusters)⁹;

4/ evolutionist theory, insofar as the specific history of the Viet Nam must be taken into account in the analysis of its growth mode¹⁰. Even if points of convergence exist with the South Korea, or China, there are strong arguments in favour of phenomena of learning by doing and a specifically Vietnamese path dependency.

Việt Nam knew an eventful history, particularly in the 20th century, passing as the colonial State in that of a nation at war, then divided into two blocks, on the model of Germany and Korea, finally reuniting and committing, a little more than ten years later, in the way of a steady development¹¹. According to partially the example of China, his very powerful neighbor, Vietnam joined the group of emerging countries today. Indeed, he is offering the example of the regular increase in power of a newly industrialized country¹². Densely populated and marked by the imprint of the history, he established his national integration on a walking southward and the assimilation of the high lands¹³. In a country where the demographic transition is almost finished today, the population remains still young and feminized, particularly of the fact of the impact of the wars¹⁴. At the same time, the Vietnamese culture preserved a strong specificity, organized around the writing and around the language, profoundly marked by the Confucian influence, from where it resulted a narrow association of the knowledge and the language and the major role played still by the family¹⁵. Finally, Việt Nam of today is confronted with a triple challenge: that of the relation between three powers that are the State, the Party and the Army, that of the evolution of the political frame and, of course, that of the transformation of the economic system¹⁶.

1. THE ECONOMIC SYSTEM: AN UNFINISHED TRANSFORMATION

⁸ François Perroux, *A New Concept of Development* (presented by Basic Terek, London & New York, Routledge, 2015; Benjamin Higgins, Donald J. Savoie, *Regional Economic Essays in Honour of François Perroux*, London & New York, Routledge, 1986 ; François Perroux, *L'économie du XXe siècle*, Grenoble, PUG, 1961; *Indépendance de l'économie nationale et interdépendance des nations*, Paris, UGE, 1963.

⁹ Michael E. Porter, *The Competitive Advantage of Nations*, Free Press, New York, 1990.

¹⁰ Richard Nelson, Sydney G. Winter, *An Evolutionary Theory of Economic Change*, Cambridge (Mas.), Harvard University Press, 1982; Kenneth E. Arrow, "The Economic Implications of Learning by Doing." *Review of Economic Studies* 29 (June) 1962, p.155–173.

¹¹ Daniel Hémery, Ho Chi Minh, de l'Indochine au Vietnam, Gallimard, 1990 ; Pierre Brocheux, Histoire du Vietnam contemporain, Fayard, 2011 Philippe Delalande, Vietnam, dragon en puissance, L'Harmattan, 2007 Nguyễn Thế Anh, *Parcours d'un historien du Việt Nam. Recueil des articles écrits par Nguyễn Thế Anh* (texte édité par Philippe Papin), Paris, Les Indes savantes, 2008, 1.026 p. On lira aussi Lê Thành Khôi, *Histoire du Việt Nam des origines à 1858*, Paris, Sudestasia, 1992. On peut aussi consulter « Le Vietnam depuis 2000 ans », Les Collections de *L'Histoire* n° 62, janvier-mars 2014. Ce numéro spécial réunit un certain nombre d'historiens spécialistes du champ dont, pour certains d'entre eux, nous avons regretté l'absence lors de ce colloque ou pour la publication de ces actes (Pierre Asselin, Pierre Brocheux, Benoît de Tréglodé, Christopher Goscha, Pierre Grosser, Annick Guénel, François Guillemot, Pierre Journoud, Andrew Hardy, Michael Hoang, Philippe Papin, Emmanuel Poisson, Dominique Rolland et Hugues Tertrais).

¹² Pierre Brocheux, *Une histoire économique du Việt Nam*, Paris, Les Indes savantes, 2009 ; Christian Taillard, « Le Việt-Nam, émergence d'un nouveau dragon », *Géographie universelle*, n° 12, Paris, Reclus-Belin, p. 183-213.

¹³ Philippe Papin, *Việt Nam. Parcours d'une nation*, Paris, Belin, 2003 (ouvrage fondamental) ; Andrew Hardy, *Red Hills, Migrants and the State in the Highlands*, Honolulu, University of Hawaii Press, 2003.

¹⁴ Magali Barbieri, James Allman, Pham Bieh, Nguyen Minh Tang, « La situation démographique du Việt Nam », *Population*, 1995, n° 3, p. 621-651 ; Danièle Bélanger, *Rapport intergénérationnel et rapports hommes-femmes dans la transition démographique au Việt-Nam de 1930 à 1990*, thèse, Université de Montréal, 1997.

¹⁵ Nguyen Thê Anh, *Monarchie et fait colonial (1875-1925), le crépuscule d'un ordre traditionnel*, Paris, L'Harmattan, 1992 ; Andrew B. Woodside, *Việt Nam and Chinese model*, Cambridge (Mass.), Harvard University Press, 1988.

¹⁶ Pierre Brocheux, *Histoire du Việt Nam contemporain: La nation résiliente*, Fayard, 2011 ; Stéphane Courtois (dir.), *Việt Nam 1920-2012 : de l'insurrection à la dictature*, Vendémiaire, 2013 ; Christopher Goscha, Benoît de Tréglodé (dir.), *Naissance d'un État parti. Le Việt Nam depuis 1945*, Paris, Les Indes savantes, 2004.

In Việt Nam, the dead end of a system of centralized economy and the decisive influence of the Southern opened the way to a premature transition towards a free market economy characterized at the same time by the call for foreign aid, the rise of the informal activities and the progressive but unfinished privatization of the state sector¹⁷. Between 1954 and 1975, the Democratic Republic of Vietnam (in the North) made a commitment in the application of a socialist model: centralization of the processes of decision, socialization of the means of production, the collectivization of lands (5 000 cooperatives interesting 5 % of families with 1958, but 40 000 including 68 % of the population in 1960), adoption of the five year planning in 1960, under the double influence of the Soviet model of industrialization and of the Chinese agrarian communism¹⁸. In 1965, the private business supplied more than 11 % of the national income, limiting itself to the informal activities. Families hiding their asset holdings, the prices remained low (+ 2,5 % a year on average), and incomes too (rationing of the consumption of rice). If the executives of the *nomenklatura* could reach the international stores, the existence of the small and average state employees depended on their capacity to organize the distribution of the goods and that besides the population to...get in line.

1.1/ The shock of the reunification

Between 1965 and 1975, the country knew the war economy: agriculture destroyed by the system of cooperatives, draining of 20 % of the workforce for the benefit of the army, destruction of the industrial and transport infrastructures by the American bombings, with for result the excessive dispersal of the industrial sector and his reorientation towards the production of war material, from where the explosion of the imports (multiplied by 5 from 1964 till 1969) and the fall of the exports (divided by 2 in the same dates)¹⁹. With the entry in Brezhnev's power, the Soviet aid increased in power, whereas that of China was unimportant neither in quantity, nor in quality (clothes, sugar, medicine, meat)²⁰. This contribution of the gifts, the loans and the subsidies of "brother countries" was immense: in 1975, they supplied about 50 % of the national income. But this financial support was not enough for needs. State corporations gave the priority to the quantity onto the quality (out-of-date wheat flakes, child's bikes for everybody), whereas developed the black market. Two fundamental elements of functioning of the economy settled at that time: the necessity of a foreign aid and an insertion of the black economy within the state apparatus.

The reunification of 1975 changed the situation. In the South, the inheritance was heavy: 10 million fugitives, 1 million widows and orphans, 1,5 million unemployed persons, 25 000 drug addicts, of numerous mutilated, A third of lands sterilized by defoliants, 4 000 destroyed villages, a permanent threat of famine in spite of a partially successful agrarian reform under the previous regime. At the same time in the North, the discovery of the South shook the spirits: in a few months the goods come from Saigon flooded the market, evicting the Chinese and Russian products²¹. Because the Southern regions need ores, electricity and, especially, gasoline, was organized a vast traffic which revitalized the economy of the provinces of the North. This restart arose just when the Chinese aid stopped from April 1975 and just when that of the USSR decreased (50 % in 1980 compared with 1976). More Moscow required the refund of the debts, where from the sending, every year, of 2 000 Vietnamese workers in Soviet Union and in the satellite countries. The

¹⁷ Melanie Beresford et Dang Phong, *Economic transition in Việt Nam*, Paris, Gret-Karthala, 2002.

¹⁸ Vo Nhan Tri, *Croissance économique de la République démocratique du Việt Nam*, Tiers-Monde, 1970, vol. 11, n° 42, p. 623-624.

¹⁹ Georges Boudarel, Van Ky Nguyen, *Hanoi, 1936-1996. Du drapeau rouge au billet vert*, Paris, Autrement, 1997 ; David Chanoff, Doan Van Toai, *Việt Nam. A Portrait of its People at War*, New York, Tauris Parke Paperbacks, 2009 (2nd edition).

²⁰ Douglas C. Dacy, *Foreign Aid, War and Economic Development. South Việt Nam 1955-1975*, Cambridge University Press, 1986.

²¹ Nayan Chanda, *Brother Enemy: The War after the War*, New York, Macmillan, 1986.

consequence was that the State lost its distributing function, had to give up the police control over products (radio sets, bikes, etc.) at the same time as exploded the black market.

It became necessary to soften the economic system²². In 1979, the Vietnamese troops eliminated regime of the Red Khmers. But the occupation of the Democratic Kampuchea (Cambodia) was expensive, isolated Việt Nam on the international scene, prevented the international assistance and cut it of the People's Republic of China which supported the of Angkar regime. It was translated by several border incidents which resulted in a brief opened conflict (in 17 February March 16, 1979²³). So was understandable the choice made join Comecon in June, 1978²⁴. Next August, the Central committee of the Party recommended the liberation of the trade and the integration of the private market within the planning. In October 1980, a decree authorized the provinces to constitute their own companies of import-export (IMEX) and to trade in a free way with the foreign countries. The exports exploded (+ 60 % in value from 1980 till 1985) for the benefit of ports, particularly that of Ho Chi Minh City. It resulted from it an acceleration of the imports (massive entry of the color television and the Japanese motorcycles). The integration in the South and the end of the Chinese and Russian assistances forced to soften the agrarian regime: A series of measures of liberalization led, in 1988, to the dismantling of cooperatives and to the distribution of the earth to families for five years, then in the land act of 1993 which favored the mobility of the market of the earth.²⁵ From 1988 moreover, the country became again exporter of rice, what it had been during all the colonial period. In a way, Việt Nam anticipated the Soviet perestroika, while taking place discreetly in a logic partially inspired by the policy led in nearby China at the instigation of Deng Xiaoping.

1.2/ Dôi Mới: major consequences

In December 1986, after a complete renewal of governing bodies, the 6th Congress of the Party launched the strategy of *Đổi mới* ("change to make of the new"): It recognized the market economy, encouraged the individual initiative, rehabilitated the business, without abandoning the socialist frame²⁶. It was a question at first of boosting the economy then plunged into the crisis: the inflation, amplified by the monetary reform of November 1985, reached 1 000 %, while 3 million farmers were threatened by the famine. It was impossible to an employee to live more than ten days with its wage. Moreover, the rationing was restored from January 1986. Drawing the conclusion that a step backward was suicidal, *Đổi mới* I also aimed at protecting the political control of a State impoverished, deprived of the outside aid (superior to 15 % of the budget in 1984) and excluded from formal or informal trade circuits engendered by the reunification. Wanted to reconcile the modernization of the economy and regaining control of this one by the state apparatus, the reforms committed(hired) within the framework of *Đổi mới* remained ambivalent.

On the other hand, his economic success was undeniable²⁷. The Vietnamese economic reality associated, among other reforming elements, an extension of the coordination by the market and the development of the private property. The resurrection of the private sector, in a socialist frame, was so pushed very far by the Vietnamese as, ten years earlier, by the Chinese. Both,

²² Hy V. Luong (dir.), *Postwar Việt Nam. Dynamics of a Transforming Society*, ISEAS-Roman & Littlefield Publ., 2003.

²³ Laurent Cesari, *L'Indochine en guerres 1945-1993*, Belin, 1995.

²⁴ Sophie Quinn-Judge (dir.), Odd Arne Westad, *The Third Indochina War: Conflict between China, Vietnam and Cambodia, 1972-1979*, New York, Routledge, 2006.

²⁵ Brian J.T. Kerkvliet, *The Everyday Politics. How Việt Nameese Peasants transformed National Policy*, Ithaca, Cornell University/SEAS, 2005.

²⁶ Emmanuelle Paquet, *Réformes et transformation du système économique vietnamien, 1979-2002*, Paris, L'Harmattan, 2004.

²⁷ Mazier Jacques, *L'économie vietnamienne en transition. Les facteurs de la réussite*, Paris, L'Harmattan, 1998..

Việt Nam and China, knew an exceptional growth. On the contrary, the Eastern European countries and Russia sank into a profound economic crisis having suffered a shock therapy to try to go out of the socialist model. The gradual reforms undertaken from 1978 indeed allowed China as in Việt Nam to know growth rates close to 10 % in the decade 1990. This one lives the emergence of the famous "Babies Tigers" on Southeast Asia: Their growth was widely understandable by their links with the "four dragons" and their interconnection with the American and Japanese capital flows. The "economic miracle" of the center-world Asia-Pacific also played for the socialist countries of the zone.

In Việt Nam, quickly, the effects of the reform seemed significant²⁸. From 1992, become member observer of the ASEAN - the big regional organization of the South-East Asia-, Vietnam lived the growth of its GNP to overtake the 8 %, further to the reinstatement of the country in the circuits of the international trade, the construction of infrastructures (roads and bridges), tourists' influx, the liberalization of the land market, to the boom of the building and the transport and, finally, the agricultural diversification. Certainly, social inequalities strengthened, but the State found its place as regulator of the foreign capital flows. Further to his reinstatement in the circuits of the Francophonie, then the levying of the American embargo in February 1994, Việt Nam benefited on a large scale from gifts, of loans at reduced rate and from foreign investments realized in joint-venture with state companies²⁹. The country had so become one of the main beneficiaries of the development aid.

However, the most important was foreign-owned enterprises, which received ministerial licenses: in 2002, they accounted for about a quarter of the value of exports, 13% of GDP and 35% of industrial production³⁰. Some of these investments - British particularly, from the Virgin Islands - certainly responded to short term financial strategies, but many also come from the Vietnamese diaspora and the income from the sending of labor in the countries of the former Soviet bloc. Result: in 1996, the state sector provided 40% of GDP against 32% in 1992. This development model nevertheless appeared fragile because of its dependence on the international situation and the explosion of private and informal sector, which is entirely outside the state. Yet it was, like China, which protects it from the stock market cataclysm sweeping East Asia and Southeast Asia in 1997.

The informal sector is defined both by the mobilization of capital escaping the tax and by a workforce doing the same with respect to regulation³¹. It is very important in developing countries, where it can occupy between one third and two thirds of employment (30% in Thailand, 45% in Indonesia, 50% in India). It covers mainly construction, services, retail and transport, and accounts for between 20% and 50% of national income (47% in India in 1992). In 1993, in Việt Nam, the state provided 39.2% of GDP, the foreigner 5.6% and the private sector, mostly informal, 55.2%. Multiform, this sector appears more developed in town than in the countryside, in the South than in the North. Between 1985 and 1996, it became the second largest employer sector, after the agricultural sector, but before the civil service. For the Vietnamese, the development of the informal sector has absorbed the majority of the 8.6 million workers who arrived on the labor market between 1996 and 2000. Not only it offered additional income, but also its high profitability (no taxes) drained popular savings. In addition, it provided work to

²⁸ Philippe Eglinger, *Genèse, situation actuelle et perspectives d'avenir des compagnies générales (Tổng công Ty) en République socialiste du Vietnam à travers les sources vietnamiennes*, thèse de Civilisation vietnamienne, tap., sous la dir. de Thi Kim Dung Pham, Inalco, 2005.

²⁹ Philippe Eglinger, *Genèse, situation actuelle et perspectives d'avenir des compagnies générales (Tổng công Ty) en République socialiste du Vietnam à travers les sources vietnamiennes*, op. cit.

³⁰ *Ibidem*.

³¹ Philippe Papin, *Việt Nam. Parcours d'une nation*, op. cit., p. 170-174.

demobilized soldiers returning from Cambodia, to rural cadres affected by the abandonment of cooperatives, to returnees from eastern countries, to workers who have been converted from large-scale socialist industry, to rural migrants and youths.

The explosion of the private sector dominated the years 1992-2002: at this last date, it provided almost two thirds of the industrial production³². These were mainly small family businesses, but also, especially since the January 2000 law, more and more officially registered and taxable SMEs, characterized by a high growth rate. to the point of investing more per employee than the foreign sector. As of 1999, the private sector employed 61% of the 36 million assets, the consequence was a decline of the State. The revenues of the central budget decreased from 30% of GDP in 1990 to 20% in 1997 and the number of state enterprises from 12,000 to less than 5,000. Now, in 1997, foreign investments were collapsing. This is the starting point of an arm wrestling, from 1997 to 2000, between the Party and the government.

1.3/ A threatened economic model, but in process of renovation

In 1997-1998, Việt Nam went through a crisis: in 1998, growth fell to 3.5% per year. More seriously, the country appeared, with Cambodia and Laos, as an island of poverty in Asia, far behind Malaysia, Indonesia or China³³. At the same time, the inter-regional inequalities are very strong: the GDP per capita of the South was double that of the North, while the mountains appear much poorer than the deltas and, especially, the cities. The informal sector and small private enterprise, if they have brought out a middle class, accentuated social differences. Disengagement of the state and subsequent privatizations had the effect of excluding the poorest from the health system, which remained of good quality. In fact, the gaps were widening between rich and poor: not only does growth benefit the rich much more, but it also increased the income gap between the city and the countryside. In 1999, poverty affected one-fifth of the Vietnamese population (less than 2,100 calories per day), but 45% of rural households, 53% of farmers in the highlands). In 2003, three quarters of minority populations were affected³⁴.

Certainly, in the countryside, the standard of living had increased since liberalization. Farmers owed it not to the increase in rice production, but to the diversification of crops (peanuts, corn, soybeans, tea, coffee, etc.). It followed a valuation of the high lands and those located along the busy axes. They were bought by the richest, thanks particularly to hidden savings. However, a significant part of the rural world faced serious difficulties with taxes, contributions and so-called "voluntary" contributions that strangle many peasant families. This was the origin of the uprisings of the provinces of Hà Tây, Thái Bình and Đồng Nai in 1997. Justified by local infrastructure works, these levies explained that, in most villages, farmers swung "between revolt, negotiation and resignation"³⁵. In the city, the situations seemed more contrasted, because of a very strong social diversification, but also of the private appropriation of the residences of function granted to the civil servants. The social dividing line no longer separated public agents and ordinary citizens, but rich and poor. A middle class was emerging, however, driven sometimes by trade and employment in foreign companies, sometimes by scholarships and even petty corruption. Anxious to show its rank, it was she who buys motorcycles, automobiles, foreign fashion clothes, in a consumerist fever that affected all of Asia.

³² *Ibidem*.

³³ Philippe Langlet, Quach Thanh Tâm, *Introduction à l'histoire de Việt Nam contemporain de la réunification au néocommunisme, 1975-2001*, Paris, les Indes savantes, 2001.

³⁴ Carl Haub et Phuong Thi Thu Huong, « Population et développement au Việt Nam », *Population Reform Bureau*, 2015.

³⁵ Philippe Papin, *Việt Nam. Parcours d'une nation, op. cit.*, p. 182.

But the development continued.³⁶ Without perhaps reaching the economic performances of some of its neighbors (China, India, Bangladesh), Việt Nam is fully integrated into Asian trade, particularly with Japan, South Korea, Singapore and Taiwan.³⁷ After joining ASEAN (Association of the South-East Asian Nation) in July 1995, the country joined in 1998 the Asia Pacific Economic Cooperation (APEC), which accounted for 58% of GDP and 47% of GDP at the time. world trade, before joining the World Trade Organization (WTO) in January 2007³⁸. Finally, all over Indochina Việt Nam participated with Cambodia, Laos, Myanmar (Burma), Thailand and the Chinese province of Yunnan in Great Mekong Subregion program, to develop road connections, fluvial and electric. The Vietnamese industry was therefore facing competition, especially from China. This is the case of the textile industry, which is highly dependent on the North American market, but also very competitive on its own soil. This is also the case for televisions, fans, bicycles, furniture, mostly imported. This includes halting their smuggling.

Various indications suggest that between the preservation of an economic model out of breath and the risks of modernization, Việt Nam has chosen the second path³⁹. Internationally, Việt Nam signed a border agreement with China in December 1999, without resolving the most crucial problems, namely those of the Paracel archipelago and that of Spratly, which opposes the Việt Nam not only to China, but also to Indonesia, Brunei and the Philippines⁴⁰. They are largely occupied by China, which granted an oil concession in 1992, to an American company⁴¹. At the same time, Việt Nam is engaged in the in-depth reform of its business system: the new companies' ownership policy, implemented from February 1998, obtained significant results (600 public limited companies created in March 2003 compared to only 18 in February 1998); reform of the general companies, sectoral groupings of state enterprises, subject to a reinforced control, but also to imperatives of profitability; introduction of VAT since 1 January 1999; launching of a value-creating industry (construction of the Dung Quất refinery in Quảng Ngãi province, development of agricultural and food industries); setting up a modern infrastructure (role of hydroelectric plants, development of gas reserves, modernization of ports); insertion into global outsourcing networks (agreements with Samsung for the manufacture of mobile phones). As a result, the country has gradually built up credible development tools.

2. THE VIETNAMESE ECONOMY TODAY: PERFORMING, BUT STILL DEPENDENT ON RAW MATERIALS

Today, Vietnam's economy economically is booming⁴².

2.1/ A successful economy

Populated country (89.7 million inhabitants in 2013), with a high average density (298 inhabitants / km² at the same date), Việt Nam is experiencing a sustained demographic growth (+ 1% per year on average from the middle 2000s), but also, and above all, a high growth rate of gross

³⁶ Tai Hue-Tam Ho, Mark Sidel (dir.), *State, Society and the Market in Contemporary Việt Nam*, New York, Routledge, 2012.

³⁷ Brantly Womack, *China and Việt Nam. The Politics of Asymmetry*, Cambridge University Press, 2006.

³⁸ https://www.wto.org/french/thewto/f/acc/f/a1/Việt_Nam_f.htm

³⁹ Stéphane Doyet, Benoît de Tréglodé (dir.), *Việt Nam contemporain*, Paris, Les Indes savantes/IRASEC, 2009.

⁴⁰ Pierre Journoud (dir.), *L'évolution du débat stratégique en Asie du Sud-Est depuis 1954*, Études de l'IRSEM, n° 14, 2012, p. 13-52. Voir aussi Sébastien Colin, *La Chine et ses frontières*, Paris, A. Colin, 2011.

⁴¹ Monique Chemillier-Gendreau (dir.), *Le Việt Nam et la mer*, Paris, Les Indes savantes, 2002.

⁴² Pierre Brocheux, *Une histoire économique du Vietnam, 1850-2007*, Paris, Les Indes savantes, 2009.

domestic product (GDP)⁴³. Between 2002 and 2010, it has been multiplied by three, the GDP per capita amounting to 1 298 USD, still in 2010. Since then, the growth rate has remained rapid:

Table 1 – Evolution of the main growth indicators of Vietnam between 2010 and 2013

	2010	2011	2012	2013
GDP (average annual growth rate in %)	6,4	6,2	5,2	5,3
GDP per capita (USD)	1 298	1 532	1 753	1 896

Sources: IMF, World Economic Outlook Database.

In 2014, it is very likely that the USD 2,000 per inhabitant has been exceeded.

This strong economic growth is due particularly to the reforms launched in the framework of the *Đổi Mới* and launched in 1986. This policy has made Việt Nam one of the Asian economies most open to international trade:

Table 2 – The growth of Vietnam's foreign trade 2009-2012

	2009	2010	2011	2012
1) Average annual growth rates				
- Imports of goods and services	- 6,8	+ 8,2	+ 4,1	+ 9,1
- Exports of goods and services	- 5,1	+ 8,4	+ 10,8	+ 15,7
2) In % of GDP:				
- Imports of goods and services	73,3	80,2	83,5	76,5
- Exports of goods and services	63,0	72,0	79,4	80,0
3) Trade balance (excluding services in billions of USD)	- 7,6	- 5,1	- 0,5	+ 9,9

Sources: WTO, World Bank.

Her foreign trade represented about 136% of its GDP in 2009, 157 in 2012, twice the rate of China and four times that of India. Entering the WTO in 2007, the country has thus kept its commitment to liberalize its trade, signing Free Trade Agreements (FTAs) with the ASEAN nations and the United States, and concluding a commitment to cooperation with the European Union. This openness policy has resulted in a growing attraction for foreign investors. In fact, foreign direct investment (FDI) flows increased from less than US \$ 2 billion per year in the early 2000s to 10.5 in 2012. With a GDP growth rate of 5.5 2014, the outlook remains favorable.

Nevertheless, some sources of concern persist. There are persistent macroeconomic imbalances. The fiscal imbalance (around 7-8% in average during the early 2010s) is accompanied by persistent inflationary pressures and a significant level of government indebtedness:

Table 3 – Factors of macroeconomic imbalances 2010-2014 (in%)

	2010	2011	2012	2013	2014
Inflation rate (% annual average)	9,2	18,7	9,1	8,8	7,4
State debt (in% of GDP)	51,7	47,9	51,3	50,4	50,5

Sources: IMF, World Economic Outlook Database.

Even the overall unemployment rate remains modest (4.5% on average per year from 2011 to 2014), it seems that underemployment, estimated at 30%, remains substantial.

The Vietnamese government has therefore imposed very strict imperatives: pursuit of the search for macroeconomic stability, reform of the banking system, restructuring of the private sector and modernization of the banking system. The significant drop in inflation since 2011 and

⁴³ Pierre Brocheux, *Une histoire économique du Việt Nam*, op.cit.

the decline in the poverty rate (from 58% to 14% between 1999 and 2013) seem to indicate that the Vietnamese economy is moving in the right direction. In these circumstances, it is not surprising that Việt Nam is an attractive economy, or that, for example, South Korea has chosen to make it a major economic partner. The Vietnamese economy therefore seems to be engaged in a sustainable process of economic development, characteristic of intermediate countries with rapid and sustained industrialization. The American historian Joseph Buttinger has thus titled his book on Vietnam *The Smaller Dragon*⁴⁴, in comparison with the Chinese "big dragon". His point of view is widely shared by Western economists⁴⁵. Although still very dependent on primary products, the country is indeed a rapidly growing and attractive economy for foreign investment, European and American, of course, but also Asian (Japan, Korea and India).

2.2/ An economy still highly dependent on raw materials

Agriculture still weighs heavily in the economy, even though it is declining. Dominated by crops and plantations (rice, coffee, cashew, corn, pepper, sweet potato, peanut, cotton, rubber, aquaculture), it is the sector that employs today, but in relative terms only, the largest number of workers.

A/ A highly exporting agriculture

Despite the existence of large urban agglomerations such as Ho Chi Minh City (7.1 million inhabitants in 2012), Hanoi (6.5 million) or Haiphong (1.9 million), the country remains largely rural (32.3% of city dwellers at the same date)⁴⁶. In these circumstances, it is not surprising that agriculture remains the most important sector in terms of employment:

Table 4 – Distribution of Vietnamese economic activity by sector in 2005 and 2014 (% of total)

	Agriculture	Industrie	Services
1) As% of total employment:			
- 2005	55,6	18,9	25,5
- 2014	47,4	21,1	38,4
2) As of GDP:			
- 2005	19,0	42,7	38,4
- 2014	18,4	38,3	43,3

Source: World Bank.

While it is no longer as dominant (- 8% of total employment in nine years), it still accounts for almost 20% of GDP, its weakest growth accompanied by significant gains in labor productivity.

More collectivized in the North than in the South, this agriculture benefits from the exceptional fertility of the two great deltas of the Mekong (38% of food production) and the Red River (18%). The most of arable lands (66%) remain used for rice. Improved irrigation has allowed the introduction of high-yielding seeds and the introduction of production, without intensive use of fertilizers and pesticides. In the North and Center, it is possible to obtain two harvests, usually in April and May, sometimes even a third (green manure or dry cultivation). While the Mekong Delta usually yields only one harvest per year, half of the Vietnamese rice fields yield two annual crops.

⁴⁴ Joseph Buttinger, *The Smaller Dragon. A Political History of Viet Nam*, Praeger, New York, 1975.

⁴⁵ Michel Herlaud, *Le Vietnam en mutation*, Paris, La Documentation française, 1999.

⁴⁶ Philippe Papin et Laurent Passicousset, *Vivre avec les Vietnamiens*, L'Archipel, 2010.

In addition to dry supplementary crops (maize, sweet potato, cassava, yam), which are favored by the abundance of water, rubber, tea, coffee and copra also provide abundant resources. Rubber plantations (for rubber production) are located north and west of the Mekong Delta. The coastal plains of central Viet Nam are engaged in fishing and growing rice, sugar cane and coconut. As for the highlands they produce tea and coffee (robusta). Moreover, the Vietnam coffee revolution is a model of development: today most of the freeze-dried coffee in the world comes from Việt Nam. A more diffuse addition is the cultivation of cashews and peanuts. If fish remains the main source of protein (especially through the factories of nước mắm), the breeding of pork and poultry gained importance. On the other hand, deforestation is becoming more and more of a problem: local practices (firewood and construction, shearing) are involved, as well as defoliation resulting from the war with the Americans. In fact, as in many countries in South-East Asia, forest cover has decreased considerably (16% of the territory in 2000, 23% in 1995, but 44% in 1943).

Việt Nam also became again a big agricultural exporter. He takes place today in the second world rank of rice behind the Indian Union, but, since 2012, in front of the Thailand. He is also the second largest producer and exporter of coffee behind the Brazil. Production increased strongly in recent years to meet the demand of the East Asia. There are at least 500,000 coffee growers, especially in the Central Highlands, which has led to the installation of thousands of Vietnamese from the plains (Kinh) to the Central Highlands. It also exports cassava and seafood (live or prepared). But it also exports oil, benefiting from significant mineral and energy resources.

B/ Significant mineral and energy resources

Vietnam produces coal, including lignite and anthracite (Heng Gai and Cẩm Phả on Ha Long Bay), as well as iron ore. Iron and coal supply the steel complex of Thái Nguyên, the coal being exported to Japan. Việt Nam also produces bauxite, chromium, copper, tin, titanium, zinc, gold, apatite, phosphates and precious stones, most of which come from the North east of the country. Since 1986, the latter exploits submarine deposits of hydrocarbons, first with the participation of Russia (Vietsopetro), then by multiplying international cooperation. Since then, offshore surveys by other foreign companies have been disappointing, although there may be abundant natural gas resources. Four-fifths of current production is exported, gross, to Japan and Singapore. Indeed, the country has only one refinery in Ho Chi Minh City. Refined petroleum is then reimported, contributing to the trade deficit until 2011 and reducing the current account surplus (goods and services). This is all the more damaging as electricity production is still insufficient, especially in the South, despite significant hydropower potential. To try to overcome a North-South high-voltage line was made in 1994 but it is still the North that comes from the white coal while it could be produced on the spot as advocated by the many reports of the Commission of the Great Mekong.

C/ An industry still not very diversified

From 1987, the state industry, which had failed to gain ground in the South after reunification, has been replaced by a market economy that favors the production of consumer goods, especially for exports. This strategy has allowed rapid industrialization. As a result, in 2014, the industry provided nearly 40% of GDP and 20% of total employment, with a growth rate equal to that of the gross domestic product as a whole. Heavy industry and intermediate goods (iron and steel, fertilizer, paper, cement) still dominate in the North. Light and manufacturing industries, are developed mainly in the South, taking advantage of cheap labor. They supply mainly textiles, clothing and footwear, the main item of non-agricultural exports, but also, on a smaller scale, agro-food products and electronic components. In addition there is an electronic assembly activity. This is why foreign investors prefer the region of Ho Chi Minh City (45% of the total) to that of Hanoi

(30%). The economic pre-eminence of the South is therefore tending to strengthen, along with the attractiveness of the country.

3. THE VIETNAMESE ECONOMY TODAY: AN INCREASING ATTRACTIVENESS

The Vietnamese economy, through its rapid and sustained growth, can attract massive foreign investment.

3.1/ A rapidly growing economy

Since 1986, Việt Nam has experienced a sustained quick economic growth: per capita GDP, which was only 220 USD in 1994, has tripled from 2002 to 2010 and now stands at 2,064 in 2014 USD.

A/ Since the Đổi mới, a period of rapid growth

This growth is driven by the increasing dynamism of some leading sectors, such as textiles, footwear, electronics and seafood products. Although "newcomer" in the oil industry, Việt Nam is now the third largest producer in South-East Asia. But the country also remains very present in other basic industries (coal, electricity, cement, steel and shipbuilding). The country is also focusing more and more on high value-added industries such as automotive, electronics and computers (especially software).

The economy, however, appears increasingly driven by tourism and telecommunications. The service sector is dominated by the importance of its value added (38.4% of the total in 2005, but 42.2% in 2013 and even 43.3% in 2014). Even though the primary sector (agriculture, fishing and forestry) remains the most important in terms of jobs provided, from this point of view services significantly dominate the industry (31.5% of jobs in 2014 compared with 21.1% for industry): the gap has therefore increased since 2005 (respectively 25.5% and 18.9%). One of the fundamental reasons for this expansion of services is the resumption of tourism: in 2011, the country welcomed 6 million visitors, benefiting from the prestige of its sites classified on the World Heritage List of the world of Unesco. There are seven of them: all the monuments of the Huế Imperial Citadel, the Halong Bay, the Mỹ Sơn Shrine, the Ancient City of Hội An, the Phong Nha-Kẻ Bàng National Park, the central area of the imperial city of Thăng Long / Hà Nội and the citadel of the Ho dynasty (Thành nhà Hồ). A tourist manna that counts more and more in the contemporary Vietnamese economy.

B/ Reforms continued

To increase the attractiveness of the country, the Vietnamese government has launched and continues significant reforms⁴⁷. One of these reforms is the partial privatization of state-owned enterprises, but because they affect key sectors of the economy, their implementation is gradual and remains limited. A tax reform has been initiated, aimed at offsetting the decline in customs revenue, which is the result of the country's entry into the WTO in 2007, and making the country more attractive to international investors. The results have been quite positive, as Việt Nam has not suffered much from the economic crisis, although exports provide at least two-thirds of GDP (around 80% if services exports are included).

⁴⁷ Gilbert de Terssac, Truong An Quoc, Michel Catlla (dir.), *Việt-Nam en transitions*, Lyon, ENS Éditions, coll. « De l'Orient à l'Occident », 2014.

Indeed, to stem the effects of the global financial crisis, the government has put in place several recovery plans to encourage production and exports, boost consumption (remained strong in 2013) and investment, increase social security and reduce poverty, introduce effective monetary and fiscal policies. Recent reforms have also raised the standard of living of Vietnamese. The percentage of the population living on less than a dollar a day has decreased significantly. It is now lower than in China, India or the Philippines.

3.2/ An attractive economy for foreign investment

This rapid growth is driven by foreign trade, hence its attraction for foreign investors.

A/ Growth driven by foreign trade

Việt Nam benefits from the low relative cost of its workforce, particularly in the textile industry:

Table 5 - Hourly labor cost in the international textile sector in 2011, in USD

1	France	31,3
2	Germany	28,3
3	Italy	21,9
4	Spain	18,7
5	United States	17,6
6	Portugal	10,2
7	Czech Republic	7,9
8	Turkey	4,5
9	Morocco	2,9
10	Tunisia	2,6
11	China	2,1
12	Bulgaria	2,0
13	India	1,1
14	Việt Nam	0,6
15	Pakistan	0,6
16	Bangladesh	Less than 0,5

Source: Werner International.

It is thus able to export more and more: in 2010, 2011 and 2012, Vietnamese exports grew + 8.4, + 10.8 and +15.7, exceeding each time the pace of imports (see Table 2). The consequence was an increased rate of exports (80% in 2012 against 63% in 2009), but also, in 2013, the appearance of an excess balance of the balance of goods and services. The measures taken by the government from 2011 to reduce the current and current account deficits have thus proved effective.

The country's foreign trade, however, is unbalanced. Việt Nam is certainly in a trade surplus with Western countries, but it is experiencing a growing deficit with Asian neighbors. For exports, the situation is as follows:

Table 6 – Main client countries of Vietnam in 2009 and 2012 (in% of total Vietnamese exports)

	2009		2012	
1	United States	20%	United States	17,2%
2	Japan	11,4%	Japan	11,1%
3	China	11,2%	China	9,5%
4	Swiss	4,4%	South Korea	4,9%
5	Australia	4,2%	Malaysia	3,9%

Source: WTO.

The relative share of the three largest partners, namely the United States, Japan and China, has decreased relatively, but more so for the first and third countries than for the second. The main beneficiaries seem to have been South Korea, which rose from 3.6 to 3.9 and Malaysia, while Singapore remained stable (3.6% in 2009 and 2012) while Switzerland's and Australia's respective shares declined slightly. and.

On imports, the main suppliers are all Asian countries in the region:

Table 7 – Vietnam's leading suppliers in 2010 and 2012 (% of total)

	2010		2012	
1	China	22%	China	25,5%
2	Singapore	10%	South Korea	13,7%
3	Japan	9,8%	Japan	10,2%
4	South Korea	9,6%	Singapore	5,9%
5	Thailand	6,4%	Thailand	5,1%

Source: WTO.

The United States was only in sixth place in 2010 (with a relatively low percentage of 3.9%). China's share seems to have been further strengthened (27% of imports in 2013) while South Korea has supplanted Japan, which maintains almost its positions, and Singapore in sharp decline, probably to the benefit of Taiwan, fourth Vietnam's supplier in 2013. Thailand, it regresses gradually. The gap seems to be narrowing between the two countries, even though in 2011, Thai foreign trade was ten times that of Vietnam, yet more populous.

As an exporter of simple and inexpensive primary or manufactured products, Viet Nam is very interested in African and Latin American countries. As an integral part of the Francophonie, it makes it one of the major axis of commercial expansion, without exclusivity and in diversification. France remains the first European partner and the second largest bilateral donor of Viet Nam in terms of official development assistance (ODA), behind Japan. With some 300 companies operating in the country in 2013 and bilateral trade rising (+ 13% in the first half of 2013, but with a strong imbalance in favor of Viet Nam), it focuses on ongoing negotiations to achieve a free trade agreement between the EU and Viet Nam. It is about strengthening its position as a privileged economic and trade partner of the country. But does France take all the means, in the face of the attraction enjoyed by Việt Nam from international investors?

B/ A positive change in foreign direct investment in Vietnam

After four successive years, from 2009 to 2013, of decreases in FDI commitments in Việt Nam, the latter posted in 2013 their best result since 2008 (+ 66.2% compared to 2012)⁴⁸. These increased commitments are divided between 1,275 new projects (+ 81.7% new licenses compared

⁴⁸ « Évolution des investissements directs étrangers au Vietnam en 2013 », ambassade de France au Việt Nam, *Note du Service économique*, DG Trésor, juin 2014.

to 2012) and the extension of projects in progress (+ 42.6%), for a respective amount of 14.3 billion USD and 7.3, or a total of 216. Three main factors contributed to this change: an ever more favorable domestic economic environment (with a 5.4% GDP growth rate in 2013); a spectacular increase in existing Japanese project extensions (+ 293% in 2013); massive new investments from South Korea⁴⁹. FDI disbursements are high in 2013 at USD 11.5 billion (+ 9.9% in 2012).

These new projects are almost exclusively concentrated in the manufacturing industry. In 2013, this sector accounted for 77% of new FDI licenses launched (+ 83% in 2012, i.e 47% of new projects). After a significant decline in 2012, FDI in utilities (electricity, gas and water) returned to levels of 2010 and 2011 (USD 2.1 billion, a seven-fold increase over 2012). It was now the second largest investment sector. Then comes residential and office real estate (\$ 0.95 billion, or 4% of FDI commitments). In 2013, the latter recorded, following the difficulties encountered in the banking sector, which the real estate market is consubstantial.

In 2013, the top eight investors in Việt Nam were seven Asian countries and Russia: that year, they provided 90% of investment commitments against 75% in 2012. As in 2012, Japan remained the largest investor in Vietnam, with 5.7 billion USD, or 27% of FDI (+ 11.9% over 2012). In terms of new license allocation, however, it was outpaced by Singapore, the second largest investor (\$ 4.4 billion, + 153.4%), South Korea (\$ 4.3 billion, + 264, 5%) and China (USD 2.3 billion), which has increased its FDI by seven times compared to 2012. Fifth, Russia recorded the largest increase (only thirtieth in 2012). Then came more traditional Asian investors: Hong Kong (sixth, 0.7 billion USD), Taiwan (0.6) and Thailand (0.4). The European Union, meanwhile, has recorded only 0.85 billion USD (evening 4% of the total), divided between 100 projects. If we think in terms of stocks, the Asian countries represent 71% of the total (230,2 billion USD, that is + 7.7% on 2012). Japan retains first place (34.6 billion USD), ahead of Singapore (29.3), South Korea (29), Taiwan (27.9) and the British Virgin Islands (first non-Asian with 15, USD 6 billion). The share of tax havens in the stock of FDI is decreasing (12.3% instead of 19% in 2012), but it remains relatively large. The EU, with 18 billion USD, provides only 8% of the total investment in Việt Nam.

Conclusion

Today, Việt Nam remains an emerging economy. With a GDP per capita (GDP per capita) of \$ 2,305 in 2017 (but 6,925 at purchasing power parity or PPP), the country rest behind the other "Asian tigers" (respectively 3,895 and 12,433 for Indonesia, 6.265 and 17.750 for Thailand, 10.756 and 28.490 for Malaysia at the same date). Even the Philippines, whose population is roughly comparable, exceeds Việt Nam (£ 3,280 and \$ 8,223, still in 2017)⁵⁰. But of all these countries, apart from Indonesia, Việt Nam is without doubt the one with the highest growth potential. By 2017, Indonesia had risen to 36th in the world in terms of competitiveness and Việt Nam to 55th. In 2011, both of these nations ranked 44th and 75th, respectively.

Việt Nam benefits from an efficient labor market and strong innovation capacity in relation to its level of development⁵¹. If protectionism and bureaucracy slowed its expansion, the gradual opening of the borders wanted (or accepted) by the country's leaders could be the equivalent of

⁴⁹ Park Rang-Ri, « Les investissements sud-coréens au Vietnam : un exemple de l'attractivité des territoires francophones », dans David (François), « Les facteurs d'attractivité de la Francophonie », XVe Entretiens de la Francophonie, *Revue internationale des mondes francophones*, printemps-été 2015, p. 107-130.

⁵⁰ Par comparaison, à la même date, les chiffres s'élevaient à 29.114 \$ et 39.446 \$ pour la Corée du Sud, 38.577 \$ et 42.314\$ pour la France et 38.231\$ et 42.860\$ pour le Japon.

⁵¹ Thomas Jandi, *Vietnam in the Global Economy*, New York, Lexington Books, 2013.

what happened to nearby Guangdong in Southern China.⁵² There is no doubt that with the help of foreign capital, the country has achieved to a large extent its take-off and generated leading sectors (agricultural and food industries, textiles, chemicals, consumer electronics, but also oil, coal and tourism). Việt Nam has established itself as a preferred subcontractor for the Japanese and South Korean industries (40% of Samsung phones were manufactured there in 2014). According to Goldman Sachs, Việt Nam could become the 21st largest economy in 2025⁵³. At that date, according to Price Waterhouse Coopers, the country would be the fastest growing emerging economy, with a potential for GNP growth of + 10% per annum⁵⁴.

At the same time, its rapid industrialization relies on large movements of capital, workers and skills from low to high productivity sectors. In the same way, the country benefits from the dynamism of the Saigon pole: very well placed in advanced technologies, it realized in 2014, 20,1% of the Vietnamese GNP, 27,9% of the industrial production and mobilized 34,9% of the investments nationals. But other centers of development: Da-Nang, Haiphong and, above all, Hanoi, also play a driving role: in 2013, the agglomeration of Hanoi benefited from 22% of the national investments, realized 12.6% of the GNP and supplied 7.5 Vietnamese exports. It is possible to conclude from the relevance of an analysis in terms of growth poles and clusters (Ho Chi Minh City, Hanoi or Da Nang are good examples), but also of path dependency. While presenting in many respects the characteristics common to the Japanese model, Việt Nam is following its own path.

⁵² « Vietnam to be listed among top economics by 2050 », HSBC, 14 janvier 2012.

⁵³ Thomas Jandi, *Vietnam in the Global Economy*, *op. cit.*

⁵⁴ « Vietnam may be fastest growing emerging economy », Price Waterhouse Coopers, 12 mars 2013.