



EXPORT ORIENTED GROWTH IN VIETNAM DURING THE POST 'DOI MOI' PERIOD

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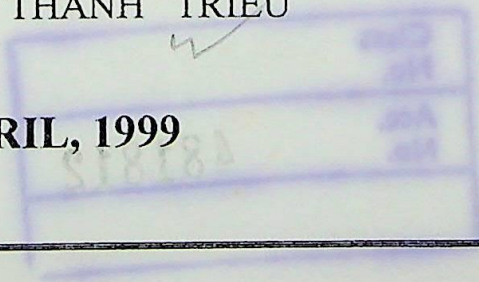
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Abstract

This thesis examines economic growth in Vietnam during its transition from a centrally planned to a pro-market economy, paying particular attention to its export oriented growth strategies, which came to effect during the post 'Doi Moi' period¹.

Vietnam is one of the poorest countries in Asia with GDP per capita being less than US\$ 300; trade deficit of about US\$ 2 billion a year. However it is recognised as one of the best examples to demonstrate high degree of dynamism under a period of transition. For example, starting from stagnation in the period 1976-1985 with the average GDP growth rate of about 3% annually, during the post reform period (1986-97), its growth performance was 8% and 25% per annum on average in terms of GDP and exports, respectively. In 1995, sectoral contribution to GDP was 28.4%, 22.8% and 48.8% for Agriculture, Industry and Services, respectively. GDP growth rate was 9.5%, in which Agriculture grew 5.1%, Industry 14% and Services 10.6%. Exports grew 34.4% and reached an equivalence of 32.27% of GDP. Total savings accounted for 27.6% of GDP, but foreign savings occupied 10.5%.

Economic growth in Vietnam during the post reform period was primarily a result of the 'open door' policy that promoted export orientation. The export sector grew rapidly and seemed to provide driving forces for growth of the economy. It provided foreign exchange to import intermediate goods, improving technology and adding capacity to the production. In addition, export markets were an important source of demand for domestic production. Therefore, the purpose of this thesis is to assess the relevance of export-led

¹ 'Doi' in Vietnamese means 'change', 'Moi' means 'new'. 'Doi Moi' means 'change to a new system.



growth strategies in explaining economic growth in Vietnam during the post 'Doi Moi' period, and to examine the determinants of export performance, with a view to identifying policy reforms for further strengthening the export oriented growth strategies.

A review of trade theories from Adam Smith (1776) up to date provides foundation for the analysis. In addition, pursuing the literature, the determinants of export performance in LDCs at both macroeconomic and firm-level were identified, providing the basis for model construction.

The macroeconomic determinants of export performance in Vietnam were analysed starting with the relationship between export performance and economic growth. Following are other macroeconomic variables that relate to export sector such as trade policy changes, inflation rate, interest rate, exchange rate, real wage, export price index and foreign direct investment. Firm-level export orientation was econometrically tested against three main hypotheses: technology effect, factor endowments and human capital.

At macroeconomic level, trade policy changes targeted at lowering tariff and removing most non-tariff barriers, giving free access to imported inputs, maintaining a stable macroeconomic environment and a realistic exchange rate, attracting FDI projects were found to affect strongly and positively on export performance of Vietnam. While at firm-level, export orientation was found to be based on the exploitation of the country's natural resources and less capital intensive products.

Vietnam has performed well to its export oriented growth. However, sustaining growth in the future necessitates effective strategy formulation, in which industrial and trade policies play a vital role. In general, export oriented growth based on macroeconomic stabilisation with a realistic exchange rate, while savings generation and investment promotion (both foreign and domestic) should be considered as the main means of sustaining growth. At microeconomic level, the development of a labour intensive and resource based industries appears to be more appropriate in promoting its export oriented growth strategy.