

Good example of foreign aid to socialist republic of vietnam essay

[Technology](#), [Development](#)



Nowadays, the financial aid is a familiar and expected part of the international relations between countries all over the world. Interestingly, that before the Second World War there was no foreign aid at all. Today economies of many poor and developing countries are being funded with financial aid from different developed countries and international organizations (Lancaster, 2007).

There has always been a controversy about the purpose of the financial aid, as it can reduce the poverty in the country and improve its economic situation, but, on the other hand, it can also strengthen the donor influence on the recipient (Lancaster, 2007). That is why a country has to make a deep analysis of its economic situation before asking for the financial assistance.

Vietnam is one of the countries receiving financial aid from the World Bank and from different countries. Vietnam is known to gain its independence in 1976. Before this, in 1954 it was divided into two parts: South and North. That was the South Vietnam the USA helped the most, especially, during the Vietnam War. The most significant way of US help was giving financial aid (Taylor, 2013).

Figure 1. Total Assistance to Vietnam throughout the Period from 1955 to 1975

Intensifying Vietnam War led to the increase in US assistance in the South Vietnam (see fig. 1). The reason for this aid was the decline of import costs of South Vietnam goods while the USA was taking active part in the War. Before it, the main idea of the assistance was development of the Vietnamese market for US exports (Lancaster, 2007)

Still, due to oil embargo against the United States and understanding that the North Vietnam was going to win the war, there was a considerable decrease of US aid in the South Vietnam. (Taylor, 2013)

The victory of the North Vietnam in the war caused a merger of two parts of the country in the only one. From this moment the Soviet Union invested a huge amount of money in the Vietnamese economy. However, it was not enough for country to prosper. The attempts to open its markets and economy in the late 1980s did not mean any financial support from the international financial organizations, such as the International Monetary Fund and the World Bank. Anyway, donors helped the country, but not with money (The World Bank. 1999). There were technical assistance and training Vietnamese specialists by the United Nations. Also, the World Bank provided counselling about how to make an effective policy. The aim of all this was to help the country to learn how to become economically developed country in Southeast Asia. That is why during this period the Policy Index was higher considerably than the AID Index (see fig. 2).

Figure 2. Vietnam: Aid and Policy over the period from 1988 to 1995

Still, after 1992, when the Soviet Union dissolved, some changes happened. From this time, flows of money started to transfer in the economy of Vietnam. International study in 1998 showed that the number of poor households decreased noticeably from half to three in ten (The World Bank, 1999).

There were not relations between the USA and Vietnam after the victory of the communistic part of Vietnam till the 2000 year, when the Bilateral Trade Agreement was signed. Comparing the US financial aid to Vietnam in 1991

and 2004, it can be said, that there was only 1 million dollars of assistance at the beginning of the 1990s, but it surged till 2004 to the point of 50 million dollars.

Today, when there is a peace in Vietnam, the country achieves foreign aid from different countries and the World Bank. In December 2013, the US government offered nearly \$16 million in assistance to Vietnam to increase its maritime security. The reason for this can be a growing tension with China, which wants to be a leader in the South China Sea (Mead, 2013). The US wants to prevent China from improving its influence on any area of the world and often successfully makes different attempts to protect its interests. Everything is about islands in the South China Sea filled with oil, which China wants to obtain. The USA claimed to be neutral; still, it does a lot to help Vietnam to expand its military might (Mead, 2013).

The government of Vietnam makes many plans and projects to use the financial aid effectively. Towards country industrialization by 2020, two main strategies were created: “ the 10-year Socio-Economic Development Strategy” (2011-2020) and “ the 5-year Socio-Economic Development Plan” (2011-2015). The idea of these projects is to strengthen the international competitiveness of the country and to build a fair society. To achieve goals, the government has already created plans how to improve the market, it is planning in the nearest future to reform the financial sphere, industry and human resources. In addition to this, the assistance is being planned to use to reduce poverty, improve level of living with developing the health-care sector, social security, and rural areas (Japanese Embassy, 2012).

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