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VIETNAM'S TRADE POLICY: A DEVELOPING NATION ASSESSMENT

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ABSTRACT

Aim/Purpose	This paper is a review of the progress of the Vietnam socio-economic and development plan and an assessment of the extent to which Vietnam is putting in place the critical social and economic development structures that will enable it to reach the status of "developed nation" in the time set (2020) by its national strategic plan. The research will identify and review trade patterns, trade policy and the effect of foreign aid on Vietnam's plan to transform its economy and society from a developing nation status to status of developed nation. The overriding question stands as "is" Vietnam effectively moving towards developed nation status soon"?
Background	This paper examines the history of Vietnam from the command economy in its transition to a market driven economy, the criteria, hurdles and challenges as the country moves towards a developed country status.
Methodology	Applied research based on the body of research in socio-economic development theory, international trade and market theory. The review is conducted by collecting and analyzing data on foreign trade, foreign aid, business and general economic growth, development and social wellbeing. It identifies and appraises the trade patterns, trade effects, socio-economic policies and the effect of foreign aid] on the economic growth and the progress of the country towards becoming a developed nation state.

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Contribution	The findings will assist academic, business and government researchers, policy and decision makers engaged developing Vietnam's trade policies and strategic plan for its it future growth and economic progress towards a developed nation status. The paper will also provide additional insight into the business and market structure and] environment in Vietnam and the role it plays aiding its growth and development.
Findings	Vietnam has experienced significant progress to date based on conventional developed nation criteria. However, there is an ongoing need for continued assertive governmental application of geo-economic and geopolitical policies focusing on sustainable, comprehensive, and vital social, cultural and economic growth.
Recommendations for Practitioners	Specific policies and strategies for government and business reforms in Vietnam must focus on, 1. Replacing the projected benefits in growth utilizing accomplishments to date from negotiations and strategic development of the TPP, inspite of current delays or withdrawal. 2. Continuing use of US financial aid and ODA sources to enhance HDI and support Vietnam's commercial and social opportunities 3. Continued industrial zone development 4. Continued human labor improvements 5. Continued export expansion programs 6. Continued close working relationship with the WTO 7. Continued development strategies including SEDS, SEDPs, and FTAs
Recommendation for Researchers	Researchers, when collecting economic and social data, need to [adhere to World Trade Standards data collection, measurement, classification, and estimation of trading data: for example,] precisely define, and determine the validity, accuracy, expected bias and relevant statistics and classification methods used by government agencies and international organizations.
Impact on Society	Vietnam's drive towards developed nation status will enhance the quality of life for a greater number of its citizens.
Future Research	Future researchers ought to focus on specific elements of HDI and forms of foreign aid support for long-term economic and social development, and enhancing governmental reform of its dynamic and strategic development potential.
Keywords	Developing nation, trade, terms, patterns, preferences, development and policy, foreign aid, import substitution, and export-led growth

INTRODUCTION

Kofi Annan, former Secretary of the UN, defined a developed country as: "A developed country is one that allows all its citizens to enjoy a free and healthy life in a safe environment" (Annan, 2000, Para. 10). Two thirds of The World Trade Organization's (WTO) 150 affiliates are designated as undeveloped nations, including Vietnam. The International Monetary Fund (IMF) acknowledges that general economic data and criteria for classifying countries as advanced versus emerging market are not precise. The United Nations labels 159 nations as having developing status. The World Bank, while it maintains a list of least developed nations (Table A1, Appendix) has chosen to eliminate the terms "developed" or "developing countries". Moreover, designations or classifications for "developed" and "developing nations" further vary, based on the additional organizations providing the review, statistically created for evaluating and classifying the development stage of nations. Additional designations include less industrialized, lower per capita income, lower levels of modern advancements, and lesser utilization of resources.

Vietnam has enjoyed a geo-economic transformation since the launch of the "Doi Moi" (reform) policy in 1986, reflected by an average near 7% growth in GDP over the last couple of decades, second only to China. Nevertheless, continued growth and competitiveness requires ongoing attention to intensified government transparency and openness, amended regulatory policy and trade affairs, and support from developed countries. "Vietnam, a one-party Communist state, has one of southeast Asia's fastest growing economies and has set its sights on becoming a developed nation by 2020" (BBC, 2016, Para 1).

The transition to a market oriented economic model can be characterized by four sub-periods outlined as follows:

1. 1986 through 1994 - The period of "entrepreneurial policy-makers"
2. 1995 through 1999 - The period of monetary integration and conversion to a market driven economy
3. 2000 through 2006 – The period of economic affluence and emerging cultural values
4. 2007 to present – The period of globalization and attitudes toward global geopolitical and geo-economics. (Voung, 2014).

Vietnam authorities have adopted a socio-economic development plan based on the political philosophy of "scientific socialism" to promote and defend the country's development and national interest. The success of socio-economic strategy has reaffirmed the Government's commitment to a gradual structural transformation of the society and modernized the economy using socialist economic concepts; but based on competitive export driven industries within a more open market driven economy.

These objectives were to be partially implemented by participating in the 2015 Trans-Pacific Partnership (TPP) free trade agreement engaging 12-Nations. The development strategy consisted of the ten-year Socio-Economic Development Strategy (SEDS), and the five-year Socio-Economic Development Plans (SEDPs) at national, sectoral, and provincial levels.

The following is an excerpt from a Government release on the Vietnam's Socio-economic Development Strategy for the Period of 2011-2020: It claims that

> "Up to 2010, the average GDP per capita has reached US$1,168. The economic structure has been shifted in a positive way. The socialist oriented market economy regulation has been continually improved. Important achievements have been obtained in many aspects of cultural and social fields. People's physical and spiritual lives have been significantly improved; freedom in belief and religion has been respected; gender equality has seen many progresses; democracy in the society has been continually expanded. The work in foreign affairs and international integration has been widely, deeply and effectively implemented; national defense and security have been strongly maintained, which creates a peaceful and stable environment as well as increases more resources for national development" (Vietnam Government, n.d.).

Apart from the proposed TPP free trade agreement, Vietnam is a member404 of ASEAN, and the Korean/Chile/Japan/India/Australia/New Zealand free trade and economic partnership agreements, (FTAs). In addition, Vietnam has instituted diplomatic associations with more than 170 countries around the world, strategic alliances with 12 essential markets, including emerging markets; and industrialized countries such as China, Russia, Japan, England, France, India, North Korea, Italy, Germany, Indonesia, Thailand, and Malaysia (Vuong, 2014). As of 2014, Vietnam became the 28th largest export nation in the world, and the 93th greatest multifaceted economy as per the Economic Complexity Index (ECI). The geopolitical landscape is robust and constantly changing, as illustrated by the recent US President-elect Donald Trump's suggested congressional review, and Vietnam's response to it. The TPP terms and conditions have resulted in Vietnam's Parliament suspension of the proposed ratification. This is a significant setback for Vietnam. - Some suggest that Vietnam would have been possibly the largest benefactor of the TPP, which has the potential for providing exporters with pronounced access to many large and fast growing-markets, consisting of more than 792 million people, and representing over 40% of world trade. It was also projected that Vietnam's GDP would have grown by nearly 10% per year, increasing exports in the range of 25-35% annually (Pham, 2016). Nevertheless, one result of the failure proposed TPP free trade agreement] is Vietnam's efforts to revisit and activate new economic reforms, while at the same time endeavoring to increase participation in the Eurasian Economic Union, and specifically its trade and economic association with China (Minh, 2016).

This paper is a review of the progress of the Vietnam socio-economic and development plan and an assessment of the extent to which Vietnam is putting in place the critical social and economic development structures that will enable it to reach the status of "developed nation" in the time set out in the national strategic plan (2020). The methodology used is that of descriptive applied nature. It draws on a body of research in socio-economic development theory, international trade and market theory. Data is collected and analyzed to determine the effects of foreign trade and aid on business and general economic growth, development and social well-being. It identifies and appraises the effect market economic theory, policy, trade, and foreign aid data as it relates to the developing nation transition progress of Vietnam.

ECONOMIC OVERVIEW

"Vietnam reported that its economy grew 6.68 percent in 2015, the fastest pace in five years, helped by an expanding industrial sector and record foreign direct investment" (CNBC 2015, Para 1). This is consistent with the average rate of 7.26% reported by the Government for the period 2002 -2010. This trend is attributed to significant changes by way of governmental reforms to moderate an impending property bubble burst and bad debts spiraling to 17.5% of total loans, while manufacturing and construction have been the highest in the last 5 years (see Figure 1).

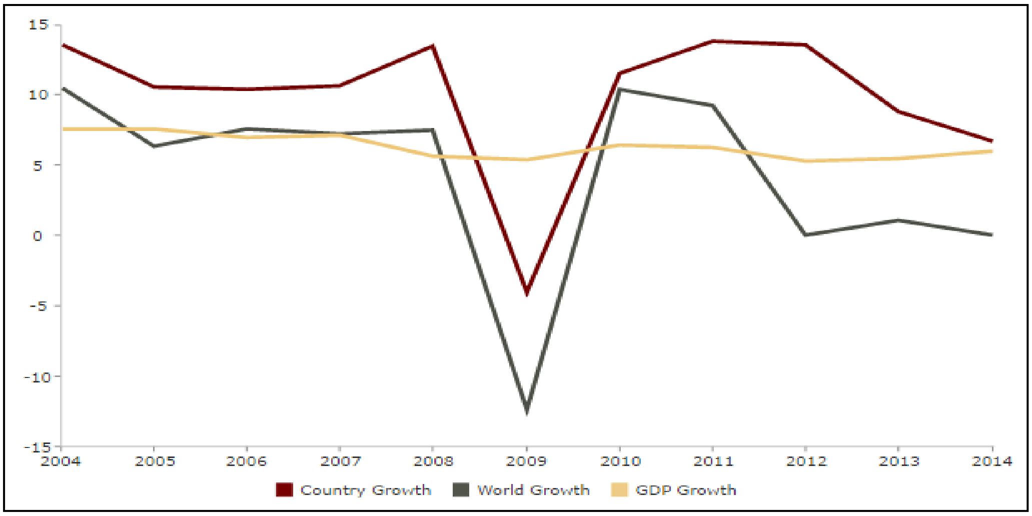

Figure 1: Vietnam Country Growth V/S World Growth V/S GDP Growth
Source: CIA World Factbook (2016)

Individual income growth in Vietnam has had some positive social impacts, such as reducing extreme poverty from around 50% in the 1990's to around 3% in 2012. Additionally, enhanced education and social indicators have improved because of the Millennium Development Goals (MDGs) advancement (Isaacson, W. 2011). Electricity is available to most homes, maternal mortality rates are down, and Vietnamese are much more educated than prior to the 1997 reforms. It should be noted however, significant portions of the population are still vulnerable, living close to the poverty line, (approximately 30 million people), concentrated among ethnic minorities (Knoema, 2016).

Vietnam's National Wage Council announced a 7.3 % average increase in monthly minimum wages throughout the nation, resulting in a minimum between VND 2.60 Million (US$116) to VND 3.75 Million (US$166). This is on top of the 12.4% increase in 2016 over 2015 (see Table 1).

Table 1: Vietnam Labour and Wages 2007-2016

VIETNAM LABOUR	LAST	PREVIOUS	HIGHEST	LOWEST	UNIT
Unemployment Rate	2.06	2.05	4.50	1.63	Percent
Employed Persons	53.24	53.29	53.50	23.50	Million
Unemployed Persons	1.12	1.12	2.30	0.80	Million
Minimum Wages	3500.00	3100.00	3500.00	1000.00	VND Thousand/Month
Population	91.70	90.73	91.70	34.74	Million
Living Wage – Family	9424600	8098000	9424600	8098000	VND/Month
Living Wage – Individual	9159300	7504600	9866900	7504600	VND/Month
Retirement Age Men	60.00	60.00	60.00	60.00	
Wages	4845	5082	5082	1399	VND Thousand/Month
Wages High Skilled	12031200	11803400	12031200	8600000	VND/Month
Wages in Manufacturing	4760	5004	5004	2871	VND/Thousand/Month
Youth Unemployment Rate	7.10	6.63	7.30	5.17	Percent

Source: Trading Economics (2016)

In addition to general economic factors, when examining developing nation status, a good place to start is the United Nations Human Development Index (HDI) which "examines the intrinsic relationship between work and human development" (Human Development Report, 2015, Para. 1). The HDI is a concentrated methodology for evaluating continuing advancement in three basic dimensions of human development: a long and healthy life, access to education and a decent quality of life. Vietnam HDI ranks 116 out of 188 countries. The linkage connecting labor and individual advancement is not always positive; in fact, in some cases can be negative and inequitable as a result of exploitation of labor rights, unequal opportunities, discrimination and racial barriers to entry and mobility, and other types of socioeconomic inequality.

Figures 2 and 3 reflect two views of trends and changes in Vietnam's HDI and its components between 1990 and 2016. Figure show comparative changes in the HDI with China and Indonesia.

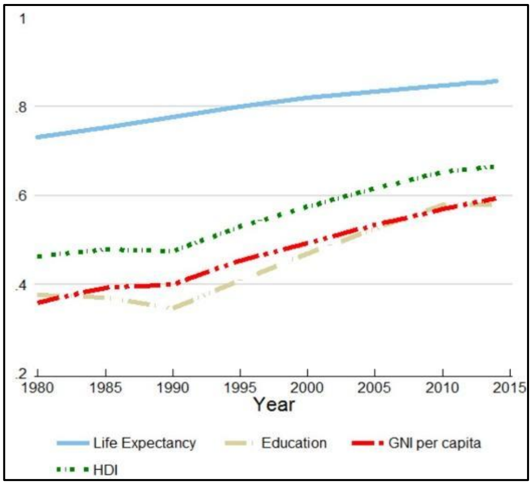

Figure 2 Trends in Vietnam's HDI Component Indices 1980-2014

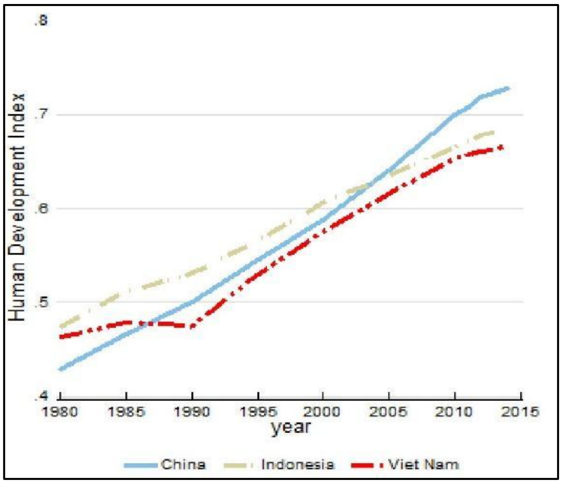

Figure 3 HDI Trends for Vietnam, Indonesia, and China 1980-2014

Source: Human Development Report (2015)

The correlation of work with development is reflected in the Figure 2 which indicates that in Vietnam human development factors increase HDI increases. This suggests that when governmental policies are structured to develop productivity, effectively compensate, and create new, interesting, and gratifying work opportunities; for providing development of workers' skills and aptitudes; protecting worker's rights, safety, and welfare, it can provide the hallmark for advancing Vietnam's HDI achievement. However, it should be noted, some argue that HDI scores are flawed, more so in developing countries than in developed countries. Thus allowance for discrepancies are required when one uses HDI scores to make evaluations of Vietnam's progress in improving living conditions and the national work environment. Notwithstanding this, the HDI indicators help Vietnam to stimulate policy and priority debates, and understanding decisions and discussions on trade, foreign policy, diplomacy, and health (see Table 2).

Table 2 Additional Indicators for work related to Vietnam

	VIETNAM	MEDIUM HDI	DEVELOPING COUNTRIES	EAST ASIA & THE PACIFIC
Employment to population ratio (% ages 15 and older)	75.9	55.7	60.7	67.9
Labour force participation rate (% ages 15 and older)	77.5	58.8	64.3	71.1
Female	73.0	37.5	49.5	62.6
Male	82.2	79.8	78.7	79.4
Share of employment in agriculture (% of total employment)	47.4	42.5	36.9	37.1
Share of employment in services (% of total employment)	31.5	35.3	39.1	37.3
Labour force with tertiary education (%)	-	-	-	-
Vulnerable employment (% of labour force)	62.6	65.1	54.0	-
Total unemployment (% of labour force)	2.0	5.3	5.6	3.3

	VIETNAM	MEDIUM HDI	DEVELOPING COUNTRIES	EAST ASIA & THE PACIFIC
Long term unemployment (% of labour force)	.03	-	-	-
Youth not in school or employment (% ages 15-24)	9.3	-	-	-
Labour productivity: output per worker (2011 PPP$)	5,250	9,483	-	-
Child Labour (% ages 5-14 years)	6.9	11.6	14.5	-
Domestic workers (% of total employment)	-	-	-	-
Female	.9	-	-	-
Male	.01	-	-	-
Working poor, PPP $2 per day (% of total employment)	13.8	46.9	33.8	23.8
Unemployment benefits recipients (% of unemployed ages 15-64)	8.4	1.7	2.5	1.6
Mandatory paid maternity leave (days)	180.0	98.0	99.0	-
Old age pension recipients (% of statutory pension age population)	34.5	27.7	51.0	65.3
Internet users (% of population)	48.4	21.9	31.9	42.1
Mobile phone subscribers (per 100 people)	147.1	91.5	91.2	100.5

Source: Human Development Report (2015)

Vietnam's policies towards ongoing HDI and middle income improvement are partially a reflection of the geographically favorable border it shares with China. This gives Vietnam a competitive advantage over other countries by way of connection to China's southern manufacturing heartland, including links by land and sea. Vietnam's labor costs remain significantly below China's. In addition, Vietnam's young population (median age for Vietnam is 30.7 versus China's 36.0) supports a continued supply of labor to Vietnams labor intensive industry support by the Vietnam government (The Economist, 2016).

Vietnam's 63 provinces (58 tinh, 5 centrally controlled, Hanoi, Ho Chi Minh City, Can Tho, Da Nang and Hai Phong) compete for investment for developing industrial parks, supported by government policy, and funding. One example is implementation of the June 2016 ECO-industrial park initiative for sustainable industrial zones in Vietnam, supported by Global Environment Facility (GEF), Swiss State Secretariat for Economic Affairs (SECO) and the United Nations Industrial Development Organization (UNIDO), as well as the Ministry of Planning and Investment (MPI) Vietnam and local provincial authorities and ministries (Dong, 2016). At June, 2016, Vietnam had 321 industrial parks and export processing zones, (see Figure 4). These zones accommodate over 6,600 FDI projects and 6,200 domestic investment projects with a combined capital of over 105 Billion US and 31 Billion US respectively (VBN, 2016).

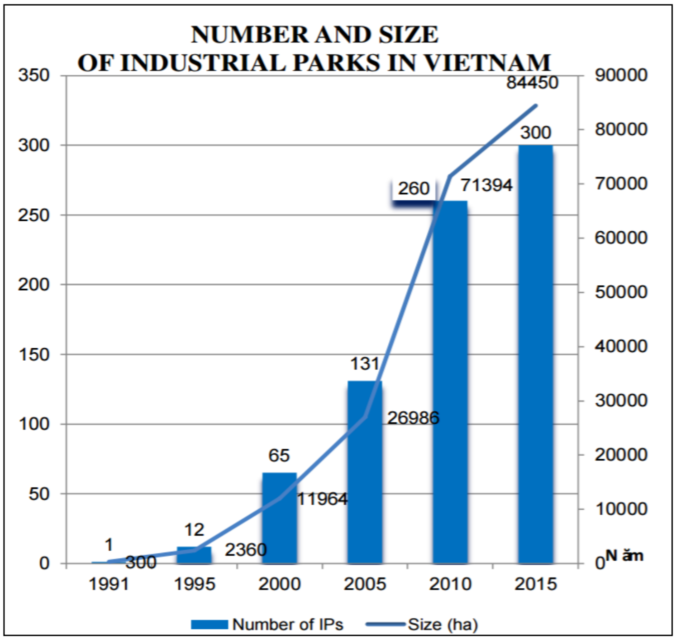

Figure 4: Industrial Parks in Vietnam

Vietnam Trade: Patterns of Trade, Terms of Trade, Trade Effects

Trade is a critical mechanism in the development strategies of Vietnam. The Heckscher-Ohlin trade model maintains that each state exports that commodity that utilizes its own most richly endowed factor of production intensively (Leamer, 1995). On the other hand, the exception is that, as discovered by Dr. Leontief in his initial statistical formulations of the input-output model of the US Economy, the most capital rich nation in the world (USA), exported labor-intensive commodities and imported capital-intensive commodities, (Leamer, 1995). Contemporary research suggests that, absolute advantage, comparative advantage, and theories of production and trade, are like moving targets (Citation needed). Vietnam's consumption reflects changes in its national income, social and human capital, and labour and capital efficiencies. Vietnam's terms of trade and patterns of trade change with changes in domestic and world demand. This is reflected in domestic economic changes and factor adjustments, and in political and organizational change. Vietnam trade has become diversified. This diversification strategy is part of it long term plan of social, cultural and economic development. It is based on the WTO Committee on Trade Development model. The WTO agreements comprise special trade requirements for developing nations. It focuses on developing nation's trade, debt, and technology transfer, through added leniency, special and differential treatment; including provisions for non-reciprocity in trade negotiations between developed and developing nations. The Secretariat affords technical trade support to developing nations including legal advisers. It also provides support that enables the developing nation to negotiate more successfully lower import barriers, and improved market access (WTO, 2016).

After nearly 10 years of negotiation, Vietnam became the 60th nation to implement the WTO Trade Facilitation Agreement (TFA). The planned objective at the time of signing the agreement was to reduce business expenses by about 20%, while promoting investment and creating new jobs with added reforms in three categories: (A) immediate commitments; (B) revalidated commitments; and (Commitments to be implemented after the agreement is in effect. The TFA was created at the request of developing nations, in an effort to insure they obtain the assistance needed to meet the A, B, and C commitments in the agreement.

VIETNAM TRADE PATTERNS

Vietnam exports and imports have enjoyed significant growth over the period 2007 and 2015 (10.85% & 17.2% respectively) as seen in Table 3.

Table 3: Vietnam Export Import Growth Rates 2007-2015

YEAR	EXPORT GROWTH RATE	IMPORT GROWTH RATE
2007	11.3%	40.9%
2008	5.0%	29.0%
2009	11.1%	-15.7%
2010	14.7%	21.7%
2011	12.2%	26.2%
2012	15.0%	7.5%
2013	16.8%	15.8%
2014	13.6%	11.1%
2015	8.0%	12.2%
Avg.	10.86%	17.2%

Source: World Bank Data – (WITS, 2015)

Since 2012, Vietnam's has been reporting trade surpluses more frequently as exports growth have been stronger than imports. In recent years, the biggest trade deficits were recorded with China, Korea, Taiwan, Singapore and Thailand. Vietnam records trade surpluses with the United States, Hong Kong, United Kingdom, Cambodia and United Arab Emirates.

The country has accomplished this expansion in trade while at the same time dealing with increasing uncertainty and volatility in the world economy that has lead] to a highly confusing and precarious global environment. The government of Vietnam has introduced and implemented a comprehensive macroeconomic and national development plan. The new policies are aimed at creating confidence in its socialist oriented socio-economic development programs. The plan is based trade expansion and a commitment to developing a more open market and industrialized economy. The open market economy approach is the central influencing mechanism in its planned cultural, economic and social transformation of the country. Notwithstanding the Government commitment to the plan, concerns continue to exist regarding the financially weak international credit-ratings on Vietnam's; (a) budgets, (b) debt, (c) inconsistent and unstable exchange rates, and (d) inflation results. Further, changes in the patterns of trade will likely result from the a young expanding labor force, and the transition of the economy from agriculture to manufacturing and services, suggesting new sources of economic growth impacting both imports and exports as the country explores potential for continued progress (see Figure 5).

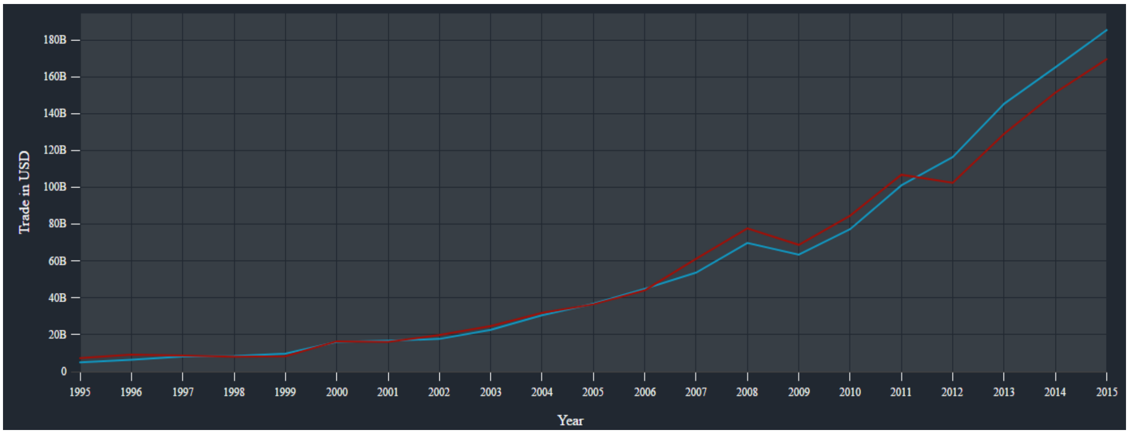

Figure 5: Vietnam Trade Balance 1995-2105

Source: OEC (2016)

In addition, trade patterns may be further influenced during the 2011-2020 planning period as a result of the Vietnam's Government imaginative and bold ten-year Socio-Economic Development Strategy (SEDS) with the goal of achieving developed nation status by 2020. Plans for advancing three specific sectors include; (1) promoting human resources and skills development (principally aptitudes for developing contemporary industries, creativity, and innovation; (2) cultivating market institutions; and (3) infrastructure expansion (Communist Party of Viet Nam, 2011). In 2012, WTO and the Organization for Economic Co-operation and Development (OECD) which does not include Vietnam as a member, conducted a Vietnam Case Study. The study produced a report focusing on the Socio-Economic Development Plans and Socio-Economic Development Strategies of Vietnam. Also, the Ministry of Industry and Trade (MOIT) developed the Master Plan for Trade Development with a focus on accelerating trade by integration Vietnam in to foreign markets.

The strategy is based on the following major ideas:

- Accelerating of trade of goods through developing economies and sustainable development of businesses and within regions;
- Cultivate discussions and compromises in negotiations with import and export associates to improve market access for Vietnamese commodities,
- taking advantage of economic and trade co-operation programs with China, and other major trading partners such as the United States, the EU, and Japan; and with Association of Southeast Asian Nations (ASEAN) markets,
- Advance diverse ancillary activities, supporting enterprises with information and economic projections; to foster import/export promotional undertakings, and sponsor the functions and responsibilities of corporate affiliations (OECD, 2012).

In addition, Vietnam can benefit by putting in place processes and implementing policies that promote diversification throughout the economy and support economic transformation based on human capital-intensive products and services. This requires focusing on education as paramount to success of the development plan. The OECD ranks Vietnam 8th out of 72 countries in the world in science rankings in math (22nd) and reading (32nd). Vietnam's performances surprised economists who theorize that high scores are correlated with a country's growth in GDP and prosperity. This lead OECD education director Andreas Schleicher to say Vietnam's progress has been "quite remarkable", scoring higher than Germany and Switzerland in Science and ahead of the US in science and math. Vietnam's scores suggest that only highly developed countries acquire a high quality education. But most important it indicates that Vietnam has a large supply of skilled labour available to successfully pursue the modernization and expansion of its economy.

As Vietnam's economy expands, capital accumulation and distribution of income improves, Lewis (1954) offers the concept of "unlimited supply of labor" may exist in those countries where population is large relatively to capital and natural resources, that there are a large sectors of the economy where the marginal productivity of labor is negligible, zero, or even negative" (page 2) and the price of labor is low. Further, for real wages in Vietnam to grow, capital investments must result in increased productivity utilizing advancing technology in commodities and services for both export and domestic consumption.

Vietnam's major manufacturing sector exports included telephones and spare parts, furniture, textiles, articles of apparel, electronics, computers and components, shoes and footwear, machinery, equipment, tools, and spare parts, vehicles, articles of iron and steel (see Figure 6 and 7) . The largest trading partners are (1) United States (21%), (2) China (105), (3) South Korea (5.5%), (4) Hong Kong (4.3), (5) and Germany (3.5%). Vietnam exports 258 products which bring to light the existence of some evidence of comparative advantage (meaning that its share of global exports is larger than what normally would be expected from the size of its export economy and from the size of the product's overall global market (OEC, 2016).

Any discussion of Vietnam's trade patterns is not complete without a close review of trade with the United States. The US experienced the largest positive trend in trade with Vietnam in 2015, expanding at a rate of 23%, leading all the other top 50 trading partners. Exports to US by industrial sectors ranged from integrated circuits to civil aircraft, cotton, dairy, tree/fruit nuts, and other agricultural products. Vietnam also provides high-tech consumer products to the United States (White House, 2016).

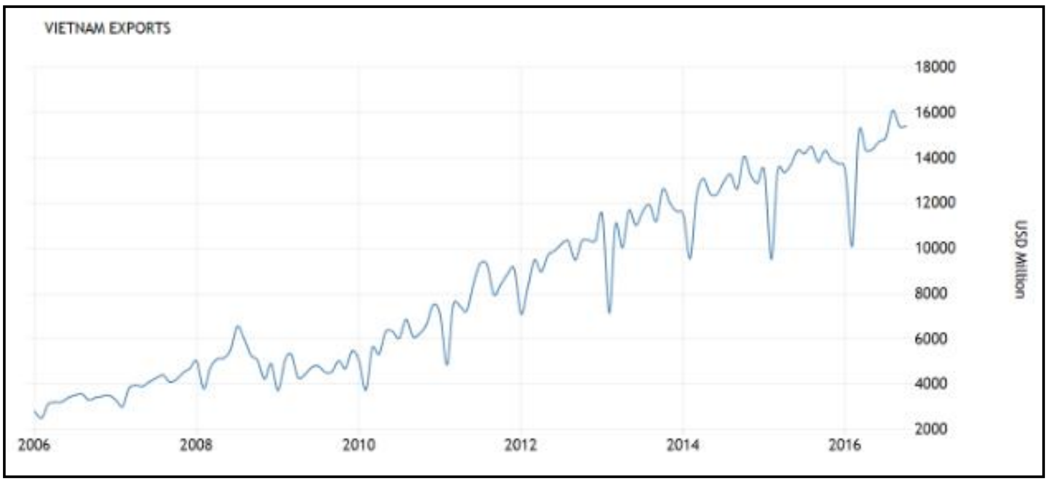

Figure 6: Vietnam Exports 2006-2016

Source: www.tradingeconomics.com – General Statistics Office of Vietnam

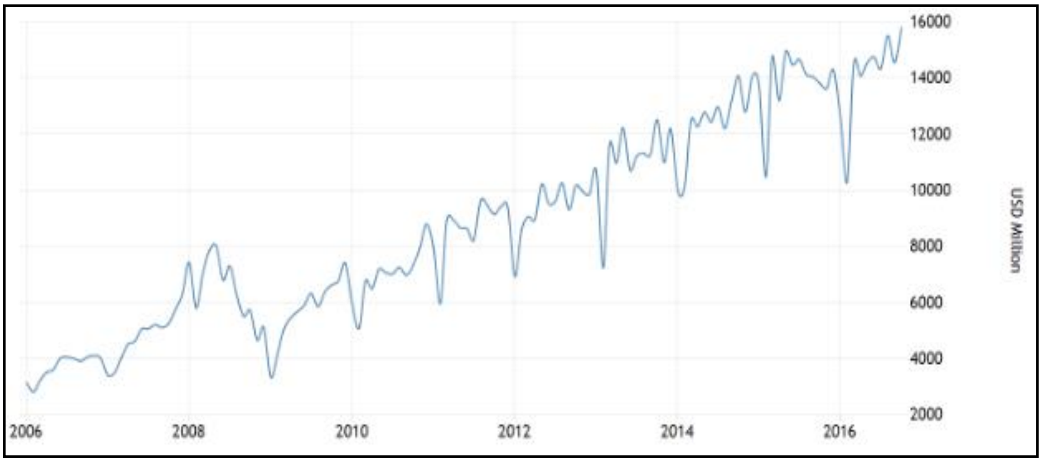

Figure 7: Vietnam Imports 2006-2016

Source: www.tradingeconomics.com – General Statistics Office of Vietnam

The principal components of Vietnam's imports are manufactured goods, (broadcast equipment, computers, crude petroleum, leather footwear, and integrated circuits; additionally, chemicals, fuels, food, and live animals. The largest trading partners in these goods are (1) China, (2) South Korea, (3) Japan, (4) Taiwan, (5) Thailand, and (6) Singapore. Countries tend to export products for which they have a competitive advantage and import products for which they do not enjoy a competitive advantage. Most developing countries export trade is based on primary goods including raw materials, agriculture, minerals, coal, grain, and fish. Developing countries also produce for export manufactured goods, which in some cases include cars, computers, and high-tech machinery. Vietnam has become a net exporter of crude oil, gas and petroleum reserves, coal reserves, hydropower electricity; minerals, including iron ore, tin, copper, lead, zinc, nickel, manganese, marble, titanium, tungsten, graphite, mica, limestone; additionally, agricultural products, pepper, coffee, rice, cashews and more.

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As globalization continues interdependency between developing and developed nations will grow, each needing the others markets for trade. Vietnam's trading patterns, agreement and strategic planning are not all for naught in spite of the Vietnam Government deferral of the ratification and cancellation of the TPP. The planned trade agreement, a signature economic policy of President Barack Obama's Asia-Pacific rebalance, generated urgency and gave momentum to the planning and implementation of Vietnam's socio- economic transformation: that is, its economic restructuring and the review and updating of its social and legal framework. The National Assembly turned some of its attention to addressing changes in laws to comply and conform to TPP requirements with respect to foreign trade and Government support for SMEs, as well as adjustments to Labor Code regulations; and changes to the business environment regarding competitiveness, specifically targeting key export industries including textiles, garments, footwear, seafood, wood furniture, and agricultural products (Nghia, 2016). The Government is cited in World News Minh, (2016) to be committed to continuing Vietnam's ongoing economic policy aimed at diversification and multilateral ties that will strengthen international economic integration, and emphasize a movement towards additional trade agreements with the European Union, Eurasian Economic Union, Japan, China, and upcoming meetings with the Asia Pacific Economic Cooperation forum.

VIETNAM TERMS OF TRADE

Terms of trade (TOT) provides for the economic based comparison of the value of Vietnam's exports, relative to the value of imports. To determine the value relationship, the calculation is exports/imports, multiplied times 100. When Vietnam's TOT (Figure 8) is greater than 100%, more capital is coming in from exports than it is spending.

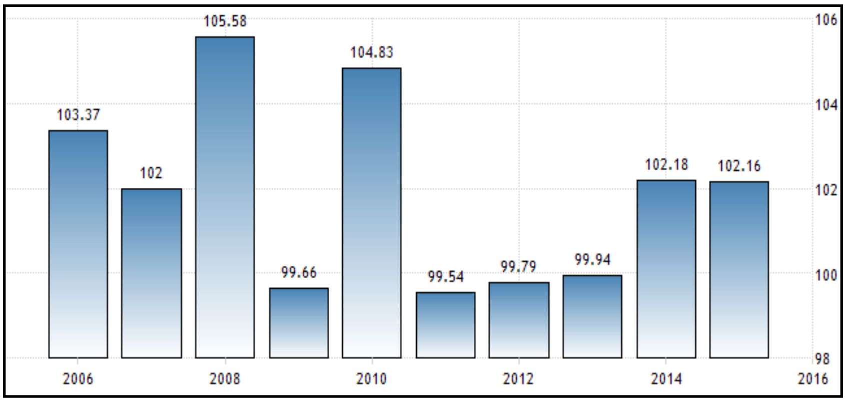

Figure 8: Vietnam Terms of Trade 2006-2016

Source: www.tradingeconomics.com

The relationship between price of primary goods and that of manufactured goods varies with changes in the advantages gained for Vietnam's development process. This has implications for the Government's international economic policy and exchange rates. The price of its exports relative to the price of its imports can hurt the growth of output. Countries with flexible exchange rates tend to experience lesser negative impact on production output over the long run, because the process is self-adjusting. Exchange rates can have a positive impact on Vietnam's trade in balance over time, if depreciation of the rates supports trade balance improvements. By comparing terms of trade in Figure 8 with exchange rates in Figure 9 notes that favorable terms of trade are associated with increasing exchange rates during the period 2006 to 2010. There was a decline in the terms of trade and the exchange rates between 2010 and 2012. However, Vietnam's recent exchange rate history, 2012-2016 reflects some stabilization over the previous four years as indicated in Figure 9 below.

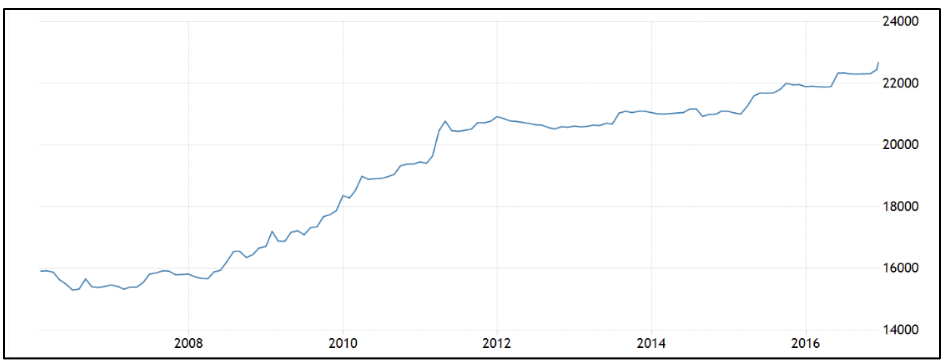

Figure 9: Vietnam Exchange Rates 2008-2016

Source: www.tradingeconomics.com

As an example, if a country exports textiles at a fixed or decreasing price and imports oil, with an increase in oil prices, the terms of trade worsen as it pays more for its imports. Vietnam has been making periodic progress as reflected in the HDI elements of wages and labor. Directional trade policy, fiscal and monetary trade policy and overall improvement in governmental bureaucracy enhance the level of confidence in Vietnam's economic growth. Further, reduced corruption, intensified innovation, fosters overall institutional quality, advancing the risk reward benefits of production gains. Increased market access, improved import and export trade patterns commanded by primary and manufactured products improve overall in terms of trade results.

Vietnam Trade Effects

Economic globalization can have positive or negative effects on developing nations. Vietnam's ability to gain investment as more openness builds based on increased trade can be productive, if the benefits are distributed fairly. If the economies of scale, trade policy and the entire array of macroeconomics are based on consumer demand, marketing and production resources can come into play. The period from 2005 to 2010, reflected significant advancements in Vietnam's advancement of wages, labor and organizational corrections, resulting in a decline of overall agricultural contributions which were credited with over 65% of the country's annual GDP growth averaging 7% during that period calculated by The McKinsey Global Institute (MGI), while also creating significant improvements in productivity throughout the region (Breu, Dobbs, & Remes, 2012). Technology not only improves knowledge for business, but also provides consumers with choices and goals in their consumption patterns, ultimately affecting trade. Once again, support by the WTO with regards to reduction of trade barriers improves the chances for fair trade, albeit the following income improvements require appropriate distribution continuing to evolve Vietnam as an emerging economy, eventually, becoming a developed country, as we have seen in Taiwan and South Korea.

Import Substitution

"Government strategy that emphasizes replacement of some agricultural or industrial imports to encourage local production for local consumption, rather than producing for export markets" (Business Dictionary, 2016, Para. 1). Moving the economy from an import-substitution to an export-orientation strategy has been in effect since the implementation of the Doi Moi reform process. The intent of Doi Moi is to increase Vietnam's domestic employment, increase innovation capacity and promote self-reliance in areas of food, defense, and technology. The measurement would be the ratio of imports to the total availability of imports plus domestic production for a single product or category. If the ratio falls over time, import substitution is taking place. Import substitution can open the door to protectionism impacted by exchange rates, export promotions and various terms of trade policies. In order for Vietnam's import substitution to be a successful strategy the development plan must focus on increasing creativity, improving and increasing technology, specialization, and the capacity to change directions based on the dynamics of the product/category. Overall, the argument for import substitution strategy is that it is a positive objective for developing countries, to build a flexible, responsive economy, generating opportunities that generate increased welfare for the citizens of the country. Critics argue import substitution policy can penalize exports, create balance of payments problems; has a potentially high cost of capital investment; and can produce negative terms of trade affecting major categories of agricultural products, and mineral producing countries. Currently, the Ministry of Industry is contemplating the removal of the ceiling on interest rates for industrial consumption loans, in an effort to boost credit activities, while reducing loans to importers to foster increased consumption of domestic products. Vietnam's engagement and important policy decisions regarding trade with regional and world economies has been supported by restructuring of the industrial sectors, development of processing zones, industrial and economic zones, attracting the interest of foreign and domestic private investors. Added to this, some argue however, that not all exporting firms have gained efficiency through exports, leading to the need for ongoing debate and attention to industrial policy aimed at increasing the quality and competitiveness of exports (Anh, Duc, & Chieu, 2016).

Export-led Growth Orientation

An alternative strategy to import substitution is export-led growth. Export led growth focuses on production for export. The growth of globalization has been consistent since the mid 1960 is, influenced by IMF, World Bank and OECD programs that focus on export-led growth. It is argued that "export displacement" has a negative impact on developing countries competitiveness. However, others argue one country's exports are another country imports, suggesting competition is natural and lends well to trade expansion, or positive terms of trade. Critics also argue that manufacturing over-capacity and increasing debt can result from export-led growth. Thus, some also argue that Vietnam's effort to integrate an export-led growth policy will result in slower growth (Johnston, 2016). As to the question of import substitution policy or export-led policy, no one answer works for all countries, a combination of the two presents more opportunities for success for Vietnam. However, continued economic growth and development will depend on persistent foreign investment in Vietnam's industrialization, specifically in the manufacturing sector at both country and cross-sector levels

Does Aid Enhance Growth of Vietnam as a Developing Nation?

An evaluation of the contribution of foreign aid to Vietnam's growth as a developing nation requires a review of the components of foreign aid. One view of foreign aid is the transfer of resources that engender evocative growth in the beneficiary nation's economy by way of social, economic, and political development resulting in improvements in the lives of its citizens. Others argue foreign aid in a developing nation (Table 4) does not positively impact per capita economic growth and fosters corruption. Foreign aid falls into categories of humanitarian emergency assistance, food aid, military assistance, and rebuilding funds. How this aid is disbursed, to some degree, governs how effective it is in realizing its objectives. The following are some pros and cons of foreign aid:

Pros

- Helps reduce poverty, diminishes inequality, inspiring lawfulness
- Assist in resolving international and domestic conflicts, natural disasters, and famine relief
- Improve healthcare, education, and overall social development
- Enhances international relationships and is a deterrent for terrorism
- Facilitates domestic banking and financial sector progress, infrastructure building including transportation and water systems

Cons

- Creates an unhealthy dependence on other nations
- Reduces the building of innovation capacity, creativity, reform of economic policy and strategies
- Misdirects funds to corrupt or mismanaged agencies

Table 4: Top Ten Countries with the Highest International Aid

RANK	COUNTRY	AID (US DOLLAR)
1	Egypt	5,505,650
2	Afghanistan	5,265,950
3	Vietnam	4,084,770
4	Myanmar	3,934,810
5	Ethiopia	3,826,250
6	Syria	3,626,750
7	Tanzania	3,430,280
8	Kenya	3,236,280
9	Turkey	2,740,590
10	Bangladesh	2,669,110

Source: World Atlas (2016)

According to the OECD major donor countries providing aid to developing countries fell by nearly 3 percent in 2011 due to global economic recession (OECD, 2012, Para. 1). This broke a long trend of annual increases. However, wealthy countries donated more than $130 Billion US to developing nations in 2014, and over the last 50 years aid totaled over $4.14 Trillion US. Aid for developing countries typically falls under long-term economic, environmental, social, and political headings; additionally aid takes the form of official development assistance (ODA) sources, and non-governmental organizations (NGO's). Vietnam's commercial/economic policies affect potential foreign-aid requirements and opportunities. Cohen (1968) argued that the benefits in aiding developing countries include; (a) increasing growth in GNP, (b) tariff reductions and other import trade minimization costs; exporting primary products, based on the need to evolve to the point of exporting manufactured goods; and (c) to facilitate increasing trade with other developing nations. However, globalization and free trade have changed the elements of primary trade policy, and altered the approach towards giving foreign aid. Initially, foreign aid was regarded as a means to help diminish poverty in developing nations (Table A1). However, the richest nations have seldom met their intended financial donations to developing nations. Moreover, foreign aid has historically been associated with a cost of its own for the receiving states:

- Foreign aid is repeatedly squandered on provisions which are required so that the beneficiary must use high-priced imports and exports of products, and services from contributor states
- Significant amounts of foreign aid are not always designed for the disadvantaged who would benefit the most
- Foreign aid sums are comparatively insignificant relative to the total wealth of the country donating aid.
- Isolationism closes market entry for the goods and services of underdeveloped and developing nation states(poor state) while the rich nation's use financial assistance to influence and the unlock national markets the poor states for the entry of their goods and services
- Huge ventures or substantial ambitious stratagems and tactics habitually fall short in helping the vulnerable as aid funds can often be embezzled away. (Shah, 2016)

After review of various studies, this research on the impact of foreign aid on developing countries has mixed results. Ekanayake and Chatra (2010) uses regression analysis study this problem (Tables A2). The results of the study shows that economic growth is not significantly correlated receipt of foreign aid by, low, medium, or high income countries, when the variable AID received per unit of "Real GDP" is used an index of growth and development (Table A3). Furthermore, the Ekanayake study reports t-values and impact coefficients that show inconsistencies in the significance of the explanatory variables such as "labor growth" on growth of real GDP per person; a consistent significant but negative impact on growth associated with the variable "inflation", and no significant impact on growth associated with the explanatory variable "economic freedom".

Notwithstanding the uncertainties about the benefits of foreign aid and foreign investment as well as the negative impact of political volatility on the World trade and agreement, Vietnam seems to have achieved some degree of success in its strategies for development. Following on a consistent growth since 2007, an almost 7% economic growth in 2015, a projected economic expansion of 6.0 to 7.0 percent for 2016, and a period which also saw a record $14.5 Billion US in FDI in Vietnam. Vietnam's Prime Minister, Nguyen Xuan Phuc made the announcement that "The macroeconomy is stable, inflation is controlled and major balances of the economy have been maintained"; and that Vietnam will likely outdistance the balance of Southeast Asia, including China and each of Vietnam's neighboring nations (Jakarta Globe, Para 7, 2016). Additional governmental projections for Vietnam included an expected $2 Billion US to $3 Billion US trade surplus. Recently, the Asian Development Bank and Vietnamese private investors were in discussions to acquire one of Vietnam's weaker banks, supported by the government seeking ways to step up dealing away banks' bad debts (Jakarta Globe, 2016). Also, the Vietnam government is committed to eliminating any existing impediments dissuading entrepreneurs and investors from operating ventures inside Vietnam. The Government plans, by undertaking these initiatives, to put in place infrastructures that create and support a resilient market economy.

DISCUSSION

This review and evaluation of Vietnam's socio-economic development covers the period 2008 to 2016. One overall objective is to assess the success of its national plan to transform the economy and society making it more comparable and competitive with modern developed nation states. The research focuses on studies and reports on the changes in the country's social and economic infrastructures and relationships. It identifies and analyses patterns in its terms of trade, exchange rates and examines effects of the new trade expansion policies trade and foreign aid on the progress of the country towards reaching the goal of achieving the state of being a "developed nation". The research has produced some result that have advanced a better understanding of achievement of elements of the social and economic reform policies of "Doi Moi". Our research strongly suggests the Doi Moi socio economic plan has generated;

a) Impressive and sustained growth in its GDP
b) Expanded global trade significantly as the fact that it is ranked as the 28th largest export nation in the world; 93rd most complex economy globally; the single largest trading partner with the United States
c) Consistent increases the monthly minimum wage
d) Satisfactory growth in the HDI
e) Signed and implemented impressive trade agreements (12), and
f) Show encouraging progress in education, ranks 8th in science, in math 22nd, and reading 32nd

These encouraging results provides the rationale and motivation for continued application and implementation of the current ongoing "Doi Moi" reform in working together and in parallel with SEDS, SEDPs, and FTAs. Despite Vietnam's withdrawal formal agreement of TPP, it has continued to seek out alternative agreements using the strategic principles and elements of the proposed TPP free trade agreement as part of its economic expansion planning process towards developed nation status. Vietnam's transformation on the road to developed nation status must continue to progress from the present geopolitical and geo-economic policies, which do appear to be producing promising results. Also critical to the success of this policy is the commitment of the country's political leadership. Our research suggests that this commitment exist. Vietnam's Prime Minister, Phuc, recognizes and has addressed the ongoing necessity to continue to resolve current shortcomings, limits, and weakness by way of focusing on speedy, comprehensive, and sustainable growth. However, the Vietnam government target of 2020 may be a bit optimistic. The anticipated and projected GDP growth (10% per year) and the (25-35% per year) increase in exports projected from the original and now all but failed TPP agreement requires continued strategic adjustments: Vietnam must focus on replacing the original TPP projected benefits in growth utilizing FDI on continued industrial development, labor improvements, expanding exports, working closely with the WTO and all development strategies including SEDS, SEDPs. It must work closely with The World Bank and with other developed and developing country partnerships by entering into new and alternative trade agreements and targeting supplemental foreign aid. Ongoing research is necessary to identify the local and sector level elements of FDI attraction, government support of industrial and investment promotion and additional foreign aid specifically focused on community and local businesses, SMEs. In addition, it must continue the use of US financial aid and ODA sources to enhance HDI and support Vietnam's commercial and social opportunities by increasing the country's capacity for innovation and maximizing its competitive advantage from access to its large supplies of labour resources and skills.

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APPENDIX

Table A1: List of Developing Countries per the World Bank 2016

Afghanistan	Egypt, Arab Rep.	Malaysia	Somalia	Tunisia
Albania	El Salvador	Maldives	South Africa	Turkey
Algeria	Eritrea	Mali	South Sudan	Turkmenistan
Angola	Ethiopia	Marshall Islands	Sri Lanka	Tuvalu
Argentina	Fiji	Mauritania	St. Lucia	Tunisia
Armenia	Gabon	Mauritius	St. Vincent and the Grenadines	Turkey
Azerbaijan	Gambia, The	Mayotte	Sudan	Turkmenistan
Bangladesh	Georgia	Mexico	Suriname	Tuvalu
Belarus	Ghana	Micronesia, Fed. Sts.	Swaziland	Uganda
Belize	Grenada	Moldova	Syrian Arab Republic	Ukraine
Benin	Guatemala	Mongolia	Tajikistan	Uzbekistan
Bhutan	Guinea	Montenegro	Tanzania	Vanuatu
Bolivia	Guinea-Bissau	Morocco	Thailand	Vietnam
Bosnia and Herzegovina	Guyana	Mozambique	Timor-Leste	Palestine, State of
Botswana	Haiti	Myanmar	Togo	Yemen, Rep.
Brazil	Honduras	Namibia	Tonga	Zambia
Bulgaria	India	Nepal	Tunisia	Zimbabwe
Burkina Faso	Indonesia	Nicaragua	Turkey	
Burundi	Iran, Islamic Rep.	Niger	Turkmenistan	
Cabo Verde	Iraq	Nigeria	Tuvalu	
Cambodia	Jamaica	Pakistan	Somalia	
Cameroon	Jordan	Palau	South Africa	
Central African Republic	Kazakhstan	Panama	South Sudan	
Chad	Kenya	Papua New Guinea	Sri Lanka	
China	Kiribati	Paraguay	St. Lucia	
Colombia	Korea, Dem Rep.	Peru	St. Vincent and the Grenadines	
Comoros	Kosovo	Philippines	Sudan	
Congo, Dem. Rep	Kyrgyz Republic	Romania	Suriname	
Congo, Rep.	Lao PDR	Rwanda	Swaziland	
Costa Rica	Lebanon	Samoa	Syrian Arab Republic	

Côte d'Ivoire	Lesotho	São Tomé and Principe	Tajikistan	
Cuba	Liberia	Senegal	Tanzania	
Djibouti	Libya	Serbia	Thailand	
Dominica	Macedonia, FYR	Seychelles (Transitional)	Timor-Leste	
Dominican Republic	Madagascar	Sierra Leone	Togo	
Ecuador	Malawi	Solomon Islands	Tonga	

Source: World Bank http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Table A2: Effects of Foreign Aid on Growth in Developing Countries
Dependent variable: Real GDP Per Capita Growth

VARIABLE	1980-1989	1990-1999	2000-2007	1980-2007
Constant	-0.5478 (-0.404)	0.4523 (0.371)	-1.3279 (-1.452)	0.0545 (0.071)
Capital Growth	0.1264*** (5.151)	0.1209*** (6.447)	0.1477*** (9.574)	0.1268*** (9.174)
Labor Growth	0.0043 (0.237)	0.1062 (0.642)	0.9326*** (6.611)	0.0075 (0.707)
AID/GDP	-0.0766 (-1.291)	-0.0205 (-1.606)	0.0284 (1.142)	-0.0057 (-1.241)
$(\text{AID/GDP})^2$	-0.0016 (1.157)	0.0003 (-0.448)	-0.0001 (-0.199)	-0.0001 (1.214)
Initial GDP	-0.0249 (-0.0187)	-0.1337 (-1.525)	-0.5262*** (-8.524)	-0.2606*** (-4.325)
Inflation	-0.0005*** (-2.599)	-0.0006*** (-2.416)	-0.0012*** (-2.270)	-0.0006*** (-4.899)
Economic Freedom	-0.4223* (-1.891)	-0.0106 (-1.066)	-0.1406 (-1.078)	-0.2352* (-1.918)
Ethnic Wars Dummy	-0.4406 (-1.224)	1.2079*** (-3.990)	-1.6847*** (-4.287)	-0.7747*** (-3.672)
Asia Dummy	3.4375*** (5.514)	0.5084 (0.817)	1.1357*** (3.253)	1.1671*** (2.967)
Latin America Dummy	0.3825 (0.593)	-0.6367 (-1.042)	0.0273 (0.823)	-0.6332* (-1.666)
Sub-Saharan Africa Dummy	1.9021** (3.211)	-1.1370** (-1.968)	0.6995*** (2.253)	0.0282 (0.772)
Low Income Countries Dummy	0.1955 (0.202)	0.9688 (1.263)	-1.7293*** (-3.015)	0.5309 (1.063)
Low Middle Income Countries Dummy	0.8231 (0.993)	0.8838 (1.430)	-1.4763*** (-.3.209)	0.6129 (1.529)
Upper Middle Income Countries Dummy	1.0617 (1.392)	0.6541 (1.084)	-1.5764*** (-3.317)	0.2874 (0.742)
Number of Countries	83	83	83	83
Number of Observations	830	830	664	2324
Adjusted R^2	0.348	0.649	0.627	0.379

Source: Ekanayake, E. M., & Chatrna, D. (2010)

Note: Figures in parentheses are t-values. ***, ** and * indicate the statistical significance at the 1%, 5% and 10% level, respectively.

The variables behave very much the same way as the model predicts, and the estimated coefficients are statistically significant. The adjusted two R values range from a low of 0.348 to a high of 0.649. Inflation rate variable has the expected negative sign and it is statistically significant at the 1% level of significance in all four cases. The variable representing the economic freedom has a negative sign in all four cases but it is statistically significant in periods 1980-1989 and 1980-2007.

Table A3: Income Differences and the Effects of Foreign Aid on Growth in Developing Countries

Dependent Variable: Real GDP Per Capita Growth

VARIABLE	LOW INCOME	LOW-MIDDLE INCOME	UPPER-MIDDLE INCOME	ALL COUNTRIES
Constant	-2.7576** (-1.963)	-1.6366 (-1.183)	-2.6368 (-1.624)	0.2044 (0.309)
Capital Growth	0.1543*** (5.966)	0.1301*** (7.077)	0.1668*** (5.316)	0.1290*** (9.963)
Labor Growth	0.3781* (1.696)	0.1809 (0.929)	0.9588*** (3.861)	0.0288 (0.275)
AID/GDP	0.0580 (1.519)	-0.0173 (-0.695)	0.0944 (0.789)	0.0054 (1.249)
$(AID/GDP)^2$	-0.0004 (-0.799)	-0.0002 (-0.251)	-0.0002 (-0.289)	0.0001 (-0.127)
Initial GDP	0.9174*** (-5.203)	-0.3878*** (-2.906)	-0.1069 (-0.795)	-0.2754*** (-4.668)
Inflation	-0.0005*** (-2.594)	-0.0006*** (-3.626)	-0.0015*** (-2.035)	-0.0006*** (-4.853)
Economic Freedom	-0.0966 (-0.414)	-0.0180 (-0.918)	-0.0885*** (-2.586)	-0.1741 (-1.503)
Ethnic Wars Dummy	-1.2924** (-1.939)	-0.5187** (-1.963)	-0.5308 (-0.797)	-0.7140*** (-3.661)
Asia Dummy	2.1801** (2.184)	1.7261** (2.246)	0.2620 (0.299)	1.3234*** (3.572)
Latin America Dummy	-0.0331 (-0.297)	0.4520 (0.639)	-2.5289** (-2.059)	-0.4990 (-1.338)
Sub-Saharan Africa Dummy	1.3935 (1.631)	1.6862 (1.029)	0.0629 (0.147)	0.1320 (0.369)
Number of Countries	25	29	22	83
Number of Observations	700	812	616	2324
Adjusted R^2	0.421	0.429	0.213	0.384

Source: Ekanayake, E. M., & Chatrna, D. (2010)

Note: Inflation rate variable has the expected negative sign and it is statistically significant at the 1% level of significance in all four cases. These findings are also consistent with the findings of previous studies. The variable representing the economic freedom has a negative sign in all four cases but it is statistically significant only for upper-middle income countries.

BIOGRAPHY

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