

THE INFLUENCE OF VIETNAM'S ECONOMIC REVOLUTION REFORM (DOI MOI) TOWARD TOURISM INDUSTRY

Name: Nadiyah Waenu

(Universitas Muhammadiyah Yogyakarta)

Email: Nadiyahwaenu@gmail.com

Abstract

The Doi Moi policy is the reform for develop Vietnam's economic. The reform includes 1) the distribution of administrative power. 2) Free market economy 3) Exchange rate and interest rate are based on the market mechanism. 4) For Agricultural Policy Long-term land ownership and free trade of agricultural products. 5) Increased role private sector 6) liberalization of investment. Of these, there are two things that affect the development of the tourism industry by increase the role of private sector and liberalization of investment.

Keyword: Doi Moi policy, tourism, private sector, liberal investment

Background

After the revolutionary change of the political and economic system of Vietnam country in 1975, the government of Vietnam introduced a centralized socialist regime that emphasized the role of the state as a center for property ownership and centralized economic planning. After about 10 years of economic progress, the result has not been able to resolve the problem of people's poverty and economic recovery, but the

economic stagnation and the lack of enthusiasm for production. Therefore, the Government of Vietnam implemented the Doi Moi economic reform policy in December 1986.

Doi Moi mentioned above has become a staple in the country's economic development in Vietnam since the year 1986 onwards. For more than 20 years, Vietnam has been successful in making quick development progress, because the economic fundamentals have several advantages in leveraging resources including crude oil. Forests, minerals, etc., combined with the Vietnamese landscape, which is long coastline has become a major port in China's sea trade.

Vietnam's economic reform, although officially begun in 1986, did not consider Vietnam to be truly competitive on the world stage until 1995 when Vietnam was recognized as the member of Association of Southeast Asian Nations (ASEAN). The resumption of diplomatic relations with the United States in mid-1995 after the United States abolished the boycott, Vietnam also links its own economy with the world economy to become a member of World Trade Organization (WTO), in November 2006 resulted in Vietnam launching its products and services to WTO members.

According to economic data, in 1995, Vietnam's economic growth rate reached 9.5 percent of GDP. However, in 1998-1999 Vietnam's economic growth rate dropped to only 4.4 percent and 4.7 percent, respectively. However, in the early of 2000s, there was another leap forward for the economy of Vietnam as the highest average economic growth in ASEAN especially, in 2001-2005 achieved by 7.8-8.0 percent.

The tourism industry is one of the fastest growing service sectors in the past. According to statistics, the volume of foreign tourists coming to Vietnam reflects that since Vietnam has implemented the Doi Moi economic reform policy, foreigners traveling to Vietnam have continued to increase. Considering that since 1997, Vietnam has seen an increase in foreign tourist arrivals from 1.72 million in 1997 to 3.48 million in 2005 and increase slightly in 2006. If we compare with Thailand as the top country of tourism of ASEAN country, in the year 2006 almost no expansion, the number of foreign tourists still has about 11 million people or slightly reduced, which is caused by external factors, such as competition, the country's tourism industry.

To attract tourists to visit Vietnam, the Government of Vietnam has adopted a strategy to promote tourism throughout the year from the campaign to promote tourism to see a natural beauty and cultural arts of Vietnam. It is something that travel wants to touch. During the previous period, Vietnam experienced many problems, as a result, Vietnam is becoming more open to international competition and it makes people interested in coming to find and know more about Vietnam.

The volume and growth of tourists are directly related to the volume and growth of other businesses, which is a component of the tourism industry. Especially, business services such as accommodation, food, souvenir business, transportation, communication and tour Guide etc. According to economic data of Vietnam in 2004, production in the transportation and communications sector was valued at 15,318 billion Dong, up from 8.1 percent, and the hotel and restaurant sector were valued at

11,432 billion Dong, up from 7.4 percent. In 2005, Vietnam's transport and communications production were valued at 15,318 billion Dong, up from 9.5 percent. The restaurant industry was valued at 13,466 billion yuan, up from 17.0 percent. This reflects that the tourism industry has contributed to the economic growth of Vietnam.

In addition, Vietnam plans to develop tourism infrastructure. In 2005, Vietnam attracted 190 foreign investors in the tourism industry, representing a total registered capital of US \$ 4,460 million. Most tourism investment projects in Ho Chi Minh City, Hanoi, Ba Ria-Vung Tau Dao, Danang etc.

From all the above, it can be perceived that at the end of the century, Vietnam has been changed from a socialist economy to a more liberal, this is the beginning of Vietnam's entry into the world of economy. Later, Vietnam joined the Association of Southeast Asian Nations (ASEAN) in 1995, and membership of the World Trade Organization in 2006, has resulted in Vietnam having a favorable investment climate and political stability.

Nevertheless, the tourism industry of ASEAN countries such as Thailand is better than Vietnam like in the volume of tourists, the reputation of attraction, modern accommodation, modernization of communication technology, transportation, and convenient service. However, the recent study shows that Vietnam's tourism industry is becoming an important competitor to the ASEAN countries especially the Thai tourism industry.

From the table above, it shows that the number of tourists in Vietnam is increasing year by year and predicted of number tourist including the investor in Vietnam will further increase in the next years. In 2001 the tourist arrival only 2,330,800 compare with 2018 the increase 15,497,791, there are a lot of different numbers.

Theoretical Framework

1. Policy Making-Process

Policy is defined in society or organization as a concept of operation to meet the needs or desires of the person in the organization, and the nature of the policy is consistent with the organization's beliefs and rituals. However, the policy formulation is a process that leads to the right policy to be effective in accordance with the scientific principles of management, and policy set-up must be acknowledged by the organization.

A policy is defined in the New Oxford Dictionary of English as a course or principle of action adopted or proposed by a government, party, business or individual. Policymaking has been defined as the process by which governments translate their political vision into programs and actions to deliver 'outcomes' desired change in the real world. Thus, policymaking is a fundamental function of any government.

There are many scholars who have defined the policy as follows:

Including, Dye Thomas R: (policy is “Whatever the nations chose to do or not do”). Based on Dre, it defines what the government wants to do and not to do, and followed by James E. Anderson: A proposal or guideline (government) that defines an absolute purpose for a person or group of people deal with problems or matters in the interest. And by Easton, David: Public policy is about the value and the benefits are either official or legitimate for the public, (authoritative allocation of values).

However, policy is what the state is doing to meet the needs of the people, to help solve the problems of people's well-being to facilitate the benefits and to show the relationship to the people and the government. The public is divided into several categories, each of which will depend on the appropriate use each government sets out to define and implement public policies that best meet the needs of the people. Therefore, public policy is the guiding principle of the government to focus on the benefits of the people in order to meet the needs. It is important to focus on many aspects whether it is to set policies if the implementation can be put to practical and meets the needs of the people it takes to help citizens life.

Policy decision-making involves actions by government officials or organizations that have the power to adopt, modify and deny. the choice of policy proposed for the consideration of the process is most likely to be made by the legislature in the form of a bill of law or administrative action in the form of a resolution of the cabinet. To make policy decision-making will be conducted by 5 stages

(Anderson 1975). The process involves problem formulation, Formulation, Adoption, Implementation, and Evaluation.

Stage 1. Identification of issues or problems: the government have to find the problem in the country, this stage is the government's agenda to identification what is the problems that the government should solve.

Stage 2. Policy Formulation: this step is to determine the format decision to use policy (Choice of policy) what are the options for solving the problem and who has the policy to be involved.

Stage 3. Adoption: Policy decisions, this stage determines what options are analyzed and to decide the choices to enforce.

Stage 4. Policy Implementation is the policy already selected to implementation and to observe what is the impact of that policy.

Stage 5. Evaluation of performance of policy after implemented including analyzing the impact assessment.

Before Vietnam implemented the Doi Moi reform, Vietnam had economic problems to solve the problem the government of Vietnam made a decision to implement the policy of Doi Moi Economic Revolution Reform in 1986. After 20 years that policy has been successful to solve the economic problem and made better economy in Vietnam is better. Furthermore, the Doi Moi revolution reform also developed the tourism industry in Vietnam.

2. Vietnam's Economic Revolution Reform (Doi Moi)

Vietnam Economic Reform has a form of socialist economy, a monopoly, and centralized government. After the government announced the economic reform policy "Doi Moi" (Doi Moi Revolution), there are 6 economic strategies to enhance economic growth as follows:

- 1) the distribution of administrative power.
- 2) Free market economy
- 3) Exchange rate and interest rate are based on the market mechanism.
- 4) For Agricultural Policy Long-term land ownership and free trade of agricultural products.
- 5) Increased role private sector
- 6) liberalization of investment.

"Doi" means to change the "Moi" meaning the new "Doi Moi policy", referring to the renovation policy that transforms the centrally planned economy into a market economy and open the opportunity to another countries to investment. The reform began in earnest in late 1989. The Constitution (1992) mentions the official Doi Moi policy, which refers to the introduction of a market economy, the freedom to own property (proprietary) and the owner of a private enterprise and allowing foreigner the right to use the land in the long-run and the business venture.

From the description above, the Doi Moi revolution reform focuses on economic development by encouraging foreign investment, international trade and investment of the tourism industry. Currently, the number of tourist arrivals has increased meanwhile the number of foreign investors as well increased from many countries such as Taiwan, Malaysia, South Korea, China, Japan, USA, Thailand, etc.

3. Economic Liberalization

The liberal economic was originated by Adam Smith classic economy in 1776. Adam Smith introduced a policy tool that limited the role of the state to public affairs, regulatory and law enforcement reduces government intervention in the economy in the form of ownership, production and sale of goods and services make the operation and management of the economy ineffective. Economic liberalization in developing countries enhances economic perfection by enhancing the competitiveness of domestic and foreign economic actors and exposing management and performance. In addition, trade and investment liberalization by developing countries have attracted more foreign investment and direct investment, accelerating economic growth and addressing poverty.

Economic liberalization is the reduction of government regulations and restrictions in the economy in exchange for more private sector participation. The country's highest revenues have followed the path of economic liberalization in the past decade, with the stated goal of maintaining or enhancing their competitiveness as a business environment. The liberalization policies include some or all privatization of

institutions and government assets, increased labor market flexibility, lower tariffs for businesses, fewer restrictions of domestic and foreign capital openings, etc. In developing countries, economic liberalization means the liberalization or "opening up" of their economies to foreign countries and investors. The three fastest-growing developing countries today. Brazil, China, and India have achieved rapid economic growth over the years or decades, partly due to the "liberation" of the economy to foreign capital. However, Vietnam is also as one of the faster growing developing economies and has achieved rapid economic growth in the past several years or decades, in part, from having "liberalized" their economies to foreign capital after implemented economic revolution reform (Doi Moi).

Research Methodology

This research used several ways to collect the data in order to discuss the problem, they were as follows:

- 1) Media research, collecting the data from media like the internet in order to find references and sources to accomplish the explanation of the problem
- 2) Library research, this method was used to study the relevant sources in order to discuss the problem and by using qualitative research, the writer will get secondary data
- 3) Data analysis, the data gained from the internet and library were checked for the relevancy in order to be used as the sources in the final paper arrangement.

- 4) Providing hypothesis, it was derived from the meaning of the title, the discussion of the problem, and data analysis.

Chapter III

A. The Influence of Doi Moi Policy to Develop Tourism Industry by Increasing the Role of Private Sector

The past twenty years have witnessed a number of important milestones for Vietnamese private sector development. The Doi Moi policy was launched at the Sixth Party Congress in 1986, where a program of major reforms to abolish the system of “bureaucratic centralized management based on state subsidies” and to move to “a multi stakeholder, market oriented” economy, which included a role for the private sector, was adopted. Several changes in the legal framework for the private sector followed during the first half of the 1990s. In 1990, the Private Enterprises Law established a legal basis for the establishment of sole proprietorships and the Company Law opened up for limited liability and joint-stock companies. Tax reforms introduced special sales taxes, turnover taxes, and profit taxes. The role of the private sector was officially recognized soon thereafter, in the Constitution of 1992. In 1993, the Bankruptcy Law was approved, and the Domestic Investment Promotion Law that gave domestic investors access to some of the incentives available to foreigners was promulgated the following year.

After Vietnam implemented Doi Moi policy, the private enterprise was increase.

1. Private enterprise

Since Doi Moi policy implemented, the registered businesses have dramatically increased, reflecting both the formalization of existing household businesses as well as the creation of new firms. Formally registered enterprises were non-existent before 1990 as the laws simply did not allow the establishment of private sector enterprises. The first private enterprises were established in 1991 after the Sole Proprietorship Law and Company Law were promulgated in 1990. But establishing a private company was both complicated and prohibitively costly during the time. Within 9 years after the laws were introduced until 1999, only 14,500 private enterprises were established. The Enterprise Law adopted in 2000 triggered a rapid growth in the number and size of private enterprises. It eased restrictions and conditions in market entry. Since then, the number of enterprises has increased at an amazing rate in 2016, almost 110,000 private enterprises were registered, and this figure increased to 126,800 in 2017.

2. Foreign Enterprise

Besides the robust growth of the private enterprise, the government has made real effort in changing its mindset toward a more open market economy, lowering the cost of doing business, and putting regulation in place to ensure rights and orders. In 1986 the government passed its first Law on Foreign Investment, allowing foreign companies to operate in Vietnam. The constitution has come a long way since, with the law being revised regularly to cater for a more investor-friendly business environment while aiming to reduce red-tape and accelerate foreign investment into the country.

The FDI enterprises are flourishing in Vietnam and the country has become increasingly accessible to foreign investments. After the US-Vietnam Bilateral Trade Agreement and the milestone accession to WTO, Vietnam signed a free trade agreement with the EU (EVFTA) in 2016. Viet Nam continues to diversify its economic partners, such as through increased ASEAN integration, the proposed Regional Comprehensive Economic Partnership, covering 3.4 billion people and most recently through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP). FDI inflows into Vietnam have been steady and strong. Total FDI inflow reached US\$24.4 billion in 2016 and US\$35 billion in 2017. Between 1998–2016, US\$336.7 billion have been registered to be invested into Vietnam by foreign investors from 112 countries and territories. Of the amount, US\$154.5 billion or 45.9% of the total have been disbursed.

3. Tourism development

Vietnam is a developing country and has opened more trade and investment. Importantly, Vietnam also has a variety of tourist attractions, as well as many tourist attractions that are designated as a world heritage site causing tourists to be very interested. According to statistics, the number of tourists in 2018 was 15,497,791, compared to 2001 with only 2,330,800 tourists. The number of such tourists has come both for tourism and investment or for doing business such as investing in agricultural sector, industry sector and service sector. See the figure 3.5, shown that the GDP of those sector in 2010, the service sector growth the GDP with 37%, and industry sector growth 32%, the last is agricultural sector growth only 18% of GDP, compare with

2018 the GDP of service sector, industry sector, and agricultural sector achieve 41%, 33%, 15% respectively, the GDP of those sector between 2010-2017 found that the service sector has grown 4% which has grown better than other sectors. Currently, tourism investment has increased, which can be seen from the increased tourism revenue year by year, for example, in 2007 Vietnam received only 3 billion more and more than 5 billion in 2010, the revenue keeps increased until 2018 by receives more than 27 billion. See the figure 3.6:

The increase in the number of tourists has made more demand for convenience such as accommodation or hotels, even the convenience of transportation and tour guide, to facilitate the tourists, by providing opportunities for businessmen to invest in tourism. Which investors can open their own hotel business, restaurants, tour businesses and investment in transportation.

In 2017 nearly 2,000 international travel agencies and over 15,626 and in 2018, accommodation facilities with a total of 353,293 rooms are available across the country. Of these, the three- to five-star hotels offer 970 facilities with 127,076 rooms (see figure 3.7 and 3.8). Over 21,000 tour guides have been licensed. Tourism creates jobs and provides direct incomes for some 2.5 million people.

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