

**The Returning Diaspora:  
Analyzing overseas Vietnamese (Viet Kieu) Contributions  
toward Vietnam's Economic Growth**

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27 November 2010

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## **Abstract**

This paper focuses on the contributions of the Vietnamese Diaspora to Vietnam's economic growth by examining its unique formation and subsequent actual and potential impact on the emerging economy. A review of recent government policy toward the Vietnamese Diaspora and their official contributions reveal that the Diaspora has used informal networks as their primary route to make investments. This paper seeks to establish that there is the emergence of an integrated Vietnamese Diaspora network—a combination of formal organizations and the existing informal networks—facilitating the greater investment, flow and knowledge exchange between the Vietnamese Diaspora and Vietnam increasing the overall Diaspora contribution to Vietnam's economic growth.

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## Abbreviations

ASEAN	Association of South East Asian Nations
BTA	Bilateral Trade Agreement
COV	Committee for Overseas Vietnamese
DEPOCEN	Development and Policies Research Center
DRV	Democratic Republic of Vietnam
FDI	Foreign Direct Investment
FIL	Foreign Investment Law
GDP	Gross Domestic Product
GNP	Gross National Product
GVN	Government of Vietnam
HCMC	Ho Chi Minh City
ICM	International Congress of Mathematics
IDG	International Data Group
IER	International Executive Reports
MFA	Office of Ministry of Foreign Affairs
MPI	Ministry of Planning and Investment
RVN	Republic of Vietnam
SBV	State Bank of Vietnam
SRV	Socialist Republic of Vietnam
STAR	Support for Trade Acceleration Project
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNHCR	United Nations High Commissioner for Refugee
USAID	United States Agency for International Development
USVTC	US-Vietnam Trade Council
WTO	World Trade Organization

## Vietnamese Terms

<i>Phu My Hung</i>	Saigon South
<i>Tết</i>	Vietnamese Lunar New Year
<i>Viet Kieu</i>	Overseas Vietnamese

# I. Introduction

In 1986, Vietnam implemented its first set of liberalization policies referred to as *doi moi*. The literal translation of ‘*doi moi*’ would be “renovation.” These *doi moi* reforms register as a significant policy shift as Vietnam adopted Soviet-style centrally planned economy at the end of the Vietnam War (Montias, 1976). The *doi moi* economic liberalization policies, especially those reforms that focused on foreign trade and investment, promoted a higher level of international economic integration. Reforms promoting internationalization have helped to generate sustained economic growth. Indeed, Vietnam has had one of the highest annual rates of growth in the world at close to eight and to nine percent real GDP growth between 2000 and 2007 (US-Vietnam Trade Council (USVTC), 2008). In addition, average incomes in Vietnam have tripled since the start of these *doi moi* reforms.

Over the last three decades, the Government of Vietnam (GVN) has continued to maintain high barriers and strict regulation over the economy and has done little to encourage economic growth through foreign trade and the inflow of external investments. The closed nature of Vietnam’s economy has discouraged members of its own Diaspora from contributing to the country’s economic progress.

In more recent years, government policies and reforms have shifted toward a higher level of liberalization. Simultaneously, members of Vietnam’s Diaspora, the *Viet Kieu*<sup>1</sup>, have disproportionately dropped their past resentments associated with the circumstances regarding their departure of Vietnam from the outbreak of war. In a recent study, Carruthers (2008) provides evidence of continued resentment within the Vietnamese Diaspora through the their popular culture’s depiction of the city of Saigon in pre 1975 era rather than its current day.

Although some resentment remains, most have faded in light of Vietnam’s recent economic achievements since they are generating greater economic opportunities that are attracting the highly skilled and educated overseas Vietnamese who have accumulated capital and knowledge, to return home and contribute to Vietnam’s economic growth (Economist, 2008b).

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<sup>1</sup> This term is officially referred by the GVN as “Persons of Vietnamese origin residing abroad” and defined as “Vietnamese people who used to have Vietnamese nationality which has been determined at the time of their birth on the consanguinity principle and their offspring’s and grandchildren are permanently residing foreign countries.” (2008 Law of Vietnamese Nationality, 1:3).

The recent trend of the *Viet Kieu* returning to Vietnam is in its early stages and its full potential has not been realized. It nonetheless remains a powerful source of economic development for the country. While there have been an increasing number of studies examining diverse international migration patterns and the effects Diasporas have on the economic development of their home country, the studies have primarily focused on large emerging economies such as India (See Kapur, 2004; Saxenian, 2006) and China (See Smart and Hsu, 2005). By contrast, there are only two introductory articles written on the Vietnamese Diaspora and their contributions to Vietnam. In one article, Anh (2005) discusses the various channels that promote the Diaspora's contributions to Vietnam by focusing primarily on financial remittances and how to extend their impact. Sidel (2007), on the other hand examines anecdotal accounts of the philanthropic efforts of Vietnamese-Americans giving back to Vietnam. Sidel's (2007) analysis calls attention to an important topic—that of the role of overseas Vietnamese associations and networks play in facilitating the contributions of the *Viet Kieu*—a topic which will further be explored in this paper.

The *Viet Kieu* has the potential to exert a substantial influence on Vietnam's economic growth. Their influence is attributed by the significant increase in its population size in the last half decade. In 2003, it was estimated that between 2.7 million *Viet Kieu* resided in 90 different countries (Politburo, 2004). According to Nguyen Thanh Son, Chairman of the Committee for Overseas Vietnamese (COV), the current population of the Vietnamese Diaspora is approximately 3.7 million residing in over 100 countries with dense concentrations in the U.S, France, Australia and Canada (Ministry of Foreign Affairs (MFA), 2009b).

**The worldwide Vietnamese diaspora, 2005**

United States:	1, 300,000
Russia and Eastern Europe:	300,000
France:	250,000
Australia:	245,000
Canada:	200,000
Taiwan:	110,000
Thailand:	100,000
Germany:	100,000
United Kingdom:	40,000
Northern Europe:	30,000
Netherlands:	15,000
Belgium:	12,000
Japan:	12,000

Source: Sidel (2007)

After decades of being resettled in Western countries, the Vietnamese Diaspora is generating an estimated annual income varying from \$23 to \$50 billion (VIR, 2001: 8; Ratliff, 2008: 65). As self-selected members of the *Viet Kieu* return to Vietnam, the professional and highly skilled among them have brought their technical and managerial skills, thereby facilitating the transfer of technology and also providing knowledge exchanges as they entrepreneurial start-ups or make investments (Anh, 2003). The return of the Vietnamese Diaspora has continued to be severely restrictive even despite new liberal government policies of recent years that have been aimed at providing incentives to encourage their return (MFA, 2004; 2005).

The Vietnamese Diaspora has gained significant momentum in recent years. As such, they have found new less apparent ways in which to impact Vietnam's economic growth. The unique political and historical circumstances that have rendered the Vietnamese Diaspora a 'total Diaspora' have also made the *Viet Kieu* of particular scholarly interest. Since the dispersal of millions of Vietnamese after the fall of Saigon, the Vietnamese Diaspora faced restrictions to returning until recently. Additionally, due to foreign embargos, they were largely unable to reinvest and maintain local links from abroad. The isolation and exclusion that the *Viet Kieu* faced has not allowed them to make a significant impact on Vietnam's economy until recently.

This paper explores the *Viet Kieu* and their role in promoting economic growth in Vietnam. This inquiry seeks to establish that the *Viet Kieu* do indeed play both a positive as well as a substantial role in promoting increases in levels of economic activity that the Vietnamese economy would fall short without their presence. The contribution of the Vietnamese Diaspora to Vietnam's economic growth has been significantly underestimated in official reports. The Vietnamese Diaspora continues to operate within informal networks despite the efforts of government policies and reforms to promote *Viet Kieu* investments and the return of highly skilled *Viet Kieu*. Although recent government policies and reforms can be partially attributed to encouraging *Viet Kieu* contributions, they are not the only motivators to the increasing Diaspora contributions.

I argue that the existence of an integrated Vietnamese Diaspora network consisting of formal organizations, associations and research institutes as well as the traditional informal networks facilitate the inflow of investments and the return of the highly skilled labor largely constitutes the *Viet Kieu* contribution toward Vietnam's economic growth.



As the *Viet Kieu* have become wealthier and more highly educated while residing in the West, in addition to financial remittances have substantially increased their economic contributions in other methods. This is referring to investments in real estate and venture capital funds as well as by bringing their skills and expertise to Vietnam. As a result, they have raised the level of human capital in the country.

I will structure my subsequent analysis as follows:

In the first section, “The Vietnamese Diaspora”, I will examine the formation of the Vietnamese Diaspora in order to provide a background of the political history behind the different levels of resentment from the overseas Vietnamese communities. Indeed, war-related psychological effects impaired certain overseas Vietnamese communities more than others consequently shaping their attitudes toward returning or investing.

In the next section, “Giving a Helping Hand? Government Policies toward the returning Vietnamese Diaspora”, I shall examine recent government policies and reforms that have been aimed at promoting the return of the *Viet Kieu* but that have not succeeded in altering the means through which they contribute to Vietnam’s economic growth. Instead, I find that there is a persistent use of the informal networks. I then seek to establish that the *Viet Kieu* are contributing to Vietnam’s economic growth through the use of informal networks such as social ties or family networks. In other words, the *Viet Kieu* is operating within Vietnam’s shadow economy—making their contribution toward Vietnam’s economic growth greater than officially reported.

The third section, “Integrated Diaspora Networks”, will reveal that there is the emergence an integrated Vietnamese Diaspora network, which consists of formal business organizations, overseas Vietnamese associations and independent research institutes, can act as a more effective channel for *Viet Kieu* contributions while complementing the existing structure of informal networks. Together, formal and informal networks ‘bridge the gap’ between the Vietnamese Diaspora and their Vietnamese partners to produce the recent increases in *Viet Kieu* contributions to Vietnam’s economic growth. In fact, the aforementioned networks facilitate the flows of investments; they also provide a forum where knowledge exchanges can occur; and they attract

highly skilled professionals, entrepreneurs and academic scholars in the Vietnamese Diaspora to return to Vietnam.

Lastly, I summarize my findings and offer my own normative analysis for areas of improvement to better support *Viet Kieu* contributions in the future.

## II. The Vietnamese Diaspora

### Formation of the Vietnamese Diaspora

The genesis of the formation of the Vietnamese Diaspora was the Geneva Agreement of 1954 that, in order to appease opposing political ideologies, resulted in the internal mass-migration of millions of Vietnamese (Hardy, 2004: 218). The 1954 agreement was intended to temporarily divide the country at the seventeenth parallel in which the Democratic Republic of Vietnam (DRV) was established in the North and the Republic of Vietnam (RVN) in the South. After the establishment of the partition, the agreement allowed 300 days for the Vietnamese people to decide which side they would reside in. This resulted in an abrupt and rapid internal migration primarily from north to south. In fact, Hardy (2004, 223) states that about a million northerners migrated to the south, increasing the Southern population by eight percent. This exodus of millions of civilian who migrated to the south to escape the communist regime made up the majority of the Vietnamese Diaspora. They consisted of Catholic farmers, urban business elite, students and ex-government officials as well as any individuals that had established connections with the French colonizers or whose economic interests were being threatened (Carruthers, 2008: 70).

The political history of Vietnam, including the 1954 agreement and the subsequent outbreak of the Vietnam War, generated the Vietnamese Diaspora and, what's more, made it unique. This unique quality is made evident by the disputes among current overseas Vietnamese communities and their struggles over competing nationalisms, which Hardy terms the 'politics of internal transnationalism' (Hardy, 2004: 220).

From 1955 to 1975, the RVN attempted to construct a cohesive state with the aid assistance from primarily the U.S. and also France since Cold War politics influenced their sustained involvement in Vietnam. As a new front against communism, the RVN became a highly fragmented population divided among different ideological inclinations such as religion, anti-communism, and nationalism (Ibid: 226). In order to maintain power in the south, it steadily increased its use of authoritative measures over its population. The political, social, and religious divides throughout South Vietnam prompted the migration of millions of Vietnamese abroad.

Vietnamese refugees fled by sea or air. It is estimated that 1.5 million Vietnamese resettled in Western countries (Ibid: 228).

The Vietnamese Diaspora migrated in three distinct waves after 1975 (Ibid: 225). The departure of the first wave occurred in the last days April 1975. The Senate of the US Congress indicates that approximately 210,000 refugees were resettled from 1975 and 1977. There were large spatial concentrations of the initial Vietnamese evacuees with approximately 97 percent resettling in four primary countries: U.S. France, Canada, and Australia (Montero, 1979: 3).

Following the fall of Saigon, the second wave of refugees began to migrate after 1977 and became known as the 'boat people'. Carruthers (2008, 70) notes that they represented a more diverse cross-section of the Vietnamese people since they were middle class families side by side with peasants and farmers. Consequently, the initiation of the Orderly Departure Program began and within three years, the number of refugees more than doubled relative to the previous migration (Ibid). The final wave of migration occurred in the late 1980s alongside the Comprehensive Plan of Action.

Hitchcox (1994) explains that the final wave consisted of refugees that primarily left the country for economic reasons. To illustrate the magnitude of all three waves of migration combined the UNHCR (1996) suggests that from 1975-1995, approximately 1.3 million Vietnamese refugees were resettled in Western countries. In the last fifteen years, the Vietnamese Diaspora has grown three times this amount through its second and even third generations.

Today, the majority of the Vietnamese Diaspora is comprised of many generations of Vietnamese who fled for political, social and economic reasons. The overseas Vietnamese communities have been known to hold much political and ideological resentment even where they have resettled. Overseas Vietnamese communities in the U.S, Canada and Australia are politically similar for holding strong anti-communist sentiments while, on the other hand, overseas Vietnamese communities in Western Europe typically hold a more moderate stance (Tran Trong Dang Dan, 1997: 147). By the mid 1980s, the politics of the Vietnamese Diaspora in France was highly fragmented between an existing overseas Vietnamese community that had migrated prior to the war and the newly arrived refugees after the war that supported different ideologies (Bousquet, 1991: 67).

There have been many interpretations of this continental political divide. On one side of the political divide, Australian and American *Viet Kieu* share a similar Diasporic identity that can be partially attributed to their involvement in the Vietnam War. This is made evident through their popular culture resemblances of pre-1975 depictions of Vietnam (Carruthers, 2008: 71). Indeed, residual war-related psychological effects and political resentments, can reflect the disproportionately higher number of North American and Australian *Viet Kieu* that have resorted to the use informal channels as their primary method of interacting with the Vietnamese economy in recent year. By comparison, Western European *Viet Kieu* communities tend to use more transparent routes including the return of a greater number of *Viet Kieu* scholars (Ngoc Anh Nguyen, 2010: personal interview).

On another note, Montero's (1979) study reveals that many Vietnamese refugees were relatively educated and held a middle-class income status. One key success of the Vietnamese Diaspora is that the majority were able to quickly integrate into all aspects of life in the West. The Vietnamese Diaspora's assimilation into the West occurred at a rapid pace because of their familiarity with Western culture through the influence of French colonization and also the American occupation of Vietnam (Montero, 1979: 60). The Western culture and traditions that refugees were already accustomed to, combined with their resettlement process, gave them an advantage over past refugee groups. Interestingly, it was common for many Vietnamese refugee families to have a member of the household affiliated with Americans in Vietnam before to their departure (Kelly, 1977). The rapid assimilation of the Vietnamese refugees allowed them to subsequently be in a better position to take advantage of the economic opportunities those Western countries offered and to be able to start a new life in their respective refuge countries.

### **Vietnam's Recent Economic Integration**

The history of violent conflict and the controversial political-economic ideology of Vietnam has been internalized by the current day Vietnamese Diaspora and inspired strong feelings of resistance. Consequently, the Vietnamese Diaspora has significantly lagged behind major foreign direct investment (FDI) investors in Vietnam as a result of continued war resentment and other trade and investment restrictions imposed by countries. For a period of 20 years, the Vietnamese Diaspora, especially those residing in the U.S., were not able to maintain local links with Vietnam due to the U.S. Trade Embargo that did not end until February 1994 (USVTC, 1995).

As a result, members of the ASEAN had the ‘first mover’ advantage over overseas Vietnamese in making investments in Vietnam (Ratliff, 2008: 65).

Diaspora communities in host countries that hold strong ties with the home country have highly influenced imports and especially exports between the two countries (Gould, 1994: 303). Head and Ries’s (1998) analysis of Canada and its immigrant population makes clear that immigrants can play a pivotal role in expanding trade between the host country and country of origin. Immigrants have an advantage in their knowledge of their origin country and therefore have preferential access to any available opportunities (Ibid, 1998: 48). In fact, the Vietnamese Diaspora was able to promote increases in imports and exports especially between the U.S. and Vietnam after the trade relations were re-established.

In 1995, the Clinton Administration announced the formal normalization of relations between the two countries (USVTC, 1995). Since then, Vietnam has taken concrete measures to cooperate with various nations and to further integrate itself into the international economy. In July 1995, Vietnam was inducted into ASEAN, thereby opening the Vietnamese economy to regional trade (ASEAN, 2010). Soon after, US-Vietnam bilateral trade agreement (BTA) was signed in December 2001. Trade between the U.S. and Vietnam now allows trade that is more complementary to Vietnam’s comparative advantage (Tran-Nam and Long, 2003:109).

The US-Vietnam BTA resulted in impressive increases in gains from trade and helped attract large inflows of FDI into Vietnam. The BTA proved to be one of the most comprehensive BTAs ever signed by the U.S. or Vietnam (USAID Vietnam, 2003). This extensive BTA went beyond tariff reduction and removal of quotas and addressed issues of transparency, investment guidelines, intellectual property protection and market access to services (Ibid).

Rapid increases in Vietnam’s exports to the U.S. increased after the signing of the BTA (USVTC, 2008). In 2000, Vietnam exported a total of \$733 million to the U.S. market who is Vietnam’s 6<sup>th</sup> in largest export market. Two years later in 2002, the U.S. became the largest destination of Vietnam’s commodities, receiving exports worth \$2.4 billion per annum. Nguyen Phu Binh, Chairman of COV asserts that the large increases in exports of the country can be partially attributed to *Viet Kieu* community residing in the U.S. (MFA, 2005a).

Vietnam's exports have continued to skyrocket ever since. In 2006, Vietnam exported a remarkable \$7.8 billion to the U.S. market. A cornerstone step in international economic integration of Vietnam occurred on January 2007, when Vietnam became a member of the WTO (WTO, 2010). The openness of Vietnam to international trade through the signing of various trade agreements has had a positive effect on helping the country achieved sustained economic growth.

### **Potential of the Vietnamese Diaspora**

Modern endogenous growth theory recognizes the importance of human capital and how it is essential to sustain long-term economic growth (Romer, 1990; Barro, 1991). Indeed, regarding the importance of human capital, there has been an increasingly high demand for skilled labor in particular to emerging economies like Vietnam that do not have the capacity to generate enough skilled labor on its own. The Vietnamese Diaspora represents a large pool of highly skilled labor that Vietnam desperately needs. It is estimated that there are approximately 300,000 *Viet Kieu* that have a bachelor's degree or higher (Carruthers, 2008: 71). The skill level of the Vietnamese Diaspora is critical to determining its contribution to Vietnam's economic growth. With the U.S. being the largest destination for the *Viet Kieu*, I will examine the case of the American *Viet Kieu* to illustrate the broader contributions they offer.

The 2000 US Current Population Survey accounted for about 300,000 Vietnamese adults that attended primary school, high school, college and postgraduate education in the U.S. (Lucas, 2001: 11). The majority, that is 44 percent, received a high school degree. This was followed by 37 percent at the college level. More specifically, the figures represent the first and second generation children of the initial Vietnamese Diaspora who fled after 1975.

The 1993 US National Survey of College Graduates illustrates that the total number of college graduates of Vietnamese descendant was 46,496, which was one of the highest of the emerging countries in East and Southeast Asia. It was only surpassed by the Philippines, China, Taiwan, South Korea and Japan (Lucas, 2001: 13). Out of the total number of Vietnamese college graduates, 89.4 percent were naturalized US citizens, which was the highest figure in all of East and Southeast Asian countries. The high rate largely of naturalization largely includes overseas Vietnamese that automatically obtained US citizenship once they immigrated to the U.S. The

figures point to the emergence of a young generation of *Viet Kieu* in the U.S. that are attaining the education suited for a highly skilled labor force. These *Viet Kieu* have gained the essential skills, expertise and wealth to make a substantial contribution towards Vietnam's economy.

A previous analysis by Anh (2003) on the returning migration of highly skilled labor to Vietnam suggests that the average overseas duration of stay for refugees was 10 to 11 years for those who had left Vietnam in the 1970s and 1980s and begun to return in the first half of the 1990s (Anh, 2003: 144-45). This is one of the first studies to have revealed the return migration of skilled labor in Vietnam. However, this study is limited since it is only being able to describe the initial return of the *Viet Kieu* and not the current activities toward the *Viet Kieu's* economic contributions to Vietnam.

### **Official Contributions of the returning**

At the start of the *doi moi* reforms in 1986, there was only a return of 8,000 *Viet Kieu* annually (MFA, 2005a). Throughout the 1990s, the number grew to 250,000 returning annually. In 2004, the number of returning *Viet Kieu* doubled. In addition, special occasions such as the Vietnamese Lunar New Year (*Tết*), which takes place around late January or early February, has successfully attracted 200,000 *Viet Kieu* alone.

Initially, *Viet Kieu* made their contributions by sending financial remittances to family or relatives. In 2008, the State Bank of Vietnam (SBV) reported that approximately \$7.4 billion in remittances came into Vietnam that year (SBV, 2008). Interestingly, the fact that three-quarters of the remittances originating from the U.S, Australia and Europe are directed toward Ho Chi Minh City (HCMC) (formerly known as Saigon) implies that it is coming from the *Viet Kieu*.

Increasingly due to the relaxation of government policies and reforms, the *Viet Kieu* are not only sending money, but are bringing remittances when returning to Vietnam, which makes the official contributions seem less transparent. The general observation is that the *Viet Kieu* is thought to have brought their incomes and their incomes are spent on consumption, mostly on tourism. Recently, there have been significant increases in the number of business investments the *Viet Kieu* are involved in (Nestor, 2007: 205). In 2007, the government reported that *Viet Kieu* FDI totalled \$89 million for that year while official financial remittances significantly exceeded investment at \$7.1 billion during the same period (MFA, 2007).



Nguyen Phu Binh, Vice Foreign Minister and Chairman of COV explains that between 1988 to the end of 2004, there were a total of 1,630 projects that the *Viet Kieu* were involved in. This amounted to a registered investment capital of \$630 million (MFA, 2005a). An analysis of this period of 16 years shows that there was a very negligible FDI contribution by the *Viet Kieu* in earlier years after liberalization reforms. The Ministry of Planning and Investment (MPI) FDI database in 2000 suggested that there were only a total of 68 projects with investment capital of \$143 million with only \$65 million that was dispersed (cited in Nestor, 2007: 156). The low *Viet Kieu* FDI contributions prior to 2000 suggest that only within the recent decade, has Vietnam witnessed substantial FDI contributions from the *Viet Kieu*.

More specifically, figures of the American *Viet Kieu* alone have registered 430 *Viet Kieu* owned firms through the Domestic Investment Promotion Law. These firms are contributing \$47 million and an additional \$85 million through the Foreign Investment Law (FIL) (MFA, 2005b). The 430 firms are mainly small-scale enterprises out of which 400 were located in HCMC (Nestor, 2007: 158). *Viet Kieu* investments in Vietnam have taken a staggering leap in recent years. In November 2009, President Nguyen Minh Triet said at the first conference held for overseas Vietnamese that *Viet Kieu* have contributed to over 3,000 projects totalling an estimated two billion in the home country (MFA, 2009a). The rapid increases since the turn of the century have shown positive signs of success in *Viet Kieu* contributions to the Vietnamese economy although it is still incomparable to that of the Indian Diaspora (\$49.8 billion) and to a lesser extent the Chinese Diaspora (\$7.6 billion) between 1991 and 1998 (Kapur, 2001: 275).

Since 2000, the GVN has taken aggressive steps to encourage overseas Vietnamese to invest and facilitate knowledge exchanges with Vietnam. In January 2008 Nong Duc Manh, the General Secretary of the Communist Party stated, "Vietnam's recent economic achievements were partly due to the efforts of 'patriotic' returned exiles" (Economist, 2008b). The official recognition by top level government officials toward the *Viet Kieu* have been a significant cornerstone in improving relations between Vietnam and their Diaspora. Although the government have claimed success in attracting the *Viet Kieu* home, they continue to remain reluctant. The next section will examine what policies the government has implemented in an attempt to better align their views with the *Viet Kieu* through a shared a vision of the economic future of Vietnam.

### III. Giving a Helping Hand? Government Policies toward the returning Vietnamese Diaspora

#### **The role of the State**

The state plays an important role in making sure that there are favorable policies toward attracting the return of the Diaspora. Their role extends to passing complementary domestic policies and reforms aimed at increasing the country's infrastructure thereby raising their institutional capacity and providing appropriate economic and political conditions (Kapur and McHale, 2005: 230). The impact of the returning Vietnamese Diaspora, both entrepreneurs and investors, will depend as much on their capabilities to bring home technical and organizational expertise along with their network of relationships, as it will on the existing domestic institutions and resources available in the home country to put them to use (Saxenian, 2006: 115). In order to encourage the contributions of the Vietnamese Diaspora, the government needs to play a crucial role in constructing an environment conducive to business investment and the return of the highly skilled members of the Vietnamese Diaspora.

In Vietnam, cooperation with the government can prove to be particularly difficult to achieve because of political history with the *Viet Kieu* and as a result, as indicated previously, the use of informal channels have been more attractive methods to make investments. The issue of trust and willingness to cooperate with a government is not a new problem. The neighboring communist country, China experienced similar responses from their Diaspora. The Chinese Diaspora was not significant contributor to the country's economic development until after the 1980s. Prior to liberalization reforms, the large Chinese Diaspora acted as a 'silent spectator' (Kapur and McHale, 2005: 122). The government's inward-looking policies and fierce opposition to international trade and investment signaled political and economic instability in China resulting to discourage the Chinese Diaspora in making any substantial contribution to the economy.

#### **Start of government reforms**

The majority of official investment into Vietnam can be seen through two dominant government policies implemented after the *doi moi* liberalization reforms. The first was implement in 1988, called the Foreign Investment Law. The FIL has continued to be amended to improve the flow of

investments particularly FDI. It became a significant turning point in Vietnam's economic growth. The initial version of the FIL shows the government's commitment to provide special treatment to future *Viet Kieu* investment. As stated in Article 4 of the 1988 FIL, reserves prospects for future provisions to address *Viet Kieu* investment (Nestor, 2007: 158). In May 1993, the following amendment of FIL (Decree No. 29/CP) introduces the first ever incentives for *Viet Kieu* investment in Vietnam.

The second important government initiative was taken on May 1998, introducing the Law on Domestic Investment Promotion (No. 03-1998-QH10). This provided new provisions for *Viet Kieu* investment (Embassy of the SRV 2002). Yet the initial government policies toward *Viet Kieu* investment occurred at a slow pace, they have proven to construct a solid foundation for future *Viet Kieu* investments.

### **Recent government policies and reforms**

Since 2000, the GVN have taken new strides in advancing the relations between Vietnam and their Diaspora to attract their investment. The government's new approach towards the *Viet Kieu* can be attributed to recognizing the Vietnamese Diaspora as powerful source of investment and therefore the GVN have attempted to leverage them as an asset to Vietnam.

In May 2004, Resolution 36/NQ-TW of the Politburo on the overseas Vietnamese affairs was passed. Resolution 36 is the most comprehensive policy to date that recognizes the *Viet Kieu* community and their potential in making a significant contribution to Vietnam's economy (MFA, 2005a). Resolution 36 acknowledges that there remains a significant disconnect between the GVN and the *Viet Kieu* community. The GVN assume this is because of a lack of awareness in the aims of central and local government policy toward the *Viet Kieu*. Therefore, the main objective of Resolution 36 is to make policies more transparent and offer more support to the *Viet Kieu* (Embassy of the SRV, 2004).

Resolution 36 was accompanied by a government action plan that provides a detailed outline for all ministries including central and local agencies. There are four principal guidelines for all governing bodies to follow when creating new policy toward the *Viet Kieu*. They are (1) government policies will not discriminate against any past history or current status of the overseas community as long as they share the goals of nation building and promoting the growth

of Vietnam (2) The government will adhere and respect the rights provided to *Viet Kieu* residing abroad while encouraging them to promote Vietnamese culture and tradition and (3) Vietnamese, both domestic and abroad, need to hold uniform goals and objectives (Ibid).

The first two points of Resolution 36 recognizes the inherent disconnect that lies between the GVN and the *Viet Kieu* community and remains an important reason why *Viet Kieu* contributions have been limited. The last guideline points to the need to develop better linkages between overseas and domestic Vietnamese communities in order to embrace a common goal of ‘national unity’. In order to create closer linkages between the Diaspora and Vietnam, an effective Diaspora network needs to be established that can facilitate this close interaction. As previously discussed, recent government policies have begun to acknowledge the importance of such linkages that can be mutually beneficial to both but more needs to be done.

In 1998, the Law on Vietnamese Nationality that was first enacted but has recently become an important article for the *Viet Kieu* (UNHCR, 2008). Echoing the guidelines of Resolution 36, the 2008 amendment establishes the identity of the *Viet Kieu*. The new provisions clearly defines the meaning of ‘overseas Vietnamese’ and introduces guidelines for members of the *Viet Kieu* to re-establish their national identity by enabling them to restore their Vietnamese nationality and offering dual citizenship to those of Vietnamese origin (Ibid). Similarly to Resolution 36, the article places attempts to reach out to the *Viet Kieu* by recognizing them as part of the Vietnamese identity and to restore a sense of ‘national unity’ between the current Vietnamese nationals and the *Viet Kieu*. The government’s attempt to revitalize the Vietnamese people under a single nationalism can be best described by Hardy (2004) concluding remarks:

“[The Vietnamese people] have one thing in common: all of them to the power of the Vietnamese sense of nation. This power was harnessed by two competing ideologies after 1945, to the oppositional politics of international transnationalism after 1954, and to their export after the fall of Saigon. We may now, a quarter-century after reunification, be starting to witness a return to more ordinary expressions of sentiment for home.” (Hardy, 2004: 234)

As predicted by Hardy (2004), embracing ‘national unity’ has allowed the *Viet Kieu* and the GVN begin to abandon their deep resentment as a result of political historical events and find common ground in which the GVN and the *Viet Kieu* are committed to a shared vision of the economic development of Vietnam.

In 2008, the GVN has taken another step to encourage the return of their Diaspora home by introducing visa exemption guidelines for overseas Vietnamese (No. 135/2007/QĐ-TTg) (MFA, 2008a). In the announcement of the visa exemption, President Nguyen Minh Triet stated the aim of the new initiative was to encourage the return of *Viet Kieu* community to Vietnam (MFA, 2008b). In promoting the return of *Viet Kieu*, the decree allows people of Vietnamese origin to obtain a visa exemption. Holding this certificate, *Viet Kieu* are allowed to enter Vietnam without a visa issuance for five years. To qualify for the visa exemption, individuals need to prove they are of Vietnamese origin by either previously holding Vietnamese citizenship or who was born from parents that were citizens. In the case to prove that a person is of Vietnamese origin, an individual must provide evidence of one of the thirteen ways that it can prove your Vietnamese decent (MFA, 2008b). The guidelines for obtaining a visa exemption are relatively straightforward with four steps in the procedure that takes no more than five working business days to process. In comparison, to an ordinary 90-day tourist visa, which costs around \$50 in the U.S, the visa exemption is only \$20.

One of latest developments in government policy has been aimed to specifically attract *Viet Kieu* investments. In August 2010, a presidential decree was taken into effect providing the rules and regulations for *Viet Kieu* who want to purchase land or homes in Vietnam (Mayer-Brown JSM, 2010). Although there was a previous decree allowing the purchase of homes in 2006, the new version provides more transparent procedures and step-by-step procedures needed to purchase homes. This was thought to be a major distortion in the previous version that significantly affected the amount of official numbers of homes purchases by the *Viet Kieu* and encouraged them to use alternative informal channels to make their investments (VietnamNet, 2010b; Vietnam Real Estate, 2010). The new decree will attempt to remove these bottlenecks in the house purchase procedures while also attempting to relax the requirements to be eligible for home purchasing.

### **In the Shadow Economy: *Viet Kieu* contributions through informal networks**

There remains a missing gap in *Viet Kieu* contributions between the actual amount and the figures officially reported. The missing gap represents the informal flow of investment contributions of the *Viet Kieu*. Defined as personal ties or family networks, informal networks have been the primary channel for the Vietnamese Diaspora to make investment contributions in

Vietnam. The *Viet Kieu* have used their connections through family and relatives in Vietnam to purchase homes as well as direct their capital towards other investment opportunities (Sidel, 2007: 11-12). Investment contributions initially began as financial remittances. From 2000 to 2008, remittances to Vietnam have more than tripled with an average of \$7.4 billion per annum (USA Today, 2010a). The inexpensive and a reliability of the informal networks have allowed the *Viet Kieu* to steadily make economic contributions to Vietnam. Due to the nature of informal networks, it becomes increasingly difficult to measure their actual contribution, however it can be implied to be significantly greater than officially recorded (Anh, 2005: 113).

An analysis conducted by Schneider (2003, 8) measures the size of the informal economy in 101 countries including Vietnam's informal economy. The informal economy of Vietnam was approximately 15.6 percent of GNP in 2000. More specifically, \$49 billion of the \$314 billion of GNP consists of the informal economy representing the existence of a large informal sector. Within the informal sector, *Viet Kieu* investment contributions are estimated to be \$1.2 billion from 1998 to 2004 (Nestor, 2007: 205). Comparing the \$1.2 billion unofficial investment contribution of the *Viet Kieu* during the same period suggests a mere 2.5 percent of the informal economy. The *Viet Kieu* operations within the informal sector consist of thousands of small- and medium-sized enterprises and informal joint ventures that were registered as domestic firms and are managed and operated by relatives and close friends (VIR, 2001: 12; UNESCAP, 2001: 214). While the unofficial investment flows have not been adequately represented as a significant portion of the informal economy, the unofficial investment have had an impact on the total FDI dispersal (in contrast to committed FDI)—led to 10 percent more disbursed FDI in Vietnam (Nestor, 2007: 159).

The psychological effects embedded within the Vietnamese Diaspora have a significant effect on the perceptions of the *Viet Kieu* toward investment in Vietnam. Combined with assurances provided by the GVN through its soft policies have not been enough to convince the *Viet Kieu* to return home. The continued mistrust, and unwillingness to cooperate with the government still remain although resentment in the community has begun to fade (Hardy, 2004: 234). The officially registered FDI projects by the *Viet Kieu* only represents of a slight fraction of the total investment contributions of the *Viet Kieu* and it drastically underwrites their actual potential (Nestor, 2007, 159). This misrepresentation is shown in the real estate market where there are

large numbers of *Viet Kieu* who show interest in house purchasing procedures but rarely follow through with the purchase.

The experiences of Vietnam's real estate market represent the reluctance of the *Viet Kieu* community to use government offered formal channels to make real estate investments. Since 2006, the *Viet Kieu* have the right to purchase homes in Vietnam as long as they hold a valid three-month visa. Instead, the trend for the *Viet Kieu* has been to purchase real estate through a relative or trusted friend by registering in their name to avoid formal government procedures. The dense bureaucratic nature of the procedure guidelines and with the intent to avoid discriminatory practices and taxes were found to be the reasons for the use of informal networks (IER, 1998: 21).

In 2008, after two years since its introduction, only 140 officially reported *Viet Kieu* purchased real estate through the formal route (VietnamNet, 2010b). Therefore the actual number of homes purchased by the *Viet Kieu* is significantly underestimated. Interestingly, out of the 140 official purchasing deals, 100 of them were conducted in HCMC (Tuoi Tre, 2010). This exemplifies the close linkages of the Vietnamese Diaspora with their former city of Saigon resulting in a disproportionately higher amount of housing purchases in the south. The real estate demand in HCMC can also be partially attributed to the establishment of new urban centers such as Saigon South (*Phu My Hung*). The new urban centers like *Phu My Hung* have proved to be attractive to returning *Viet Kieu* as the housing development maintains international planning and construction standards while offering the *Viet Kieu* similar amenities as in the West (Saigon Daily Times, 2003).

The increasing use of informal networks for *Viet Kieu* investments can demonstrate the general disconnect that exists between the *Viet Kieu* and Vietnam. The informality involved with the *Viet Kieu* contributions raises the issue whether the Vietnamese Diaspora can shift from contributions in small-scale to large-scale investments that can have make a substantial impact on Vietnam's economic growth. There are many instances where the investments through informal networks have been greater than the capacity of the relative's household to efficiently put the capital to use.

Investments through informal networks are a process called *dau tu chui* or ‘sneaking investments’. They have been successful in transforming financial remittances from only assisting the short-term welfare and consumption of the receiving family to begin financing business opportunities. From 1998 to 2004, there was one billion worth in remittances that were used for investment purposes (Anh, 2005: 115). *Viet Kieu* investments have helped to finance as well as provided technical and managerial support for existing family-run businesses and new entrepreneur start-ups in Vietnam (Nestor, 2007: 203). It is recognized that the *Viet Kieu* do not only provide the necessary capital investment but also can contribute their professional and managerial skills in assisting the domestic business to be successful (Nguyen Ngoc Anh, 2010: personal interview).

The *Viet Kieu* will continue to use these informal routes to business investments until the formal procedures are made favorable by the GVN. Formal channels have become more attractive with the gradual softening of government policies but the majority of *Viet Kieu* investments continue to use informal networks. The pitfalls of the continued reliance on informal networks make it difficult for investments to be scaled up to make a more substantial contribution to Vietnam’s economic growth by utilizing more efficient channels. As the Vietnamese economy continues to achieve rapid rates of annual growth, there will be a greater urge for more effective channels to facilitate *Viet Kieu* investment.

By examining the how linkages are established between members of the *Viet Kieu* and domestic partners, I will focus on the use an integrated Vietnamese Diaspora network. The next section discusses the role of an integrated Diaspora network and how it can ‘bridge the gap’ between the *Viet Kieu* and domestic partners in Vietnam to facilitate investment, flows and knowledge exchanges from the return of highly skilled members of the Diaspora.



## IV. Integrated Diaspora Networks

### The role of Diaspora networks

The recent additions in the international migration literature suggest that in certain cases, the outward migration from source countries as well as immigration into host countries of highly skilled labor is not always bad.

One of the prominent scholars examining this trend is Annalee Saxenian in her book, *The New Argonauts: Regional Advantage in a Global Economy* (2006). It introduces the term 'brain circulation' which she finds that the two-way flow of skill, technology and capital through the migration of highly skilled members of the Diaspora. The Diaspora cases in which Saxenian examines are Taiwan, China and India. The movement of different Diaspora groups to the West has had positive effects on the host economy in a variety of ways including expanding the host country tax base, raising the level of human capital as well as the expansion of trade between the immigrants home country (Lucas, 2005; Head and Ries, 1998).

Throughout the international migration and the Diaspora literature, it has been highly regarded that Diaspora networks are a crucial step in building cohesive linkages between the country of origin and the Diaspora (Saxenian, 2006; Kapur, 2001; Lucas, 2005). The importance of Diaspora networks can help facilitate the flow of physical capital in the form of financial remittances and investment from a country's Diaspora to their home country. More importantly, these networks have the capabilities to connect highly skilled members of the Diaspora together. The creation of these networks has made it possible for these physical capital flows to occur while facilitating the rise in the level of human capital attained in a country (Kapur, 2001: 273).

In many cases, these Diaspora networks consist of venture capitalist, service providers, consultants and suppliers that the Diaspora mobilizes when they return home (Saxenian, 2006: 112). Located in both the host and home country, the decentralized and informal nature of these networks provide the Diaspora with resources and tools such as financing and technical assistance when they setup operations in their home country. The linkages established between the two regions are a combination of formal institutions and informal networks between investors, entrepreneurs, SMEs and large firms (Ibid, 135). Through these linkages, greater specialization is promoted in order exploit both the region's competitive advantage. Rather than

compete directly, the two regions complement the other by allowing each region to enter what Saxenian calls the “reciprocal cycle of regional upgrading” (Ibid).

Cases of ‘brain circulation’ have disproved the arguments against globalization and in fact have shown that there are many positive effects on both the home and host country. A general example reveals that when highly skilled labor migrates to an advanced country like the U.S. to enroll in schooling and subsequently join the workforce, where the highly skilled migrants develop their skills and expertise. After time spent in their respective host country, highly skilled members of the Diaspora return home to either apply their professional skills and are involved in entrepreneurial start-ups where they utilize their contact list through networks developed in the U.S. to help finance their operations as well as tap into new innovations.

### **Vietnam’s integrated Diaspora network**

The integrated Vietnamese Diaspora network consists of business contact networks, professional associations and dedicated independent research institutes that are located in both Vietnam and their respective host country that facilitate knowledge exchanges between attracting highly skilled professionals, academic scholars and scientist of the Diaspora community with their counterparts in Vietnam. The two main roles Diaspora networks play is an informational and reputational role (Kapur and McHale, 2005:124).

The two principal advantages that the Vietnamese Diaspora has with Vietnam are their shared ethnic identity, cultural and linguistic ties. Using these shared ties to their advantage, highly skilled *Viet Kieu* can act as both an information channel and a ‘reputational intermediary’ between Vietnam and their respective host country (Ibid). Playing both the knowledge role and the reputational role, the Vietnamese Diaspora gain closer insight into the local investment climate while also being able to quickly assimilate and develop local networks (Lucas, 2001: 24). The movement of the Vietnamese Diaspora through the Diaspora network has significantly increased the number of highly skilled in Vietnam especially in the form of professionals, scientists, and researchers. Consequently, it has raised the level of human capital within Vietnam as the returning Diaspora takes on intermediary positions in managerial or professional field (Anh, 2005: 117).

### **Knowledge spillovers**

Through Diaspora networks, knowledge spillovers can have significant positive effects on the home country. When knowledge is tacit, direct communication via person-to-person contact is necessary to transfer this type of knowledge. Knowledge spillovers have proven to be geographically localized when patent citations are used to test the extent of the spillovers (Jaffe *et al*, 1993). Therefore, the importance of the Diaspora networks is to facilitate person-to-person contact allowing knowledge spillovers to occur when members of the Vietnamese Diaspora return through interaction with their Vietnamese counterparts.

An analysis conducted by Agrawal *et al* (2003) examined the previous locations of inventors of patent citations that suggested knowledge transfers occurred even after the inventor left. This highlighted the importance of social ties in the flow knowledge transfers especially between two regions that are separated. Through social ties and networks, inventors were able to facilitate the continued knowledge exchange between each other, thereby making Diaspora networks a key player in knowledge transfers between two regions. From the author's results, they found that inventors would continue to invest or maintain social ties between previous locations to gain preferential access to new innovation. This implies that in the case of the Diaspora network, there is an incentive mechanism for the Vietnamese Diaspora to continually reinvest back into the Diaspora network making it a more prominent actor facilitating future exchange.

### **Reputation building**

Vietnam's economy has seen significant liberalization and openness to business and investment but the environment continues to be hampered down by issues of legitimacy and corruption. According to the 2010 Doing Business Report by the World Bank, Vietnam ranks at 93 out of 183 countries for the ease of doing business. The country ranks as one of the worst in providing protection for investment. Vietnam severely lacks having a reputation that will entice investment. Developing better reputations will bring greater transparency and legitimacy to economic activities while also helping to improve their quality of goods and services (Kapur, 2001: 271). Diaspora networks can help enhanced the confidence level of the home country by allowing the Diaspora to act as 'reputational intermediaries'. The Diaspora taking this role can assist in

establishing contacts with foreign investors and firms when they return home to be the acting local counterpart (Kapur and McHale, 2005: 116).

Diaspora networks help to reduce reputational barriers facing many domestic firms by building their credibility in business activities with the Vietnamese Diaspora. The continued return of the Diaspora has helped to bring increase legitimacy to the entire economy. When integrated Diaspora networks work within social institutions to facilitate information exchanges, they also shape the content, the access and the credibility of information (Kapur, 2001: 271). The ability of the Diaspora networks to affect information exchanges is the principal reason why it can have positive effects on the home country.

### **Diaspora and home partnerships**

Cooperation between the *Viet Kieu* and their domestic partners are on the rise. Members of the Diaspora have not always solely undertaken economic activities in Vietnam. In most cases, Diasporas have developed partnerships with their domestic counterparts (Kapur and McHale, 2005: 418). The collaboration between the *Viet Kieu* and Vietnamese through joint ventures is becoming increasing common as they both realize the significant benefits.

On one hand, the *Viet Kieu* is gaining access to resources, supply networks and a new demand market. On the other, the domestic firm improves their reputation, allowing them to attract investments from new sources. In addition, domestic firms gain new knowledge and innovation through positive externalities. When two regions like the U.S. and Vietnam develop an integrated Diaspora network, the Vietnamese Diaspora and the domestic partner now can access each other's resources allowing both to maintain their competitive advantage in their own markets.

### **Financing entrepreneurship**

There are many advantages for members of the Diaspora to be involved in an integrated Diaspora network. When a firm or an entrepreneur is part of one of these networks, they can benefit from having an exclusive labor pool to which it can hire new employees. It reduces employee search costs while also gaining preferential access to resources such as sector specific information or investment capital for financing (Kapur, 2001: 272). In the Indian Diaspora, Kapur (2004) explains that there is a group of so-called 'angel investors' that previously helped

create successful entrepreneurial start-ups themselves and now are reinvesting in venture capital funds that promote new emerging Indian entrepreneurs. This continues a reciprocal cycle of reinvestment into the Diaspora network.

In the case of Vietnam, the American Chamber of Commerce in Vietnam provides a list of seven new venture capital funds and interestingly, five out of the seven have at least one overseas Vietnamese on their board of directors. IDG Ventures Vietnam—a \$100 million venture capital fund, started by a young *Viet Kieu* entrepreneur aimed at investing in entrepreneurial start-ups in Vietnam is a key player in the Diaspora network (USA Today, 2010). Benefiting from the integrated Diaspora network, the Vietnamese Diaspora are gaining access to investment capital through network contacts of venture capitalists eager to promote returning *Viet Kieu* entrepreneurship. In particular, young *Viet Kieu* entrepreneurs have an even more willing and eager to return and invest in start-ups because they are less affiliated with past memories of war (Ibid).

### **Network size**

The size of the Diaspora network has been able to increase the flow and interaction between the Diaspora and the home country. Between the Vietnamese Diaspora and Vietnam, there are clear indicators that an integrated Diaspora Network is developing. They developed a well-integrated Diaspora network that has established strong social ties between the *Viet Kieu* and Vietnam. This integrated Diaspora network has allowed a large return migration with their intentions to seek out economic opportunities as well as assist their country of origins in nation building and economic development (USA Today, 2010).

## VI. Conclusion

The Diaspora's contribution to the development of its country of origin has become highly discussed topic as developing countries are in search of new sources to fuel their economic growth. The unique formation and development of the Vietnamese Diaspora has allowed this Diaspora to make substantial contributions to Vietnam's economic growth. The Vietnamese Diaspora developed its potential by residing in the West for over four decades. Members of the *Viet Kieu* significantly benefited in terms of vast economic opportunities available in Western countries allowing them to gain better employment opportunities, raise their living standards and given the opportunity to excel in Western higher education systems. The contribution of the four million overseas Vietnamese lies not only in their current generating income of \$23 to 50 billion annually but also in their absolute shared commitment to the economic growth of Vietnam. From the evidence, I am able to transcribe that the Vietnamese Diaspora has indeed been a positive and significant contributor to Vietnam's economic growth.

Although government liberalization policies and reforms in Vietnam started as early as 1986, their influence on changing the attitudes and perceptions of the *Viet Kieu* community abroad did not make progress until this last decade. Due to the psychological effects of war and political differences, the majority of the *Viet Kieu* community did not invest in or return to Vietnam until this last period. Their exclusion and near complete isolation was reinforced not only by the GVN but also external countries. The U.S. remains home to the largest concentration of the *Viet Kieu* population in the world and it was not until trade liberalization between the U.S. and Vietnam, did a mass influx of overseas Vietnamese Americans begin to return and make economic contributions to Vietnam.

In the last decade, the *Viet Kieu* have taken a significant leap forward in their total contributions to Vietnam's economic growth. While estimated official figures remain negligible, this inquiry finds that substantial economic contributions were found in formal investment channels. Instead, *Viet Kieu* investment contributions heavily relied on the use of informal networks that facilitated the flow of capital in the form of remittances and investment into Vietnam. The informal networks were gradually re-established since the *doi moi* reforms. Although difficult to measure, unofficial investment through informal networks, the available estimated figures, the size of the informal economy and anecdotal accounts has determined that informal networks have been used

a considerable amount. More importantly, the impact of informal *Viet Kieu* contributions on the total amount of dispersed FDI illustrates that *Viet Kieu* investments have been actually implemented and have added to the country's economic growth. Therefore *Viet Kieu* contributions are significantly greater than officially reported.

*Viet Kieu* contributions in recent years have reached impressive levels of investment into Vietnam that have transformed the established informal networks into expanding their channels allowing for a greater economic contribution by the Vietnamese Diaspora. Informal networks combined with formal organizations, professional associations and independent research institutes led to the creation of an integrated Vietnamese Diaspora network. Together, the *Viet Kieu* has found a niche where they can link with other members of the Diaspora and together develop partnerships with their domestic Vietnamese counterparts. The emergence of the integrated Diaspora network has facilitated the return of first, second and even third generation *Viet Kieu* that have accumulated the capital and highly skilled knowledge to become actively involved in entrepreneurial start-ups, investments and raising the human capital level of their home country, Vietnam.

### **Study Limitations**

First, due to the lack of consistent quantitative statistics capturing the all the Vietnamese Diaspora contributions, this inquiry has been limited to a moreover qualitative analysis. As this inquiry has found, a significant amount of *Viet Kieu* contributions are conducted through the informal networks that make it difficult to measure. The Vietnamese Diaspora contribution to Vietnam's economic growth is a recent phenomenon making this inquiry subjected to relying on figures and estimates that only have existed for a decade.

Secondly, another result of being a recent phenomenon, the Vietnamese Diaspora has not been a subject that has been analyzed in detail. Due to the limited number of previous studies, it was necessary for this inquiry—being one of the first, to provide a foundation that may have not covered each section with enough depth and room for further research. The limited availability of substantial empirical evidence led to having relied on recent anecdotes and a series of interviews to get a better approach this topic. Due to limited time, the interviews obtained were

used only as providing general guidance in the direction of the paper and not substantial enough to be cited in specific parts of the paper.

### **Recommendations: Continued Government Reforms**

While the relations between the 3.7 million *Viet Kieu* and GVN have seen significant improvement in the last decade, a continued disconnect remains. As government policies and reforms are aimed at welcoming the *Viet Kieu* in the upcoming years, the GVN needs to take into more consideration the insights and suggestions of the *Viet Kieu*. This will help to display improved transparency between the two parties and also assist the GVN in enacting the right initiatives and policies that meet the interest of the *Viet Kieu* in order to increase the inflow more to return. Many of the policies and reforms will most likely take place to expanding the economic opportunities but also to begin address issues such as rights and freedoms. The *Viet Kieu* has begun to raise issues of political and religious freedoms as reasons they remain hesitant about committing to Vietnam (USA Today, 2010).

In addition to government reforms and policy, the GVN needs promote greater awareness by reaching out to the *Viet Kieu* communities. Top-level Vietnamese government officials and policymakers should meet with *Viet Kieu* leaders to increase direct communication with the *Viet Kieu*. This will encourage greater interaction and involvement among the communities that will help reiterate their message of encouraging *Viet Kieu* to return.

The GVN has made significant policies reforms in recent years as well as providing improved dialogue through the hosting conferences dedicated to the *Viet Kieu*. At the first overseas Vietnamese conference last year, Pham Gia Khiem, Deputy Prime Minister and Foreign Minister stated conferences would provide the platform to increase the interaction and information exchange between the GVN and the *Viet Kieu* (MFA, 2009a). This is the government's attempt to provide a neutral environment to hear the *Viet Kieu* demands gain constructive criticism for development of future policies. Key players in the integrated Diaspora network include overseas Vietnamese associations, young entrepreneurs and investors while suggesting that more conferences could help attract more attendants to have a greater effect.



## **Upgrading the Domestic Economy**

Government policies and reforms aimed to encourage the *Viet Kieu* return should not only focus on providing preferential treatment to *Viet Kieu* directly, but the GVN should be to focus on increasing investment in their domestic economy to improve their capacities to not only absorb the investments and human capital that are entering the country but also to provide an climate that is conducive to the returning *Viet Kieu*. Increasing investment in Vietnam's higher education system and health system will improve the preconditions of Vietnam for *Viet Kieu* investment, entrepreneurship and knowledge exchange to occur.

With limitations to increasing investment to the overall infrastructure of the domestic economy, the GVN can focus on particular improvements such as developing new urban centers like that of *Phu My Hung* in HCMC. These urban centers prove to be attractive to the *Viet Kieu* that want to maintain their living standards as well as the many luxuries that they have become accustomed to in the West. The emergence of more urban centers will help to encourage *Viet Kieu* to return as it was already shown that many *Viet Kieu* have already begun to invest heavily in this area.

## **Shared Commitment**

The use an integrated Vietnamese Diaspora network has provided benefits to both Vietnam and the *Viet Kieu* because they have held a commitment to a shared vision of Vietnam's future. When the *Viet Kieu* provide feedback to the GVN, the dialogue between the *Viet Kieu* and the GVN should aim to not compete or threaten Vietnam's political authority but rather it should maintain a focus on economic opportunities that are mutually beneficial for both the *Viet Kieu* and the GVN. Aligning the interests between the government and Diaspora have proven to be successful in other cases like that of Taiwan where the returning Diaspora, policymakers and business leaders worked together to reduce institutional barriers for entrepreneurship as well as promoting the direction of government investments into the domestic economy to support the return of the Diaspora (Saxenian, 2006: 120-21). The shared commitment to Vietnam's economic development will take both public and private initiatives to reach their common goals.

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## Appendix A:

### Overseas Vietnamese Associations and Networks

Association Name	Year Founded	Mission Statement
Business Association of Overseas Vietnamese (BAOOV)	2009	“Working alongside Vietnamese-Americans, will promote business opportunities that will be mutually beneficial to both Vietnam and the Vietnamese-American business community.”
Development and Policies Research Center (DEPOCEN)	2008	“An independent institution for development research and policy studies. The center provides accurate and timely information as well as objective and professional analysis, on various socio-economic and poverty issues.”
The Len Duong International Vietnamese Youth Network	1999	“With the conscious awareness of our responsibilities and cultural identity thus enabling us to work towards the humanitarian needs of mankind, promoting human rights and democracy throughout the world and within Vietnam. Lên Đường wealth’s of intellectual capacities and our aspirations to serve others thus enabling us to become valuable contributors to society and for Vietnam.”
One Vietnam Network	2009	“OneVietnam Network is a global online network for the Vietnamese Community. Meet friends, learn about the people and groups building your community, and champion a cause.”
Overseas Vietnamese Science and Technology Club	2005	“Overseas Vietnamese Science & Technology Club (OVS Club) is a nonprofit organization based out of Ho Chi Minh City dedicated to connecting overseas Vietnamese professionals in science and technology fields with government agencies, NGOs and other enterprises in Vietnam that have requested volunteer assistance to help resolve their development issues.”
Union of North American Vietnamese Student Associations (UNAVSA)	2004	“Grounded in the leadership and personal advancement of Vietnamese youth, we are dedicated to the development of tomorrow’s leaders in the Vietnamese Community.”
Vietnam Economic Research Network	2006	“Aimed at enabling developing countries to design appropriate domestic policies and international integration strategies for promoting more inclusive and equitable growth.”
Vietnamese American Heritage Foundation	2004	“Preservation, promotion and celebration of the Vietnamese American history and heritage for present and future generation of Vietnamese Americans.”
Vietnamese Professionals Society	1990	“ Increase the knowledge and understanding of the social and economic conditions in Vietnam, to promote the welfare of the Vietnamese people.”