

# Preface

Looking at the history of many countries in the world, one can't help wondering why one country has developed rapidly while another has remained backward. Why could Japan become a great industrial power while Vietnam could not, even though both were relatively at the same position before the 19th century? It is not easy to find the answer because economic development is a tremendously complicated process. During the past few decades, there has been a vast amount of literature devoted to the subject of economic development however there seem to exist no important generalizations. In the earlier years, the shortage of non-human capital was usually considered as the most serious constraint in economic development. This view is recently not much stressed, as there has instead been much more emphasis on the human influences on economic growth, such as social organization, education and entrepreneurship.

One of these generalizations postulates that less developed countries are caught in a vicious circle of poverty and stagnation. In its simplest form, this theory states that the low level of income in a poor country makes saving impossible, which in turn prevents the accumulation of capital; the level of investment is affected and thus makes an increase in income impossible. This view however has come under heavy criticisms in recent years because first of all it fails to explain the existence of developed countries in the world, all of which have started from the under-developed conditions. While new theories are still being developed, we might safely conclude as professor P.T. Bauer has stated in his article "The Vicious Circle of Poverty" published in 1971 that "there is no general rule or prescriptive right ensuring that all countries or regions should reach the same level of economic attainment or the same rate of progress at any given time or over any given period. Economic progress and achievement depend very largely on human qualities and attitudes, on social and political institutions which derive from these, on historical experience, and also on natural resources and on various other factors. There is nothing surprising, abnormal or reprehensible in differences in economic attainment."

While it is difficult to find out why each nation has developed differently, there seems to exist in the history of many countries, some particular periods of time when they really took off and developed tremendously, changing rapidly from the old states. The U.S.A. after its Civil War, Mexico between 1900 and 1910, and Japan after making contact with the West in the 19th century, are just a few examples.

In the case of Vietnam, the first possible "take off" point can be dated back to the beginning of the 19th century when the first contacts with Western civilization were made. Unlike the fortunate case of Japan, the bitter experience of the Vietnamese has been tremendously painful. By missing the first take-off, Vietnam entered into a century of bloodshed, of killing and destruction. The French colonial governments have done a few good things to Vietnam, but their policies have left many deep wounds which will take many decades to heal. They departed from Vietnam in 1954 leaving behind a divided country which became more and more shattered with the increasing tempo of the civil war.

To the Vietnamese, peace has more meaning than just the end of killing and destruction. Peace is a miracle to a people who for many generations have been born, lived and died during this endless war, a people who, for so many years, have been conditioned to the war as an inevitable fact of life. The end of the war, therefore, marks an important event in its long history. It is an end of centuries of darkness, and the beginning of a new, bright and hopeful era in which the Vietnamese for the first time can devote all of their efforts and energy to the task of reconstructing the country and improving the lot of their countrymen. This expectation is not groundless since in the past, Vietnam has gone through periods in which nothing else could be worse and, judging from the history of Vietnam, a history full of bitterness and humiliation but also with many triumphs and accomplishments, the underlying survival strength of the Vietnamese people is indeed tremendous. Let us hope that one of these days, the symbol of Asean will be modified to include one more stroke for us and Vietnam will be counted among the league of the successful Newly Industrialized Countries of the world.

This little book is essentially a revised version of my thesis at the Massachusetts Institute of Technology (MIT), submitted in 1973 in

partial fulfillment of the requirements for the degree of Master of Science in Management. As the thesis was written over 15 years ago, a lot of statistics and materials are now already outdated. However, the underlying principles and theories still remain unchanged and should be relevant to the current economic condition of Vietnam. The book basically aims at recommending the establishment of the Export Processing Zones in Vietnam, following the successful example of the Kaohsiung Export Processing Zone in Taiwan, as a means to achieve four principal objectives, namely :

- a. To promote the development of export industries
- b. To attract domestic and overseas investments
- c. To create new job opportunities, and
- d. To facilitate the transfer of technology through the inflow of foreign investments

I wish to express my gratitude to my thesis advisors Professor Richard D. Robinson and Dean Thomas M. Hill at the Sloan School of Management MIT for their valuable advice and their generous contribution of time and effort to this thesis. I would also like to extend my gratitude to others who have provided assistance in completing this thesis namely : the Taiwanese and Korean Embassies in the U.S., the World Trade Center in New York, and my other professors at MIT. For this reformatted version of the thesis, I would like to thank Dr Robert Chia of the National University of Singapore for his comments and suggestions, and my secretary Amerlyn Sim for typing and preparing the revised manuscript for publication.

Finally, I am most indebted to my wife, Kim Chau, and to our parents. This thesis has been written during one of the most difficult times in my life and without their continuous support and encouragement, this work would not have been possible.

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