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A Report of “Vietnam 2035”

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In February 2016, the Ministry of Planning and Investment of Vietnam and the World Bank jointly released a report titled “Vietnam 2035”. This report advises the Vietnamese government to make efforts aiming at a medium- to long-term prosperity of the nation based on the three policy pillars of (i) economic prosperity, balanced with environmental sustainability; (ii) promotion of equity and social inclusion; and (iii) bolstering of state capacity and accountability. Building on the launch of Doi Moi reforms implemented in 1986, Vietnam achieved a high growth of more than 5% on average in its real per capita GDP since 1990. The poverty ratio, which was as high as 49% in 1992, declined to only 3% in 2012. On the other hand, Vietnam is now facing such challenges as declining labor productivity, environment problems, inclusion of minority ethnics, and governance of corporates and governments. The report proposes reforms to deal with these problems.

The report points out that the bank loans and lands are much more concentrated to state owned enterprises, bringing in ineffectiveness in the economy, and therefore the growth of labor productivity has been declining in the last 10 years. The report proposes the Vietnamese government to make structural reforms in three phases designated to short, medium, and long-term span of time. High priorities for immediate action should be given to the improvement of market function based on the competitive policies and protection of properties, and reforms of financial system and land system, it says.

Regarding the need for strengthening the corporate competitiveness, China also faces the same challenge as Vietnam does. In a report titled “China 2030”, published in 2012 jointly by the Development Research Center of the State Council of PRC and the World Bank, it was stressed that China needs to promote development of private enterprises which have higher productivity than the state owned enterprises, remove entry barriers to the market, and reduce the state monopoly in such important industries as petroleum, chemical, electricity, and telecommunication. In the meantime, although the presence of Vietnamese state owned enterprises is as high as that in China ,“Vietnam 2035” analyzes that there has been little improvement in the protection of private properties and free and fair competition system since the transition to a market economy and deregulations at the beginning of the 1990s. That resulted in the lowering of the productivity of private enterprises, which has come down to almost the same level of the SOEs since 2010. In Vietnam, the development of market functions is a more urgent task in order to foster the private enterprises.

According to the UN data, Vietnam has a population of about 93 million (14th largest in the world) with the share of its working-age population reaching the peak in 2015, and turning to decrease from now on. This is the pace that is 5 years faster than the average of ASEAN countries. In order for Vietnam to continue prolonged and sustainable growth, this is the time for it to make bold reforms.