

PhD Thesis Abstract

Doctoral School of Earth Sciences

Development and Development Cooperation. International Development Cooperation in Vietnam

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I. Introduction

The development in general and the stages of development of a country, a region or any geographical area can only be defined as a multicomponent process which outreaches far beyond the simple economic development. It therefore requires a complex environmental, political, economic and sociogeographical approach. The notion of development also entails a set of political measures which aims at inducing development process in the economic aspect. The expansion of the said policies into the international field of play is the international development cooperation. It is by now truly global, the characteristics and the extent may vary but it incorporates each and every country even those ones that opted for the deliberate isolation.

The roots of the international development cooperation go back to the end of the World War II, to the concept and the implementation of the Marshall Plan. The success of the Marshall Plan contributed to the boom of the development theories and policies which served as ground for the development of the Third World, mainly the decolonized Asian and African countries. At a very early stage, at the start of the development programs it became apparent that the supported countries encountered serious lack of technical knowledge, expertise and human resources which led to the recognition that donor countries not only have to lend the financial support but also deploy foreign experts. Foreign development staff both had to elaborate the development strategies and to implement the concrete programs. Soon it became the basic principle of the international development cooperation that the foreign financial aid can be translated into real development aid only if the transfer of expertise and skills parallel financial support.

During the Cold War era in order to counterbalance the development politics of the USA and its allies, the Soviet Union and the East European countries – also driven by ideology - conducted their own socialist development politics in the Third World for the sake of the governments that chose the socialist way, as it was the case of Vietnam too.

Even today's international development cooperation is not free from ideology. Following the tendencies of the multipolar world order there are many and often contradictory development politics inside the global multi and bilateral donor community. As a general statement it can be said that in spite of the considerable differences between the strategies, objectives and available means of the global donor community their common goal is securing the global political and economic stability and their development activities are mainly directed to that end. *The investigation of the various aspects and dimensions of the international development cooperation is possible on general terms however it is much reasonable to select a well defined geographical area to demonstrate the interaction between donors and recipient.*

The choice for the geographical area was motivated by the fact that unlike many negative examples, Vietnam is considered to be a successful ground for the international development cooperation. It is a model country for efficient aid absorption that undeniably leads to tangible results. Furthermore the Socialist Republic of Vietnam which is a socialist one-party country pursues an independent reform politics which interacts with the development cooperation activities of the donor community.

The main objective of the thesis is to introduce the Socialist Republic of Vietnam with particular attention to describing the current reform process. As the research on Vietnam has been rather neglected during the past 20 years, it is also important to help the Hungarian readers correct their Vietnam-image that is outdated, based both on cliches and prejudice. Until 1989 the Hungarian public could have access only to nature documentaries and fundamentally partial and biased publications praising the socialist regime. The present thesis attempts to fill the gap by describing the recent political and economic development which took place in Vietnam. At the same time we equally mention Vietnam's problems and perspectives in its own region and in the world politics and economics.

By bringing Vietnam into the focus we attempt to prove that the geographical approach of the international development cooperation is both possible and necessary: the analysis of the development of a country or a region cannot be carried out by mere economic figures and indices, cannot be torn out from the institutional, social, cultural and political context. In the course of the investigation we need to recognise that behind the economic development which are those general and area specific values that act as the engine of development. From previous research we know that the development produces conflicts between different values shaped in various geographical areas and cultures.

II. Research background and objectives

- By selecting the most cited authors and theorists first we attempt to give a general overview of different possible approaches to the development issue. For each development theory we try to determine what kind of impact it exercised on the practice of the contemporary international aid activities.
- After the short historical overview of the international development cooperation we sum up its objectives, actors and means putting the focus on clarifying the geographical and spatial features. We make an attempt to evaluate the effectiveness and usefulness of the international development cooperation.
- Afterwards we closely examine Vietnam as a typical target country of the international development cooperation, and we analyse the activities of the donor community present in the country. As a part of it we inquire into the motivations and concrete activities of the major bilateral and multilateral donors.
- Finally we outline the role of the development cooperation within the relations between Hungary and Vietnam highlighting Hungary's development programs in the past and in the present. We evaluate the experiences so far then we try to forecast our future activities on the ground of both our obligations resulting from Hungary's EU membership and the financial realities.
- The most important objective of the thesis is demonstrating the interaction and the parallelism between the development of Vietnam and the international development cooperation occurring in the country. It is particularly important since the source of the development cooperation and thus the Hungarian aid activities is of the state budget. Indirectly our taxpayers provide the least developed countries with development aid. By making the citizens of the donor countries understand that they themselves finance the global development cooperation, they might take more interest in the development issues.

III. Materials and methods

- To determine the elements and content of the development we used the available (but rather scarce) Hungarian and international publications in the field.
- The World Bank and the OECD follow closely the activities of the international donor community. We retrieved statistics and other data from their publications and online services.
- To examine the activities of the donors in Vietnam we used our own empirical research results that were compiled and specifically rearranged. The project data of the donors were downloaded from the development cooperation database (DAD) of the Ministry of Planning and Investment of Vietnam.
- The introduction of Vietnam including the presentation of the reform process, the economic and social progress in the country was based on recent publications as well as government documents. In order to give a well balanced impartial view we also used document of the European Union easily accessible on the internet or from other EU resources.
- As for the chapter dealing with the Hungarian development cooperation we primarily used the interview contents previously made with the experts of the Hungarian-Vietnam relations. Besides we used the experiences that were acquired in Hanoi and the public documents of the Hungarian development cooperation policy.
- To edit the statistical data and make the diagrams we used the Microsoft Excel 2002 program.
- For the cartographical presentation of the data the a Macromedia Fireworks MX 6.0 program was used.

IV. Results

From the middle of the 20th century the economic theorists took growing interest in the research of the conditions and problems of the development. Later on from the early 60's researchers of other social disciplines also joined in the investigation. During the years of decolonization the problem became central, and rival theory lines and schools were established. The early theories had one thing in common: by investigating the causes of underdevelopment the researchers formulated unicomponent theories, which either blamed the international exploitation and the colonization, or the low cultural level of the population, the poor political and economic institutions and the low level of accumulation of wealth in the countries in question. The approach of the researchers went through optimistic and pessimistic stages but basically did not deny the possibility of development.

By tracking the history of the development theories we could observe how they transformed into multicomponent complex approaches through synthetising the results of other disciplines as well. For the researchers it became evident that the stages of development of a country, a region or any geographical area can only be defined as a multicomponent process which outreaches far beyond the simple economic development. It therefore requires a complex spatial approach. *This recognition deeply effected on the notion of the development: it integrated more and more aspects and led to the definition of the sustainable and then to the comprehensive in other words balanced development, the latter we consider the core notion of the present thesis.* Meanwhile we could also observe an entirely opposite scientific reaction too: the complexity of the development itself encouraged certain researchers to deny the definability of the development.

In our analysis we pointed out that the development theories and the practise of aid mutually effected on each other. *The ruling theories and view points of the era had a strong impact on the forms and targets of the foreign aid, and vice versa the empirical (rather bad) experiences of the aid countereffected the theories and modified them.* The interaction between development and foreign aid became a major issue on the multilateral fora, by the end of 1970s both the donor and recipient side solidified. Today the international donor community supports basically the same countries as 30 years ago. The contemporary global development cooperation was formulated through the re-evaluation of the foreign aid on the ground of aid effectiveness. In the framework of the international development cooperation the donor countries and organizations should work together with the developping countries in a way that the support allocated and the accompanying knowledge transfer contribute first to the alleviation of the poverty second it should catalyse those inner processes that lead to a coherent development that can engage the problems accurately.

PICTURE 1: Administrative map of Vietnam



After the approval of the Millennium Development goals we can see the return of some genuine intention among the donor countries to share their resources. However this trend cannot be separately viewed from the recognition that due to the acute development gap in the globalized world economy, the established dependencies and unfavorable structures, the economic and social disintegration and inner elements which hinder development in certain countries the poverty alleviation is not possible without the massive aid support from the developed part of the world. The donors are unceasingly looking for countries where they can encounter good development results, thus breaking the periodically occurring pessimism and scepticism regarding international development cooperation. *The donors are keen on identifying those countries in which the leadership is ready to behave as partners in the course of the elaboration of reform oriented economic policies.* Vietnam belongs to the group of those countries.

We concluded that the Vietnamese reform process which started in 1986 follows a cautious timetable. The objective of the Vietnamese leadership is to switch into the market economy from the socialist planned economy as well as the opening to the world economy without changing the existing political system. In the course of the economic reform Vietnam proved that it does not need an economic shock therapy, it would be too harmful. Instead by evaluating the experiences of the transition of the East and Central European nations Vietnam incorporated some of the elements that considered useful. The major source of inspiration for the reform policy makers however is the Chinese path of reforms. Overall there is a room for the gradual reform process chosen by the Vietnam. In the course of the economic transition we could see the emergence of the double objectives: it was and it is still important for the leadership to increase the welfare of the population and to secure social development to a degree as well as to keep the power and positions of the intermingling party and state leadership.

Maintaining a growing economy is still the basic precondition for the society to stay willing to bear the hard consequences of the reforms. As for the social changes the capitalist class emerged from the apparatus of the party state through the privatisation of the state owned companies and the exploitation of the commonly owned land for private use. Following the Chinese model a generation change is under process, after 2006 a younger technocrat generation of leaders took offices. They do not have any link to the war, did not fight against the USA, their legitimacy was not acquired through their military achievements. Within the political elite we can also witness a shift of power toward the southern part of the country, the political weight of Ho Chi Minh City and the surrounding areas has been steadily increasing.

Our analysis showed that the reform process which was accelerated in 2003 and the external market oriented strategy proved to be successful. From the 1990's only China surpasses Vietnam's high economic growth of over 7% per

year. The World Bank recommends Vietnam as a model country for other developing nations regarding its result in the field of poverty alleviation. In 1993 as much as 59% of the population lived under the official poverty benchmark while by 2000 the ratio decreased to 35% and then again by 2007 to as low as 18%. No other Asian country can boast of such a fast and steady economic and social changes. To be realistic Vietnam is still one of the poorest country of the Asian continent, however taking into other secondary criteria of living conditions into consideration Vietnam left the category of the least developed countries. **Table 1** contains the most important data regarding the country's economic situation in the recent years.

The above fairly optimistic picture had to be readjusted due to the exploration of various problems and sources of tension in the economic and social texture of the country. In the economy one of these tensions is the different space of development of the sectors. Some of them like the IT, services, assembling industry are striving very fast, though many other sectors particularly the agriculture is exclusively based on manpower labour. The confusion over the land ownership and the lack of capital also mean serious obstacles to the improvement. In order to maintain a high economic growth the extensive development should go hand in hand with the intensive development. For the latter Vietnam needs the technology upgrade and new product lines, diversification of the markets, increasing the productivity and lessening the energy and material consumption per product unit. The insufficiency of the electrical energy represents a further considerable obstacle to the dynamic growth and performance of the economy.

TABLE 1: Basic economic figures of Vietnam 2005-2007

Economic index	2005	2006	2007
GDP (at current value)	53 bn USD	60,8 bn USD	71,3 bn USD
GDP growth rate	8,4%	8,17%	8,48%
GDP per capita	640 USD	720 USD	835 USD
Exports	32,23 bn USD	39,6 bn USD	48,6bn USD
Imports	36,88 bn USD	44,4 bn USD	62,7 bn USD
Inflation (official)	8,2%	6,6%	12,6%
Budget deficit in GDP %	4,5%	5%	5%
Hard currency reserves	5 bn USD	11 bn USD	21 bn USD
FDI flow	3,9 bn USD	4,1 bn USD	4,5 bn USD
Jobless rate (urban, estimated)	5,6%	5%	4,6%

Forrás: General Statistical Office of Vietnam (GSO)

The international community first watched only with curiosity the cautious change in Vietnam's external politics and economy initiated by the leadership upon the recognition of the inner limits of the country's economic and social structure as well as a sort of reaction to the international challenges

the country suddenly had to face. The curiosity gradually turned into appreciation around the beginning of the century. From the part of the developed countries the financial support and their active participation in the development projects soon became an important element in shaping Vietnam's modernisation.

Having said that one of the most important aim of the present thesis is to describe the activities of the donor community in Vietnam in the period of 2001-2005. On the presumption that behind any aid activities of the donor countries there is a set of political, economic, security and other motivations our research on the premises aimed at mapping out the motivations of the donor countries. The research showed in deed colourful, complex and overlapping motivations. The majority of the donor community, such as the European Union member states and the so called like minded countries i.e. the USA, Canada, Australia and New Zealand are pursuing a system changing mission in the socialist Vietnam right from the launch of their development cooperation. Particular interests coexist even in the EU member states. Not surprisingly the Asian development cooperation partners, Japan or South Korea themselves have their own particular agenda.

We analysed the flow of development aid to Vietnam from various aspects, like the ratio of commitment and realised aid (Table 2) as well as the composition of the total ODA commitment (ODA=Official Development Assistance) consisting of grants and preferential loans (Picture 2). We saw that in the examined period both the commitment and the realised aid increased continuously, the ratio of realised aid improved between 2001-2003, however by 2005 it dropped again to the level in 2001. The total ODA commitment surpassed the amount of USD 3 bn in 2005 for the first time. During the 5 year period the preferential loans dominated the ODA flow, the grant element amounted only to 27% within the total ODA.

TABLE 2: Grants and preferential loans to Vietnam during 2001-2005.

Type of aid	Commitment / million USD				
	2001	2002	2003	2004	2005
Grant	462	463	571	607	583
Preferential loan	1 608	1 650	1 873	1 957	2 418
Total	2 070	2 113	2 444	2 564	3 001

Edited on the basis of the MPI DAD database

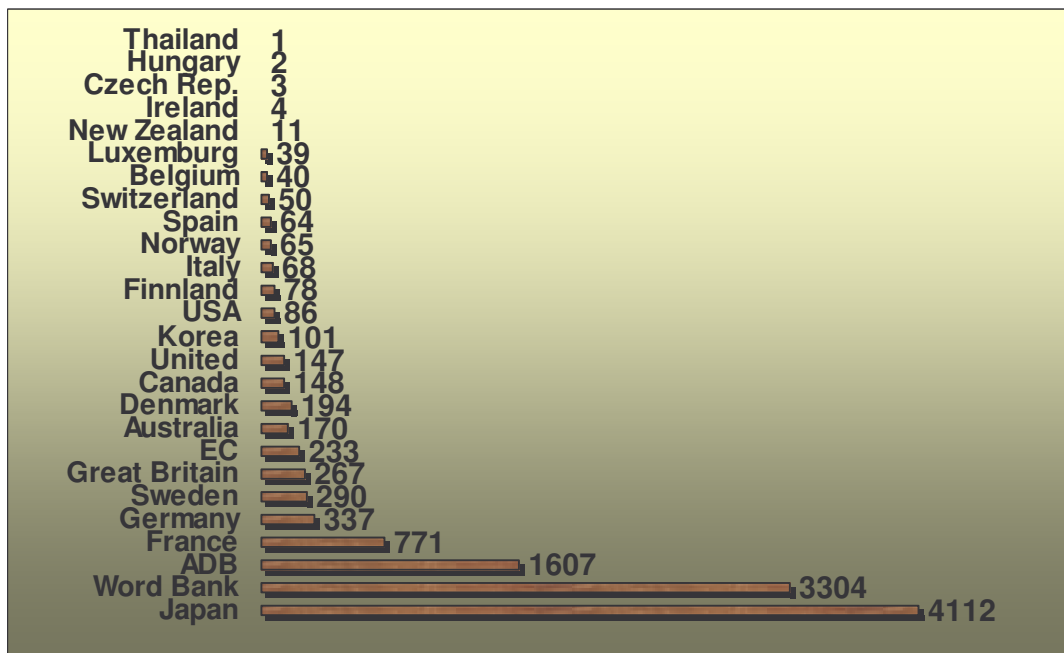
PICTURE 2: Commitment and realised aid to Vietnam 2001-2005 /million USD/



Edited on the basis of MPI DAD database

The investigation showed (**Picture 3**) that Japan – with USD 4,1 bn – was on the top of the bilateral commitment list in the period of 2001-2005. Japan was followed by France (USD 771 million), Germany (USD 337 million), Sweden (USD 290 million), United Kingdom (USD 267 million) and Australia (USD 170 million).

PICTURE 3 : Donorszörögok/szervezetek felajánlásai Vietnammak 2001-2005 között /millió USD/



Saját szerkesztés a vietnami MPI DAD adatbázis adatainak felhasználásával

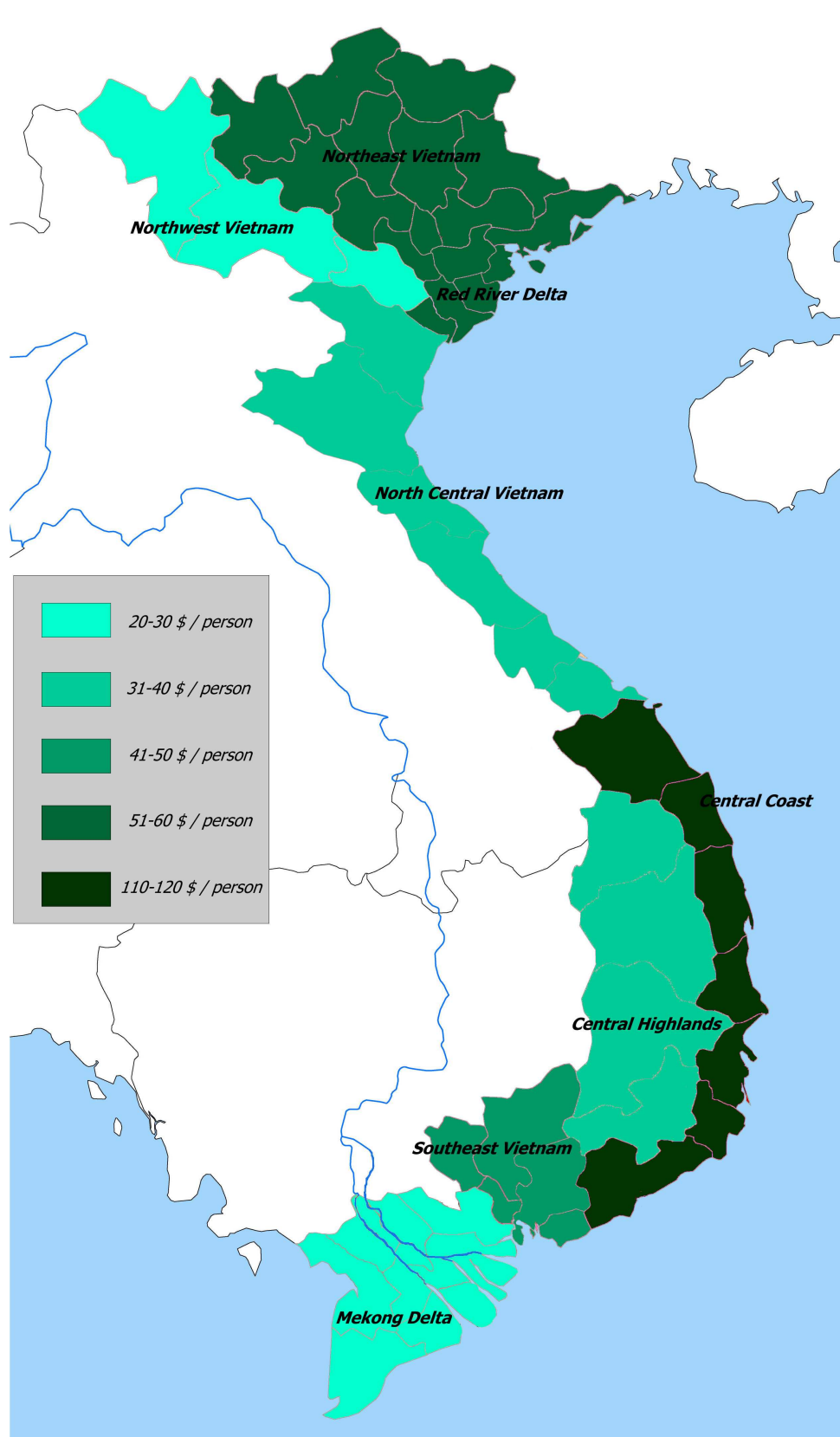
In the sectoral comparison the data well demonstrated that in the examined period the donors allocated most of their aid to the development of the transport (USD 2 bn) and the energetical infrastructure (USD 1 bn). This basically coincides with the intentions of the Vietnamese government encouraging the donors to invest in the infrastructure being the ground for the economic growth. The improvement of the transport network enables the movement of the labour and the products which is the precondition of the smooth functioning of the economy. The importance of the energetical investments highlights the fact that it is the energy insufficiency that may hinder the further economic development.

The projects in the field of social progress focused mainly on the education (USD 456 million), healthcare (USD 329 million) and the population policies (USD 150 million). Interestingly the analyses of the yearly data also showed that the aid allocated to address the social problems increased at a much slower pace than those allocated to the economic development.

It was also concluded that during the period of 2001-2005 projects assisting market economy transition were specially in the focus of the donors. That was the time when Vietnam's preparation to the WTO accession was the most intensive and among others the USA-Vietnam trade agreement was signed also at that time. The private economy started to boost, thousands of entrepreneurs established their own businesses urging the government to realise the importance of the support to the private sector. The donors allocated more than USD 740 million of assistance in this field which represents around 8% of the total cumulated amount in the period.

The starting point for the investigation of the regional distribution of the development aid was that the declared goal of the donors was to strongly support the least developed areas. One of the conditions of the inner stability of the country is the evenly spread development in order to avoid the sharpening of conflicts among the regions. The data showed however that there are considerable differences between the regions in terms of total nominal amount and the per capita figures of development aid. (*picture 4.*). Regarding the latter we could observe fivefold difference between the Central Coast (USD 112 p.capita) and Northwest Vietnam (USD 22 p.capita). This fact can be explained by the weak aid absorption capacities of the poor regions (Northwest Vietnam, Central Highlands) and therefore we can conclude that a special attention should be directed towards them otherwise their development gap worsens.

PICTURE 4: Per capita ODA in the regions of Vietnam (2001-2005, USD)

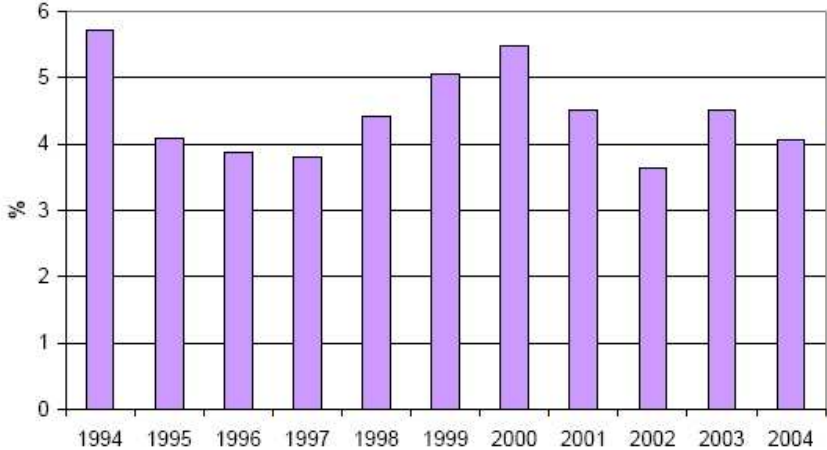


Edited on the basis of MPI DAD database

By taking Vietnam as an example the thesis made an attempt to prove that the national development strategies and the development cooperation can be in synergy. The government makes full use of the development aid to maintain the high economic growth besides the poverty alleviation program and the vast infrastructure investments. The worldwide recognition of the performance of the Vietnamese economy and the fact that the country is not aid dependent contributed to the strong bargaining positions of the government vis-a-vis the donor community.

In spite of Vietnam’s status as a large ODA recipient country the proportion of the development aid as percentage of the GNI is low (picture 5) thanks to the enviable performance of the economy. The total amount of realised ODA is comparable to or even lower than the country’s tourism revenues or the total yearly remittance of the Vietnamese overseas residents. Stepping into the 21th century Vietnam cannot be considered as an aid dependent country, for the government the foreign aid serves as an outside source to development projects.

PICTURE 5 ODA portion in the Vietnamese GNI % (1994-2004)



Source: OECD statistics

Within the present thesis we also made an attempt to present the Hungary-Vietnam relations particularly highlighting the role of the development cooperation. The two countries have built up a dynamic and modern relationship, which can be also partly attributed to the fact that the development cooperation - unlike in relations with other countries - became an integral part of the bilateral relationship in the lapse of the last few years. Hungary’s development cooperation in Vietnam can be divided into two distinct stages. The first one took place as a socialist cooperation and mainly took two forms, first the infrastructural and industrial projects, second the knowledge transfer by granting scholarship to hundreds of Vietnamese students and dispatching Hungarian experts to Vietnam to plan and implement projects there. The second stage is related to Hungary’s EU accession and as an obligation undertaken by Hungary

in the accession treaty Hungary launched her international development cooperation in the modern sense.

In the bilateral development cooperation the professional training programs and study tours play a central role with the aim to hand over knowledge on transition management and institutional changes designed to provide the most appropriate information for the Vietnamese counterpart institutions. Beside that few smaller agricultural projects were also implemented. For the time being the available development aid budget is quite low. Though Hungary's yearly commitment does not exceed USD 400-500 thousand, in the long term we can expect a considerable increase. The international experiences show us that programs implemented in the framework of the development cooperation have a multiplier effect and they induce the interest and the participation of the private sector which in turn leads to the intensification of the bilateral economic cooperation. From the political point of view our Vietnamese presence and stepping up as a donor country contributes to a better image and in the practice it can facilitate better market positions for the Hungarian companies.

As a consequence of the very low development aid budget the most important task is to use the budget in the most efficient way. In our opinion we should focus on the education and to train Vietnamese students in Hungary. With regard to the fact that the experts who were trained in Hungary over the previous decades approach to the end of their professional career and thus leave their high offices and positions respectively in the government and in the private sector, it is in our interest to reproduce the young group of experts who represent a human capital between our two countries. If we fail to do so then as the current tendencies are showing us already those former Vietnamese scholarship students who had a link with Hungary are fast replaced by others trained in other mostly English speaking foreign countries. As in the past, the scholarship programs financed from the development aid budget can again play an important role despite the fact that it cannot be turned into immediate and direct economic advantage.

The thesis has also some weak points of which the author is well aware. Due to the subject and the professional background of the author the thesis is rather descriptive and takes a practical approach. The examined period appears too far in the past but due to the particular statistical, planning and programming systems of Vietnam the appropriate and processed data were available only for that period in question. On the other hand the author had the possibility to conduct first hand research during that time. Owing to the fact that the international development cooperation is documented with ever expanding huge databases we could not undertake either a more detailed analysis nor the detailed presentation of each country's activity. We deliberately chose to provide a broader picture where the focus was put on the presentation of the overall process rather than data dumping.

V. Further research possibilities, usefulness of the results

- Further research is suggested for the period of 2005-2010. The cumulated data may allow us to describe Vietnam's changes and the progress of the reforms over a decade.
- Following similar lines a comparative research could be conducted in the region in order to compare Vietnam's development cooperation with other countries in the region or in Asia.
- The description of Vietnam's recent reform process may serve as a reference material for both regional experts and businessmen alike taking interest in expanding their research or business activities in the country.
- In the Hungarian scientific circles the present thesis might raise interest towards Vietnam, thus an exchange of opinions may start in order to improve the Hungary-Vietnam relations.
- The thesis may draw attention to the international development cooperation and to the importance of the strategical thinking in this field. We hope that despite all of the negative aspects of the development cooperation the thesis contributes to its better social acceptance while inspiring new ideas to the Hungarian development cooperation policy makers and implementing agencies as well.

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