

Development Orientation for Vietnam to Become a Nation of Prosperity by 2030 with Vision to 2045

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Abstract: *The 10-year socio-economic development strategy (2011-2020) is coming to the final years with high expectations for key achievements while maintaining the results of the previous period, such as poverty reduction for a middle-income country. Although still at a lower middle-income level, Vietnam's economy is oriented for a new strategic period of 2021-2030, with new opportunities and a new mindset to overcome the middle-income trap for a nation of prosperity and upper middle-income by 2030. This paper discusses some major development directions, regarding institutions, growth models, resources, and driving forces to realize these aspirational goals.*

Keywords: Development strategy, Prosperous nation, Institution, Growth Model, Development Resources, Development Driving Forces

Introduction

Vietnam will be celebrating the 100th anniversary of the Communist Party in 2030 and the 100th anniversary of the country's independence in 2045. These are two significantly important milestones on in the modern history of Vietnam.

In 2016, on the event of the 12th Congress of the Communist Party of Vietnam, the Ministry of Planning and Investment (MPI) and the World Bank (WB) released the report "Vietnam 2035: Towards Prosperity, Creativity, Equity and Democracy". The report highlights an aspiration of the Vietnamese people for a prosperous nation and, first and foremost, an economic

prosperity that places the country in the upper middle-income group with strong and modern market institutions, ensuring a transparent, fair and free environment for competition, all forms of ownerships, and for capital and real estate markets (MPI, WB, 2016: 47). Economic prosperity (coupled with environmental sustainability) which aims for "enriching people and strengthening nation" was also stated in the Constitution 1992 and 2013 as well as in other documents of the Communist Party and the Government of Vietnam.

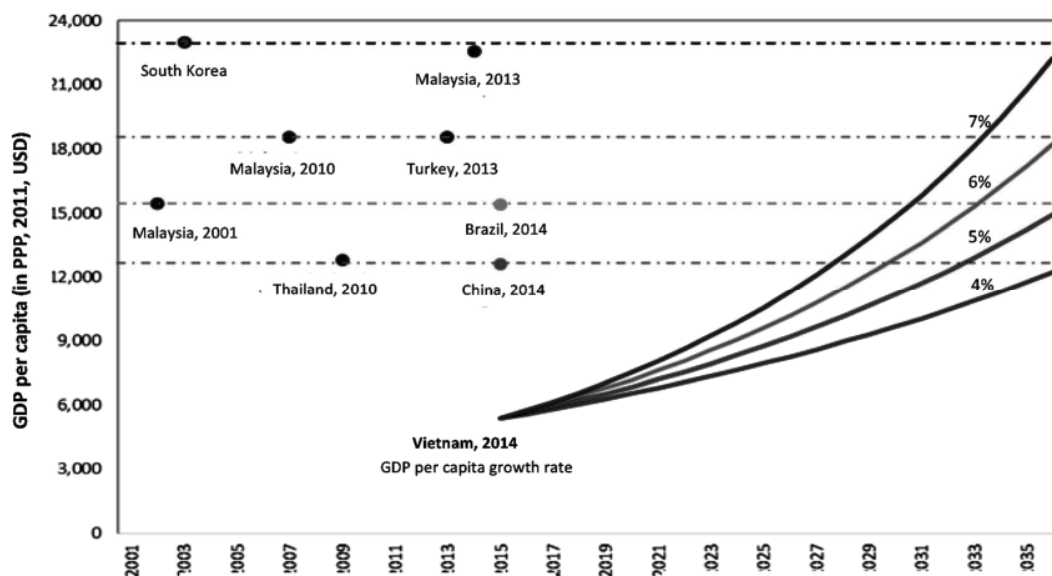
The "Vietnam 2035" report also provides detailed calculations for growth scenarios and reveals that if GDP grew at 6% per

annum, GDP per capita would be USD 18,000 by 2035 (calculated in purchasing power parity in USD in 2011). If GDP growth rate were to be above 7% per annum, GDP per capita would be approximately USD 22,200 by 2035, equivalent to the income per capita of South Korea in 2002, or that of Malaysia in 2013. If GDP growth rate were to be higher, Vietnam would catch up with Indonesia and surpass the Philippines by 2035 in case these two countries continued maintaining their current growth rates (Figure 1).

Vietnam has gone through almost 35 years implementing the economic reform policies and building a socialist-oriented market economy. From the view of experts and international organizations, Vietnam is considered one of the role models for successful development. Within a generation, from one of the poorest countries in the world when started its reform, Vietnam has risen to a middle-income country, and achieved numerous social

breakthroughs equivalent to those of other countries with higher income. Vietnamese people regard the reform policies as “great and historically significant achievements”. It is estimated that in the 10 year-period of 2011-2020, GDP growth rate will be approximately 6.35% per annum, making Vietnam one of the countries with highest growth rate in the region as well as in the world. The country’s GDP will increase by 2.5 times, from USD 116 billion in 2010 to USD 290 billion in 2020. GDP per capita will rise from USD 1,332 USD to more than USD 3,000 between 2010 and 2020. Import-export turnover, another significant economic indicator, will see an increase of 3.5 times from USD 157.1 billion in 2010 to about USD 548 billion in 2020, equivalent to 190% of GDP; in which, the export turnover - an important driving force for economic growth, will escalate from USD 72.2 billion in 2010 to about USD 275 billion in 2020, showing an average growth rate of 14.2% per annum.

Figure 1. Income Growth Scenarios for Vietnam in 2035



Source: Ministry of Planning and Investment, World Bank (2016: 15).

As a result, the trade balance started to shift from a deficit of USD 12.6 billion in 2010 to balance and gradually experiencing a surplus in recent years. Income per capita in 2018 as compared with that in 2010 witnessed a rise of 2.7 times. The proportion of poor households (according to multi-dimensional poverty line) reduced from 9.2% in 2016 to 6.8% in 2018 (General Statistics Office, 2018).

With the achievements of the Reform (Doi Moi), Vietnam is now aiming to become an industrialized country of upper middle income; building appropriate economic institutions in compliance with the common standards of modern market economy and international institutions; possessing high productivity and competitiveness, ensuring the harmony between economic growth and cultural development, human development to ensure social progress and fairness, social security, environmental protection, and sustainable social development. Those goals reflect the desire for a life with clear sky, clean water, and constantly improving physical conditions; a healthy society of democracy and equity and high educational level as well as an efficient and accountable government. (MPI, WB, 2016).

At present, Vietnam is accelerating the development of the 10-year socioeconomic development strategy for 2021-2030 and the 5-year socioeconomic development plan for 2021-2025 to serve the 13th Congress of the Communist Party, which is scheduled to take place in the first quarter of 2021.

In order to realize those goals, the development strategies in the coming period, while maintaining the achievements, must develop further, with innovation and creativity, and attract intellectual people as well as recognizing the feedbacks from

international agencies and organizations, people of all strata, government and business administrators, and scholars at home and abroad.

The main content of the strategies and vision for Vietnam to become a prosperous nation in the next 10-25 years means the right identification and good implementation of strategic breakthroughs and major policies for growth drivers, productivity and competitiveness improvement, and the effective implementation of international commitments as well as the United Nations Sustainable Development Goals (SDGs) by 2030.

With the above reasoning in mind, the article outlines some major development strategies that are currently of interest.

1. Improving institutions of the socialist-oriented market economy and settling better the relations between the government, markets and the society

After nearly 35 years of transition into a market economy with numerous institutional reforms, market elements and relations have presented in all economic activities. However, the institutional quality of market economy is still low and uneven in all sectors and fields. The market economy institutions are neither comprehensive nor adequate to ensure smooth operation in accordance with market principles. Markets have not been a platform for mobilizing and allocating development resources. Some legal instruments are not clear and transparent enough, not mention that they are sometimes overlapping. The implementation of laws still faces many problems, making investment and business environment not really open, safe, healthy and consistent. Administrative reforms have been promoted strongly but not yet

been carried out consistently. Therefore, the administrative apparatus has not met the requirements for managing the operation of the market economy. Meanwhile, the coordination, decentralization and authorization are not clear, leading to unsmooth work.

Therefore, the immediate task is to quickly complete the transition to a modern market economy in accordance with international practices. Accordingly, it is necessary to continue the implementation of the three strategic breakthroughs “perfecting the socialist-oriented market economy institution” stated in the 10-year Socioeconomic Development Strategy 2011-2020. However, the focus is not merely on “a fair competitive environment and administrative reform”, but also on the following cores:

- To build a rule-of-law governance system with effective and efficient operation modes and structures for development creation and good public services for the people and businesses. Specific tasks include reforming further administrative procedures and removing barriers for more business freedom in accordance with Article 33 of the Constitution 2013: “Everyone has the right to do business in industries that are not prohibited by law”. Civil servants should be employed based on meritocracy and assessed by the satisfaction of the people and businesses. Decentralization, authorization, and leadership coordination should be further promoted with stronger accountability.
- To improve business environment and ensure fair competition while developing in synchronization all types of market, particularly the real estate market; to apply market principles to all public administrative

institutions; to build and perfect the legal framework for new types of business. Environmental management and protection must also follow market principles.

- The mobilization, allocation and utilization of resources for socioeconomic development must follow market principles. In particular, it is necessary to plan for the efficient use of public assets and to accelerate the reform of state-owned enterprises. The formation and development of the private sector should be promoted by a system of appropriate policies. For foreign direct invested sector (FDI), Resolution 50-NQ/TW on the direction for perfecting institutions and policies for quality improvement and effective foreign investment cooperation to 2030 should be immediately implemented to attract FDI, focusing on world leading corporations that have environmentally friendly high tech, and associating with domestic businesses.

- To well address the relationship of the state-market-society, in which the state must well perform the function of building strategies and plans, planning, and allocating resources in accordance with market mechanism; to protect legal rights of properties and business freedom, and to enforce civil and business contracts in accordance with law. The state uses institutions, resources and regulating instruments, mechanisms, and policies of allocation and re-allocation to develop culture, to promote social progress and equality for social security and improvement of social welfare and environment protection; to promote the role of people, businesses, sociopolitical organizations, professions and communities in the formulating, reviewing and supervising the implementation of policies and laws.

2. Continuing the economic restructuring for the adoption of a new growth model

Economic restructuring that started with three focused areas¹ has expanded to the entire economy and attached to the change of growth model towards the improvement of productivity, quality and efficiency. The documentation of the 12th Congress stated that “the new growth model in the coming period will balance combine growth in-width with growth in-depth, particularly focusing on growth in-depth, improve growth quality and competitiveness on the basis of improved labor productivity, application of advance science and technology, innovation, improved human resource quality, promoting comparative advantages, taking initiatives in international integration, and quick and sustainable development (towards the UN Sustainable Development Goals of 2030); harmonizing immediate and long-term goals, including economic development and national defense and security, economic growth and cultural development, performing social progress and equality, improving the material and spiritual lives of the people” (The Communist Party of Vietnam, 2016: 30-31). In the implementation of this policy, Vietnam has achieved some remarkable outcomes, but the goal of “attached to reforming growth model” has not been clearly demonstrated. Thereby, a

growth model based on improved labor productivity and advance production technology has not been formed. As a result, the future tasks will be focusing on:

- *Regarding agriculture*: Ensure the production of clean agricultural produce to provide safe products for the society; develop diverse commercial agriculture with advance cultivation technology and the formation of specialized cultivation areas of quality produce. Promote the new rural area movement. Implement afforestation program with long-term objective of protecting environment to cope with climate change. The major solution is to have appropriate policies on land accumulation; encouragement of large farming and agricultural enterprises; expansion of market; and ensuring good seed sources, animal feed and organic fertilizer ...

- *Regarding industry*: the two major focuses include to identify priorities and allocate appropriate spaces for reasonable industrial development in order to promote industrialization and modernization, lifting Vietnam to become an industrialized country. Industries that need prioritizing include (i) fundamental industries that meet the needs for basic production materials of the economy like power industry, mining, metallurgy, chemical, fertilizer, material, and mechanics; and (ii) high-tech industries: IT and telecommunications, electronics, robotics, automobile, integrated automatic operation, remote control, software production, digital production, information security, pharmaceutical industry, bio-product, environmental industry, clean energy industry, renewable energy, smart energy, manufacturing for agriculture and new materials coupling with the

¹ Restructuring investment with a focus on public investment; restructuring the financial market with a focus on restructuring the commercial banking system and financial institutions; restructuring state-owned enterprises with a focus on state-owned economic groups and corporations” (Conclusion of the Third Plenum of the Central Committee of the 11th Congress, October 2011).

application of energy and raw material saving technologies, etc. The arrangement of territorial spaces for developing these industries must take into account the limited land area, and increasing pollution prevention and environmental protection. Reasonable policies on industry restructuring to increase those with higher added value and shifting to higher added value stages in the value chains are the major solution. Modern technology norms and standards should be promulgated in compliance with international practices. Supporting industries and clusters in some prioritized industries should be promote. The strong development of domestic private enterprises should be encouraged, whose linkages with foreign invested sectors should be strengthened. The application of modern technologies, particularly achievements in Industrial Revolution 4.0, should be encouraged

- *Regarding service sector:* Comprehensively improving the quality of service sector, focusing on (i) enhancing the size and efficiency of the stock market to become the main source of capital supply for development investment; (ii) applying international standards in accounting, auditing, commercial banks, etc.; and (iii) fundamentally improving the modes and quality of public service delivery.

3. Development of science, technology and innovation as the major driving force for the new growth model

The fundamental and long-term goal is to improve technology level, which must be considered the criterion to evaluate the performance of science and technology.

The major policy should include:

- Strong renovation of managerial and financial mechanism in R&D, innovation

and technology transfer in accordance with market mechanism. New policy piloting should be allowed, which accept risk taking in implementing and applying new technologies, innovations and new business models. R&D in enterprises and training institutions in association with market demand should be promoted. FDI enterprises need to be encouraged to establish R&D and innovation centers in Vietnam.

- R&D in some key industries and fields should be selected and focused on to provide necessary support.

- Domestic science and technology level and potentiality should be improved to deploy research in new technologies, and prioritized fields, especially digital technology, information technology, biological technology, AI, mechatronics, automation, biomedical informatics, energy and environment, etc.

- A strong network of intermediary brokerage service and evaluation of technology transfer should be developed. World advance technologies are encouraged to be imported. The enforcement of intellectual property rights should be strengthened. A system of norms and standards in harmonization with international practice should be applied.

- It is necessary to promote international cooperation in science and technology to diversify partners, and to select strategic partners being countries with advance science and technology. International cooperation in science and technology should be linked with economic cooperation.

- A program on converting into a digital economy should be developed and implemented.

4. Strong development of infrastructure networks and urban systems

Infrastructure development is one of the three breakthroughs stated in the Development Strategy for 2011-2020. Infrastructure development means “developing a system of comprehensive infrastructure with some modern works, focusing on traffic and infrastructure of major urban areas”. In order to execute this breakthrough, compared with 10 years ago, the infrastructure capability in general and road traffic system in particular have been significantly improved. Generally speaking, over the past 10 years, Vietnam has completed and put into operation almost 970 km of highway, and 5,760 km of national roads. Highway routes of Hanoi-Hai Phong, Hanoi-Lao Cai, Ho Chi Minh City-Long Thanh-Dau Giay, Da Nang-Quang Ngai, etc.; major road bridges, important airports and seaports are newly built, upgrade and expanded. Infrastructure in various fields like energy, information and communication, education and training, science and technology, health, culture, sports and tourism has been built. Infrastructure of big cities such as main roads in and out of the city, urban ring roads and big bridges has been built on large scale.

Nonetheless, the infrastructure system has not matched the needs of economic development and life. Synchronization and connectivity, particularly for various types of traffic, has not been achieved. The focus has been put much on road traffic development. Infrastructure addressing climate change and IT has not been finalized and uniform in many localities, especially in mountainous areas. Urban infrastructure does not keep up with urban population

growth and urbanization rate, some works are of inferior quality and are not strictly abided by planning.

As a result, in addition to further speeding up the implementation of identified contents in the infrastructure development breakthrough of “focusing traffic and infrastructure of major urban areas”, priorities in the coming period should comprise:

- Completely finalize construction works of North-South expressway in the east, accelerate the completion of urban sky-trains in Hanoi and Hochiminh City (before 2025).
- Start constructing and putting into use two major projects including Long Thanh International airport, and phase 1 of North-South expressway.
- Develop digital infrastructure and national database system.

A quality urban system should be developed to increase the connectivity and spread of urban areas, making urban areas the driving force for regional socio-economic development. The major solution is to focus on urban planning policies; urban land and real estate; job creation; ensuring a green and beautiful urban landscape; balancing traffic infrastructure with utilities (water and electricity), health and education services in accordance with the urban population size.

5. Human, cultural and social development

Another strategic breakthrough for the 2011-2020 is “rapid development of human resources, particularly quality human resources, focusing on fundamentally and comprehensively modifying national education, which closely links human resource development with the application

of development and application of science and technology". The two fields of "education and training" and "science and technology" are considered "national priorities". A prosperous nation cannot miss out human development as people are those participating in economic development as well as enjoying the outcomes of economic development.

In fact, Viet Nam has recognized numerous outcomes related to human, cultural and social development over the past 10 years. With the view of inclusive development, in order not to be left behind, Vietnam has been highly appreciated in its attempt to eradicate poverty and improve health and education. A large number of sustainable development goals by 2030 have exceeded the planned. Human development index (HDI) of Vietnam has continued improving, belonging to the group of countries with high average human development in the world. However, some limitations still exist, which needs addressing to create the motivation for socio-economic development. These include the outcome of unsustainable multi-dimensional poverty reduction that is highly prone to falling back to poverty, the huge development gap among regions, rising income inequality, and complicated social issues. Human, cultural and social development could possibly be the image of national prosperity. In fact, human satisfaction and happiness are the real value of prosperity. Therefore, the solutions for this facet should include the followings:

- Consistently implement the idea of inclusive growth, strive to quickly achieve the global sustainable development goals (SDGs) in accordance with the United Nations Sustainable Development Agenda 2030.

- Development Vietnamese people with good health, civic responsibility, good professional qualifications, good integration ability, and beautiful lifestyle - being sincere and faithful.

- Carry out overall systematic and uniform reform of salary policy to comply with labor distribution principles and the objective rules of market economy, taking labor productivity as the basis for wage increase.

- Apply meritocracy in cadres and civil servants; reform recruitment regime, use and respect talents in science & technology, and innovation.

- Make detailed plan to implement Resolution No. 29-NQ/TW on fundamental and comprehensive renovation of education and training to meet the needs of industrialization and modernization in a socialist oriented market economy and international integration context, which was issued by the 8th Plenum of the 11th Congress on 4 November 2013.

- Develop decent work strategy for Vietnamese workers; develop Vietnamese children development strategy.

6. Environmental protection, efficient use of natural resources, and climate change addressing

Sustainable economic prosperity is not created by 'borrowing' assets (resources) of the future generations, but by the 'ability to "meet existing needs without doing harm to the ability to meet the needs of future generations" (World Environment and Development Commission - WCED, 1987).

The actual experience in rapid economic development of some NICS, especially the implementation of the Development Strategy for 2011-2020 in Vietnam, shows that people are increasingly aware of the

significant meaning of efficient use of natural resources, protection of natural and biodiverse environment to human life and economic sustainability. Therefore, the major solutions here should include (i) promoting education on environmental protection with the philosophy that human beings are an organic part of the natural environment in which they live; (ii) encouraging projects employing clean and environmentally friendly technologies; (iii) having policies on green lifestyle and consumption in the entire society; (iv) strictly enforcing environmental feasibility studies for each project; (v) implementing the principle that environmental polluters must pay costs for remediation and environmental rehabilitation restoration; the beneficiaries of natural resources must be obliged to contribute to re-invest in environmental protection.

Conclusion

The prosperity of a nation, initially its economic prosperity, is the aspiration of any country. The realization of these objectives must be based on the solid foundation of certain economic development, and more importantly a broad vision and right strategies with consensus and strength of the whole society. In the current conditions of Vietnam, the strategic tasks of the coming period is to overcome the middle income trap, including: (1) improving the quality of socialist-oriented market economy, finalizing the transition and better addressing the relationship between the State, market and society; (2) further accelerating economic restructuring to quickly form the new growth model, primarily basing on social productivity

increase; (3) strongly developing science, technologies and innovations, particularly the achievements of Industrial Revolution 4.0, considering them the driving forces for the new growth model; (4) developing the network of infrastructure and urban system, taking urban developing as the driving force for regional development; (5) developing human, cultural values and sustainable society; and (6) protecting environment, efficiently utilizing natural resources, proactively addressing climate change under the context of its increasingly complicated impact on the socio-economic facet □

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