

Restructuring Economy from A Perspective of Development Engines in New Era

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Abstract: The cause of economic renovation in Vietnam over the past more than 30 years has an important content of renovating the mode of development, helping the economy to revive quickly and achieve spectacular development. However, in the context of increasing globalisation, and the Fourth Industrial Revolution, the country needs a new approach to development. It must actively seek both new resources and engines of development in new ways, combining them with traditional development engines and modes of development, and move towards sustainable development.

Keywords: Engines of development, economy, restructuring, Vietnam.

Subject classification: Economics

1. Introduction

Over the past 30 years of renovation, Vietnam's achievements in economic growth and development are very positive. Most important is the transition of the mode of development from a centrally planned subsidised economy to a socialist-oriented market economy, creating a strong new development engine, helping the economy escape from the "loss of growth engine" that lasted many years.

The foundation of the new engine is the change from the old ownership structure, and the "total state ownership" economy (with a dominance of state ownership and collective ownership) to a multi-ownership economy (with multi-sectors and the private

economy being accepted). Changing the mode of development, adopting the market mechanism, embarking on new growth, and development trajectory, have brought about many positive results.

However, looking deeply into the nature of development, especially into some indicators reflecting the quality of growth and development such as changes in the technological level or economic structure level (i.e. manual or mechanical, sub-contracting assembly or manufacturing, imitating or creating technology), it is easy to see that there are serious problems in the Vietnamese economy today. These include unsteady growth, the trend of a declining GDP growth rate, the quality and level of

economic development (i.e. technological level, labour quality, institutional level) which is only slowly changing, Vietnamese enterprises' capacities being low and slowly improved, and the remaining bottlenecks of

growth and development. The severity is even more obvious when one considers the "problematic status" of Vietnamese enterprises' capacities from the perspective of international competition.

Box 1: Vietnam's GDP growth

Starting from a poor, backward country, whose production hardly met domestic demand, after nearly 30 years of implementing the renovation process, Vietnam has gained many important achievements in economic development. The Gross Domestic Product (GDP) was always maintained at a good growth with an average annual growth rate in the period 1990-2014 recorded at 6.9%, bringing Vietnam from one of the poorest countries in the world to a middle-income country with a GDP per capita in 2014 recorded at USD 2,052 - 21 times higher than the average rate in 1990. From a country with a GDP in 1990 only recorded at about USD 6.4 billion, ranked 90th in the world, after nearly 25 years of development, Vietnam's economic scale has improved significantly, with the GDP in 2014 reaching USD 186.2 billion, ranked 55th in the world [3].

The remarkable achievements in economic growth and development in the past period were basically associated with the exploitation of available resources ("static" resources) in the traditional "fully exploited" way (i.e. exploiting and exporting raw resources for sale was a key basis for growth), and not reliant on structural changes. Even efforts of opening up and integrating into the global economy, and quickly closing the gap with advanced countries also relied mainly on the foundation of "fully exploiting" resources, cheap labour, low skills and a large number of small and micro enterprises with poor and weak capacities. Meanwhile, the serious situation of development stems from the fact that the development drivers (i.e. "dynamic" resources) of the economy were not promoted, even diminished fast. This is the intrinsic reason that forces us to

rethink the issue of "drivers of growth and development" in a fundamental, systematic and serious manner - like more than 30 years ago at the time of "the eve of renovation", when the issue of "development drivers", and the situation of "declining labour motivation" became so critical, signalling the revolutionary renovation (which actually started from the 6th Congress of the Communist Party of Vietnam in 1986). Currently, after more than 30 years of renovation, Vietnam's development situation has changed fundamentally, and the world has moved into the era of the Fourth Industrial Revolution. Development conditions have changed, and there is a need to approach the issue of "development drivers" on a different level, i.e. seeking new development drivers and new ways of promoting development drivers combined

with traditional ones. This article² deals with the perception of "development drivers", analysing the situation and solutions to enhance development drivers for the new period in Vietnam.

2. Perception of development drivers

Resources are required for economic development. In the era of the agricultural economy (characterised with subsistence and self-sufficiency), the two basic resources are land and labour (i.e. low-skilled labour), basically envisioned as natural and static resources, as shown in function (F) for economic development with two main variables: land and labour. In the industrial-market era, the development function is expanded, with the addition of the "capital" element (i.e. resources of social nature and high mobility). In this development function, of the three variables of this era, land, labour, and capital, the capital factor is the determinant of the "higher level" of a new production mode, which plays a leading role in development.

Nowadays, humanity is moving into a new era of development, with the participation of two additional new resources, which is substantially different from traditional resources. It is technology (high technology) and human intelligence. The development function, accordingly, also changes, including land, labour, capital, and technology. According to the established logic, the new resource that joins the development function (i.e. technology and human intelligence) is the

most dynamic and has the highest level of development, which governs the structure and operating principles of all other resources, and plays a leading role in development in the new era.

Resources that arise later chronologically and follow the development logic are always more "dynamic", playing a dominant and leading role in development. If Vietnam prioritises the development of these (leading) resources, strong development drivers will be created in the form of breakthroughs and the historical journey of Vietnam will be shortened. Resources must be combined in defined ways to create wealth. The rationality of the mode of integration, also meaning the way of allocating development resources, is a determinant of the efficiency of the economy.

The principle that "productive relations fit production forces" is the most important driving force for the development of human history (i.e. one of the most important principles of Marxism stemming from this relationship).

This principle implies "the decisive role of institutions in development"³. Modern institutions, in accordance with the conditions and capacity of development, will be the driving force and the most important development drivers. On the contrary, those backward institutions that chain the capabilities will inhibit development. Institutions, in their specific form, are the "system of development mechanisms and policies", and the core of which is the benefit-incentive mechanism. This is the driver that motivates people to act, the type of driver that plays a decisive role in the system of drivers. The transformation of the economy from a central planning

mechanism to a market mechanism created a strong development impetus as seen in the first ten years of renovation. This is a typical example of the thesis on institutions' role of development drivers.

"Drivers", different from "static forces", are identified as "dynamic forces", which are the development forces and entities, generally understood as the "human element". In economy, entities' forces exist in the form of economic sectors (i.e. state sector, private sector, household sector, and sector of foreign-invested enterprises). These entities' forces, in the era of door-opening, can be accessed in a different structure, including indigenous forces (Vietnamese enterprises) and foreign ones (foreign-invested enterprises).

Expanding the concept of "human driving force", at a more specific level, there are the lines of "cultural driving force", "economic driving force", and "political driving force". These specific types of driving force are associated with defined benefit structures. In the process of modern development, science, technology, and the creativity of humans are "dynamic" sources of endless potential. Development mechanisms and policies towards the future of every country must, in principle, pay the utmost attention to promoting the development and maximising the effects of these resources and driving forces.

Countries with developed economies under the Organisation for Economic Co-operation and Development (OECD) and the less developed countries are trying to establish a pioneering role of development in the new era, such as the Republic of Korea (South Korea) and China, which are implementing this strategic orientation and

achieve breakthrough advances. For the Communist Party of Vietnam (CPV), the approach and perception of development drivers are constantly changing, renewed and developed through the CPV Congresses. Considering the general flow of cognitive development, the specific connotation of the concept of "resources" and the "driving force" of economic growth and development, basically covers the above contents. The addition of arguments and guidelines on "the cultural foundation of development", "the cultural driving force of development", and "the private sector is an important driving force of economic development" into the paradigm of national and economic development drivers in the recent CPV Congresses which demonstrate the efforts of the CPV and State to explore, discover, and promote the strength of growth and development forces.

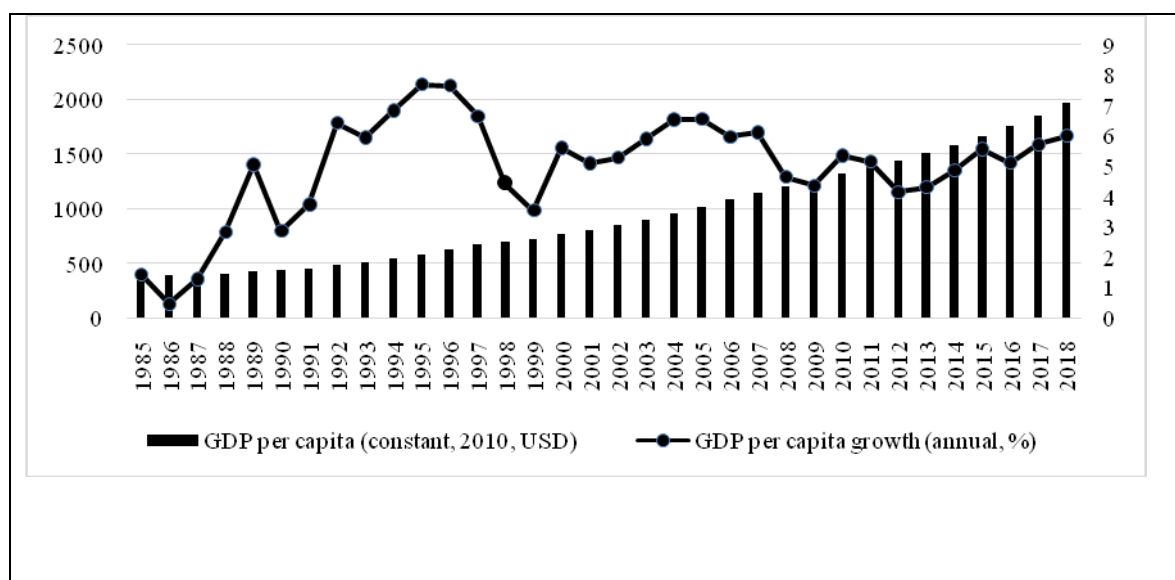
3. Current situation of promoting development drivers in the renovation period

The economic reform over the past 30 years has the core content of changing the mode of development - from the "traditional" socialist institutional system and the socialist production relation with two main axes, namely (1) the regime of total public ownership (actually meaning total ownership of resources), and (2) centralised planning mechanism (i.e. resource allocation mechanism) to market institutions with two core axes, namely (1) multi-ownership regime (i.e. multiple sectors), and (2) market competition mechanisms. The newly

established mode of development has helped the economy previously exhausted by the crises revive rapidly, giving it a new development momentum and spectacular economic growth and development results (Figure 1).

However, in parallel with these spectacular achievements, certain development obstacles have been emerging in the economy, suppressing or "deflecting" newly established development driving forces and becoming increasingly difficult to overcome.

Figure 1: GDP Growth and Per Capita Income in the Period 1985-2018



Source: <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD>.

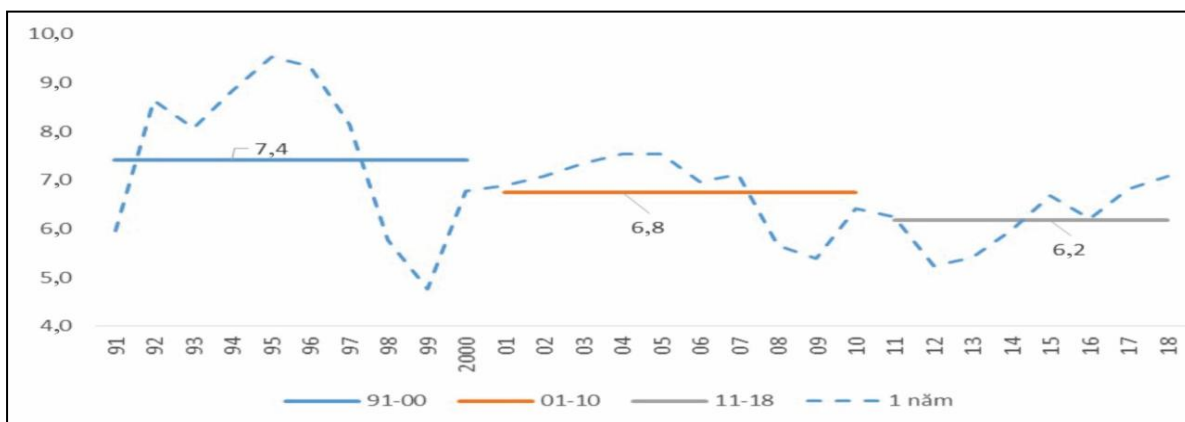
3.1. Actual status of operation of economic growth and development drivers

In order to identify the current situation of the operation of economic growth and development drivers, it is necessary to analyse the trend of short-term and long-term growth and economic development (Figure 2).

Figure 2 shows the trend of the declining GDP growth rate in the period 1991-2018, over each ten-year span. After the first ten-year span, the annual growth rate of the second ten-year span decreased by 0.8%, and

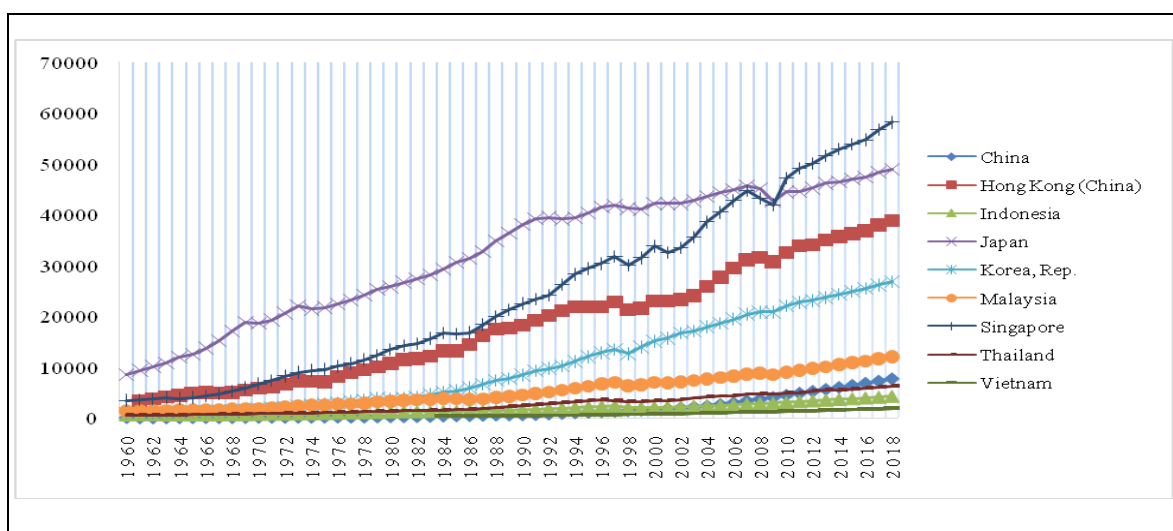
of the third ten-year span dropped by 0.6%. Such a trend of "steadily" declining GDP growth was against the highest priority goal throughout the period striving to achieve "higher growth rates, year after year". It was not that Vietnam's economy is so large that the GDP growth tends to decrease compared to the period when Vietnam's economy was at a small scale. This is because there is another growth situation, reflecting the nature of Vietnam's lagging trend compared to the world, especially with other countries in the region (Figure 3).

Figure 2: Average Annual GDP Growth Rate During 1991-2018



Source: <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD>.

Figure 3: Vietnam's GDP Per Capita Compared to That of Other Economies in the Region



Source: World Development Indicators.

Figure 3 shows that Vietnam's lagging situation is far worse than that of the main competitors. This fact implies that Vietnam's growth performance is not good enough to shorten and narrow the gap of development lag and that growth and development drivers of Vietnam are not

strong enough to help the economy rise, go ahead and keep up with the world. This is a big problem for Vietnam, in the context of going behind, engaging in fast and deep international integration, as the whole world moves quickly into the era of high technology.

The cause of this condition cannot be explained by external effects, or by random and short-term causes. The key issue is that Vietnam's economic growth drivers have been steadily declining after a spectacular period of start-up renovation. The long-term trend of the continuous decline of growth shows that the cause belongs to the internal structure of the economy, not because of temporary policy errors or certain individual weaknesses of the managerial apparatus. That is, there is a question of the continuing weakening of the growth engine of the transitional economy, although it is of a systemic character, associated with changing the mode of development, not merely specific driving forces associated with individual solutions.

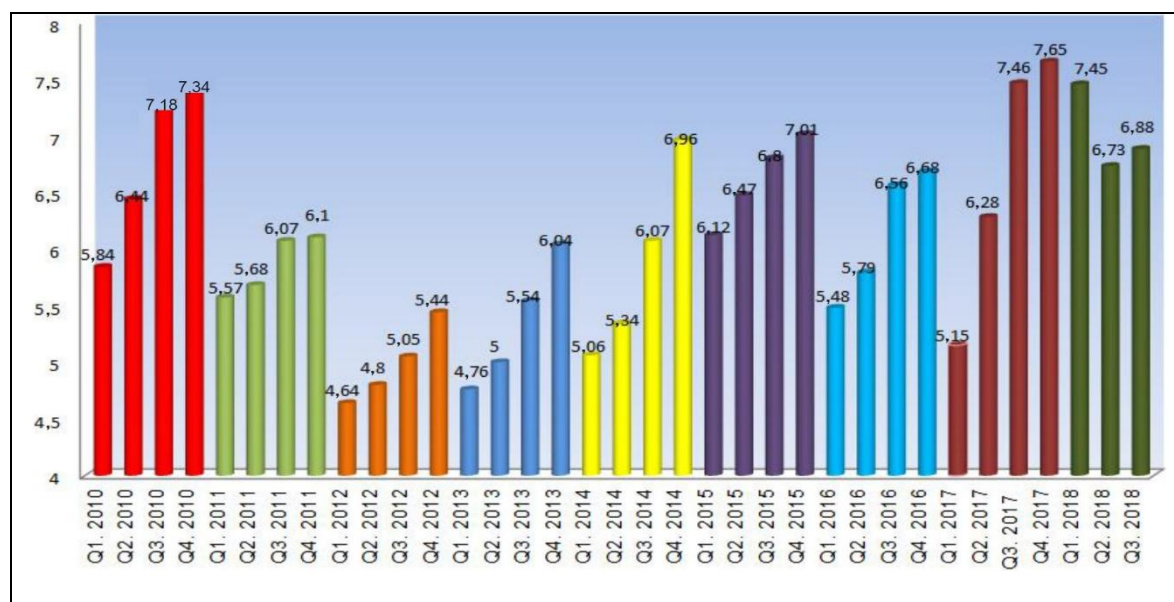
This observation is complemented by a "different" development situation: over

more than 30 years of renovation (1986-2018), 15 years of which saw Vietnam's economy in crisis and efforts for crisis management. That was from 1986-1990, 1997-1999 and 2008-2015.

Experiencing ups and downs, until now, the economy has not yet fully recovered. Achievements of the period 1990-1996 thanks to the momentum of opening-up reform, and of the period 2000-2007 (i.e. the driving forces of reform and integration), have been significantly eroded during the financial-monetary crisis in East Asia (1997-1999) and the post-WTO accession crisis period (2008-2015).

This situation reflects the uncertainty of the growth and development process and the unstable trend of development drivers (Figure 4).

Figure 4: Annual GDP Growth, by Quarter, Period 2010-2018



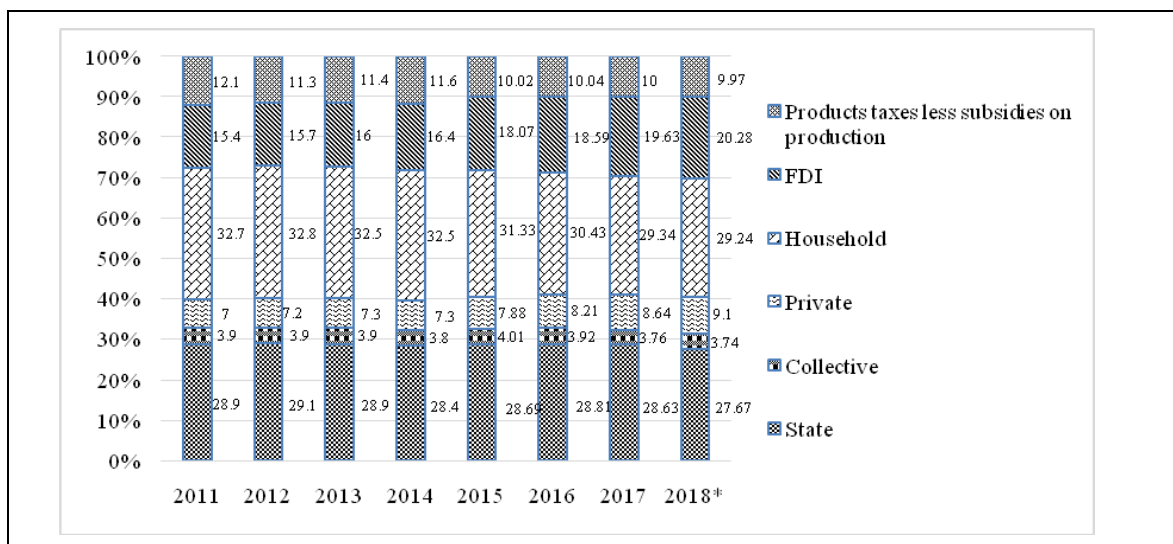
Source: Author's compilation from the General Statistics Office's quarterly Socio-Economic Reports over the years.

The graph's shape shows abnormal GDP growth dynamics: The "growth of the subsequent quarter was higher than that of the previous quarter" and the annual growth plan has always been fulfilled. The graph's shape also reflects the abnormal state of the growth drivers: efforts were always "maximised" to achieve short-term growth, while Figure 2 above shows the "problematic" state of the long-term growth. It can be said that "achievementism" was a very strong engine of growth of the Vietnamese economy, at least for a long time until 2017. Due to its short-term motivation, this growth engine did not aim for fundamental and long-term goals and achievements, such as changing the level of industry structure, upgrading technology, improving labour productivity and improving the quality of growth. In essence, this short-term motivation had a different effect (promoting the "quantity" side of growth) and the opposite direction (discouraging,

even obstructing the achieving of the goals of structure and quality of development) with efforts to achieve long-term goals. It caused a distorted mechanism and retained an economic growth model which was no longer appropriate, reflecting the inconsistency, even a conflict between the engine and goal of economic development.

The "problematic" general situation of the aforementioned development drivers is reflected in the division and dispersion status in the economy (i.e. dividing and splitting of enterprises and territories, discrimination against certain sectors and entities). Structure of key economic forces and economic sectors were "anomalous": Most of the GDP was produced by the weakest forces (i.e. the private individual economy) and by the least efficient forces (i.e. the state sector) while the foreign direct investment (FDI) sector tended to "dominate" the domestic sector (Figure 5).

Figure 5: Structure of Economy by Sector and Entity



Source: The 2011-2018 National Year Book Data.

Many studies show that: (1) After 30 years of developing a market economy, Vietnam's private enterprise sector contributes less than 10% of GDP; (2) only in 2017 was the private sector officially recognised by the CPV and the State as an "important development driving force"; (3) of the four current economic growth drivers, three "internal" drivers (namely state-owned enterprises, Vietnam's private sector, and the household sector) have been seriously weakened.

The lack of linkages and development cooperation among sectors and economic

entities is identified through the concept of a "2-in-1 economy" (implying the division between the domestic economic sector and the foreign investment sector). The concept of "Vietnamese business force" lacks the "standard" connotation, focusing only on the number of businesses, but neglecting the structure of connectivity. The result is a small, fragmented enterprise sector, which "grows slowly, is difficult to grow and does not want to grow", shows a lack of linkage to lead development (namely, strong private economic groups) (Table 1).

Table 1: Structure of the Vietnamese Business "Forces"

			Type of ownership			Total
			State	Non-State	FDI	
Size by capital	Micro	Quantity	90	319.097	3.049	322.236
		Rate by row (%)	0,03	99,03	0,95	72,83
		Rate by column (%)	3,17	74,61	25,62	
	Small	Quantity	1.139	97.105	5.509	103.753
		Rate by row (%)	1,10	93,59	5,31	23,45
		Rate by column (%)	40,18	22,70	46,29	
	Medium	Quantity	407	6.304	934	7.645
		Rate by row (%)	5,32	82,46	12,22	1,73
		Rate by column (%)	14,36	1,47	7,85	
	Large	Quantity	1.199	5.203	2.410	8.812
		Rate by row (%)	13,61	59,04	27,35	1,99
		Rate by column (%)	42,29	1,22	20,25	
	Total	Quantity	2.835	427.709	11.902	442.446
		Rate (%)	0,64	96,67	2,69	

Source: Compiled from the 2017 Enterprise Survey Data.

In terms of space, the division between local economies, and between the local economy and the national economy is a fact that deserves analysis and clearly identifies the mechanism. Together with the division

of enterprises, the spatial division of development shows that the economy lacks the motivation to connect. Therefore, it is impossible to converge, link, and resonate power, thereby creating development

diffusion. The most important type of development driving force of the market economy (namely competition and development linkage) has not been brought into full play in Vietnam's economy.

The situation of "horizontal development", a lack of focus, and key points, without spearheads and true "locomotives" has existed for many years. A "jackfruit-shaped development strategy" is a term that accurately and vividly describes this developmental state. The State apparatus operates and directs the economy with cumbersome payrolls, overlapping laws, policies, and procedures, complex business conditions, an ineffective and inefficient civil service, coupled with high transaction costs. This is one of the main causes of the situation of "having no need to grow, and being difficult to grow" of Vietnamese enterprises.

3.2. Cause of decline of growth and development driving forces

In the first phase of renovation, efforts to shift to a market economy mechanism created a double driving force for development in the economy: (1) Changing the ownership structure, creating a driving force for market competition; (2) Regulation by the State, implementing a distribution regime that both complies with market rules (namely, distributing according to labour and asset contribution), and ensuring social equity (namely, poverty reduction, social policies) have helped the economy quickly escape from the crisis, establishing new momentum of growth and development. The effort to open up has also given the economy two types of strong new

growth drivers, namely foreign direct investment and export growth.

However, after the start-up period of renovation, many factors hindered and weakened the drivers for economic development. Vietnam did not solve the relationship between "developing a market economy" and "maintaining a socialist orientation" well. The failure to focus on developing input markets of the economy⁴ associated with the tendency to curb the development of the private economy is a practical trend that has lasted for many years. This trend itself reflects the "problematic situation" in the theoretical awareness and perception of basic concepts of the market economy and their relationship to Vietnam's innovative development formula (i.e. socialist orientation). This situation means the absence of a competitive environment and the absence of healthy competition, which is always the basic driving force of development in the market economy. The trend of restraining and delaying the development of markets also explains why the restructuring of the economy and the renewal of growth models in the past ten years have been almost "at a standstill" despite enormous efforts of the State and the whole economy. There are grounds to affirm that this is the main source of awareness, perception, and practice of the trend of weakening economic development driving forces in Vietnam in the recent period.

Preserving too long the "discrimination" mechanism, followed by a system of "asking and giving", the direct source of corruption, and the formation of opposing interest groups that conflict with the overall

development interests are key factors suppressing incentives in the spirit of "fair market competition". The cumbersome, complicated, and ineffective status of the State's regulation system and business conditions have increased business costs and weakened the competitiveness of enterprises.

A "permissive" growth model is based on exploiting available resources, unskilled labour resources, and the "pumping" of cheap credit. This has caused the consequences of eliminating the motivation, trading-off growth with the environment, a low-wage economy, high inflation trends, and more. Integrating those "negative" factors inevitably leads to a highly speculative economy. For many years, the number of real estate enterprises, centres for real estate, and securities brokerages, as well as consultancy services, often account for an overwhelming proportion of the total number of newly registered enterprises.

For many years, the growth model of Vietnam has been designed in the direction of encouraging imports (both inputs and ordinary consumer goods), not encouraging domestic production and exports. The mechanism of budget allocation and investment capital allocation based on the principles of "asking-giving", exchange rate policy, import and export taxation, have become a strong driving force to promote the tendency of imported input dependence, to encourage the development of industries of processing, assembly, and exploitation of natural resources, and restraining the development of supporting industries. This growth model discourages innovation, eliminates chain linkage capacity and fair competition among the Vietnamese business community.

A "reverse" incentive system has been designed and maintained for too long, including policies and measures to encourage "achievementism". Efforts to achieve short-term quantitative achievements are being preferred rather than encouraging the promotion of innovation capacity, quality improvement, and high added value⁵. Talented people are less appreciated. The mechanism to attract talented people is too rudimentary, focusing on "small benefits" (i.e. salary increase, bonus, housing) to attract them but not paying due attention to creating favourable conditions for them to bring their capacity into full play. A typical example of a reverse incentive system is the situation in which the "choosing the winner" principle is applied instead of the "rewarding the winner" principle.

The way of selecting a contractor without going through bidding, or organising bidding according to the deployment of "blue troops, red troops", in which a bidder will surely win as the others, called "blue troops", are fake competitors, who compete in a way that they will certainly lose; or setting up the so-called "backyards", or cronyist companies... are also specific manifestations of this mechanism of operation. As a result, many truly capable entities were excluded from the race. In fact, such "reverse incentive" policy system carries many risks both for those entities doing business in good faith and the "selected" winners.

With this way of creating non-market development drivers, in Vietnam after more than 30 years of embarking on a socialist-oriented market economy, only a few private enterprises have been able to rise to

become big economic groups, especially in industry, or if they have managed to rise, they have to face very high risks. Meanwhile, state-owned economic groups, which were promoted to develop under the mechanism of "choosing the winner", could not grow normally, doing business ineffectively, and posing high risks. Recently, a series of economic corporations and state-owned enterprises, which were once "illustrious and famous", have been plunged into in a state of lack of competitiveness, business losses, and faced the risk of bankruptcy and dissolution; and many "illustrious and elite" leaders of this sector have been faced with legal proceedings and/or imprisonment.

The mechanism and policies to attract and utilise FDI capital were biased and discriminatory towards the local economic forces, applied for a too long time, distorting the business environment and its consequences on long-term development strategy. To attract foreign investment, the system of policies and solutions was not only based on the most attractive factors of Vietnam, namely the "available advantages" (i.e. advantages of latecomers, well-endowed, geo-economic location advantages, abundant natural resources, low labour costs, hard-working labour, and a stable socio-political environment) but also placed special emphasis on policy incentives such as tax incentives, incentives of access to land, preferential input prices (including low energy prices, low environmental costs), preferential access to workforce, being less affected by domestic inflation, and high interest rates, as well as guaranteed exchange rates stability. Such incentives created an unfair competition

situation among domestic enterprises, especially private enterprises, and foreign-invested enterprises (FIE); and national development interests suffer while FIEs enjoy benefits as a result.

The competition to attract foreign investment among localities takes place on the way of "a race to the bottom", both harming the interests of the localities and causing the domestic enterprises - which are already weak and prone to face disadvantages - to suffer losses in many aspects, and causing development drivers to decline. This is one of the important reasons why the majority of foreign enterprises investing in Vietnam use low technologies risky of major environmental pollution, pay low wages, and are not interested in developing linkages with local businesses. A large part of foreign enterprises (up to 60%) submit their reports on continuous losses for many years but they are constantly expanding their business. This kind of "reverse" incentive, ironically, helps the foreign investment sector become an increasingly important development driving force for the Vietnamese economy.

4. New context and solutions to enhance development drivers for the new period

4.1. New era contexts and new requirements for the system of development drivers

The world is entering a new era of development, fundamentally different in level, structure, and logic of development from previous stages. The era transition this time, therefore, is also completely different

from the previous transitions. It is possible to describe the era with the following four basic contents:

First, the trend of globalisation will vigorously continue, but with different and conflicting solutions (e.g. the trend of "protectionism"). In this era, international integration and competition will still be the environment and one of the basic drivers of development.

Second, the Fourth Industrial Revolution will be a key orientation for humanity to enter a high-tech economy as an integration of the physical economy (i.e. high-tech with the digital economy). High technology and the digital economy will be the basis of the new development of humanity. The Fourth Industrial Revolution will be a strong breakthrough taking place with an unprecedented speed. From both angles, innovation and creativity will play the role of the strongest development forces and will have endless potential of the world in the coming period⁶.

Third, as the world development situation changes, a global conflict with the dominant axis based on the US-China relations tends to increase. The conflict between the United States and China (the two leading powers of the world) is creating unprecedented development opportunities and challenges for the whole world⁷. Because these are the two most important economic and political partners of Vietnam, the way to handle this relationship contains potential capabilities for promotion or curbing of development for Vietnam.

Fourth, Vietnam is one of the countries most affected by climate change. This sets new requirements and demands on Vietnam's capacity and solutions to respond to it.

Shaping the era with the four contents above cannot cover the current and ongoing global trends, but it is provisionally enough to assert that a new approach to development is needed. This requirement is fierce and urgent when the above processes and trends are taking place with unprecedented speed and uncertainty. The implication of this statement is that improving and upgrading the efficiency of traditional resources and driving forces is not enough. Efforts must be action oriented to seek both new resources and new growth drivers in new ways.

The factors that shape the era mentioned above suggest a new approach to development drivers. Those development drivers associated with the economic transition will continue to be effective in the coming period.

The 4.0 era economy requires that Vietnam cannot stop at overcoming the development and growth "bottlenecks" that the economy is being plunged into. As a highly open and integrated economy, Vietnam must create a new structural foundation and modern development drivers compatible with the era of the Fourth Industrial Revolution.

First, the Fourth Industrial Revolution is creating a distinctly logical development structure: on the basis of high technology and digitalisation, humankind is being provided with very new development tools to build a new economic system, which is the integration of the analogue (traditional) and digital economies. This economy operates with fundamentally new qualitative resources, a new linkage structure and operational mechanism, oriented to satisfy a new demand paradigm. To build and

operate that economy, new capacities and new driving forces are needed.

Second, participation in international economic integration by new-generation free trade agreements implies compliance with economic institutional requirements, technical standards, and regulations of products and services at a very high level. In this case, international integration not only brings about enormous opportunities but also creates unprecedented development pressures. Both opportunities and pressures of development have become a driving force for reform, improving labour productivity and pushing the economy to a new level of development.

Transforming development pressures into driving forces for reform must be considered a new development approach in the era of open international integration for Vietnam.

4.2. New approach and a new orientation of solutions

4.2.1. Approach

First, the principle of Marxism-Leninism must be followed. This means building appropriate production relations, paving the way for production forces to develop on the basis of innovation to increase the proactive pioneering of the superstructure systems, especially the political superstructure. At present, the innovative pioneering of the political system is a prerequisite for reforming economic institutions, thereby creating a new system of development driving forces to accelerate reform and development.

Second, developing synchronously all kinds of markets, paying special attention to

developing input resource markets, especially the land market, is the most important content to create motivation for the development of the economy in the coming period.

Third, it is necessary to build a state that enables and facilitates development in the spirit of serving the market, serving businesses, designing a modern institutional framework for development governance, in accordance with integration commitments.

Fourth, the principle that "internal forces are decisive and external forces are important" must be followed in developing Vietnam's contingent of enterprises and in implementing the strategy for FDI attraction and utilisation in the coming period.

Fifth, the implementation of international integration commitments is the pressure (to be the most powerful driving force for reform and development).

Sixth, it is important to make full use of the advantages pertaining to being a latecomer, to strive for good institutions, to encourage innovation and creativity, to consider science, technology, and human intelligence as the most important development drivers in the coming period.

4.2.2. Orientation for solutions to enhance development drivers

First, it is necessary to formulate strategies for synchronous development of input markets and to pay special attention to land market development strategies in the spirit of acknowledging the multi-ownership regime, as well as to build a legal system recognising, respecting, and protecting the property rights of economic entities. It is important to consider the development of

input markets as a foundation for successful economic restructuring and growth model renovation.

Second, it is necessary to formulate and to implement the national programme "Developing Vietnam's contingent of enterprises" in accordance with the market principles. This implies that entities who are equal in status but functionally different will be encouraged to develop as per the principle of "encouraging the winner". It is important to pay special attention to promoting the establishment of Vietnam's production chains, to create favourable conditions for the development of strong economic groups of the country to lead the process of formation and development of chains and pillars of private economic groups.

Third, it is necessary to actively reform the state with two major contents: (1) building a state for development, and (2) building a smart state including the building of a "digital government" and "smart cities". Specific measures include the following:

- Building the state apparatus on the principle of (1) "function-based organisation", and (2) professionalism of civil service (including selection and recruitment of public officials and civil servants, and job competency profiles).

- Reforming the salary and wage system in the public sector on the following principles: (1) full monetisation of salaries and wages, (2) performance-based and function-based payment, and (3) payment of salaries and wages according to the job contract (according to the level of completion of the committed work).

It is necessary to implement a new strategy of attracting and utilising foreign investment on the principle of "limiting

incentives, paying attention to building good institutions", creating the most favourable conditions to establish and to develop production chains with the active participation of strategic foreign investors.

It is important to design a consistent and long-term policy system, to limit input imports for assembly work, causing environmental pollution (with low technology and low added value) and the trend of promoting speculation activities.

It is necessary to abandon the mechanism of capital distribution and allocation in an asking-giving manner, to focus on the development of growth axes and development centres for them to be sufficiently capable of international competition, and to quickly develop smart cities, first of all "leading" cities such as Hanoi, Ho Chi Minh City, Hai Phong, Da Nang, Can Tho, Nha Trang, Vinh, and Buon Ma Thuot.

The State needs to actively support the establishment of National Innovation Centres, to create focal points to promote the "national start-ups" work in the spirit of innovation and creativity, and to adopt special policies to support science and technology enterprises for innovation so that science and technology can become the most powerful development driving forces in the coming period.

5. Conclusion

Vietnam's economy is at a turning point. The strong driving forces for the development of a transition economy have been stimulated by the renovation efforts'

reduced impacts. In order for the economy to recover its growth momentum, the issue is not to modify, improve, and upgrade the old driving force system. Vietnam cannot solve the problem of "lagging behind in development" - rather "lagging behind farther in development" by continuing to maintain the old development driving forces system. The reality of ten years of economic restructuring and renovation of growth model proves such arguments. The way to solve the problem is to change the system of growth and development drivers and engines. But that is only one side of the development task that is being laid out for Vietnam, stemming from the intrinsic needs of the economy. The world is changing profoundly. Structural changes under the impact of the Fourth Industrial Revolution - a revolution that has the power of "reversing development logic" - were unprecedented in the previous three industrial revolutions. The correlation of global power and development changes with an unprecedented strong rise of China and India followed by a series of late-coming economies. The US-China conflict is an inevitable consequence of responding to such a rise. "Deformed" globalisation is associated with the rise of protectionism.

These factors resonate, creating another new era of development in terms of structure and logic of development. Vietnam is an economy with high openness, meaning that it is "natural" for it to enter such a new era. Brand new opportunities and totally new challenges are arising. In order to "step in" without being "dragged" along with the era, Vietnam needs a new paradigm and system of development

driving forces, not just the "renovated" old ones. It is not enough to just renovate the old existing system of driving forces which means that if so, the economy will be plunged into a farther-lagging situation. The task set for the economy at the time is not new in terms of name, but highly challenging: renovation of development drivers and engines at a new higher level compared to those of 30 years ago.

Notes

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² The article was presented within the framework of the NAFOSTED Project: "Restructuring Vietnam's economy in the period 2011-2010 towards sustainable development".

³ Why nations fail? The answer of Daron Acemoglu and James A. Robinson is: "Institutions, institutions, institutions!" [6].

⁴ Markets for land, currency - finance, energy, and labour.

⁵ A common phenomenon in the economy is that subordinates have to ask their superiors to "allow" for renovation. They must "ask for permission" to avoid the risk of being "deviated", to be granted with resources for implementation thereof. The approval process for being "renovated" is very complicated, not associated with the responsibility of the approving level (i.e. superiors), so it often discourages those who want to really renovate and are willing to take risks to promote development.

⁶ This trend is associated with a situation where the comparative advantage of "low-wage labour" and resource exploitation in Vietnam is declining. The structure of resources and the drivers of

development are undergoing unprecedented profound changes.

⁷ The trend of moving global production chains (global production chains are currently strongly moving out of China, like they once moved into China 30 years ago) or the risk of flagging growth and global economic instability under the impact of the US-China trade war are actually acting as the most powerful economic development drivers (in both positive and negative directions) of the modern world.

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