



ORSAM

ORTADOĐU STRATEJİK ARAŐTIRMALAR MERKEZİ

**THE FULL TEXT OF
IAMES-ORSAM DELEGATIONS
MEETING AT ORSAM
ON 12 JULY 2010**

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Hasan Kanbolat: We thank you all for visiting us in ORSAM. We sincerely wish that this is the first meeting of a series, we seriously intend to continue it in the future. The Vietnam Ambassador to Turkey wanted this meeting to be in a workshop format. We hope that in the future we will have conferences with a broad-based participation. From now on we want to get together with you in meetings in Ankara, İstanbul or Vietnam.

ORSAM was founded two years ago. We mostly focus on the Middle East but we also are interested in Eurasia. We focus specifically in Iraq in the Middle East. In a few months we will establish an office in Baghdad, Iraq. We wish that our office in Baghdad will be a meeting place for intellectuals from both Turkey and the rest of the world, such as you. Because of that, you are all welcome at our Baghdad office as well. We will help you as much as we can.

This is our monthly periodical Middle Eastern Analysis journal. In the articles we discuss the problems in the Middle Eastern agenda. It is published in Turkish. And this is our biannual academic journal, Middle Eastern Studies. We publish the articles in Middle Eastern Studies in Turkish, Arabic and English. We also publish reports. For example this is our report on Turkish-Russian relations. And this is our report on Lebanon. We use Turkish, Arabic, Russian and English in our reports.

In Turkey, Vietnam is known and respected by most of the people. For the reason that Vietnam has a glorious history of resistance, it's respected in Turkey. Therefore we are excited to have a delegation from Vietnam visiting us. For this we thank you again. If you want, before we start the meeting my colleagues shall introduce themselves. We would like to get to know you as well and then we can start the meeting. Let's continue till noon and have lunch then.

Kürşad Turan: I'm Kürşad Turan. I'm Middle East Consultant here and also an assistant professor in Gazi University.

Serhat Erkmen: I'm also an assistant professor to Ahi Evran University and advisor to ORSAM in Iraqi Affairs

Oytun Orhan: My name is Oytun Orhan, I'm a researcher in ORSAM and I study Syria and Lebanon issues mostly.

Sercan Doğan: I'm Sercan Doğan. I'm an assistant researcher at ORSAM. I'm doing my graduate study at Bilkent University.

Ogün Duru: My name is Ogün Duru. I'm the managing editor at ORSAM.

Prof. Do Duc Dinh: Thank you Professor Hasan Kanbolat. We are very glad to be here with you. We come from the Institute of Africa and Middle East Studies. We have studied a

number of projects in the Middle East. We did not have much time visiting Middle East, so far we have visited three countries, tried to set up cooperation. Last year we signed a MoU with the Gulf Center. We plan to organize a seminar this year in Vietnam on Middle East in October. In that case we try to look forward to develop collaboration with different research institutes, universities in Middle East. This time we already proposed to the embassy to visit your institute here. And this is a very good chance for us to visit your country.

We have a small presentation on the Vietnamese economy. Then we may discuss cooperation; whether it could be possible for us. You may have some people to visit Vietnam in October. We invite you to come to Vietnam to join us. We start with a small seminar. If you have the time to join, before or after the seminar, we may discuss about the way to start cooperation for research projects, seminars between our two institutes in the future. We may sign MoUs for future cooperation. We may exchange scholars. We may have some people to do research on Turkey and the Middle East and if you have some people to do research on Vietnam, Asia or Southeast Asia. We may organize exchange programs between the two institutes. This may be the beginning of a future cooperation.

Let me introduce my colleagues. We have Ms. Hue as our Assistant of Foreign Affairs. We have here Mr. Duong, who is coming from the Ministry of Science and Technologies. We have Ms. Hien, coming from my research institute; she's working on politics issues. We have Ms. Loi here as the deputy chief of our administration office. We have Ms. Hoa as the director of a company on private education. And we have Ms. Phuong, working on Middle East studies. We have Mr. Tung as the First Secretary of Vietnam Embassy to Turkey. Now I have a presentation and then we have a discussion about cooperation.

We prepared paper on Vietnam's economic renovation. In Vietnam we have this term not similar to any country. In China they call it reform; in India they call it reform or liberalization. In Vietnam we use the term renovation. It means that we wanted to develop the whole system. We found that the old system did not work well we wanted new changes in the system. That's why we call it renovation.

You see we had ten years from 1975 to 1986. We follow the old planning economy under the Soviet system. 1975 was the year that we liberated the country. In 1976 the whole country was reunified. Before that we had the North Vietnam following the Soviet system and the South Vietnam following the American system, market economy. From 1976 to 1986, we turned the whole country to planned economy. Within this system we had several basic features like the state and collective ownership. We followed the equilibrium redistribution system. We wasted too much of the aid we received from the Soviet Union and other socialist countries. At that time we relied too much on aid that we did not develop much trade and investment. After ten years the economy was turning into an isolated economy without much production, without development and too much relying on the Soviet aid. And this situation led us to a serious social and economic crisis. During those years the aim of our policies was economic growth but the growth rate was very low, just about 3-4 percent. The inflation went up very high. We are lucky that we do not have inflation of million percents like Zimbabwe but our inflation was about 700-800 percent per year. When you had some money in the beginning of the year,

you could not buy anything with that money at the end of the year. So the situation turned out to be very tough for the working people. The GDP per capita after the war was just about a hundred US dollars. The economy was like the Tanzanian economy or some African economy. The poverty was very high. The seventy percent of the population was below the poverty line. At that time some people said that the Vietnamese economy was a shortage economy. We had big shortage of food, shortage of consumer goods; most of the essential goods necessary for the people were in shortage. Every year we had to import one million tons of food, including wheat from Russia and food from other countries. The economy was so poor that we had to base the economy on ration system. Everybody had rations of just 4 square meters of cloth, 500 grams of sugar and 350 grams of meat person. This is the situation that pressed us to reform. At that time we had strong debate among the policy makers, among the scholars and among the people. If we change what way the change will be? Many people at that time think that we follow the socialist economic system we must comply to the planning system. Some people said that the plan system was not working. We need to move to the market economy. Up to 1986 we come to the final decision that we have to change. And at this time people said that if we change we need reform. The reform way was not in consensus. We did not want to use the word liberalization. India used the word liberalization. We decided to call it renovation. With the term renovation, you see that we have the basic changes like before 1986 we still used the socialist economy, and after that we used the term multi-sector commodity economy. Many people questioned that what the commodity economy is, because normally we had the commodity market. But the commodity economy is a new concept, only Vietnamese. But in the case of Vietnam we did not want to use the term market economy yet, so we use the commodity economy. The second was that we used the multi sector because before that we only used the state sector. The socialist economy means the government sector, the public sector. So, in the multi sector, we accept the private sector. In the private sector we accept the Vietnamese private sector and foreign sector, which means that we accept foreign investment. Then, after five years we continued to change and came to the market mechanism. At this time some people said that we move to the market economy. Many people did not accept the market economy because we were afraid. When we said the commodity economy, it was ok. We had an economy in shortage of commodities. So we went to move to the commodity economy. But if you want talk about the capital market, if you want to talk about the labor market, in the mind of the Vietnamese people at that time, we did not accept, because under the old socialist economy, the capital market and the labor market means exploitation. That's why people were afraid. So we used the market mechanism and we learned the way of the market economy but we did not accept some of the markets like the labor market, like the capital market. So the concept changed. And we are continuing after five years we are changing to a new concept. Now we accept the market economy but we are still afraid of the free market economy concept. That's why we use the concept socialist-oriented market economy. Still some new concept is under debate given the coming congress of the Vietnamese Communist Party. With these four basic changes in the economy, the thinking of the people changed. The first of the most important changes is the change in the ownership. Before 1985, one hundred percent of the ownership was under the government. But now the state ownership is less than forty percent. The foreign investments take about the fifteen percent of the ownership. The private ownership is about forty six percent.

Now you see that the changes in the economy are more realistic and less doctrinaire. We tried to even the socialist principles to suit the conditions of the country. We adopted some short term and long term programs for the economy. For the short term program we set up some inflation control programs. Before the renovation, the inflation was about 700-800 percent. In 2007 the inflation was less than ten percent. Last year the inflation was 8 percent. We also worked on the development of agriculture and rural areas. This helped very much in especially the production of food. Now we have become the second largest rice exporter in the world. Last year Vietnam was after Thailand in rice exports. In a few years time, maybe, Vietnam will be the number one in rice exports. So this is the program of agricultural and rural development. This is a very important program in the short term. The third short term program is the processing of agricultural products. You see, we export coffee to the United States, we export coffee beans. We have only five percent cuts. When we export processed coffee the cuts were eight five percent. we were only able to export beans. We normalized relations with the United States, we were able to compete and export processed coffee to the US. Now Vietnam is the second largest coffee exporter and the second largest rice exporter. These programs are very good for progress. The fourth program was the increasing production of consumer goods and exports. We lacked most of the consumer goods including clothing, food and most of the essential goods. With this program of consumer goods we now have more than ten products exported over one billion US dollars. The fifth program was the change of the foreign exchange supply and demand. In the planned economy we had a lot of control system. We set up different exchange rates for different activities. If you export you had a certain rate, and when you import you have a different rate. There were four or five different rates. Now the exchange rate is based on the market system. There are no different rates. Those are the short term programs that we are trying to work on the toughest problems of the time like the lack of food, the lack of essential goods, foreign currency. These programs worked on the very serious problems of the time. Along with the short term programs we have long term programs. We had ten years programs called Comprehensive socio-economic development strategies, from 1991 to 2000 and from 2001-2010. And now we are working on 2011-2020 programs. One of the very ambitious themes of the programs is that we are working to make the Vietnamese economy basically industrialized and modernized. These are the two main long term programs. With these change of the thinking and change of the basic policies, we made some gains in the economy. First of all, the GDP growth up to now we have the average growth from 7 to 8 percent per year. Some years we get 8 percent, some years we get 9 percent. During the Asian Financial Crisis in 1997 and 1998 and the second long crisis 2007 and 2008 the growth rate dropped to 5 percent. But the average is from 7 to 8 percent in whole two and a half decade. This year we plan to have a growth rate of 6.5 percent in 2010. This is a very difficult target, but we try to get it. With this growth rate, we doubled the GDP every ten years. The GDP per capita raised ten times from one hundred US dollars in 1986 to more than one thousand US dollars in 2008. So this is the picture of the economy. The savings is also growing. In the beginning of the renovation reform, the savings in the economy was just eleven percent, today it is coming nearly to forty percent. And the high rate of savings is one of the most important dynamics for the economic growth. And in the GDP growth we also have the change in the sectorial structure. With this structure you see the the agriculture was seventy percent, now it is just seventeen percent. And the industry is growing

to forty two percent. And services is coming nearly to forty percent. So this is the change in the structure of the economy.

In economics theory people talk about the gradual approach. So in the case of Vietnam we use the gradual approach. You see that from the beginning of the opening of the economy, we first decided to join the Southeast Asian Nations Association (ASEAN). And then we joined APEC countries, the Asia-Pacific Economic Conference. And then we lifted the US embargoe and we normalized the relations with the United States. Most recently, in 2007, we became a full member of the WTO. So with these steps, the Vietnamese economy is now marching with the world market economy. You can see, before that we did not use the word, market, but now we use the word, market. In WTO, non-market economy is not accepted. Now we are a member of the WTO, and from the time of the WTO membership, the economy has become more open and much more dynamic. With this you see that we increased the growth of trade is already over a hundred percent of the GDP growth. And before the renovation in 1986, Vietnamese export was less than half a million US dollars. Now it is more than hundred million dollars. It increased from less than half a million dollars to more than a hundred million dollars, two hundred times increase. This is a big change of the isolated economy. Then, we already hear about the figure of nine commodities, but up to now we have more than ten commodities with each one over one million US dollars. So this makes the economy more competitive. Foreign investment increased about twenty million US dollars. It is very low compared to the Turkish economy. Foreign investment is about over a hundred million US dollars. But in Vietnam it is also moving fast. We had every year five to six million US dollars. This is a big contribution the the development of the country. Besides the trade and foreign investment, we have the Vietnamese remittance. Vietnam has three million Vietnamese people living in different countries, like the United States, Australia, France and some other countries. Each year they send back some five million US dollars so that it contributed to the investment in the country. We also started to increase stocks, not only in the domestic market but we also sell stocks in the international markets, in New York and in some other foreign stock markets. About the political and social development up to now, you see that development changed the political and social system, which have also been stabilized. Up to now, you can see that Vietnam has organized several regional summits, like the summit of the APEC. Vietnam was a non-permanent member of the UN Security Council then this year Vietnamese will chair the ASEAN activities for the whole year. We also held the ASEAN summit in Vietnam. All of these activities mean that stabilization of the country has contributed to the economic growth.

About social issues, one of the achievements in the social field is the quick reduction of the poverty in Vietnam. Vietnam is one of the few countries that realize few targets of the UNDP Millenium Goals. This is a big change, considering some countries of similar GDP per capita like some African countries or India, which has a higher poverty level than Vietnam. So this is a big change in the social development of Vietnam. About our education, you see that, we also have big efforts in making a change, now over 90 percent of the population has been under literacy, that is they know how to write and read. The number of universities and schools have increased. About the healthcare, you see that, the health system has also

improved a lot. I was in Tanzania and wrote a paper on comparing the Tanzanian economy and the Vietnamese economy. And I found that during the 1960s, in Vietnam the life span was about fifty, in Tanzania, it was also fifty. But today, in Tanzania, the life span is forty eight, in Vietnam the life span increased to seventy. This means that the healthcare system is good. People live longer.

During these development, we faced a lot of problems. Even though the general development is good we sometimes face problems. You see that, up to now we face three big crisis. The largest and the longest was from 1975 to 1985. After the country was unifies and we won the victory in 1975, for ten years the economy was in crisis. And then in 1997 and 1998, the Vietnamese economy was faced with the Asian Crisis. And then from 2007-2009, we also faced the same crisis as the world crisis. These are the crises we face. Among those crisis, we find some of the problems we solved return and become seriour again, like inflation becoming high, the growth rate becoming low, some of the companies turn out to be bankrupt, unemployment starts, sharp reduction in foreign trade and investment and some serious recession. And we found out problems in supply and demand of domestic currency and foreign currency, investment, especially wrong investment in state owned enterprises. We tried to make some solution like we turn out money supply and demand resting on market principles. We try to follow the market rules. We make some economic incentives based on baskets. We increase the social securities. You see that, up to now, though the economy has changed a lot, we face several big problems. Though Vietnam has now lifted out of least-developed countries. You see that, from 2007, the country's GDP per capita of one thousand dollars was coming close to middle income countries. Vietnam is now at the beginning of the first layer of middle income countries. But one thousand dollars GDP per capita is still very low. The growth rate is high but the quality of the growth rate is not high, because we have a gap between the rich and the poor, between rural and urban areas. Then we have low competitiveness, even though we have some good exports. But the competitiveness is still low. And seventy percent of these products are exported raw, not as processed or complete manufactured products. Unemployment is still high, about ten percent. Then we have a problem with the labor. So far the most achievement that we made was based on the non-skilled labor. So we still have problems about skilled labor. We still have a poor infrastructure. Stock and labor market in Vietnam is still fluctuating. The environment is another problem. We face some destruvtion of the forests, rivers, cities. We also face negative impacts of globalization. Even we are a member of the WTO, we are facing dampings, problems from the United States, the EU. They try to use the damping problem in the case of Vietnam. Some other social problems are AIDS, drug use, prostitution. Some say that those problems are about the market economy, others say it is about our management.

We are now looking to the future. I think that we have completed the first stage of renovation from 1986 up to now. The economy has been able to be lifted out of the least developed economy, and we are now at the first layer of middle income economy. So from this time on, we are coming to the second stage and we try to move on. Here in the country we have several objectives. The first and the foremost objective set by the government is that we try to bring Vietnam to be a country basically industiralized by the year 2020. In my view, this is

rather optimistic. The labor force is still mostly based on agriculture. What we think is we can continue the reform and bring it up, we try to work on liberalization, making the market working more for the economy, and we try to adopt the policy of democratization. We need to adopt a strategy using dynamic comparative advantage. Recently I just wrote a paper on this. Then, even though the agriculture sector is working rather well up to now, we need to have a second revolution, where the marketing of the agricultural products have to move on. And also bio-products is necessary for the economy.

From here, you see that we have looked at some key areas that led us in the reform. The first step is the changing of the thinking of the people. Now in the country, we see fewer people following the old doctrine. People are now less doctrinaire, more realistic. They are more practical than in the past. The second is that the economy has already been turned to be almost a market economy even though some countries do not recognize the Vietnamese economy as a market economy. But a number of countries have already recognized Vietnamese economy as a market economy. The reform of the government administration is also bad. Now we reduce a lot of roles that control economic activities. And the international collaboration also has been changed. We integrated into the regional groups like the ASEAN countries, the APEC countries, the WTO, we normalized relations with some big economies like the United States economy, the Japanese economy, the EU economy. These are the key issues that help the economy grow.

I think that I may sum up some basic features of the economy in the last two and a half decades. The first is that we try to move on comprehensive development based on not just economic growth but also on social development. Recently we face problems in the environment. So we think that the new concept in Vietnam that the people are talking about is sustainable development. The second is that we try to combine the economic growth with social progress. We try to reduce poverty, reduce the gaps between the rich and the poor. Another issue is that in Vietnam, even though the economy is poor, we give high priority for the human resource development. That's one of the factors that helped the economy's growth. We also have high priority for poverty reduction. Those are the main things that, in my view, we have done to change the country. I finish my presentation. Thank you.

If you have some questions about Vietnam, we can try to answer and we may discuss about the cooperation between our institutes.

Oytun Orhan: First of all, I would like to thank you very much for your detailed presentation about Vietnam economy. Vietnam is not a well-known country, personally for myself, as Vietnam is far from Turkey. It was very useful for me personally. If I understood correctly it is like the Chinese model, which was hotly debated in previous years. You know, that is while preserving the political structure, opening the economic structure of the country. Am I right? Is Vietnam's model similar to the Chinese model? Are there any similarities and differences?

My second question is that you told that the exports of Vietnam have increased, I just want to learn where these exports are directed to. Your neighboring countries, or do you have exports to the Middle East. I just want to learn about Vietnam's interest in the Middle East. That is because, from your letter as a program called "Cooperation between Vietnam and Middle

Eastern Countries". I think there is something in Vietnam's interest in the Middle East. Do you have exports or whatever it is?

My last question is about Turkey and Vietnam relations. Do you have any information. Actually I don't have. His excellency Mr. Ambassador gave us some information about Turkey-Vietnam economic relations what is the situation in that field? You know, also in Turkey there is an opening process, especially for the previous ten years, based on exports and Turkey is also opening up to her close region, but also Africa, Far East and Southeast Asian countries. Thank you very much.

Prof. Do Duc Dinh: the first is about the model. I think that if you look of the general development model, Vietnam's and China's reform is similar. If you look further to India, it is the same. India was a half-planned economy and half-market economy. But it was a closed economy. Now they changed and reformed in 1991. Their economy was liberalized and internationally integrated. China changed in 1978. They started the reform in 1978, and they call reform and opening. India says liberalization, China says reform and opening and in Vietnam we say renovation. If you look at the similar cases, they are moving in the same direction that from central planning toward markets. So, the same way begins with China and Vietnam that are more or less coming from a socialist economy toward a market economy. In Vietnam and in China, we do not say that we walk on the capitalist economy but we say that market economy, a general model. But different country has different way of moving. For example, in China they work much more on manufacturing. They import foreign industry on manufacturing, they process the products, they export the manufactured goods. So you can see in Turkey there is a lot of Chinese products. But in Vietnam the manufacturing sector is not as developed as in China. And also another issue is that the Indian economy is much more developed in the software sector, especially in telecommunication sector. But the Vietnamese economy is more developed in the agriculture sector. So, you see that, most of the main products of our exports so far are in the agricultural sector, like fish, rice, coffee, rubber. Most of the products are in the agricultural sector. You see that general model is something of a similar, but concrete activities of the countries differ. Vietnam is more on agriculture, China is more on manufacturing sector, India is more with the software sector. If you look at the Chinese economy, at the beginning of the reform, Vietnam was ahead of China in the exchange system. But in the economy of coastal zones China was ahead of India. It depends on the country.

The second question is about exports. You see, most of the Vietnamese exports are in agriculture. We export to different markets. Our largest market for rice exports is the African countries, some Southeast Asian countries, and also China. Our main market for coffee is the United States. As I have mentioned, before the normalization of relations, our manufactured coffee was charged with eighty five percent of the taxes. So, we were able to export only coffee beans with five percent of the taxes. After we normalized relations with the United States, the manufactured coffee was reduced to five percent of the taxes. So now the United States is our largest market for coffee. Our markets for coffee is the United States, Europe, Japan and developed countries. Rice is mainly for developing countries. We also have fish. The export markets for fish is the United States, Japan and the EU. Especially in recent months,

because of the oil in Mexico Gulf, the United States started to find new markets to replace markets around Mexico. So, the Vietnamese fish is going to the United States. We have some other products like clothing, diamond, shoes. These products come mostly to the United States, Europe, and Australia. Most of the agricultural exports are headed to the developing countries, while manufactured products are going to the developed countries.

Serhat Erkmén: There is also oil.

Prof. Do Duc Dinh: Oil was the largest export ten years ago. It was worth more than two billion dollars. But now, oil reserve is small. I think that in few years Vietnam will be an oil-importing country, rather than an oil-exporting country. This is related to our relations with the Middle Eastern countries. I think that with the Middle Eastern countries we may have some areas of cooperation. First is trade. Ten years ago, our exports and imports from the Middle East were just about two or three hundred million dollars. Today it is about two billion dollars. With Turkey, we plan to have export from six to seven million dollars this year. So it is still not very big but we try to develop it. Our relations with Turkey now is mainly in trade. With the Middle East countries, besides trade, we think that in the future, Vietnam will need more oil. When we have two refinery facilities in Vietnam, we'll need to import more oil. We also export labor force to some countries and some Middle Eastern countries are among those. Some Middle Eastern countries started to import rice, fish and some other products from Vietnam. Up to now, our economic relations with the Middle East is low, but in the future we will develop more cooperation. One of the problems is that we need to understand more about the economic development, the social system, the cultural behaviour of the countries in the Middle East. When we have economic cooperation, we need to know something about those. That's why we look to study more about the Middle East.

Oytun Orhan: Do you have plans to go to other Middle Eastern countries?

Prof Do Duc Dinh: Yes we have some plans to go to some other Middle Eastern countries but because of our financial constraints, we visit country by country. Last year we were in Abu Dhabi in Dubai. We sign MoUs with the Gulf Research Center. This year, we invited some of the scholars from that center to a seminar in October. Each year we have some small visit. This year we are in Turkey. For the activities in Vietnam, we call some local experts from the Middle East. Even though we have been much better than thirty years ago, we have one thousand dollar GDP per capita, our financial constraints are tough. That's something we need to expand cooperation.

Hasan Kanbolat: Thank you very much for your presentation and explanations. We also would like to learn about Vietnamese perceptions on the Middle East. We'd like to learn about the Middle East studies in Vietnam and your Institute's studies. For example, we are wondering if you have publications and scientific production in your Institute. We would be pleased if you told us about this issue. We also would like to have our cooperation with your institute not just on workshops and conferences, but we also would like to have joint publications. We would like to invite you to our meetings both in Turkey and foreign countries. We also would do exchange of researchers. We can also publish your articles in our journals. For example, if you have soft copy version of Professor's presentation, we can

publish it. We would like to publish articles by Vietnamese intellectuals on the Middle East, Africa and Vietnam. In order to contribute to the development of relations between Turkey and Vietnam, we as intellectuals could write a joint report on Turkey-Vietnam relations. Such a report could be twenty or thirty pages. We shall publish it in Turkish, Vietnamese and English. Therefore, we shall achieve something for the first time. Relations between Turkey and Vietnam are in the economic dimension for the time being. However, there is a very low level of relationship in intellectual sphere. We would like to get to know Vietnamese intellectuals, and would like to develop relations between the intellectuals. Let's make this meeting as the first of a series and we shall continue having similar meetings. Despite the long distance, Turkey has good relations with countries such as China, Japan and South Korea. We are also developing relations with India. Why should not we have good relations with Vietnam. For a joint report on Turkey-Vietnam relations, we shall prepare something, and we can get help from the Vietnamese Embassy, and then we can get your ideas.