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## Role of the Diaspora in Vietnam’s economic growth Tomsk Polytechnic University

Nguyen Thi Hong Bach Lien <sup>a</sup>, Galina Kazantseva <sup>b</sup>

<sup>a</sup> Institute of Humanities, Social Sciences and Technologies, Tomsk Polytechnic University

<sup>b</sup> Institute of Humanities, Social Sciences and Technologies, Tomsk Polytechnic University

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### Abstract

As a highly populated country with lack of manpower and capital for building and developing, in recent years, Vietnam has tried to attract investment and received aid from abroad, including a large supply from Vietnamese Diasporas. This article is written to serve as an introduction to the origin and formation of Vietnamese Diasporas because of their important role in Vietnam's economic growth. Furthermore, this article demonstrates their potential impact on Vietnam's economy and points out their contribution to Vietnam's economic development and humanitarian assistance in the society. This paper also figures out some difficulties of Diasporas, facing in homecoming and investment in their motherland. Thus, some solutions and new policies of Vietnamese government to attract Diasporas' investment in their homeland are considered in this paper.

*Keywords:* role, Diaspora, Vietnam, economy, growth, Viet kieu;

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### 1. Introduction

Since 1975 Vietnam has finished years of war that damaged its economy and basic infrastructure and initiated the period of stable development. In 1986, the Sixth Congress of the Vietnamese Communist Party implemented the first set of renovation policies referred to as “doi moi”. According to “doi moi”, Vietnamese economy is converted to an open, liberalization, market-oriented, and globally intergrated model [1]. Vietnam started focus on foreign trade and investment from other countries all over the world. Particularly, Vietnam created better economic opportunities to attract its own Diasporas, who are educated abroad and accumulated capital and knowledge, to return home and contribute to Vietnam’s economic growth.

The methods of the study includes the following items:

- Describe the origin and formation of Vietnamese Diasporas.
- Analyze potential of Vietnamese Diasporas to Vietnam’s economic development.
- List and analyze difficulties of Vietnamese Diasporas in investment.
- Consider some solutions and policies of the government for promoting Diasporas’ investment in the motherland.

### 2. Discussion

### *The definition of term "Diaspora"*

In Vietnam, Diasporas are called "Viet kieu", which is combined from two words "Viet" (Vietnam) and "kieu" (living outside motherland). Thus, "Viet kieu" is officially referred to as "persons of Vietnamese origin residing abroad". Specifically, this term is defined as "Vietnamese people who used to have Vietnamese nationality which has been determined at the time of their birth on the consanguinity principle and their offspring's and grandchildren are permanently residing foreign countries" (2008 Law of Vietnamese Nationality) [2].

### *The formation of the Vietnamese Diaspora*

Generally, Vietnamese Diasporas can be categorized into many groups, depending on their formation history and current residence. However, this paper introduces only two main groups that play an important role in the investment strategy of Vietnam:

- The first group refers to Viet kieu, who have been living in territories or countries outside Vietnam since World War I (1914-1918). During these years, being under French colonization, Vietnamese people were arrested to Europe because France demanded soldiers and cheap labor. Nowadays, France is home of more than 400 thousands Vietnamese. Particularly, Viet kieu in France is considered the oldest and wealthiest in Europe.

- The second group regards as Viet kieu, who escaped from Vietnam after 1975 as refugees. They immigrated to the United States, Canada, and Australia. Most of them were in their service and were politically oriented to the government of South Vietnam. After socialist reforming, the number of Vietnamese, who fled from the country, increased. After 1996, Vietnamese refugee admissions diminished sharply, and a growing proportion of new legal permanent residents entered subsequently as family-based immigrants. Now there are more than a million Viet kieu in the USA and this is the largest Vietnamese community abroad.

### *Potential of the Vietnamese Diasporas*

Most of the Vietnamese Diasporas live in economically developed countries such as the United States, France, Australia, Germany, Japan and so on. Viet kieu who belong to the Elite of South Vietnam, are very prosperous and high educated. They are, of course, good at foreign languages, technology and own a significant amount of capital. For instance, in the United States, 22% of Viet kieu had a bachelor's degree, 7% of them held a master's degree, PhD, or an advanced professional degree. The high skilled labor of the Vietnamese Diaspora is critical to determining its contribution to Vietnam's economic growth [2].

One of the most major potentials of Viet kieu is considered to be a source of money invested in large projects in Vietnam. Up to now they have invested in the economy of Vietnam twenty billions US dollars within more than two thousand projects. The main spheres, in which Viet kieu invested, are agriculture, medicine, education, real estate, hospitality and tourism. The most significant projects are the "Dana funicular" in Danang and "Eden Resort Dalat" in Dalat. Besides, many Diasporas are the main shareholders of large banks in Vietnam, and corporations, such as Techcombank, VP bank, Melinh plaza, Masan [5]. A bridging role of the Vietnamese Diasporas in international cooperation was also promoted, which contributes to technology transfer, investment and development in chemistry, microbiology, photoconductive, information technology. Many foreign enterprises in Vietnam are directly or indirectly led by the Vietnamese Diasporas, who can actively attract capital for investment in Vietnam, such as the Intel (Mr. Than Trong Phuc, Vietkieu from American), Robert Bosch (Mr. Vo Quang Hue, Vietkieu from Germany), Fujitsu (Mr. Nguyen Tri Dung, Vietkieu from Japan) [3].

Moreover, some of them are working leaders and activists, who play an important role as a bridge between Vietnam and the countries, where they are living. They can represent the interests of lobbying groups in the corridors of power, create advertising image of Vietnamese tradition and Vietnamese tourism product origin.

Great support of Viet kieu is also found in education, training and retraining of personnel in the country and abroad, as well as the transfer of professional and managerial skills in business. Nowadays, Vietnamese government and Viet Kieu try to support of innovation in science and higher education sphere, because “higher education is becoming a decisive factor in the development, transformation and improvement of society, that is allowing the whole country to overstep new innovative technological limits. In other words, education is considered as a main factor of social and economic progress and the ensuring the sustainability of the social system”[4]. For instance, Sydney University opened two faculties, including science and business administration in Ho Chi Minh City. Students of these faculties are taught by professors of Vietnamese origin. In recent years, with the assistance of the Diasporas from developed countries, the annual number of Vietnamese students going abroad to study by scholarships has tripled.

In addition, annually, remittance from Vietnamese living abroad increases, which provides great benefits to Vietnam:

➤ Initially, Viet kieu often sends financial remittances to the families or relatives. Interestingly, the fact that three-quarters of their remittance originating from the USA and Europe is directed toward Ho Chi Minh City. For example, in 2014, Viet kieu sent to Ho Chi Minh City more than five billions US dollars [3]. It can be explained that in South Vietnam there is a large number of Vietnamese who have kept ties with their relatives living abroad. South Vietnamese are more mobile, they often attract foreign capital of their relatives to develop their business.

➤ Furthermore, the remittance of Viet kieu is a valuable source of investment in charity for children, the elders, the poor and in the funds for building churches, temples, schools and so on.

#### *Difficulties of the Vietnamese Diasporas in investment in Vietnam*

In general, these examples show the obvious activities of the Vietnamese Diasporas in the form of direct or indirect economic and humanitarian assistance to their homeland. This is a positive trend and a good sign for the economic development of Vietnam. However, the potential of Viet kieu is not fully exploited now because of the anxiety of Viet kieu for new change of Vietnamese regime and restrictions on investment policies of the government.

Firstly, the anxiety of Viet kieu for new changes of the Vietnamese regime is originated from the history of wars in Vietnam. After the period of the wars, refugees who abandoned the country and fled abroad, were condemned and executed. The relationship between Viet kieu and Vietnam has only been reconnected after the reformation in 1986. Therefore, the act of mistrust creates tension in the dialogue between Viet kieu and Vietnamese in their homeland, and inhibits the flow of their funds to Vietnam.

Secondly, bureaucracy affects the process of project implementation. In some situations, for quick realization, investors should be ready with some exceptions for difficult and bureaucratic approaches. Thus, corruption of public officials is one of the biggest restrictions on investment policies of government and unsolvable challenge of the Vietnamese economy.

### **3. Findings**

The government always plays an important role in making sure that there are favorable policies toward attracting the investment of Viet kieu. Being aware of its role, in recent years, the Vietnamese state has tried to overcome the limitations and to promote the investment of Viet kieu by many different policies:

- From September 2007, the government introduced visa-free policy to entry into Vietnam for Vietnamese Diasporas;

- From November 2008, Viet kieu can save the nationality of countries of residence, obtaining citizenship of Vietnam;

● From June 2009, Viet kieu have received the right to own property and land, to open a business on the basis of the Law on the promotion of domestic investment [5].

In addition, the government has also established many programs to summon Vietnamese living abroad to invest in the country's growth. The program, which is as a bridge between Viet kieu and Vietnamese, is built on the criteria to create maximum conditions for them to participate in building the homeland's development. Vietnamese government has held meetings or talks on the New Year holidays to communicate with Viet kieu to get to know their thoughts and aspiration, returning and contributing their homeland; simultaneously, these activities also recall patriotism and tradition in Viet kieu's hearts.

#### 4. Conclusion

In general, Vietnamese community abroad is young, dynamic, rapidly integrating into the local society and tends to settle permanently in some developed countries. In the last decade, Vietnamese Diasporas have taken a significant leap forward in their contributions to Vietnam's economic growth. They not only have taken part in investment, but have given humanitarian assistance to their homeland. Many of them have returned to their historical country, and became the founders of many branches of science, economy, well-known and successful entrepreneurs. They are the pride of Vietnamese nation and the "lifesaver" of Vietnam's economy. However, Vietnamese Diasporas still face some problems in the way of returning and developing their homeland. Therefore, the government of Vietnam is trying to develop partnership between Viet kieu and domestic Vietnamese, at the same time, promotes their investment in Vietnam's economy. It is not an easy task for the Vietnamese government to implement modernization without creating an intensification of the contradictions between the old and new elites of Vietnam.

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