

DEVELOPING STRATEGIC PARTNERSHIP IN TECHNOLOGY TRANSFER INTO VIETNAM

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Abstract:

Over the past, a lot of effort had been made to establish strategic partnership in technology transfer with a view to addressing strategic issues in technology import for the industrialization and modernization of the country. However, the results obtained so far in practice were still very limited. To develop strategic partnership in technology transfer to Vietnam for upcoming time, this study emphasized on such issues as clarifying the meaning of the strategic partnership development in technology transfer, shaping the content of strategic partnership development, developing appropriate strategic partners for each channel of technology transfer.

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The significance of strategic partnership is to enable us to solve strategic issues in technology import for industrialization and modernization, specifically the import of source, strategic technologies for economic and science and technology (S&T) development; at the same time, it facilitates to master, improve, develop imported technologies (along with technology transfer, it accompanies the transfer of capacity of technology mastering and innovation); products generated from imported technologies shall be available in local and the world market with national brands. The contribution to address strategic issues shall make strategic partners different to the other kind of partnership.

To develop strategic partnership in technology transfer into our country, it should pay attention to some issues as follows:

1. Significance of strategic partnership development in technology transfer

Technology is considered as a strategic commodity (because it includes strategic considerations of all the parties involved in the technology exchange), therefore the exchange relations also should have corresponding

nature... The exchange of technology is, in general, limited by the lack of close ties among parties such as a common interest long enough to share technology and the reliability to overcome obstacles of unequal information in the technology exchange and long-term cooperation between the parties, etc...

In comparison with internal relations of the economy in the context of international relations, the role of strategic relations (based on strategic interest and reliability) is more prominent and more difficult to set up due to disparities exist between countries. At the level of international relations, strategic partnership in technology transfer is likely relative to strategic economic, political relations...

Strategic partnership is emphasized not only for addressing issues arising from present situation, but also in terms of its relevance with the context of our nation's integration and development in the upcoming future. The Party's and State's policies on strengthened international integration will continue to be maintained. Vietnam will participate intensively and extensively in international integration by signing a series of free trade agreements, namely: establishment of ASEAN Economic Community (AEC), Trans-Pacific Partnership (TPP) Agreement, ASEAN+6 FTA (RCEP), Vietnam-EU FTA, Vietnam - Korea FTA, Vietnam and Russian-Belarus-Kazaxtan Customs Union FTA, and EFTA (FTA between Vietnam and Four Middle, Northern Europe countries). Intensive and extensive economic and political relations in fact provide effective support for technology exchange. Especially, it provides the opportunity to expand the strategic partnership in economic, political areas to strategic relations in technology transfer.

The promotion of industrialization-modernization oriented development strategy and the shift of development paradigm from extensive to rationally combined extensive-intensive development model has obtained the effect of increased demand for the import of advanced, modern technologies, increased priority resources for technology import, highlighting the requirement of mastering and innovation of imported technology.

Along with the general development context of the country, there are orientations for technology import, such as enhanced import of high, source technologies¹; strengthened improvement of imported technologies

¹ In order to achieve the objective as stated "...up to 2020 the value of high-tech products and high-tech applications would reach approximately 40% of the total industrial production value" (Resolution No. 20-NQ/TW dated 31st October 2012 of the Party's 6th Plenum, session XI on S&T development for the cause of industrialization and modernization in condition of socialist-oriented market economy and international integration) and "the value of high-tech products and the high-tech applications would account for 45% of GDP"

and gradually developing endogenous technologies from imported technologies².

2. Content of strategic partnership development

Presently, there has not been in the world any common conceptual framework, implications, purpose and meaning of strategic partnership. In essence, however, it expresses the cohesion, interrelated interest between partners in international relations, beyond the level of friendship and cooperation, but not up to the extent of liability binding. In general, strategic partnership in pair in the world has the following 4 basic characteristics: *First*, there must be a framework for relations with extensive implications for cooperation depending on the political will and desire of the cooperating parties and being formalized through high-level statements, official communiqués, etc; *Second*, there must be operating mechanisms through meetings, exchanges... especially at high level, including regular and ad-hoc, to build strategic trust, enhance friendship, overall cooperation; *Third*, previously when developing and implementing strategic partnership, stakeholders used to pay attention to political, security and defense cooperation matters, but now the choice of one or a few narrow areas or diversified implications to build strategic partnership tends to become increasingly popular as long as it brings benefit to both sides and does not go far to military alliance; and *Fourthly*, there exists extensive economic cooperation, closer than usual, creating a clear difference between cooperation and partnership, an inter-relative cohesion in respect of sustainable benefits in a given time.

Particularly with regard to technology transfer, strategic partners should have the following basic characteristics: (i) Holding high, source technologies that Vietnam needs to import; (ii) Having a deep, sustainable and mutually beneficial relationship with Vietnam (common strategic interests).

(Decision No. 418/QĐ-TTg dated 11th April 2012 of Prime Minister approving S&T Development Strategy, period 2011 - 2020), “the technology search and transfer to Vietnam should focus on priority source, advanced technologies in line with national S&T development policies and strategies” (Decision No. 1069/QĐ-TTg dated 04th July 2014 of Prime Minister approving the program of searching and transfer of foreign technologies up to 2020).

² In order to implement the objectives such as “By 2020, S&T organizations, enterprises of Vietnam in a number of priority and key areas shall have enough capacity of cooperation with foreign partners, acquire, master, conduct innovation of technologies; some of the results of scientific research and technological development in priority key areas of Vietnam establish position in the regional and the world market” (the Proposal on international integration of S&T by 2020 approved by Prime Minister Decision No. 735/QĐ-TTg dated 18th May 2011).

For characteristic (i) it should pay attention to those countries having outstanding technology strengths, and having, to some extent, the same areas of typical technology.

Among big countries, the United States has a great role in the international technology market. Since the mid-twentieth century, it has become the world's leading nation in S&T progress. Until 60-70's, the Soviet Union was a big competitor of the United States in a number of S&T areas, but until the 80's, it lost the competitive capacity with the US. By mid-90s, there appeared some emerging countries (Germany, England, France and Japan) having the ability to compete with the US in a number of technology markets. The United States has occupied the world's leading position in technology because it had a long-term development policy of S&T and large spending for research and development (R&D). US keeps its leading position on efficient commercialization of R&D results in the local and overseas market. This factor is reflected in the following indicators: steadily increasing number of patents and licenses, efficiency of the national science, innovation, industrial system, technological payment balance of the country, US is the number one exporter of high technology, is the leading country "international technology transfer". In fact, the US plays a leading role in the world in techno-economic fields with high scientific content, namely: aerospace engineering, electronic engineering, testing and control equipment, computers, pharmaceutical industry, machine manufacturing.

There are some leading countries in a specific field of technology. For example in information and communications technology, we have the US, Japan, China, Germany, Republic of Korea. Many countries having strength of a field will open up more opportunities for us to choose strategic partners, but it requires a careful consideration to find out the optimal option, on the other hand.

For characteristic (ii) it should pay attention to the fact that we could actively build strategic partnership by making partners bound to benefits.

We could take advantage of the free trade agreements signed with countries of higher developed industry. Especially, the upcoming significant bilateral and regional agreements like the Trans-Pacific Partnership (TPP); Framework Agreement on partnership and comprehensive cooperation (PCA) and FTA negotiations with the EU; with Customs Union of Korea; Exploiting close relations to deal with common competitors, which Vietnam or technology transfer partners alone may find difficult to handle.

3. Appropriate strategic partners for each channel of technology transfer

Developing strategic partnership can follow specific channels of technology transfer. Particularly, when the role of strategic partnership is clear, evident in the technology transfer channel of import of high, source technologies, improvement and innovation of endogenous from imported technologies (for instance the technology transfer channel through foreign direct investment (FDI), licenses, etc).

Typically, the technology transfer through FDI, the relationship with Trans-National Corporations (TNCs) always has the important significance. That is not only because these companies have enormous technological potential but also their independent position and ambitious on internationalization of their R&D³.

In fact, multinational corporations have become one of the emerging forces on the world arena to challenge national powers. The organization of cross-border production has created an unique position. Multinational companies often have their own interests and can be against the interests of their nation of origin, and vice versa. For example, British multinational corporations violated the British embargo; US multinational corporations violated America's rules concerning Arab boycott against Jewish companies; Taiwanese multinational corporations violate policies to restrict high-tech transfer to China... The absolute state power of the country over multinational companies has been reduced along the time. The companies now can have a certain independence in policy of their "origin" country. This is an opportunity for developing countries to expand their access to the relationship of S&T and production of the world at advanced level.

The expansion of R&D alliances of multinational corporations is getting increasingly stronger. Technological innovation is increasingly deployed outside the origin country of a company. Statistics showed that foreign ownership relations of domestic inventions and domestic ownership

³ In our country, the promotion of cooperation with multinational corporations has also been mentioned in several proposals, such as: "Vietnam should establish linkages of world leading transnational corporations with domestic enterprises in order for Vietnamese enterprises can take benefit from the cooperation, the share of technology market with these groups" (*Transfer of technology from foreign investment projects: Waiting for effective and practical breakthrough steps*. Journal of Finance, No. 4-2013); "To this point, we need to have an action plan to attract foreign investment to engage more large corporations because its spillover effect can lead to motivate more other small businesses. Only large corporations with trademark can influence, make technology innovation and have major impact on the economy" (*Technology attracts FDI* - <http://vcci.com.vn/nghien-cuu/201391919595359/cong-nghe-hut-DTNN.htm>); "...placing industrial development strategy in an intimate relationship with multinational corporations is very essential" (Comments by Professor Tran Van Tho at the seminar "*Strengthening the competitiveness of the Vietnamese industry*" held on 22nd November 2004 in Hanoi);... However, these comments did not emphasize the advantage of technology transfer through multinational companies to the country for their independence and ambitious on internationalization of their R&D.

relations of foreign patented inventions are increasing in almost all OECD countries.

International coordination in R&D activities of multinational companies operating in developing countries have tendencies not merely to adapt technology with native conditions, but also to increasingly conduct R&D for “innovation”, including the technology development for the regional and world market.

4. Strategic partnership development in technology transfer

In establishing relationship with strategic partners, the Vietnamese side has many advantages, but technological one. Vietnam currently has 13 countries as strategic partners, including 02 overall strategic partners, 11 overall partners and 01 strategic sector partner. Overall strategic partners are⁴: Federation of Russia and People's Republic of China. Strategic partners include⁵: Japan, Republic of India, Republic of Korea, the Kingdom of Spain, the United Kingdom of Great Britain and Northern Ireland, Germany, Republic of Italy, Republic of Indonesia, the Kingdom of Thailand, Republic of Singapore, Republic of France. Overall partners⁶ include: Federation of Malaysia, Republic of South Africa, Republic of Chile, the Federal Republic of Brazil, the Republic of Bolivar Venezuela, the Commonwealth of Australia, New Zealand, Republic of Argentina, Ukraine, the United States, the United Kingdom of Denmark. Strategic sector partner⁷ is the Netherlands. Thus, there have been industrialized countries present in all kind of partnership: strategic partnership, overall strategic partnership, overall partnership and strategic sector partnership.

It can absolutely expand strategic relations in technology transfer with the above partners. World experience has shown that there existed the possibility to connect technology and economic, political areas in international relations, such as the United States and South Korea after the Korean War, the Soviet Union and China in the 1950s, etc.

⁴ Overall strategic partnership, also known as a comprehensive strategic partnership, is meant two or more parties tied together for long-term benefits, supportive each other in cooperation in a broad and comprehensive manner in all areas of mutual benefit. At the same time, the two sides have built mutual trust at strategic level.

⁵ Strategic partnership is meant strategic partnership in a narrow field or for a particular target such as strategic partnership for peace and cooperation for development.

⁶ Overall partnership is meant normal relations between the subjects typically having already had one or more aspects that reached strategic cooperation, without uniformity between the aspects. Due to insufficient mutual trust or the time not yet ripe, so the entities involved choose the modality to build a comprehensive partnership framework with the emphasis on cooperation and continue to strengthen mutual trust to look forward to future.

⁷ Strategic sector partnership means the cooperation in a specific area that the two countries feel have mutual trust. That cooperation is only inclusive and not relative to the other industries or specializations.

In Vietnam now there is also signal of developing relations in technology transfer based on strategic economic, political partnership.

A working visit to Vietnam on 06th October 2014 to seek partners and promote export of high - tech products and innovation services to Vietnamese market made by Deputy Minister for Economic Development of Russian Federation, Mr. A.E. Likhachev, with participation of more than 20 leading enterprises of the Russian Federation. Talking to Industry-Trade newspaper reporters, the majority of representatives of Russian enterprises in the mission expected that it should go further, not just stop at the introduction to promote export of high-tech products to Vietnam, these enterprises also looked forward to collaborating to set up production in Vietnam and conducting technology transfer to Vietnam through collaboration process. Deputy Minister A.E.Likhachev also emphasized: “Not only commodity exchange, Russian enterprises want to make investment, realize technology transfer to Vietnam and establish joint venture companies, in order to create a working environment with the most modern equipment”⁸.

Within the industrialization strategy of Vietnam, the Vietnam-Japan cooperation framework has identified and proposed 6 potential Vietnam's industries for Japan's investment interest. These six priority industries include: Electrical, electronic home appliances; Food processing; Shipbuilding; Agricultural machinery; Environment and energy saving industries; Automobile and parts manufacturing. Through strategic development of these selected sectors, Vietnam and Japan will work together to attract quality FDI from Japan to Vietnam.

Typically, it can mention the action plan for developing electronic industry in implementation of Vietnam's industrialization strategy under the framework of Vietnam - Japan cooperation up to 2020, vision 2030 (issued in conjunction with Decision No. 1290/QD-TTg of Prime Minister dated 01st August 2014). It clearly defined the objective to attract more quality investment projects from abroad, especially from Japan for electronic and auxiliary industries concerned; mobilize maximum participation of the Government - Business - Scientists of both Vietnamese and international community, especially from Japan in the entire process, from development, implementation and evaluation of electronic industry of Vietnam; build up the capacity in R&D, mastering embedded software technology, creative control software, design, production of Vietnamese hardware, electronic products. At the same time, set the task to develop cooperation programs,

⁸ Hoa Le. (2014) *Russia wants to cooperate with Vietnam in high technology areas*. Industry and Trade Newspaper, dated 06th October 2014.

communication channels between Japanese and local firms in the industry to support the promotion of investment and transfer of technology, management, R&D model for supporting industries in the electronic sector.

These facts show the technology transfer itself acts as a key to tighten strategic relations in politics, economy.

Along with expanding strategic relationship in technology transfer, it should focus on enhancement and maintenance of the existing effective strategic relations. We witnessed the case of ineffective use of strategic relations due to lack of pro-activeness or lack necessary capacity. Practice has also showed that in order to take advantage of good strategic relations with outside partners, Vietnamese side must be well prepared. On the one hand, it should actively develop capacity needed for deployment of the established strategic partnership and on the other hand, it should consider the possibility to develop possible strategic relations to bring about real benefits. Thus, one more feature of the strategic partnership needs to be considered, i.e the relevance/appropriateness of modality to the existing absorptive capacity of Vietnam./.

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