The New Vietnam

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By Terry Weidner, Director of the Maureen and Mike Mansfield Center

I’ve just returned from my third and by far most comprehensive visit to Vietnam and thought I’d share some thoughts, particularly for those of you who are geezers like me, and may know Vietnam more as a war than as a country. I should stress that I am not a Vietnam specialist. But, thanks in part to access I gained by accompanying members of the Board of the Maureen and Mike Mansfield Foundation, I’ve benefited from embassy and consular briefings and surprisingly frank meetings with Vietnamese government officials, as well as conversations with colleagues at partner universities and Vietnam-based NGOs. Having also studied China for—oh my god, 40 years—I think I’m starting to get a feel for the Confucian/Socialist/emerging market economy to its south.

One thing is clear, if not all that surprising: this is not the Vietnam with which we fought so bitterly in the 1960s and 70s. It has not only moved on from the physical destruction of war—which included 2m dead. It seems also to have moved on emotionally. Virtually all of us who travel to Vietnam as Americans, I think go—maybe out of guilt—expecting some sort of residual bitterness: hidden looks or a politeness that seems a bit forced. But, unbelievably, it doesn’t seem to exist. The past is past, Vietnamese say, and note that the American war, as they call it, was for them but a short interlude in a much longer history of colonization and conflict.

The ability to forgive and forget may have another source as well: an astonishing 60% of Vietnam’s population was born after 1975. This is a very young country. But whatever the reason, the slate seems clean: a recent poll shows about 88% of all Vietnamese having a positive view of the U.S.
And interestingly, many Vietnamese view us, not formerly socialist state and economic whiz kid China, as their primary economic model. There is just too much bad history between the China and Vietnam. Like many other countries in East and SE Asia, Vietnam also seems to be looking for a hedge against what it perceives as China’s new aggressiveness in the South China Sea.

But Vietnam would certainly like to replicate China’s very rapid economic transformation, and it has in fact been in the midst of its own opening up and market reform—called the Doi Moi policy—since 1986. Whether Vietnam can become a “baby China,” though, is open to question. By its own admission, it remains a very poor country and has a long road to travel. Despite very impressive gains in the alleviation of poverty, for example, Vietnam’s per capita income, at about $1100, still trails places like Lesotho and Sri Lanka.

Moreover, although Vietnam’s poor are becoming less poor, the gap between them and those better off is growing as the nation moves toward a market system. While there is remarkable building in Vietnam’s largest cities, for example, where an emerging young middle class swarms around on motor scooters like so bees, many parts of the countryside seem little changed from a century ago. And despite huge recent increases in government investment, there are still huge problems of infrastructure. The shortage of electricity is a particular concern, with rolling brown outs affecting even high priority development zones desperate to attract foreign direct investment. During a visit to a national trade and investment promotion office last week, we were thrown into darkness no less than three times during a half hour discussion. Vietnamese officials have made power production a priority and talked optimistically about plans to develop nuclear energy and off-shore oil fields. We cringed, but were too polite to bring up the gulf coast and British Petroleum.
Vietnam is also still struggling with the after-effects of socialist central planning. For example, the most nimble and market-oriented of Vietnam’s enterprises, which are leading the country’s economic growth and logically should be strongly supported, are instead being starved because the nation’s state-owned banks still prefer to lend to state owned enterprises. The latter still get two-thirds of all credit, though they are woefully inefficient. The misallocation of resources has helped to produce massive economic inefficiency: because of the state owned enterprise dilemma, the continued dominance of rural agriculture, and burgeoning corruption, the government in Vietnam actually gets less than a dollar’s production for each dollar it invests – an abysmal record by almost any standard.

Finally, education remains a key issue as Vietnam pursues its modernization. In part because of a Confucian heritage that values education, Vietnam has done well in keeping kids in school through the eighth grade. The literacy rate thus hovers at about 90%. But Vietnam faces enormous challenges in its efforts to improve post-secondary education. How bad is it? Intel, which is in the process of investing $1.2 b in chip set and mobile computing production in Vietnam, recently tried to hire 700 Vietnamese engineers. It was only able to find 70 that were deemed qualified.

Admittedly, all this sounds very doom and gloom. But I think only a fool would sell short on Vietnam.

Despite all these problems and an export customer base that is wallowing in a global recession, Vietnam should achieve 5.5% GDP growth this year. And objectively the future looks bright.

Because of the youthful nature of Vietnam’s population, for example, there is an undisputable energy in the country. Its people are astonishingly hard working, entrepreneurial, and optimistic. This
has not been lost on Japanese, U.S., and other foreign investors, who are also well aware that Vietnamese labor costs are only 60% of those in China. Foreign direct investment is thus on the rise.

I think Vietnam is also beginning to do what it must to succeed. Thus, as Vietnam has moved to address its huge energy and infrastructure concerns, it has also committed itself to a dramatic expansion and improvement of post-secondary education. The University of Montana has been part of that effort, working with a handful of other U.S. institutions on a State Department-sponsored educational task force advising the Vietnamese government, with the primary goal the creation of four new western-style universities. Vietnam has also launched an effort to bring its best young university faculty up to snuff. The Mansfield Center and UM will be involved here as well, as we will be one of only 4 US universities that offer graduate training for Vietnamese university faculty from the vital Mekong Delta region. We’re also training bright young Vietnamese undergraduates in environmental studies as part of a three year program funded by the U.S. Department of State.

Ultimately, I think I’m optimistic about Vietnam because China faced --and largely overcame --all the same problems as Vietnam. And Vietnam is more manageable to govern and appears more nimble than China. Vietnam also seems to be turning real decision making over to a new generation of energetic, young, and well educated leaders, a large number of whom seem prepared to embrace the opportunity to work with the U.S. on the challenges ahead. As someone who came of age during the Vietnam War era, I’m personally happy that I and UM are involved in what I perceive as a mutually beneficial effort to do that.

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