



# The Vietnamese Economy at the Crossroads

*Thu Trang Vuong, Vilém Semerák,  
and Quan Hoang Vuong*

## INTRODUCTION

Vietnam is a typical transition economy in its later stages: a rather weak currency, an economy flooded with foreign investment, and ‘equitization’ as a daily buzzword. Ever since the *Đổi Mới* reforms of 1986, the country has been changing drastically. In roughly 25 years, Vietnam has sextupled its GDP from over USD 36 billion in 1993 to more than USD 220 billion in 2017. Poverty reduction has succeeded with only 5.8% of the population remaining under the poverty line (Vuong and Pham 2009) as opposed

---

T. T. Vuong (✉)

European Campus of Dijon, Sciences Po, Paris, France

e-mail: [thutrang.vuong@sciencespo.fr](mailto:thutrang.vuong@sciencespo.fr)

V. Semerák

Institute of Economic Studies of Charles University, Prague, Czech Republic

Economics Institute of the Czech Academy of Sciences, Prague, Czech Republic

Q. H. Vuong

Phenikaa University, Hanoi, Vietnam

Université Libre de Bruxelles, Brussels, Belgium

e-mail: [quuong@ulb.ac.be](mailto:quuong@ulb.ac.be); [hoang.vuongquan@phenikaa-uni.edu](mailto:hoang.vuongquan@phenikaa-uni.edu)

to close to 60% in 1993. The political economy has transformed from a closed and centrally planned one to one of the most open economies in the world (World Bank 2017b). One must not, however, overlook the fact that Vietnam has a relatively low GDP per capita (USD 2545.9 as of 2018) compared to other ASEAN (Association of Southeast Asian Nations) countries such as Thailand (USD 6992.3) or Singapore (USD 61,766.8) (IMF 2018).

While the transition of Vietnam could be clearly filed under East Asian models whose eminent representative is the Chinese economy, the country still differs greatly from China. Not only is the Vietnamese economy much smaller than that of China, Vietnam has also absorbed more Western influence after decades of being a French protectorate followed by 20 years with American intervention in its southern part. The Vietnamese economy has turned out to be an equally curious mix of capitalism and socialism in its economic culture (Vuong and Pham 2009). As the market mechanism worked its way into the core of the economy of Vietnam, the government that supposedly insisted on a planned economy turned towards advocating for innovation and, most intriguingly, entrepreneurial spirit, which is quintessential to the capitalist economy itself (Vuong et al. 2016). Today, an ambivalent image of Vietnam prevails: a third-world authoritarian country as painted in human rights reports alongside the image of a country showing fast Human Development Index improvements, a rising Asian tiger with a large, attractive market, which faces various socio-economic conundrums from urbanization to public transport.

This chapter explores the transition economy of Vietnam, one of the few remaining countries under communist rule to this day, and the role of the particular variant of entrepreneurship of Vietnam in the process of transition (Vuong 2014).

## VIETNAM TODAY

### *Historical Background*

Vietnam is a small country with a long history. Traces of human inhabitation in prehistoric Vietnam dated back to the Palaeolithic era. The first primitive government of Văn Lang was formed in Northern Vietnam at around 700 A.D. (Chapuis 1995). The country was colonized early on by China for about a thousand years, during which the Chinese led fierce policies of oppressive taxing, mainly on metal to curb weaponry production and further lower the possibility of revolts. Assimilation of aboriginal

Viet tribes through forced marriages with Chinese was also widespread. This period left a mark on Vietnamese culture and set the base for profound East Asian—principally Chinese—influence that would be reinforced over and over throughout the next periods of Vietnamese history. For this reason, despite being in the Southeast Asian geopolitical region, Vietnam is much closer to the East Asian sphere of influence in customs, culture, and religion (Joyaux 1970). This is highly relevant to any analysis of Vietnamese socio-cultural, economic, and political organization, which bears striking resemblances to that of the Chinese model from the feudal era to today's philosophy of politics and polity.

The year 938 A.D. officially marked Vietnamese independence from Chinese colonial rulers. As Vietnamese feudality evolved, it could be noticed that one of the most important consequences of Chinese influence on Vietnam was religion. In all five continental Southeast Asian countries, Buddhism is the most widely practiced religion. However, while the populations of Thailand, Myanmar, Cambodia, and Laos practised variants of Theravada Buddhism, it was Mahayana Buddhism that had been introduced from China into Vietnam (Thual 2002). Principles of Mahayana Buddhism, rituals, religious structures (pagoda), and holidays were mixed with indigenous faiths, such as the worship of local gods or of ancestors, and integrated into traditional customs. In the same manner, Confucianism was also imported into Vietnam and became an integral part of the Vietnamese mentality and way of life (Vuong and Vuong 2018). Among the three major religions of Vietnam (Confucianism, Buddhism, and Taoism), Confucianism dominates social culture (Vuong et al. 2018) and served as the basis for morality and social behaviour, the educational system, the mechanism of selection of imperial officials, and the power dynamics in most social and political relations, the most important one being the divine entitlement of the king to absolute obedience from his subjects. Economically speaking, the effect of Confucian principles results in a sort of mistrust towards merchants and commercial activities (Vuong and Tran 2009) that is more prevalent where centres of feudal power had been in the past, namely, Northern and Central Vietnam.

Before the nineteenth century, the geopolitics of Vietnam was very much linked to China. Feudal Vietnam not only belonged directly to the Chinese sphere of influence but imported the primary pillars of its social structure—namely, the Confucian religion and philosophy and the method of selection of imperial officials—from China as well (Vuong 2011). This created a certain sense of subordination, even of reverence at

times, especially in the ruling power that had often resorted to asking for help from Chinese forces to suppress popular revolts at the risk of China taking the opportunity to manipulate and dominate Vietnam (Joyaux 1970). In fact, the feudal era in Vietnam was marked with resistance against Chinese invasions, which made China the most constant threat to Vietnamese sovereignty and almost the ‘ultimate enemy’ of the Vietnamese people in the Vietnamese mentality. This hostility clashed with the aforementioned sense of subordination, often taking shape as conflicts between the pro-China-governing powers and the patriots, with popular anti-China sentiments in the populace (Tran 1920).

Vietnam first came into contact with the West through the arrival of Catholic priests in the sixteenth century. It was in attempts of evangelization that one of these missionaries developed a system of Latin transcription of the Vietnamese language. As European powers began their second global conquest in the nineteenth century, Vietnam officially became a French protectorate from 1884 (Brocheux and Hémary 2001; Tran 1920). Under the French administration, the use of Latin characters for writing rose into prominence and later became the official written language of Vietnam (*Quốc ngữ*). This set Vietnam apart both from other continental Southeast Asian countries and from East Asian countries and gave Vietnamese people an edge in both the study of the English language and computer programming languages later on.

As the Second World War broke out, the people of Vietnam found themselves under three forces of oppression: the French administration, the puppet feudal government, and the Japanese occupiers. The exploitation of the people pushed unrest in the mass in addition to the already-budding resistance among intellectual and climaxed with the famine of 1945 (Gunn 2011) that incited spontaneous countrywide revolts against occupying Japanese forces. It was at this juncture that Vietnamese patriots—pre-eminently Hồ Chí Minh, who had taken great inspiration from the French Communist Party and the Russian Bolsheviks during his time abroad—latched onto communism as the solution, the road to liberation. After overthrowing Japanese occupiers, a provisory, communist-oriented government was established with Hồ Chí Minh as the President. The Vietnamese people considered themselves to have regained their own country and declared independence in 1945.

The French, on the other hand, insisted on their sovereignty over Vietnam and returned to reclaim their protectorate after the end of the World War (Valette 1993). This in turn led to the First Indochina War, a

resistance war led by the communist Việt Minh on the Vietnamese side. The Geneva Accords of 1954 split the country in half at the 17th latitude (Randle 1970) and a pro-American, anti-communist government, the Republic of Vietnam, was installed in the South. The People's Democratic Republic of Vietnam in the North, governed by the Communist Party, led a war against the South; Vietnam became a physical front of the Cold War, with the North supported by the Soviet Union (USSR) and the People's Republic of China (PRC) and the South by the US and to a lesser extent the British. With the victory of the North, Vietnam officially became a communist country and remains such to this day. It was arguably the wars themselves rather than the victory that solidified the power of the Communist Party in the country as well as the place of communist rhetoric in the Vietnamese mentality. Communists were seen as *the* emancipators of the nation from colonial forces and fascist occupiers. The communists themselves were conscious of their historical role and succeeded in making use of their position to impose the Marxist-Leninist ideology on the country.

Economically, this translated to a socialist economy modelled after the central planning methods of the USSR and the PRC (Vuong 2014). This set Vietnam apart from former Eastern bloc countries, upon which communism had been forcefully imposed by an external force. In Vietnam, the imposition was done by a force that was first regarded as emancipatory (much like how the Bolshevik was seen by farmers after the Russian Revolution of 1917) and that had, through war, convinced generations that the Communist Party and their way of governing was the only way to fend off external threats. Evidently, the biggest difference in results is that Vietnam remains a single-party, communist country to this day. This leads us to consider the second aspect that set Vietnam apart from European former communist countries: in Eastern Europe, the transition was initiated after lifting the Iron Curtain and the fall of communist rule. In the case of Vietnam, despite the political regime, the economy is no longer one of central planning but a market economy in transition, open to foreign trade, and only named *socialist-oriented market economy* for ideological reasons.

### *Economic Overview*

The Vietnamese economy appears to be growing healthily. Its GDP, which amounts to over VND 5000 trillion (approximately USD 219.4 billion) in 2017, has been on a generally upward trend with some fluctuations

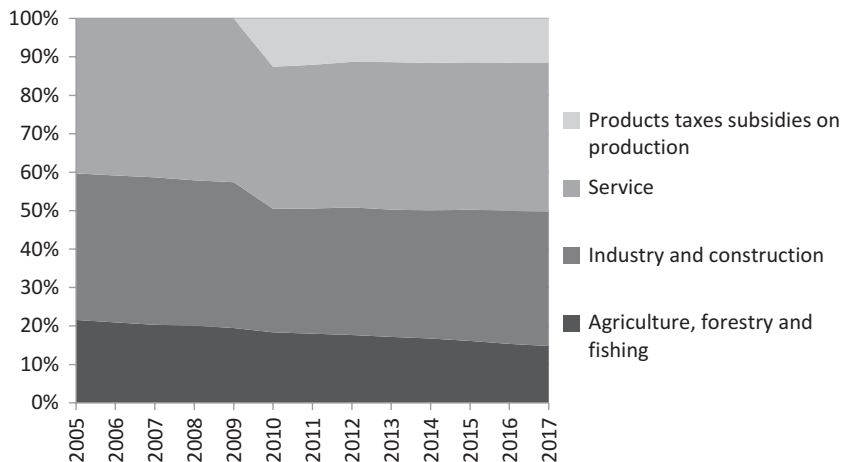
(GSO 2017). According to the country's General Statistics Office, 2017 was a year of spectacular growth with a GDP increase of 6.81% over the year. Compared to GDP growth in other countries in the region, Vietnam ranked in the upper middle, after Cambodia, Philippines, and Lao PDR (ADB 2017). For 2018, the government even anticipated a better economic expansion rate, estimated at 7.1%.

With a population of nearly 96 million, and a per capita GDP estimated at USD 2550 by the end of 2018, Vietnam offers a sizeable market that promises to keep getting more attractive, not only for its purchasing power but also by its labour force. In fact, Vietnam was one of the countries with the highest speed of productivity improvement in the ASEAN region. In 2017, its labour productivity amounted to over USD 4000 *per capita*, and the average yearly increase in productivity was 4.7% during the period of 2011–2017. However, this is mitigated by the fact that Vietnamese productivity in level remained relatively lower, compared to many ASEAN countries, and the gap has kept widening (GSO 2017).

Economic growth has led to improvements in infrastructure and living standards. Over 99% of the population has access to electricity (2014) as opposed to 73% in 1990, higher than world average as well as neighbouring countries such as Lao PDR (78.1%), Cambodia (56.1%), or Indonesia (97%) (World Bank 2017b).

On the other hand, it should be noted that Vietnam is not an exception to the global trend of inequality in BRICS and emerging economies. The poorest 20% population received only 7.1% of national income; Vietnam's GINI index had been steadily rising, from 0.420 in 2002 to 0.436 in 2015 (GSO 2017). Malnutrition remained a problem that affected nearly one out of four children under five years of age.

The shift in composition of sector contribution into GDP was also a matter of consideration. True to the *Industrialization—Modernization* slogan that remained a stark principle in Vietnamese economic policies, industry and service together made up over 75% of the country's total GDP in 2016. Both sectors have been expanding in volume, growing about 5–8% every year since 2005. Their share in total GDP has been growing as well, although this has seemingly slowed down in the recent years, with yearly increases under 0.5 percentage point in the last decade (GSO 2018). The current composition of sector contribution into total GDP almost seemed to have frozen in place (Fig. 3.1). This puts into question the claims that the Vietnamese economy is still transitioning from purely agricultural to being more industry and service oriented. These sectors might have been

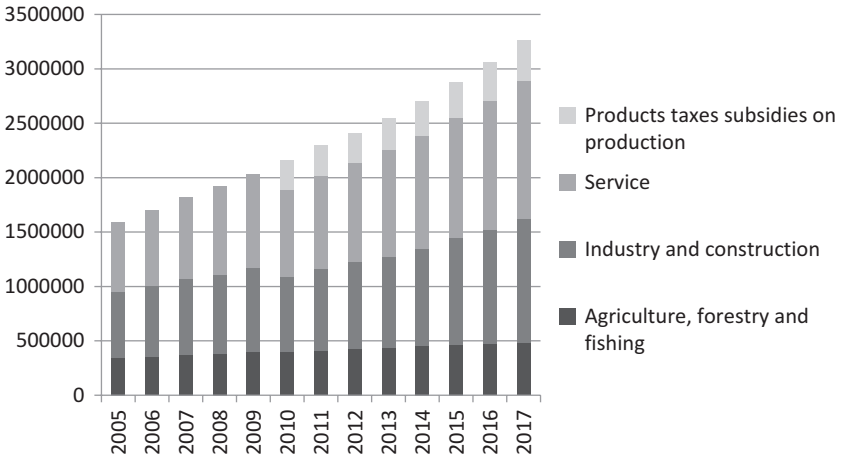


**Fig. 3.1** GDP at constant 2010 prices by economic sector: 2005–2017 (%). Data source: GSO 2018

prioritized in economic policy-making and were developing as a result of that, but recent progress seems rather slow compared to the robust transformation envisioned by government officials (Fig. 3.2).

It should be noted that FDI has been concentrated mainly in manufacturing and real estate activities (GSO 2018; see Appendix, Figs. 3.15 and 3.16 for details). The manufacturing sector in Vietnam, as seen above, mainly consists of the textile/garment industry and the electronics parts industry, which relies heavily on imports of primary materials and generates modest added value. Real estate on the other hand generated little to no added value. In other words, out of the two main target sectors of FDI, one was export based and still low in added value, while the other did not generate added value at all.

In the private sector, over 126,000 new businesses were registered with a total capital of nearly VND 1300 trillion (approximately USD 58 billion) in 2017. In trade, one can observe a general trend to a trade deficit in Vietnam; additionally, the total volume of imports usually tops exports by around USD 1–7 billion, although this gap could be up to USD 18 billion (GSO). In addition, given the weight of heavy and mining industries as well as the significance of tourism to the Vietnamese economy, environmental protection understandably held a permanent place in government agenda and plans; however, only 2.5% of marine



**Fig. 3.2** GDP at constant 2010 prices by economic sector: 2005–2017 (VND billion). Data source: GSO 2018

and terrestrial areas was nationally protected, very low compared to most other countries in the region (over 20% in Cambodia, 12.5% in Thailand, and 6% in Indonesia).

On the other hand, a considerable number of sectors are partly, if not entirely, under state control, namely, energy (including fuel, petrol, and electricity), transportation infrastructure (airlines, railways, etc.), and banking. The state controls 100% of authorized capital of Electricity of Vietnam (EVN) and Petrovietnam (PVN), the two largest corporations in the energy industry by total assets (VND 770 trillion and VND 692 trillion, respectively, as of 2016). In transportation, 86% of authorized capital of Vietnam Airlines was state owned (see Appendix, Table 3.4); Vietnam Railways, on the other hand, was 100% owned by the state (Decree 11/2018/NĐ-CP). In the banking sector, aside from the two state-owned banks (Vietnam Bank for Social Policies and Vietnam Development Bank), the state also owned over 50% shares in many of the largest domestic commercial banks, including Vietinbank (64% state owned), BIDV (95% state owned), Agribank (100% state owned), Vietcombank (77% state owned), and so on (according to reports from the State Bank of Vietnam). Out of those, BIDV and Vietinbank were the largest banks of Vietnam by total assets, with BIDV totalling over VND 1202 trillion in assets as of December 2017 and Vietinbank VND 1095 trillion as of December 2017 (Vietinbank 2018).



Many of these state-owned enterprises have been undergoing the process of equitization under governmental directives. State-owned enterprises were tiered by percentage of capital owned by the state; equitization methods varied from issuing stocks to redirecting capital to State Capital Investment Corporation (SCIC), a capital management firm currently controlling a large amount of state capital in equitized enterprises (Decision 58/2016/QĐ-TTg). Decree 09/NQ-CP issued in 2018 stipulated the elaboration of a governmental committee for control of state capital in equitized enterprises, including SCIC (see Appendix, Table 3.4, for the full list of enterprises under the committee's control), to strengthen state control on all enterprises partly or entirely owned by the state. Some regarded this committee as being similar to SCIC to the point of redundancy (Pham 2019), while others insisted on its higher extent of control (Thành Đạt 2018). It should be noted that there seemed to be a contradiction in the political discourse regarding state-owned enterprises and equitization: on one hand, there was a concrete plan for reducing state capital in equitizing enterprises (Decision 1232/QĐ-TTg); on the other, with the creation of the aforementioned committee, it seemed that the state was also attempting to tighten its grip on the same equitizing/equitized enterprises.

## POLITICAL REGIME AND CULTURE

### *The Government of Vietnam*

Political regimes and politics have a profound influence on the national economy (DeRouen 1995, Farber et al. 2006). In socialist countries, the implementation of central planning mechanisms was imposed on the economy for ideological reasons, at least initially; government influence is then even more important. Vietnam has a socialist regime, so it is to be expected that the political system has a strong presence in, and a profound impact on, the transition process.

Currently, having a grip on political power is the Communist Party of Vietnam—commonly referred to as *the* Party, as it is the only political party that exists and legitimately resides in Vietnam. The Party was formerly the Labour Party of Vietnam, a direct descendant of the Communist Party of Indochina (Vietnam inherited the core of this party, being the main protagonist in the struggle for independence in Indochina during the First Indochina War).

Political discourse and official statistics both suggest that economic growth had been observed since the August Revolution of 1945 and especially towards the end of the First Indochina War (1945–1954), with a hiatus over 1988–1989. Cereal and other harvests amounted to 2.95 million tonnes, up 13.7% compared to 1946 (Nguyễn 2005). Industrial production in the years 1950–1954 was reportedly successful in both mining and metallurgy (20,000 tonnes of coke coal, 0.8 tonnes of antimony in 1946–1950, 19.5 tonnes of tin, 43.0 tonnes of lead in 1952–1953) and manufacturing (169.3 metres of cloth, 31,700 tonnes of paper). After the peace of Geneva in 1954, the North was governed by the Communist Party. During the Second Indochina War waged against the pro-America regime of South Vietnam, the economy of the Democratic Republic of Vietnam operated under socialist principles. By 1965, 88.8% farmer households took part in cooperatives. Agricultural product volume increased 4.1% per year on average (1961–1965). Industry wise, over 1,132 state-owned industrial factories had been constructed. The five-year plan of 1961–1965, implemented in the North only, was reported as a success. From 1965 to 1975, despite being in the midst of warfare, agricultural production did not fall, with 5,468,800 tonnes of harvest recorded in 1974. Total industrial and artisan production in the same year was reported as exceeding plans by 4%. The public sector produced 88.4% of total GDP (Government Portal 2006).

After the fall of Saigon and the unification of Vietnam in 1975, the Fourth National Congress of Vietnam took place and issued a number of important decisions, which include (a) the central planning mechanisms already in place in the North were to be imposed upon the South and (b) the first nationwide five-year plan (1976–1980) of unified Vietnam was to be carried out (Vuong et al. 2011). Under the command economy, commonly referred to as *Bao cấp* (literal translation: *complete subsidies*) in Vietnam, the national economy manifested the characteristics of a typical socialist economy: rigid central planning, lack of foreign trade activities and shortage of goods, social category-based rations managed through the use of stamps for most commodities and corruption on many levels, and so on (Đặng 2008). In times of peace, the shortcomings of central planning started to be revealed. The economy was stagnating: in the 1975–1985 period, the GDP only increased 4.6% and income 3.7% a year on average, while the population was growing at an annual pace of 2.3% on average (Government Portal 2006). Faced with constant shortages and harsh living conditions, managers at local cooperatives and factories began

to look for ways to generate more earnings. Mechanisms typical of the free market began to emerge underground, namely clandestine contracts in rural factories, the formation of provincial *imex* (import-export) companies, smuggling of second-hand foreign goods from sailors, and so on. According to documentation by Đặng (2008), cooperative managers sought out other cooperatives and made secret deals, producing extra output that they called *second plan* (the implication being that the production quota from the centrally devised five-year plans was the *first plan*); others even produced for the free ('black') market, calling it a *third plan*. These activities became an *everybody knows, nobody tells* phenomenon and multiplied across the country. They were so widespread that eventually the Central acknowledged the shortfalls of central planning and started allowing the economy more freedom, thereby installing *de facto* market mechanisms even before the 1986 reforms—*Đổi Mới*—took place (Vuong et al. 2011). Vuong et al. (2011) also argued that precursors of entrepreneurial attributes, namely, the ability to create and transmute value, were already present even under central planning and were determinant factors in the success of the reforms.

The fact that Vietnam had never had the definite political rupture experienced in most Eastern bloc countries resulted in a transition that could be characterized as quite rogue in nature. As unlawful trading with natural market mechanisms became widespread, the government finally implemented top-down policies in *Đổi Mới*, starting in late 1986 promulgated at the Sixth National Congress of the Communist Party of Vietnam (CPV). Though there was a shift to a more market-oriented economy, the CPV still needed to perpetuate the initial Marxist-Leninist ideologies to maintain their authority and to stay in power. For this reason, they were reticent in the face of transition policies and reforms, not only out of concerns over economic destabilization but also because they could not outright declare a transition without contradicting the ideology that they had imposed on the country for decades. One of the most telling examples of this was that the government had baptized the Vietnamese economy a 'socialist-oriented market economy'. It should be noted that the notion of *transition* is never mentioned in Vietnamese media or political agendas without *the economy*, making phrases such as 'transition economy' or 'economic transition' a single word, *de facto*. (In Vietnamese, 'transition' has a very close meaning to 'evolution', a political taboo.) Instead, to this day, the government promotes slogans such as 'modernization and industrialization in order to advance to socialism' (so much so that the terms had been hollowed of the meaning).

In short, Vietnam lacked political drive for transition; the 1986 reforms took place for practical reasons. The government was not only very gradualist in its approach to economic reforms but also had to be careful in the presentation of their measures so as not to admit the failure of central planning. For this reason, the residual of central planning era behaviours—namely rent-seeking behaviours and disregard for standardized procedures along with preference for unofficial shortcuts—remains a prominent, accepted part of the Vietnamese economy, especially in the public sector.

*The Economic Culture of Vietnam: Confucian  
and Communist Legacies*

Not only was the political regime unfavourable for real transition, but also there are cultural elements that hinder the development of a free-market economy. The most important aspect of Vietnamese culture in regard to this hindrance is the Confucian system of values. In fact, Confucianism has long been considered to be the pillar of the Vietnamese society (Vuong et al. 2018), as its philosophy and teachings served as a source of legitimacy for the imperial court as well as a base for many social institutions and mechanisms, including the selection of imperial officials. One could even make the remark that Confucianism is as fundamental to Vietnam (and China, to an extent) as Christianity has been to Europe. For this reason, it is not a surprise that Confucian principles can have profound economic implications.

Vuong and Tran (2009) had pointed out basic principles of the Confucian system of values: worship of designated superiors, conformity to the hierarchy, and mistrust towards merchants. If the Protestant faith was the source of the capitalist *ethos* which encouraged profit-seeking, Confucian traditions portrayed the business class as dishonest and potentially dangerous people. There was no prestige in successfully accumulating wealth, especially not through trading, as the Confucian social hierarchy placed merchants at the lowest of the four classes in society (scholars/intellectuals, farmers, workers, merchants). For this reason, being merchants were often seen as a last resort taken out of necessity, and if given the chance to ascend in society, merchants themselves would gladly take up a different occupation. These pejorative connotations associated with the status of merchants were a part of the Vietnamese Confucian mindset and resounded well with the Marxist-Leninist criticism of capitalism. During the entire socialism construction era, these

elements had been encouraged by the communist government with capitalism-bashing propaganda and muted any development of true entrepreneurship spirit.

Additionally, Confucianism maintained five types of unequal relationships, based not only on social status but also on familial hierarchy and gender (Vuong and Tran 2009), as a pillar of its teachings, which also served to reinforce the legitimacy of the authority of feudal rulers. Indeed, unequal relationships were necessary for superiors to impose obedience on those they wanted to put under subordination. This Confucian element has been absorbed into Vietnamese culture and induces a mentality that is not only tolerant but also, at times, in favour of state paternalism. In fact, state intervention, such as price regulation for certain commodities (especially those concerning children, such as powdered milk for infants or grade-school supplies), is rarely contested. In the face of unfortunate events in which the bearers of the damage were groups traditionally regarded as more vulnerable and disadvantaged, such as farmers or customers, an intervention is even demanded as an effective—albeit short-term, one may argue—tool for economic stability and security. This is often fuelled by media coverage with an emphasis on the humane aspect of the problem, to further call for intervention. The brief crises of price drops due to excess production followed by government-initiated rescue campaigns in 2017 (Bảo Phương 2017; Công Quang 2017), in which the government not only encouraged people to buy off the excess commodities but resorted to buying them itself with taxpayer money, as well as numerous scandals of breach of food hygiene safety standards that often led customers to ask for more protection, illustrate the case.

It should be noted that this Confucian legacy resonated with the attempt at total control over all economic activities by the communist regime during the central planning era. One need only consider the fact that, to this day, the government of Vietnam still devises five-year plans despite the fact that central planning has been recognized as not feasible and replaced with market mechanisms. This is not merely a ceremonial act, either; in fact, the planning approach with arbitrary quota is still often taken in economic policy-making. For example, in 2006, the government published a five-year plan for private small and medium enterprise (SME) sector development with very specific quantified goals such as to increase the number of private SMEs to 320,000 and maintain a yearly rate of 22% increase in the number of SMEs (Decision No. 236/2006/QĐ-TTg). There is a certain central planning culture embedded in Vietnamese

economic decision-making, reminiscent of the command economy era before *Đổi Mới*, and it is not contested by the state paternalism mentality that is the legacy of traditional Confucian values.

In light of this, the cultural element added inertia to an economy that was already held back by its authoritarian regime. A market economy cannot function properly without a business class consisting of producers who seek to maximize their profits. Yet, this class was not only politically bashed during the pre-*Đổi Mới* period but has also been shunned in the Vietnamese mentality. Entrepreneurs were few and far between, inexperienced from being under central planning and discouraged by culture from doing business. This lack of a strong business class made the market economy of Vietnam function in a rather forced manner, at least in the beginning.

## GLOBAL INTEGRATION AND TRANSFORMATION OF ECONOMIC BEHAVIOUR

### *Trade Liberalization and Consumer Behaviour*

Prior to the reforms of 1986, Vietnam had been relatively autarkic: trade was highly restricted and limited only to countries of the socialist bloc; additionally, the US had also placed an embargo on Vietnam at the fall of Saigon in 1975. The command economy showed its shortfalls one after the other, as the state budget saw deficits while foreign aid from communist countries declined, especially in the last two years of the 1970s; targets in the first five-year plan set by the Fourth Congress were not at all met (Vuong et al. 2011). The economy stagnated, and shortages were a common nationwide occurrence. Most of the population did not have many personal belongings—the simplest commodities such as clothes or kitchen utensils were scarce and strictly rationed—or money in cash—as goods were exchanged for stamps. For this reason, the average Vietnamese consumer under central planning was very keen on saving up and reserving in anticipation of a future shortage. They also made use of relationships and connections—a legacy of the Confucian mentality (Vuong and Tran 2009)—where possible, forming a sort of so-called *shadow economy* and, later on, black markets, that would bruise the efficiency of the already poorly performing economy.

After price liberalization and a series of socio-economic reforms as mentioned above, the country started to open up to economic integration (Vuong et al. 2011). Over the course of several decades, Vietnam

has signed over a hundred bilateral agreements, the major ones being the agreement with European Union (EU) in 1992 and with the US in 2000, and joined regional associations as well, such as ASEAN in 1995. Bilateral deals seemed to increase trade flows dramatically, promoting Vietnamese exports especially (Vuong 2014). In 2007, Vietnam gained accession to the WTO after a long process of negotiations that started in 1995 and over 20 bilateral trade agreements concluded with member states. This could be considered a milestone of trade liberalization in Vietnam, as the agreements with WTO included deeper institutional reforms and fewer regulations in terms of foreign trade. The years following the accession witnessed a boost in Vietnam's economic performance (Vo and Nguyen 2009). Increase of welfare was expected (Nguyen and Tran 2006) and did happen, however, with an unequal distribution that led to more disparity between higher and lower income, as well as between urban and rural households (Pham et al. 2008; Fosse and Raimondos-Møller 2012; Le 2014).

Most previous studies suggest that middle- to high-income households, especially in the city, experienced a more significant improvement of welfare. From the consumer's point of view, this may be explained by the fact that economic integration had increased both variation and quantity of products, enabling the customer to not only choose the type of product but also to obtain the number of products to their liking. This was a very different situation from the highly regulated distribution mechanism under the command economy, where one might not be able to obtain certain commodities even if one had cash. Further, the buying capacity of the Vietnamese consumer had grown along with the effects of the reforms. Non-state small and medium enterprises (SMEs) not only increased in number but also maintained high efficiency (Le and Harvie 2010), creating jobs and raising household income. In addition, Vietnamese labour had more freedom to work abroad, which increased remittance flows; these international remittances were in turn often beneficial to the improvement of household spending capacity (Pfau and Giang 2009).

Consumer behaviour morphed along with these transformations. Cultural sensitivity and ethnocentrism still played a role in determining the role of imported product consumption (Nguyen et al. 2008), and Vietnamese customers retained their shopping habits at traditional markets (Maruyama and Le 2007). However, there was a shift to hedonistic consumerism in the Vietnamese population, especially among the younger generations, which was in stark contrast with the previous behaviour in the

shortage economy under central planning. There was also a shift in the share of income to more luxurious goods. Middle- to high-income Vietnamese consumers began to engage in status consumption: to spend on goods that would benefit their social image and status (Drury 2011; Nguyen and Tambyah 2011). Luxury consumption similar to that of China started to be observed in the Vietnamese economy, which was also linked with status and face-saving (Le Monkhouse et al. 2012).

While this appeared to be quite a positive sign of the Vietnamese population creating value and accumulating wealth, one should be careful not to take the lavish spending at face value. On the one hand, status and luxury consumption only occurred within a certain group of the population, while the rest, especially in rural areas, still faced various degrees of economic difficulty, even down to poverty (Figuié and Moustier 2009). On the other hand, a great portion of consumers with hedonistic behaviour belonged to the middle-income category. Some of them lacked the buying capacity to engage in such status spending, but face-saving turned out to be enough of a motivation for them to borrow to spend. This led to the problem of personal debts, which has not been addressed enough in the literature on Vietnamese consumer behaviour.

### *The Rise of the Internet and Its Economic Implications*

The Internet changed the world, from the everyday life of each individual to the behaviour of political regimes and economic markets. Kalathil and Boas (2003) studied authoritarian regimes across the globe to show that information technologies have the potential to promote at least some degree of democratization in Vietnam (Nguyen and Vuong 2016). In addition, the Internet serves as a platform for business and the digital marketplace is expected to strengthen the invisible hand—that is, to improve the efficiency of market mechanisms (Brownrigg 1991; Bakos 1998) and encourage foreign trade at the level of firms (Nguyen and Barrett 2006).

Fifteen years after *Đổi Mới*, in 2000, Vietnam connected with the World Wide Web. At the time, Internet users understandably only made up a minuscule 0.3% of the Vietnamese population. The diffusion of the Internet started off rather slowly due to cost and infrastructure (Lam et al. 2004). Boymal et al. (2007) suggested that the reason for the low rates of Internet subscriptions in Vietnam at the time was due to the Central's innovation policy being more ideologically and politically driven rather



than inspired by realistic socio-economic needs. Yet, by 2013, Vietnam already ranked among 20 countries with the most Internet users in the world (Ngo and Gim 2014). In 2016, Internet users made up 46.5% of the Vietnamese population (World Bank 2017a). In the end, the spread of the Internet applications into the daily life of Vietnamese people was impressively rapid, resulting in the birth and growth of the online marketplace among Vietnamese economic agents.

In fact, the Internet has largely modified the Vietnamese consumer behaviour. Numerous studies have shown that many businesses, especially goods and services providers, have taken up the online channel to expand their clientele (Ngo and Gim 2014; Nguyen et al. 2007; Ho and Chen 2014). Despite hesitation linked to the risks of indirect transactions, customers have proved to be quite willing to adopt online shopping, especially when they could form a bond of trust with providers through their experience of customer service and their perception of goods' quality. Customers have also developed methods specific to online shopping, such as group buying, a practice in which many customers gather together to place one common order so as to lower shipping fees (Ho and Chen 2014) and which is the most common when the goods were to be shipped from overseas (the business, in this case, usually provided this service as an intermediate agent). This showed that e-commerce was such an integral part of the Vietnamese economy that customers had formed specific behaviours around these types of economic activities.

Despite this, little attention has been given to the marketplace platforms of e-commerce in Vietnam. In fact, while the Internet-based commerce is often studied as a trading platform in itself, online is not as homogenous and takes place on different types of storefronts that vary in the manner in which online businesses operate in relation to shifting trends in customers' behaviours. These types of small business storefronts range from self-maintained e-commerce portals, in which the seller sets up an independent domain name and coordinate production and delivery on their own, to marketplace platforms along the line of Amazon and eBay where individuals can sell without having to coordinate shipping services. In the middle of this emerged a hybrid type of business storefront that was highly popular in Vietnam: the Facebook online store.

Indeed, in the last 10 years or so, social media sites have risen in popularity in Vietnam, Facebook being the most prominent. Although the primary use of the site was socialization, along the way, Facebook developed more and more features such as the ability for just about anyone to set up

their own online shop and sell goods without the need of a physical showroom. Although Southeast Asia-based online marketplaces such as Lazada, Shopee, or even the exclusively Vietnamese EnBac were relatively popular among online shoppers, Facebook remains one of the leading platforms for small online businesses in Vietnam. This choice might have been made out of convenience or mimetic behaviour. Additionally, there could be a number of underlying rational reasons for economic agents to choose a platform that was primarily a social media to conduct business: networking opportunities, more individualized customer interactions, more freedom and control in concrete business operations (e.g. in shipping goods).

These Facebook-based businesses were often small-scale retail service providers; retailed commodities included but were not limited to food-stuff (raw ingredients, delicate gourmet, etc.), household equipment (kitchen apparatus, furniture, etc.), clothing and accessories (from off-brands to high-end luxury items), and electronic gadgets. They were very reminiscent of the traditional wet markets or ‘street economy’ of Vietnam, as there was little focus on branding but much more on customer relations. The multiplication of small online businesses seemed to be a good sign that free-market mechanisms were becoming natural in the Vietnamese economy. However, one should rather assess these signs with care, as they were likely a response to the demands of consumers that were becoming more and more consumerist despite profound lifestyle differences between income groups in society.

## THE ECONOMIC LEADERS OF TRANSITIONAL VIETNAM

### *The Vietnamese Superclass*

The superclass is not homogeneous, but its members exist across the globe and are fairly similar in at least one respect: the amount of wealth they possess, which naturally leads to the influence they can exert on governments (Rothkopf 2008). They are the oligarchs of Russia, the cronies of the Middle East, the plutocrats of America—basically the wealthiest people on planet earth. Although this economic elite is often contested and condemned, sometimes for very good reasons, it is undeniable that they are an important part of the economy. Whether or not their existence is intrinsic to free-market economies is up for debate, but at face value, every country has a so-called superclass. Vietnam is not an exception.

What is, then, the nature of this Vietnamese superclass? In the first section, it was shown how political-historical and cultural-religious elements hindered the formation of a strong class of business owners. In fact, when the economy first opened up to the world and started transitioning, the political elite was the only class that had the power to accumulate wealth. And in an increasingly capitalistic emerging economy, it was the wealthy who in turn have power. This seemingly closed circle consolidated the economic power of an interest group that initially sprung from political power. One could say that power dynamics in Vietnam was deeply marked by one-on-one, case-by-case relationships rather than relations between social groups. When privatization took place, it was often those who had previously been in power or had had close relations with those in power, who were selected for high positions in these enterprises—which was not unlike the *nomenklatura* method of personnel selection<sup>1</sup> for privatized companies in China. In this method of keeping control over large companies even after privatization, one could see how the Confucian legacy carried on: this manner of personnel appointment and promotion was very reminiscent of the recommendation-based mechanisms of officer selection in feudal times.

However, these people alone do not constitute the entirety of the Vietnamese economic elite today. As Vuong et al. (2011) has pointed out, precursors of entrepreneurial elements were already present in the society before reforms. As such, these elements continued to develop in the free market into particular cases of successful business actors who rose in economic power. Being few and far between, they did not constitute a class of business owners but existed more as outliers. Despite this, these few successful entrepreneurs still existed; they earned their place among the economic elite, alongside those who drew economic power from political power, purely through market mechanisms. They are the people we call the *plutocrats* of Vietnam—the self-made portion of the Vietnamese superclass. Although they did not originally derive wealth from political power, their accumulated wealth held economic weight and earned them political influence.

Individuals that constituted the Vietnamese superclass were often well known in the Vietnamese public, as many among them were heads of popular brands of commodities. Surprisingly, these ultra-wealthy individuals could be quite well liked, popularized by the media as successful business owners and women and looked up to as pioneers in modernizing the economy and making the country prosperous. For instance, Phạm Nhật

Vượng, Chairman of the Vingroup Corporation,<sup>2</sup> which was involved in a multitude of domains such as real estate, retail, healthcare, educations, and so on, was known as the wealthiest person in Vietnam by virtue of his USD 2.4 billion personal wealth. His wife and Vice Chairwoman, Phạm Thu Hương, also ranked among the top ten wealthiest persons in Vietnam. Remarkable figures in the Vietnamese superclass could be more or less well known to the public by their names, but their companies were often recognized by most Vietnamese, such as Trịnh Văn Quyết, Chairman of FLC Group JSC, primarily involved in financial investment and real estate; Mai Kiều Liên, Chairman and CEO of Vinamilk, the largest dairy company of Vietnam; Đoàn Nguyễn Đức, Chairman of Hoàng Anh Gia Lai JSC and one of the most influential business owners in Southeast Asia as ranked by Wall Street Journal; and so on.

Some among this superclass are well known not only for their company brand but also for their diversification into more social-related sectors, namely healthcare and education. Phạm Nhật Vượng's Vingroup, with its private hospital Vinmec (established in 2012), and private school, Vinschool (established in 2013), was not the only example. Trương Gia Bình, co-founder, Chairman, and CEO of FPT, the largest information technology service provider of Vietnam, had also founded VINASA (Vietnam Software Association) and FPT University. A more controversial figure would be Thái Hương, Chairwoman of TH True Milk, a younger but quickly growing player in the dairy industry of Vietnam, who had opened TH School in 2016. Others hosted charitable public campaigns: Đặng Lê Nguyễn Vũ, founder of Trung Nguyên Coffee, dubbed *Coffee King of Vietnam* and often evoked as a *zero-to-hero* role model, had initiated numerous events and public programmes with the aim of promoting entrepreneurship among the youth.

It was clear that the Vietnamese superclass has eminent social and political influence; the question that remains is how they utilize it. One would assume some sort of conflict to come into play between the entrepreneurs and the old money. The politically powerful rich could be adamant to defend the current political *status quo* as guarantors of their wealth. The plutocrats could either go against the political ruling class in favour of more economic freedom and more opportunity for doing business or seek political power and collude with the political-economic elite to secure their own business and prevent new competition. In reality, the relation between the purely economic plutocrats and the rich who gained from

political status is ambiguous. There is a conversion between the two categories of superclass: the plutocrats are neither showing particular interest in acquiring a place in the political system nor actively making use of their economic weight to influence current rulers. They simply accepted the political *status quo* as they have themselves integrated into it. On the other hand, the politically powerful rich have been immersed in the open market economy for decades and have seen entrepreneurs rise to become part of the economic elite. This experience transformed them into orienting more towards business rather than politics but without severing the umbilical cord between themselves and the ruling power (as, in some cases, the important stockholders or managers of large privatized enterprises were literal children of high government officials). The Vietnamese superclass, rather than fracturing, entered a compromise in which both plutocrats and political wealthy shifted towards one another, creating a small group that had a strong presence both in the economy and in politics.

To put it simply, the lack of a socially defined business class consisting of the middle class or upper-middle class employers and the solidification of the two seemingly opposed groups of the political elite make it very likely that despite being small in number, the superclass will lead the economy onwards.

### *Aspirations for Prosperity: The Start-Up Fever*

Entrepreneurship is a crucial aspect of the economy and even more so in the case of emerging economies. Post-socialist countries often struggled with strengthening the private sector after years of state monopoly; post-reforms Vietnam was not an exception, at least in the beginning. Nowadays, the casual observer would say that the market economy performs very well in Vietnam. As robust as the private sector is in Vietnam, it is also dominated by foreign actors. For example, commodities imported from Japan or Thailand are considered to be of relatively lower cost and higher quality. Domestic brands often need nationwide campaigns with national pride undertones and emotional appeal towards customers, with arguments such as one should support compatriots by buying *Made in Vietnam* products. This is in line with our previous assessments about the absence of a collective business identity in Vietnam.

Nevertheless, the said absence does not necessarily translate to the non-existence of Vietnamese entrepreneur communities. Quite the contrary: entrepreneurial endeavours have been surging in recent years. The image

of successful business owners in their 30s, smiling in smart casual and earning six figures with just an app and a small core team composed of a handful of close-knit equally young colleagues, seduces Vietnamese millennials more than the plutocrats—who are often of the previous generation and active in primary or secondary sectors such as agriculture, real estate, food and commodity production, and so on. Perhaps it was the closeness that had struck a chord with Vietnamese youth: the plutocrats are, after all, of a different generation and appear to live in a different world by virtue of their wealth alone; on the other hand, millennial entrepreneurs give off a more *self-made man* vibe, triggering a sense of self-consciousness in the youth.

As such, success stories of young business owners in the West, those of the brains behind Facebook, Uber, and so on, were eventually followed by tales of new, successful Vietnamese entrepreneurs as well. Aside from the occasional outliers, they were usually middle class, ranging from the mid-20s to the late 30s in age, most often equipped with a university degree that might or might not be related to their entrepreneurial endeavours. There was a distinct focus on information technology, more specifically the use of the Internet, which could be explained by the low-fixed cost and accessible nature of web-app development, but perhaps also by the fact that their most recent inspirations were success stories of Internet-based services. The fruits of their attempts at the time of media coverage could be a functioning company with tax records or only at the stage of a successfully gathered pot of investment funds.

The idea of start-ups attracted not only fresh graduates and hopeful investors but also policy-makers. The government had, in fact, made numerous initiatives to promote entrepreneurship in Vietnam. The publicly funded National Entrepreneurship Program had taken place every year since 2003, but public attention skyrocketed in 2014 as VCCI (Vietnam Chamber of Commerce and Industry) took over and gave the programme, renamed Start-up Festival, a makeover. In 2017, the reality show ‘Start-up Nation’ (*Quốc gia Khởi nghiệp*) started being broadcasted on national television channel VTV1, which effectively turned entrepreneurship into an element of mainstream pop culture. Socio-cultural programmes aside, the government had promulgated legally binding directives, such as Prime Minister Decision 1665/QĐ-TTg (dated October 30, 2017), which provided a set of guidelines with the purpose of encouraging entrepreneurial spirit among students. However, the targets set by the decision were not only unrealistically ambitious but also rather

groundless in terms of scientific basis—for example, one of the directives stipulated that every institution of higher education must have at least two student-initiated start-up projects.

The heightened wave of enterprising attempts could well be qualified as a start-up *fever*. It did not stem from entrepreneurial spirit, but rather an act of mimicking and following the trend. Many people set up businesses less in response to demands of innovation and more based on their own aspiration to what they perceive would be the life of an entrepreneur, based on the image largely constructed by recent media coverage. It was not a coincidence that the Vietnamese start-up fever did not begin with the rise to prominence of the likes of Facebook or Uber themselves, rather lined up with the Chinese start-up wave chronologically; mimetic behaviour did not stop at national borders. For this reason, the Vietnamese entrepreneurial community has witnessed catastrophic failures. One such example was the debt scandal of *The KAfe*, a popular chain of café-restaurant serving fusion cuisine in Hanoi. Founded by young businesswoman Đào Chi Anh in 2013, the start-up received much praise before it even started going into business, solely for the fact that the founder had succeeded in raising over VND 5.5 billion of capital from Cassia Investment Funds (Hồng Minh 2016). In 2016, *The KAfe* made headlines for long overdue debts of over VND 4 billion to food suppliers (A.N 2015) and started closing down stores across Hanoi. The tale of *The KAfe* ended with CEO Đào Chi Anh resigning and the Vietnamese start-up being acquired in 2017 by a company from Hong Kong (Minh Sơn 2017). This is only one out of many start-ups of the same fate, many of those not coming as far as *The KAfe* had before closing down.

More than a few Vietnamese young entrepreneurs aspired to make quick money, to have the status of founder and CEO, or simply to have a job without job-hunting, rather than aspiring to do business because they saw the demand and were willing to put efforts into innovation if need be. In this regard, they lacked true entrepreneurial spirit. This explains why a majority of businesses set up in Vietnam's start-up fever could not withstand rigorous market competition. And if even start-ups founded by people who truly wanted to do business suffered from the lack of real demand, then start-up projects forced into existence in higher education establishments as stipulated by Decision 1665/QĐ-TTg would very likely be doomed for failure from their conception.

Whether this was detrimental to the economy as a whole is a different question. It is true that start-up failures were costly, but at the same time,

the start-up fever has excited both public opinion and market dynamics. Vuong et al. (2016) point out that entrepreneurial efforts, whether successful or fruitless, boosted creativity as perceived by the entrepreneurs themselves. The experience of failure itself could be educational, and perhaps the intensity of the start-up fever would reinforce and develop entrepreneurial characteristics on both an individual and a collective level. Whether or not the positive effects countered the cost of mass business failures is a question to be subjected to further empirical investigation and theorization.

## VIETNAMESE FOREIGN TRADE

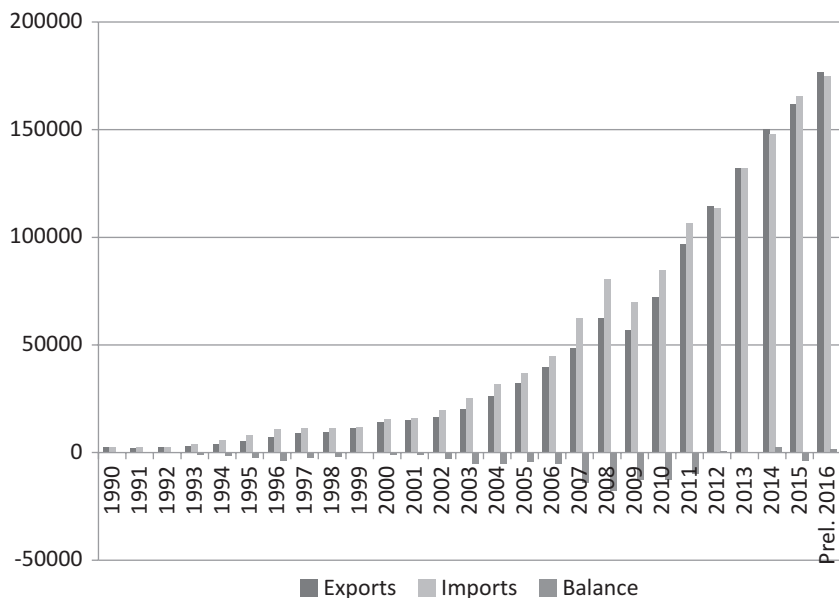
### *Trade Overview*

After *Đổi Mới*, numerous efforts of trade integration and the 1994 embargo lift of the Clinton administration, trade has been expanding vigorously, along with which the trade deficit also has grown. The gap between imports and exports has recently been reduced and exports have even been recorded to slightly top imports in 2012, as well as in preliminary reports for 2016. Even so, there is an undeniable trend to a trade deficit in Vietnam, which is traditionally regarded as being linked to a high volume of imports in machinery and intermediate goods contributing to industrial development (Fig. 3.3).

According to the Department of Vietnam Customs (2018), in April 2018, the main exports of Vietnam included primarily electrical machinery, components and parts; textile, garment, and footwear; agriculture, forestry, and fishery primary products; and iron and steel. Main imports also included electric machinery and accessories, followed by other industrial primary and intermediate goods such as metals, plastics, and chemicals. This aligns with the general trend in the past two decades of trade shifting from primary materials to intermediate and manufactured goods (see Appendix, Figs. 3.17–3.18, and Tables 3.5, 3.6, 3.7, and 3.8). It can be inferred that Vietnam's main export industries consisted of textile/garment and electronics, which both rely heavily on imports of raw materials and parts (Tran and Nørlund 2014). These are notably labour-intensive industries with modest added value despite their growing export volumes.

Given that industrialization is still considered an ongoing process in the transition economy of Vietnam, trade policies should accommodate these





**Fig. 3.3** Export, import, and trade balance (export minus import): 1990–2016 (USD million). Data source: GSO 2018

specific attributes of Vietnamese trade in a way that would favour industrial development. However, in matters of both trade and development of export-oriented industries, Vietnamese decision-making lacks overarching principles as a direction for strategies and plans to follow (Ohno 2009). Privatization of state-owned enterprises—termed *equitization* for ideological reasons in Vietnam—was done largely under the pressure of foreign donors, investors, trade partners, and international organizations (Tran and Nørlund 2014). The government has not defined its role in developing export industries, so while there are prioritized industries, protected industries cannot be pinpointed as easily.

### *Within the ASEAN Region*

To give an overview of the weight of the Vietnamese economy in the region, Table 3.1 presents ASEAN countries with several key indicators (data as of May 2018).

**Table 3.1** Key indicators on ASEAN countries: 2017

	<i>GDP</i> (USD bln)	<i>Population</i> (mln)	<i>Area</i> (sq. km)	<i>Exports</i> (USD bln)	<i>Imports</i> (USD bln)	<i>Fixed investment</i> (% of GDP)
Brunei	11.4	0.4	5770	5.6	4.3	36.1
Cambodia	20	15.9	181,040	12.3	13.1	22
Indonesia	3250	26.3	1,811,569	168.9	150.1	32
Laos	15.8	7.1	236,800	5.5	6.7	36
Malaysia	296.6	31.6	330,800	200.7	180.8	26.3
Myanmar	63.2	53.4	676,590	11	17.7	37.9
Philippines	304.9	103.3	300,000	85.3	112.6	25.2
Singapore	297	5.6	719	511.2	434.3	23.5
Thailand	407	68.9	513,120	280.5	220.5	24.2
Vietnam	205.3	94.7	330,967	192.2	186.9	24.8

Data source: CIA World Factbook

Joining ASEAN was a milestone in the economic integration process for Vietnam. However, the weight of ASEAN countries in trade is not as significant as one would have thought. In fact, exports and imports to ASEAN played a relatively unimpressive part in the past. The ASEAN region accounted for a very low share of trade volume for Vietnam, only accounting for 11.2% of imports and 14.3% of exports in 2016, especially when compared to other countries, notably Myanmar and Thailand (Figs. 3.4 and 3.5).

Trading with ASEAN slowed down in favour of accelerating trade with other countries and regions in the world, namely the US, EU and China. In particular, exports to the US and imports from China dramatically increased (Figs. 3.6 and 3.7).

It is safe to say that despite the very positive government reports on regional economic integration, in reality, ASEAN does not hold a lot of weight in the economy of Vietnam, not even in Vietnamese foreign trade. Vietnam's greatest trading partner remains China, and Vietnamese aspirations are mostly turned westward. The general mentality is to aim for European and American standards, as the ultimate destination for exports. Imports of consumer goods from European countries, the US, and Japan are regarded by most Vietnamese as being of the highest quality; on the other hand, goods from ASEAN countries do not benefit from such kinds of 'default' positive attitudes.

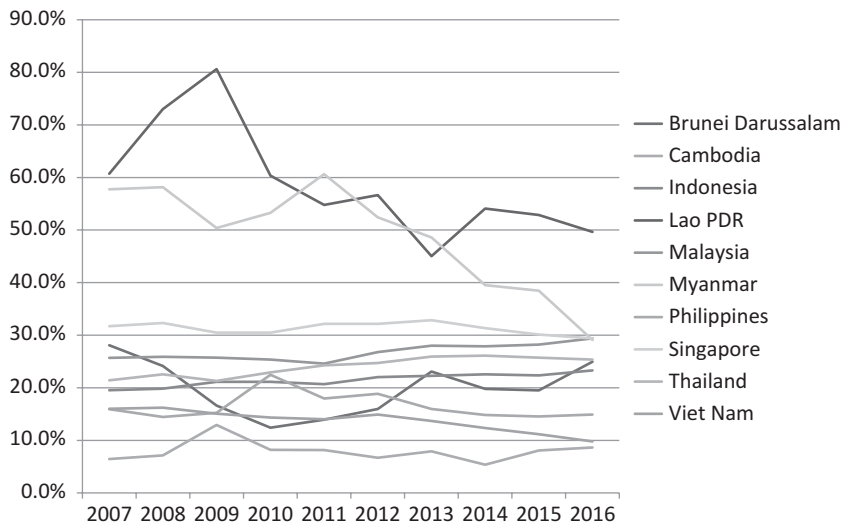


Fig. 3.4 The share of volume of exports of goods to ASEAN by countries from 2007 to 2016. Data source: ADB Database 2018, accessed March 30, 2018

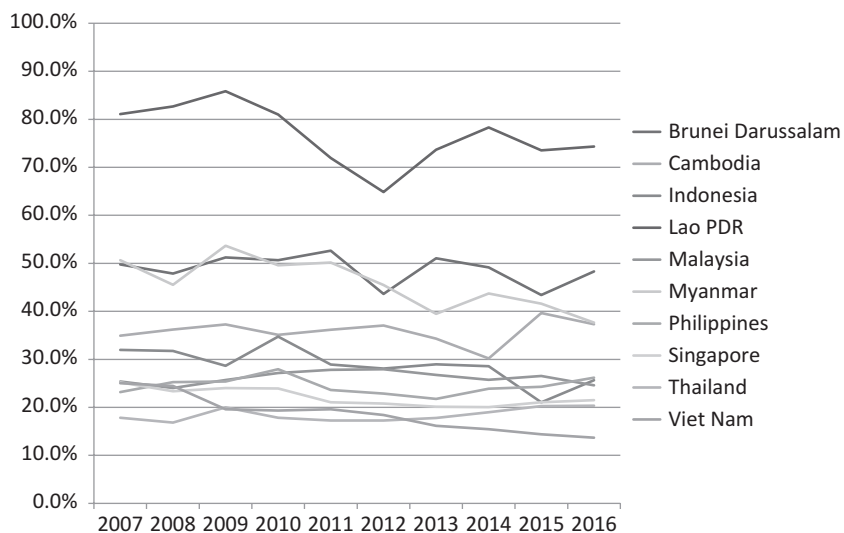
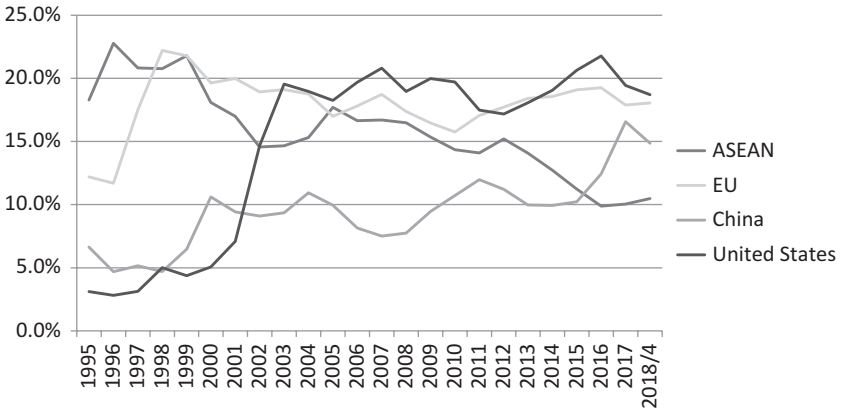
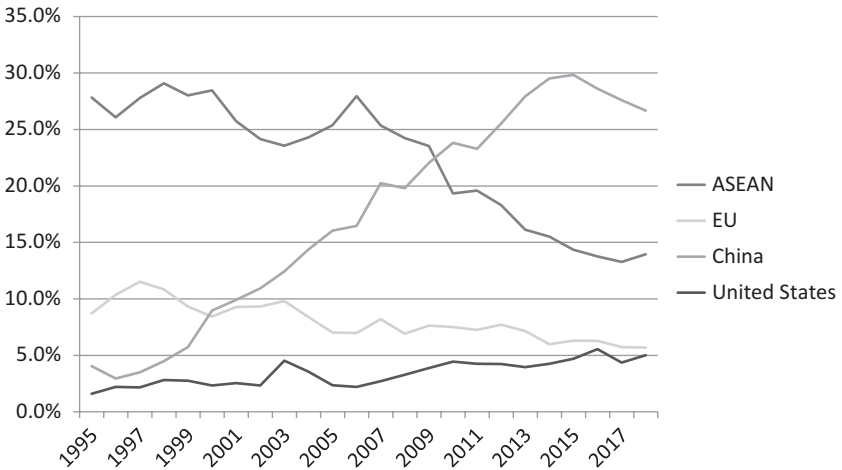


Fig. 3.5 The share of volume of imports of goods from ASEAN by countries from 2007 to 2016. Data source: ADB Database 2018, accessed March 30, 2018



**Fig. 3.6** Shares of the total volume of export of goods from Vietnam by countries and regions (USD billion): 1995–April 2018. Data source: GSO 2018; General Department of Vietnam Customs 2018



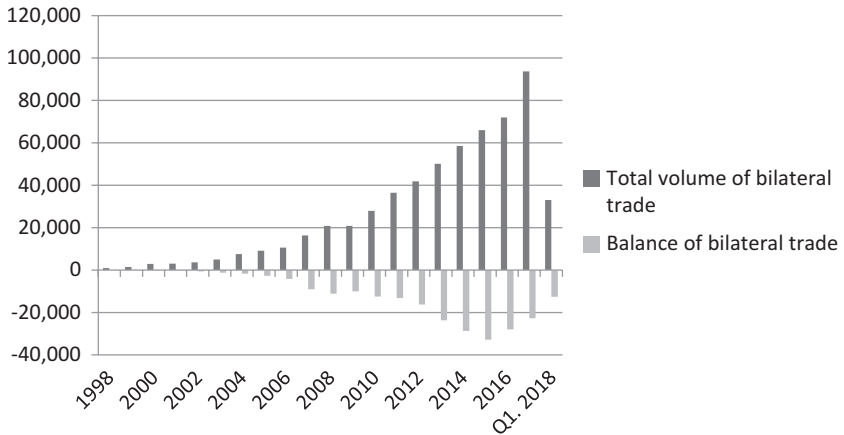
**Fig. 3.7** Shares of the total volume of import of goods into Vietnam by countries and regions (USD billion): 1995–April 2018. Data source: GSO 2018; General Department of Vietnam Customs 2018

Legislation at the ASEAN level was not especially ample, and unlike the European Union, ASEAN was much looser in terms of enforcing their directive on member countries, as one of the founding principles of the association was non-interference and action-taking at the national level rather than directed by a core region-wide bureaucracy, which does not exist in ASEAN (Lian and Robinson 2002). Historically, the only legally binding document at the supranational level was the ASEAN treaty itself, whose economic implications were not as significant as political clauses. When it comes to foreign affairs, policy coordination at the regional level, albeit carried out with increasingly sophisticated measures, was very limited. In strategic decision-making with powerful economies such as China or the US, ASEAN was not a coherent block: member countries, when weighing regional versus national interest, often favoured the latter. For this reason, entering the Vietnamese market would not be complicated in terms of legality.

Staying in the Vietnamese market is a different matter. According to the Enterprise Survey, corruption indicators of Vietnam are relatively high compared to other ASEAN countries, which coincided with low scores on economic freedom as assessed by both the Fraser Institute (6.30 in 2016, third quartile) and the Heritage Foundation (53.1 in 2018, ranked 141 in the world). Given how trade volume increases every year as Vietnam aligns itself with numerous international bodies (such as ASEAN) and has concluded trade agreements with various countries, the most recent being Trans-Pacific Partnership (TPP), limited economic freedom did not seem to hinder economic growth in general. However, the high cost of corruption could be taxing on smaller businesses in the market, which directly contrasts with the Vietnamese government's attempts on boosting SMEs and the private sector in general.

### *China Trade and FDI*

Vietnam belongs to the East Asian sphere of influence, as mentioned above. Relations with China arguably have a more significant weight in Vietnamese decision-making regarding economic matters as much as any other. In fact, China has been a top exporter for nearly a decade (see Fig. 3.4) with a 28.6% share of imports into Vietnam and figures among Vietnam's biggest markets with 12.4% of Vietnamese exported goods heading to China in 2016 (GSO 2018).



**Fig. 3.8** Bilateral trade between Vietnam and China: 1998–Q4.2018 (million USD). Data source: GSO 1998–2017; General Department of Customs (Q1. 2018)

Trade between Vietnam and China grew significantly in the past two decades, especially from 2010. It could be observed that the more Vietnam trades with China, the higher the trade deficit on the side of Vietnam. In fact, 1999 and 2000 were the only two years in which Vietnam had a slight trade surplus of USD 73 million and USD 135 million, respectively, which made up about 5% of the total bilateral trade volume. From 2007 to 2015, the deficit was always hovering around 50% of total volume and on an increasing trend, with the exception of 2011 (when the trade deficit was at 36% total volume) and 2012 (deficit at 39% total). Given how China has become Vietnam's top import partner, Chinese imports seemed to be the main source of the trade deficit in Vietnam. However, from 2016, the trade deficit has shown signs of decrease despite total bilateral trade still rapidly increasing. In fact, the ratio of trade deficit to total volume has fallen from 50% in 2015 to 24% in 2017, the lowest since 2005 (Fig. 3.8).

China also contributed significantly to the tourism industry of Vietnam. Tourism has always been one of the most important tertiary industries of Vietnam: in 2017, the tourism industry earned a total of VND 510.9 trillion (approximately USD 22.4 billion), making up 10% of GDP. For this reason, the fact that Chinese visitors accounted for over four million arrivals to Vietnam in 2017—nearly double the number of arrivals from South Korea and five times that from Japan—added considerable weight to China in its presence in the Vietnamese economy (see Table 3.2).

**Table 3.2** Top 12 countries of origins of visitors by the number of arrivals to Vietnam in 2017

<i>Country</i>	<i>Arrivals</i>
China	4,008,253
South Korea	2,415,245
Japan	798,119
Taiwan	616,232
United States	614,117
Russia	574,164
Malaysia	480,456
Australia	370,438
Thailand	301,587
United Kingdom	283,537
Singapore	277,658
France	255,369

Data source: Vietnam National Administration of Tourism 2018

FDI from China into Vietnam was quite low but generally increasing in the share of total FDI into Vietnam. This rising trend was, however, not consistent, dropping to just over 2% in 2014, only to later shoot from 3.09% in 2015 to 10.8% in 2016 (see Table 3.3). The boost in the share of Chinese investment in total FDI carried on into 2017. This is mainly explained by the formalization of Chinese investments in Vietnam, many of which were previously done through unofficial channels.

China FDI into Vietnam has been small in scale and concentrated in labour-intensive industries, mining, and forestry. The majority of Chinese investors and business owners do not regard the Vietnamese market as significant. With the exception of business owners from the southern provinces of China, the business class in China consider Vietnam to be backward and of weak purchasing power. For this reason, it became common practice to supply the Vietnamese market with low-quality, poorly manufactured commodities, and in the case of food and beverage, some of which might even have expired. As a consequence, most Vietnamese consumers were unaware of high-quality, high-tech products from China and generally held the vision that Chinese goods were cheap and of low quality. Trust was also rather limited in trade relations and bilateral investment. The recent sharp increase in Chinese share of FDI in Vietnam suggested a possible change in the attitude of both sides.

A specificity of Vietnam-China economic relations lies in Chinese communities in Vietnam. The great majority of Chinese-owned businesses operate on a family business model and was usually in close cooperation with the Chinese community in Vietnam. Many of these businesses are

**Table 3.3** FDI inflow from China into Vietnam: 2007–2017

<i>FDI from China in Vietnam</i>												
<i>Year</i>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
FDI from China (million USD)	397	522	728	987	1291	2368.6	2882.6	427.3	744.1	1950.7	4694.1	
FDI from China/total FDI (%)	0.99	1.05	1.27	1.51	1.77	3.33	3.67	2.11	3.09	10.8	14.2	

Data source: Foreign Investment Agency [2018](#).



also currently undergoing a generational shift. The first generation was weathered entrepreneurs who had sustained their business through historical changes—from the market economy under the Republic of Vietnam in the south, to Hanoi’s victory and implementation of socialist central planning, to the *Đổi Mới* reforms of 1986 and economic transition. The current generation, gradually taking over family businesses, grew up when Vietnam had already been unified and benefited from standardized, professional training in business administration.

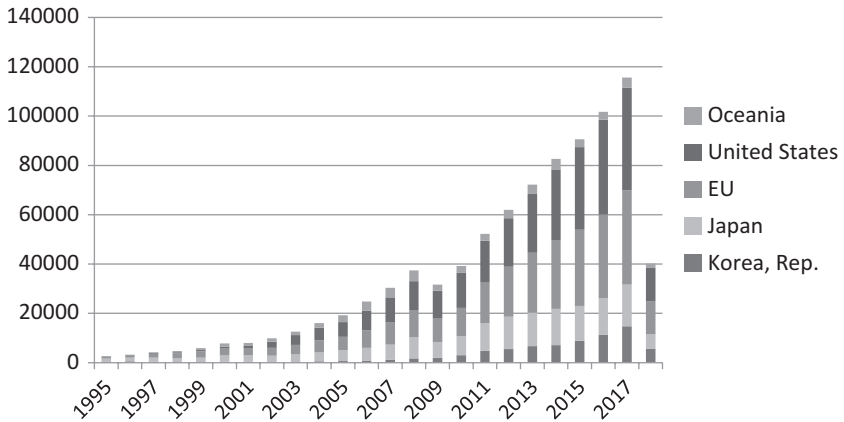
These communities and businesses constitute a significant part of the Vietnamese economy. Chinese business owners dominate quite a few brands of consumer goods and distribution networks, namely Thiên Long (stationery), Thành Thành Công (sugar), Biti’s (footwear), Mỹ Hảo (detergents), Duy Tân (plastics), and so on. Most of these Chinese-Vietnamese business owners are integrated into society and considered themselves Vietnamese. This being said, a certain distance not only remains between them and the Vietnamese society but also arise between them and Chinese relatives outside of Vietnam. For this reason, political tensions between Vietnam and China could perversely affect their productivity and, consequently, the economy. For instance, in 2014, the illegal infiltration of the Chinese HD981 oil drilling platform into Vietnamese maritime territory (Tuoitrenews 2014) and the surrounding controversy sparked anti-China sentiments in the Vietnamese population (Thế Kha 2014; Mặc Lâm 2014). This led to numerous demonstrations across the nation, some of which resorted to brute force, such as the violent protests in Bình Dương (VNExpress Reporters 2014). These events induced confusion and fear among business owners of Chinese origins. Their usual reaction, when faced with this kind of socio-political instability, was to preserve assets by reducing firm production to minimal levels.

Economic relations between Vietnam and China are largely tied to politics. Given how significant China is to the Vietnamese economy, recent tensions could be a source of concern. However, it is unlikely that either side—China or Vietnam—would risk breaking the current relatively stable relations (Nguyen et al. 2018).

### *Trade with Other Partners*

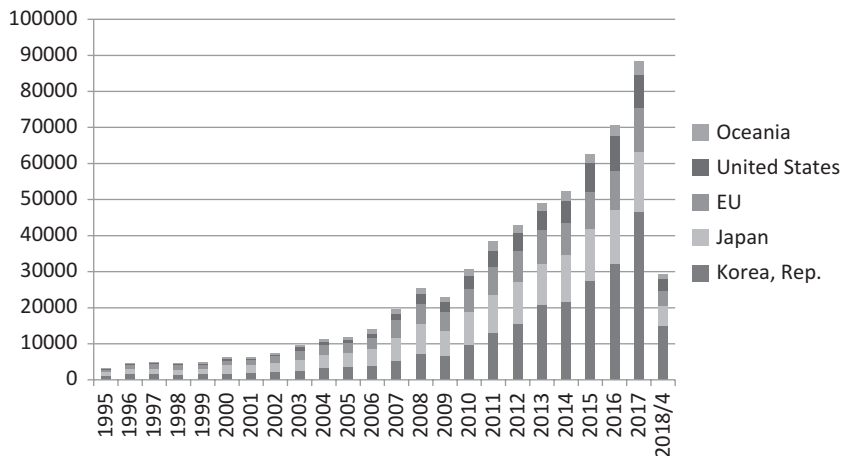
Aside from China and ASEAN, notable trade partners include the EU and US as shown in Figs. 3.5 and 3.6, but also Japan, South Korea, and Oceania (Fig. 3.9).

**Fig. 3.9** Exports and imports of goods by partner: April 2018 (Year to Date). Data source: GSO 2018; Department of Vietnamese Customs 2018



**Fig. 3.10** Exports of goods to large partners: 1995–April 2018. Data source: GSO 2018; Department of Vietnamese Customs 2018

The US and EU make up nearly 40% of Vietnam’s export volumes and, as such, constitute Vietnam’s largest export markets. In terms of imports, South Korea is the second biggest partner after China, followed by Japan. It can also be observed that the more the trade volume has expanded, the larger the share of these respective export and import partners grew (Figs. 3.10 and 3.11). South Korea and Japan are not only large import partners but also considerable contributors to the Vietnamese tourism industry, as seen in Table 3.2 in the previous subsection.



**Fig. 3.11** Imports of goods from large partners: 1995–April 2018. Data source: GSO 2018; Department of Vietnamese Customs 2018

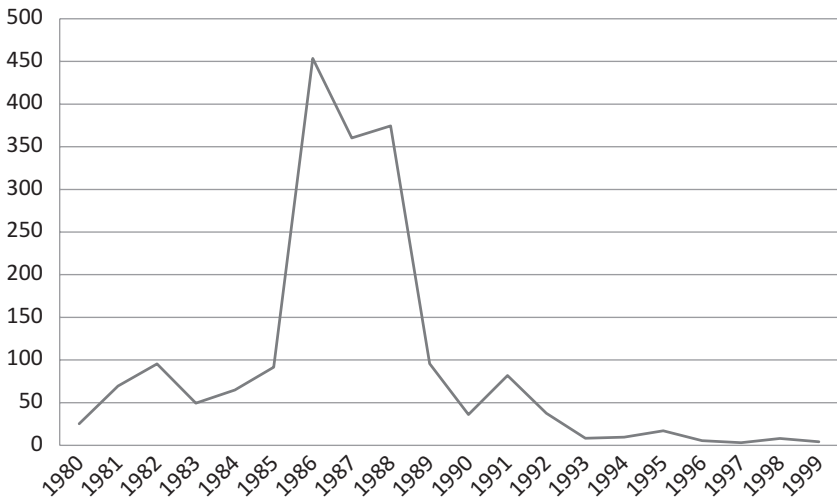
In terms of FDI, South Korea and Japan have consistently topped the chart as most significant investors into Vietnam. As of May 2018, South Korea has invested in 6883 projects with an accumulated fund of over USD 59.5 billion, making it the leading investor in Vietnam, followed by Japan with 3755 projects worth USD 50.6 billion in total (Foreign Investment Agency, hereafter FIA 2018). Manufacturing is the most attractive sector (56.8% of total accumulated FDI in 1992–2014) to Korean FDI, within which the electronics industry is the most important sub-sector (25.6% of total accumulated FDI in the same period). Most of this concentration of FDI in the Vietnamese electronics industry was accounted for by massive facilities factories set up by Samsung Electronics (Oh and Mah 2017). While South Korea is still the long-standing leading investor, Japan has taken the number one spot in terms of FDI in 2017 with over USD 9.1 billion invested in Vietnam in total (FIA 2018), mainly in real estate activities, more specifically housing projects (Tomiya 2017). It should be noted that Japan and Vietnam are also both members of the Trans-Pacific Partnership, which is expected to boost trade and investment relations between the two countries. In fact, Vietnamese officials have echoed these expectations as well as made promises of favourable conditions for Japanese investments (VietNamNews 2018). As to whether Japan would take over South Korea's place as leading investor in Vietnam, the matter is still ambiguous as statistics of the first five months of 2018 showed that South Korea was once again top investor after placing after Japan in 2017 (FIA 2018).

## WHITHER THE VIETNAMESE MARKET ECONOMY?

### *Macroeconomic Stability Under Political Influence*

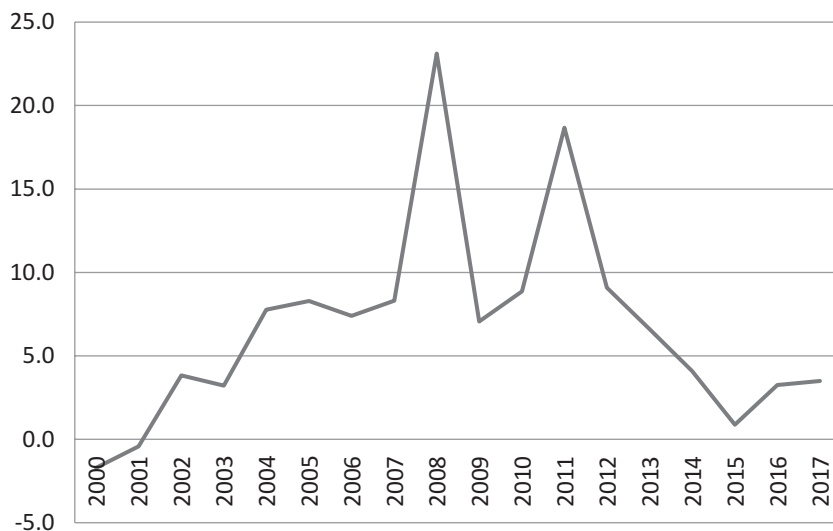
Macroeconomic stability has always been a main priority for the Vietnamese government. Three main problems are to be tackled: inflation, the repayment of public debts, and a high commercial lending rate.

The first issue to be addressed is inflation. Vietnam underwent a period of high inflation after the end of the war, particularly from 1985 to 1988. Prior to *Đổi Mới* in 1986, there had been numerous attempts at reforming the stagnating economy under central planning. One such attempt was the *General Adjustment of Price-Wage-Currency* reform package, which was introduced in 1985 and resulted in enormous inflation rates that persisted throughout the 1980s, reportedly hitting 587% at its peak (Đặng 2008; Vuong and Pham 2009). Nguyen (1999) has pointed out that the reason for acute inflation during the 1985–1988 period was supply rigidity, especially in agricultural staples, due to the inefficient public sector under the classical socialist model (Fig. 3.12).



**Fig. 3.12** The inflation rate, the annual per cent change of CPI, 1980–1999. Source: World Economic Outlook Database 2018 (IMF)

Inflation slowed down in the 1990s and despite being brushed by the 1997 Asian financial crisis, Vietnam re-emerged in 2000–2003 with negative-to-modest inflation rates. Prices were sensitive to the world market, as inflation could be seen to jump to two-digit rates during periods of world crises, namely the 2007–2008 world financial crisis (23.1% in 2008) and the 2012 Eurozone crisis (18.7% in 2011, 9.1% in 2012). From 2013 onwards, there has been a downward trend, but after inflation fell to under 1% in 2015, the rates abruptly picked up in 2016 (2.7%) and continued to rise above 3% in 2017 (Fig. 3.7). This has been considered a success, as the target set by the government for 2017 was to keep inflations under 4% (the same goal applied to 2018 per Government Resolution 01/NQ-CP by Prime Minister Nguyen Xuan Phuc on January 2, 2018). This being said, reports from IMF and Asian Development Bank (ADB) all forecasted a rate of approximately 4% in the years to come. Since the beginning of 2018, monthly inflation rates have been fluctuating around 2.6–3.1% year-over-year, according to data provided by the General Statistics Office of Vietnam (GSO) on CPI progression (GSO 2018) (Fig. 3.13).

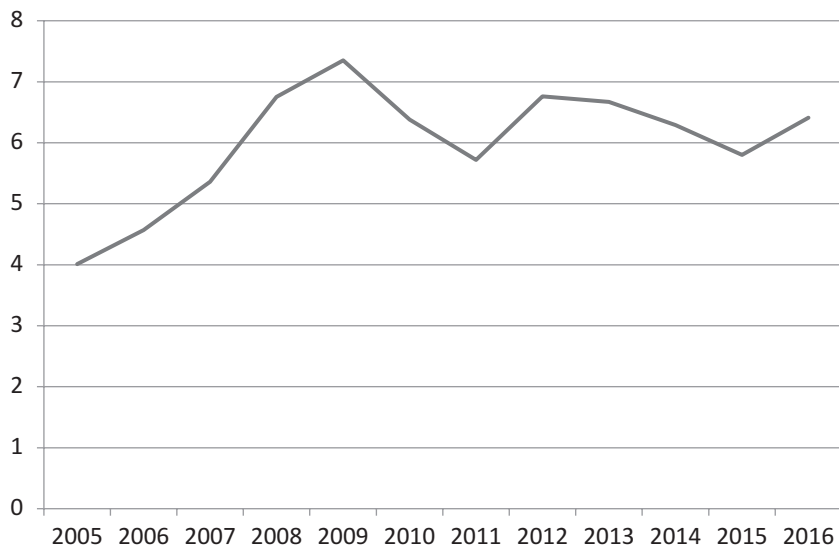


**Fig. 3.13** The inflation rate, the annual per cent change of CPI: 2000–2017. Data source: World Bank; Asian Development Bank

Vietnam's 4% inflation was high compared to emerging economies in the region, such as Lao PDR or Cambodia. Indeed, the Vietnamese government recognizes inflation as a chronic problem, especially with inflation inertia being the main determinant of high inflation rates (Nguyen et al. 2012). The extant literature does not agree on how this problem should be resolved. While Goujon (2006) and Nguyen et al. (2012) suggest that restrictive monetary policy and fixed exchange rates would help lower the rates of inflation, Pham and Riedel (2012) argue that the financial sector should be liberalized to ensure macro-economic stability. Vietnamese decision-makers have always leaned more towards restrictions and fixed exchange rates, especially since 2008. One might expect shifts in policies as the new government led by Prime Minister Nguyen Xuan Phuc was put in place after the XIVth CPV Congress in 2016.

Another emerging issue is the repayment of public debts, attributed to low-investment efficiency represented by higher ICOR (see Fig. 3.10) and increasing trends in public borrowing. According to *the 2017 Government Report on Social Economic Development*, central government debts in Vietnam added up to an equivalent of 62.6% of GDP. While the debt-to-GDP ratio had dropped a few percentage points compared to 2016, debt value had increased by VND 270 trillion (USD 11.8 billion) to over VND 3100 trillion (USD 140 billion). It is noteworthy that due to disparities in accounting in Vietnam and international accounting standards, public debts in Vietnam might have been higher than what official figures suggested (Le 2016). Per capita debt was approximately USD 1000/person, which, despite being quite average in the region and modest compared to countries such as Thailand, Malaysia, and Singapore, received much media attention and public criticism. External debt was also significant, 45.2% of GDP; the share of external debt was being reduced in government debt structure, conforming to government strategy on public debt restructuring following the prime minister's decision numbered 958/QD-TTg (Fig. 3.14).

Le (2016) attributed this level of public debt to several main causes, namely: demand for public spending exceeding economic growth; government borrowing in order to offset chronic public deficit; and inefficient investment, shown in Vietnam's high incremental capital-output ratio. Most official reports propose long-term, general measures such as



**Fig. 3.14** Incremental capital-output ratio (ICOR; constant 2010 prices) during 2005–2016. Data source: GSO 2017

improving budget revenues, reducing public expenditure, improving efficiency in investment, and so on. However, the imperative need of repaying existing public debts calls for short-term actions to be taken: making use of the bond market and building a market for debt trading.

In the private sector, high commercial lending rates add to the issue of inflation and recur as a threat to the system. Bad debt was also a key issue: according to the 2017 General Financial Market Overview released by the National Financial Supervision Commission, the rate of non-performing bank loans over gross loans was 9.5% in 2017, which was three times higher than the 3% goal set by the government, but an improvement from the rate of 11.6% in 2016. Debt-ridden commercial banks are inefficient, especially as a component of the transmission mechanism. Resources have been concentrated in the restructuring of debt and of malfunctioning banks; however, bad debts were an excuse, and it was mainly the abuse of bank powers, cross-holding, and overbankedness that has been addressed.

### *Sustainability Assessment*

In the recent decades, sustainable economic development, linked to improving basic material living standards from ‘grassroots’ levels (Barbier 1987), has become the keyword in institutional reports across developed as well as emerging economies. As an economy in transition, Vietnam also saw arise the question of sustainability and use of resources. In this section, we shall discuss matters related to uses of natural and social resources.

A common saying in Vietnam holds that, ‘Forests of gold, seas of silver’ (*Rừng vàng, biển bạc*). This is a reference to the ample natural resources with which the country is endowed: fertile lands and tropical climate in favour of agricultural development and rich biodiversity; diverse geological composition favouring the mining industry; natural gas exploitation and oil rigs in the sea; and so on, to name a few. The mere richness of natural resources reduces the incentive to shift the structure of export products from primary to more secondary and tertiary. While very lucrative, these industrial activities were not only taxing on the environment but also induced a certain dependency on resources and in the mentality of decision-makers. As such, issues regarding natural resources in Vietnam have noteworthy specificities: political rulers, and sometimes even public opinion, are less concerned with impacts on the environment itself and are rather more focussed on immediate economic consequences. One such example was the Formosa incident, the most prominent environmental disaster in Vietnam in 2016.

Formosa, formally Formosa Plastics Group, was a Taiwanese conglomerate with two investment projects in Vietnam. The 2016 incident concerned Formosa Hà Tĩnh Steel Corporation, situated in the Vũng Áng Economic Zone. In April 2016, mass deaths of both farmed fish and wild fish were detected. Dead fish continued to wash up the shores in tons for weeks, and seafood consumption had reportedly caused food poisoning among people in the region. The incident was devastating for the concerned Central Vietnam provinces, as it led to not only an enormous loss in output for farmers but also instilled anxiety among the population and was thus detrimental not only to the fisheries industry but also to tourism in the region. Subsequent events revealed that the cause was indeed severe water poisoning due to waste water containing illegally high con-



centrations of cyanide, phenol, and iron hydroxide being dumped in the sea by Formosa factories (Minh Hà and Đông Sơn 2016). This information was made public in late June, two months after the first instance of the incident.

Prior to this revelation, in the midst of national panic, action by the government had been largely criticized as reticent and lacking in transparency. Public opinion had indeed shifted the focus of the controversy from environmental destruction to government transparency. Even after the formal apology and a compensation of USD 500 million by Formosa, activists remained adamant (Nguyen and Vuong 2016), but only on the issue of transparency rather than the environment. Conversely, over a year later, as the heat of the controversy has died down, misuse of allocated compensation funds by provinces directly damaged by the incident (Hải Sâm 2018) has received virtually no attention from activists.

Issues regarding social resources involve politics in an even more profound manner. Most of the focus has been on capital investment, the general mentality perceiving financial capital as topmost desirable in boosting economic growth. This translates into a political rhetoric rather in favour of subsidiaries and external investment, despite FDI net inflow already at USD 12.6 billion (6.1% of GDP) as of 2016—quite high compared to countries in the region such as Thailand (0.8% of GDP), Malaysia (4.6% of GDP), or Myanmar (5.2% of GDP) (World Bank 2018). Since 2013, Vuong has coined the term *resource intoxication* to characterize the phenomenon of the economy becoming economically worse off despite increasing endowments of physical and capital resources (Nguyễn 2013) and the corporate sector being kept in the downward spiral of low efficiency-poor performance (Vuong and Napier 2014). Indeed, sustainable economic growth in the long run concerned political and institutional structure (Woolcock 1998) and social cohesion (Ritzen and Woolcock 2000), as well as higher productivity and higher labour quality, linked to education which has been shown to be a determinant of growth (Chen and Feng 2000). Rather than focusing on any of these determinants, however, the government largely concerned itself with acquiring foreign investment and, recently, with aligning the development of the country with the Fourth Industrial Revolution.

## CONCLUSION

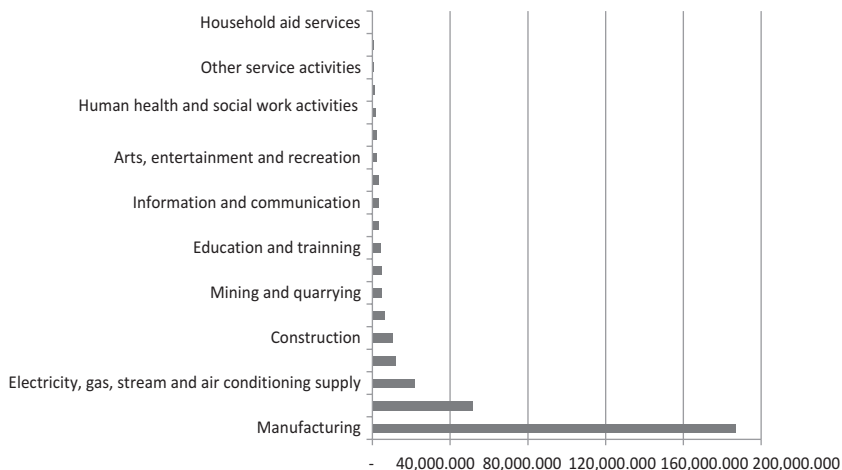
More than 30 years after the official launch of *Đổi Mới* that allowed economic freedom and market mechanisms to start flourishing, the socialist-oriented market economy of Vietnam has apparently entered its final stages of transition. The Vietnamese Communist Party retains the monopoly of political power and institutional reforms have been insignificant; for this reason, the government remains powerful in terms of policy-making, facing no political opponent. In addition, the legacy of a deeply Confucian society that had been abruptly forced into modernity through colonization means a certain tolerance, even fondness, for state paternalism in the Vietnamese population.

However, despite the lack of political rupture and gradualism of reforms, the Vietnamese economy has transformed completely. Central planning was completely abolished in favour of a market economy—albeit with minor price regulations for certain goods—resolving shortages and economic stagnation in general. Foreign trade opened up to the world with bilateral agreements and regional economic integrations, boosting production and exports.

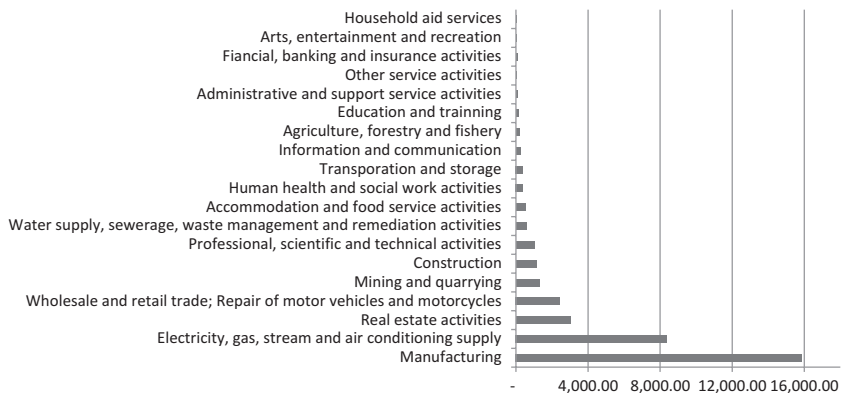
Faced with these changes, the Vietnamese people have been quick to pick up consumerist behaviours, which may signify increased spending capacity for certain groups of society, but should also serve as a warning, given the economic vulnerability of a large portion of the population. Policy-makers and consumers alike should not forget that it is difficult to determine whether transition had truly ended or how a fully transitioned economy should look like—especially considering the national specificities of Vietnam. The economic growth Vietnam has experienced for the past few decades has led to the formation of the Vietnamese plutocrats—strong economic actors that are starting to gain influence over political actors as well as inspiring entrepreneurship among younger generations. While the establishment of a socially defined class of business owners remains far in the future, it is clear that Vietnam's economic growth will henceforth be led not by the political power but the economic elite—the *superclass*.

The Vietnamese economy has been characterized by high inflation, high public debt, inefficient public spending, and trade deficits. As a small and open economy, Vietnam is sensitive to prices in the world market, which adds to the problem of inflation, and the large volume of imports means a certain dependence on foreign supply. Vietnam depends little on ASEAN—intra-ASEAN trade was, in fact, quite modest compared to other member countries—and has had much more significant trade volumes with China and the US.

## APPENDIX



**Fig. 3.15** Total accumulated FDI by economic activity as of May 2018 (USD Million). Source: Foreign Investment Agency Vietnam 2018

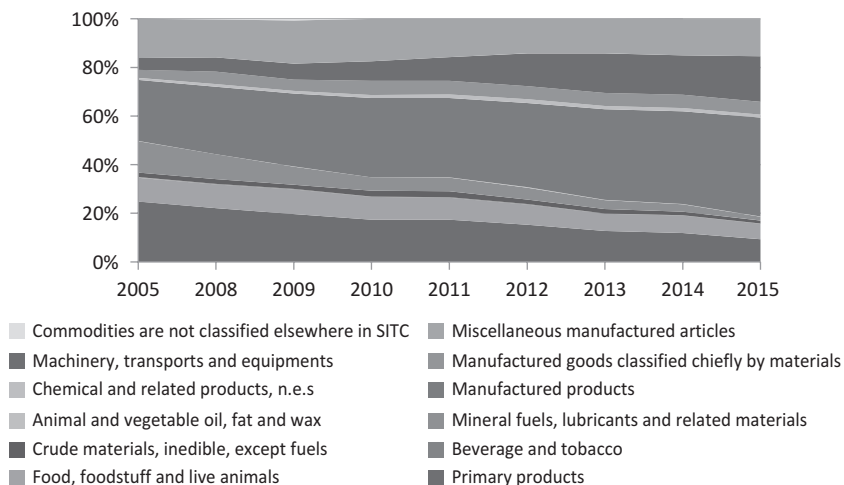


**Fig. 3.16** FDI by economic activity: 2017 (USD Million). Source: Foreign Investment Agency Vietnam 2018

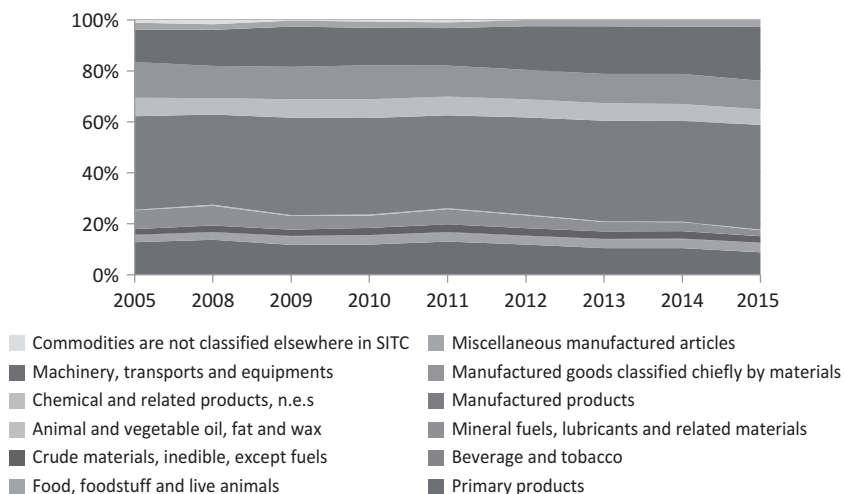
**Table 3.4** State-owned enterprises under committee control

<i>Corporation</i>	<i>State ownership</i>	<i>Sector</i>	<i>Ministry in control</i>
SCIC	100%	Finance	Ministry of Finance
EVN	100%	Energy/Electricity	Ministry of Industry and Trade
Petrolimex	76%	Energy/Fuel	Ministry of Industry and Trade
PetroVietnam	100%	Energy/Petrol	Ministry of Industry and Trade
Vinachem	100%	Chemicals	Ministry of Industry and Trade
Vinacomim	100%	Energy/Coal	Ministry of Industry and Trade
Vinatoba	100%	Tabacco	Ministry of Industry and Trade
ACV	95%	Transportation/Airport	Ministry of Transport
VEC	100%	Transportation/ Infrastructure	Ministry of Transport
Vietnam Airlines	86%	Transportation/Airlines	Ministry of Transport
Vietnam Railways	100%	Transportation/ Railways	Ministry of Transport
Vinalines	100%	Transportation/Marine	Ministry of Transport
Vinacafe	100%	Agriculture	Ministry of Agriculture and Rural Development
Vinafor	51%	Agriculture	Ministry of Agriculture and Rural Development
Vinafood I	100%	Food	Ministry of Agriculture and Rural Development
Vinafood II	51%	Food	Ministry of Agriculture and Rural Development
VRG	75%	Agriculture	Ministry of Agriculture and Rural Development
Mobifone	100%	Technology & Communication	Ministry of Information and Communications
VNPT	100%	Technology & Communication	Ministry of Information and Communications

Source: Article 9 – Chap. 2 – Decree 131/2018/NĐ-CP ([http://cmsc.gov.vn/documents/20181/34931/Ngh%E1%BB%8B+%C4%91%E1%BB%8Bnh+131\\_08102018160309.pdf](http://cmsc.gov.vn/documents/20181/34931/Ngh%E1%BB%8B+%C4%91%E1%BB%8Bnh+131_08102018160309.pdf)); Commission for the Management of State Capital at Enterprises—Official Webpage (<http://cmsc.gov.vn>); Government Portal—List of State-owned Enterprises (<http://vanban.chinhphu.vn/portal/page/portal/chinhphu/DoanhNghiep>); Government Portal—Equitization and Modernization of State-owned Enterprises (<http://doimoidoanhnghiep.chinhphu.vn/thong-tin-doanh-nghiep.html>)



**Fig. 3.17** Structure of exports by standard international trade classifications: 2005–2015. Source: GSO 2018



**Fig. 3.18** Structure of imports by standard international trade classifications: 2005–2015. Source: GSO 2018

**Table 3.5** Structure of exports by commodity groups: 1995–2005 (%)

Heavy industrial products and minerals	25.3	28.7	28	27.9	31.3	37.2	34.9	31.8	32.2	36.4	36.1
Minerals											
Light industrial and handicraft goods	28.4	29	36.7	36.6	36.7	33.9	35.7	40.6	42.7	41	41
Agricultural products	32	29.8	24.3	24.3	22.1	17.7	16.1	14.3	13.3	12.8	13.7
Forest products	2.8	2.9	2.5	2	1.5	1.1	1.2	1.2	1	0.7	0.8
Aquatic products	11.4	9.6	8.5	9.2	8.4	10.1	12.1	12.1	10.8	9.1	8.4
Non-monetary gold											0

Source: GSO 2018

**Table 3.6** Structure of exports by commodity groups: 2006–2016 (%)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	<i>Prel.</i> 2016
Heavy industrial products and minerals	36.2	34.4	37	30.9	31	35.8	42.1	45	44	45.4	45.3
Minerals					11.5	12	10.7	8.2	7	3.8	
Light industrial and handicraft goods	41.2	42.6	39.8	44.8	46.1	41.6	37.8	37.8	39.4	40	
Agricultural products	13.4	14.5	14.7	14.6	14.7	14.9	13.5	10.6	10.1	9.1	10.3
Forest products	0.8	0.8	0.7	0.8	1.1	1.3	1.2	1.4	1.3	1.4	
Aquatic products	8.4	7.7	7.2	7.5	7	6.3	5.3	5.1	5.2	4.1	4
Non-monetary gold	0	0	0.6	1.4	0.1	0.1	0.1	0.1	0	0	

Source: GSO 2018

**Table 3.7** Structure of imports by commodity groups: 1995–2005

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Machinery, instrument, accessory	25.7	27.6	30.3	30.6	29.9	30.6	30.5	29.8	31.6	28.8	25.3
Fuels, raw material	59.1	60	59.6	61	61.7	63.2	61.6	62.3	60.6	64.5	64.4
Consumer goods	15.2	12.4	10.1	8.5	8.4	6.2	7.9	7.9	7.8	6.7	8.2
Food						0		0	0	0	0
Foodstuffs	3.5	2.9	2.1	2.4	2.5	1.9	3	2.5	2.4	2.4	3
Pharmaceutical and medicinal products	0.9	1.9	3.1	2.8	2.3	2.2	2	1.8	1.6	1.4	1.4
Others	10.8	7.6	5	3.2	3.6	2.1	3	3.6	3.8	2.9	3.7
Non-monetary gold											2.2

Source: GSO 2018

**Table 3.8** Structure of imports by commodity groups: 2006–2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	<i>Prel. 2016</i>
Machinery, instrument, accessory	24.6	28.6	28	31.6	29.6	29.6	35.1	38.2	38.1	43.2	41.4
Fuels, raw material	63.4	61.9	60.8	58.6	59.4	59	55.8	52.6	53	47.9	49.7
Consumer goods	7.8	7.4	7.8	9.3	9.9	9.5	9	9.1	8.8	8.8	8.9
Food	0	0	0	0.1	0	0	0	0	0	0	
Foodstuffs	2.8	2.5	2.8	3	3.3	3.5	3.3	3.5	3.7	3.8	
Pharmaceutical and medicinal products	1.3	1.2	1.1	1.7	1.6	1.5	1.6	1.5	1.4	1.4	1.5
Others	3.7	3.7	3.9	4.5	5	4.5	4.1	4.1	3.7	3.6	
Non-monetary gold	4.2	2.1	3.4	0.5	1.1	1.9	0.1	0.1	0.1	0.1	

Source: GSO 2018

## NOTES

1. The *nomenklatura* system consists of lists of positions over which party committees exercise the power of appointment, with lists of reserve cadres for positions as well as processes for making the appropriate personnel changes.
2. He and his wife co-founded the predecessor of Vingroup in Ukraine.

## REFERENCES

- A.N. 2015. Bị tố chây ì không thanh toán nợ, CEO The Kafe Đào Chi Anh nói: “Không phải cứ tự nhiên bị ép trả tiền là trả”. *CafèBiz*, June 29. <http://cafebiz.vn/bi-to-chay-i-khong-thanh-toan-no-ceo-the-kafe-dao-chi-anh-noi-khong-phai-cu-tu-nhien-bi-ep-tra-tien-la-tra-20160629004857114.chn>. Accessed June 3, 2018.
- ADB. 2017. Asian Development Outlook 2017 Update. In *Asian Development Outlook*. Asian Development Bank.
- Bakos, Yannis. 1998. The Emerging Role of Electronic Marketplaces on the Internet. *Communications of the ACM* 41 (8): 35–42. <https://doi.org/10.1145/280324.280330>.
- Bảo Phương. 2017. ‘Đại khủng hoảng’ thị lợn và cuộc giải cứu chưa từng có. *VietNamNet*, August 31. <http://vietnamnet.vn/vn/kinh-doanh/thi-truong/dai-khung-hoang-thit-lon-va-cuoc-giai-cuu-chua-tung-co-395973.html>. Accessed June 3, 2018.
- Barbier, Edward B. 1987. The Concept of Sustainable Economic Development. *Environmental Conservation* 14 (02): 101. <https://doi.org/10.1017/s0376892900011449>.
- Boymal, Jonathan, Bill Martin, and Dieu Lam. 2007. The Political Economy of Internet Innovation Policy in Vietnam. *Technology in Society* 29 (4): 407–421. <https://doi.org/10.1016/j.techsoc.2007.08.003>.
- Brocheux, Pierre, and Daniel Hémerly. 2001. *Indochine, la colonisation ambiguë*. La Découverte.
- Brownrigg, Edwin B. 1991. The Internet as an External Economy: The Emergence of the Invisible Hand. *Library Administration & Management* 5 (2): 95–97.
- Chapuis, Oscar. 1995. *A History of Vietnam: From Hong Bang to Tu Duc*. Cambridge University Press.
- Chen, Baizhu, and Yi Feng. 2000. Determinants of Economic Growth in China: Private Enterprise, Education, and Openness. *China Economic Review* 11 (1): 1–15. [https://doi.org/10.1016/s1043-951x\(99\)00014-0](https://doi.org/10.1016/s1043-951x(99)00014-0).
- Công Quang. 2017. Người Sài Gòn “giải cứu” đưa hàu cho nông dân Quảng Ngãi. *Dân Trí*, April 7. <http://dantri.com.vn/kinh-doanh/nguoi-sai-gon-giai-cuu-dua-hau-cho-nong-dan-quang-ngai-20170407150107735.htm>.



- Đặng, Phong. 2008. *Tư duy kinh tế Việt Nam: chặng đường gian nan và ngoạn mục, 1975–1989*. Hanoi, Vietnam: Nhà xuất bản Tri thức.
- Department of Vietnam Customs. 2018. *Preliminary Assessment of Vietnam International Merchandise Trade Performance in the First 4 months of 2018*. Department of Vietnam Customs.
- DeRouen, Karl R. 1995. The Indirect Link: Politics, the Economy, and the Use of Force. *Journal of Conflict Resolution* 39 (4): 671–695. <https://doi.org/10.1177/0022002795039004004>.
- Drury, Rebecca. 2011. Hungry for Success: Urban Consumer Demand for Wild Animal Products in Vietnam. *Conservation and Society* 9 (3): 10. <https://doi.org/10.4103/0972-4923.86995>.
- Farber, André, Van Nam Nguyen, and Quan Hoang Vuong. 2006. *Policy Impacts on Vietnam Stock Markets: A Case of Anomalies and Disequilibria 2000–2006*. Working Papers CEB, Bruxelles.
- FIA. 2018. *Foreign Investment Monthly Reports*. Foreign Investment Agency.
- Figuié, Muriel, and Paule Moustier. 2009. Market Appeal in an Emerging Economy: Supermarkets and Poor Consumers in Vietnam. *Food Policy* 34 (2): 210–217. <https://doi.org/10.1016/j.foodpol.2008.10.012>.
- Fosse, Henrik Barslund, and Pascal Raimondos-Møller. 2012. Reducing Tariffs According to WTO Accession Rules: The Case of Vietnam. *Review of Development Economics* 16 (2): 331–341. <https://doi.org/10.1111/j.1467-9361.2012.00665.x>.
- Goujon, Michaël. 2006. Fighting Inflation in a Dollarized Economy: The Case of Vietnam. *Journal of Comparative Economics* 34 (3): 564–581. <https://doi.org/10.1016/j.jce.2006.06.001>.
- Government Portal. 2006. *Một vài nét về kinh tế-xã hội Việt Nam*. <http://www.chinhphu.vn/portal/page/portal/chinhphu/NuocCHXHCNVietNam/ThongTinTongHop/kinhtexahoi>. Accessed June 3, 2018.
- GSO. 2017. *Press Release: 2017 Socioeconomic Report*. General Statistics Office.
- . 2018. *Consumer Price Index*. General Statistics Office.
- Gunn, Geoffrey C. 2011. The Great Vietnamese Famine of 1944–45 Revisited. 東南アジア研究年報 52: 81–105.
- Hải Sâm. 2018. Trích hơn 100 triệu tiền đền bù sự cố Formosa đi du lịch. *VietNamNet*, April 8. <http://vietnamnet.vn/vn/thoi-su/chong-tham-nhung/trich-hon-100-trieu-tien-den-bu-su-co-formosa-di-du-lich-440513.html>.
- Ho, Thi Huong Lan, and Yizeng Chen. 2014. Vietnamese Consumers' Intention to Use Online Shopping: The Role of Trust. *International Journal of Business and Management* 9 (5). <https://doi.org/10.5539/ijbm.v9n5p145>.
- Hồng Minh. 2016. Đào Chi Anh đã làm gì trong 3 năm điều hành The Kafe? *CafeBiz*, October 28. <http://cafebiz.vn/dao-chi-anh-da-lam-gi-trong-3-nam-dieu-hanh-the-kafe-20161027180137624.chn>. Accessed June 3, 2018.
- IMF. 2018. World Economic Outlook, April 2018: Cyclical Upswing, Structural Change. In *World Economic Outlook*. International Monetary Fund.

- Joyaux, François. 1970. Les relations sino-vietnamiennes: perspectives politiques et économiques. *Tiers-Monde* 11 (42): 291–300. <https://doi.org/10.3406/tiers.1970.1704>.
- Kalathil, Shanthi, and Taylor Boas. 2003. Open Networks, Closed Regimes: The Impact of the Internet on Authoritarian Rule (Table of Contents). *First Monday* 8 (1). <https://doi.org/10.5210/fm.v8i1.1024>.
- Lam, Dieu, Jonathan Boymal, and Bill Martin. 2004. Internet Diffusion in Vietnam. *Technology in Society* 26 (1): 39–50. <https://doi.org/10.1016/j.techsoc.2003.10.004>.
- Le, Minh Son. 2014. Trade Openness and Household Welfare Within a Country: A Microeconomic Analysis of Vietnamese Households. *Journal of Asian Economics* 33: 56–70. <https://doi.org/10.1016/j.asieco.2014.05.005>.
- Le, Thi Khuong. 2016. Bàn về nợ công Việt Nam hiện nay. *Tạp chí Ngân hàng*, December 2.
- Le, Viet, and Charles Harvie. 2010. *Firm Performance in Vietnam: Evidence from Manufacturing Small and Medium Enterprises*. Economics Working Papers.
- Le Monkhouse, Lien, Bradley R. Barnes, and Ute Stephan. 2012. The Influence of Face and Group Orientation on the Perception of Luxury Goods. *International Marketing Review* 29 (6): 647–672. <https://doi.org/10.1108/02651331211277982>.
- Lian, Koh Kheng, and Nicholas A. Robinson. 2002. Regional Environmental Governance: Examining the Association of Southeast Asian Nations (ASEAN) Model. In *Global Environmental Governance: Options and Opportunities*, ed. Daniel C. Esty and Maria H. Ivanova, 101–121. Connecticut, US: Yale School of Forestry & Environmental Studies.
- Mặc Lâm. 2014. Khắp nước biểu tình chống Trung Quốc. *RFA*, May 10. [https://www.rfa.org/vietnamese/in\\_depth/anti-cn-protest-whole-country-ml-05102014224400.html](https://www.rfa.org/vietnamese/in_depth/anti-cn-protest-whole-country-ml-05102014224400.html).
- Maruyama, Masayoshi, and Viet Trung Le. 2007. Supermarkets in Vietnam: Opportunities and Obstacles. *Asian Economic Journal* 21 (1): 19–46. <https://doi.org/10.1111/j.1467-8381.2007.00245.x>.
- Minh Hà, and Đông Sơn. 2016. Công bố nguyên nhân sự cố môi trường làm hải sản chết bất thường tại 4 tỉnh ven biển miền Trung. *Quân đội nhân dân*, June 30. <http://www.qdnd.vn/xa-hoi/cong-bo-nguyen-nhan-su-co-moi-truong-lam-hai-san-chet-bat-thuong-tai-4-tinh-ven-bien-mien-trung-482056>.
- Minh Sơn. 2017. Startup Kafe Group trở thành công ty con của doanh nghiệp Hong Kong. *VNExpress*, April 2. <https://startup.vnexpress.net/tin-tuc/hanh-trinh-khoi-nghiep/startup-kafe-group-tro-thanh-cong-ty-con-cua-doanh-nghiep-hong-kong-3564395.html>.
- Ngo, Tan Vu Khanh, and Gwangyong Gim. 2014. Factors Affecting the Online Shopping Behavior: An Empirical Investigation in Vietnam. *International Journal of Engineering Research and Applications* 4 (2): 388–392.
- Nguyen, Tri Hung. 1999. *The Inflation of Vietnam in Transition*. CAS Discussion Paper.

- Nguyễn, Bá Khoáng. 2005. 60 năm phát triển kinh tế – xã hội từ nước Việt Nam dân chủ cộng hoà đến nước Cộng hoà xã hội chủ nghĩa Việt Nam. *General Statistics Office*, August 23. <http://www.gso.gov.vn/default.aspx?tabid=382&idmid=2&ItemID=2998>. Accessed June 3, 2018.
- Nguyễn, Trinh. 2013. Tiến sĩ Vương Quân Hoàng: Chống “ngộ độc” nguồn lực. *Thanh Niên*, January 15. <https://thanhnien.vn/van-hoa/tien-si-vuong-quan-hoang-chong-nguoc-doc-nguon-luc-42437.html>.
- Nguyen, Tho D., and Nigel J. Barrett. 2006. The Knowledge-Creating Role of the Internet in International Business: Evidence from Vietnam. *Journal of International Marketing* 14 (2): 116–147. <https://doi.org/10.1509/jimk.14.2.116>.
- Nguyen, Thi Tuyet Mai, and Siok Kuan Tambyah. 2011. Antecedents and Consequences of Status Consumption Among Urban Vietnamese Consumers. *Organizations & Markets in Emerging Economies* 2 (1): 24.
- Nguyen, Chan, and Kim Dung Tran. 2006. The Impact of Trade Liberalization on Household Welfare in Vietnam. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.888534>.
- Nguyen, Pham Muoi, and Quan Hoang Vuong. 2016. In Vietnam, Digital Is Democratizing. *CIMA*.
- Nguyen, Trang T.M., Tho D. Nguyen, and Nigel J. Barrett. 2007. Hedonic Shopping Motivations, Supermarket Attributes, and Shopper Loyalty in Transitional Markets. *Asia Pacific Journal of Marketing and Logistics* 19 (3): 227–239. <https://doi.org/10.1108/13555850710772914>.
- Nguyen, Tho D., Trang T.M. Nguyen, and Nigel J. Barrett. 2008. Consumer Ethnocentrism, Cultural Sensitivity, and Intention to Purchase Local Products—Evidence from Vietnam. *Journal of Consumer Behaviour* 7 (1): 88–100. <https://doi.org/10.1002/cb.238>.
- Nguyen, Huu Minh, Tony Cavoli, and John K. Wilson. 2012. The Determinants of Inflation in Vietnam, 2001–09. *ASEAN Economic Bulletin* 29 (1): 1. <https://doi.org/10.1355/ae29-1a>.
- Nguyen, Hong Kong, Quan Hoang Vuong, Tung Ho, and Thu-Trang Vuong. 2018. The ‘Same Bed, Different Dreams’ of Vietnam and China: How (Mis) Trust Could Make or Break It. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3185278>.
- Oh, Ji Hyun, and Jai S. Mah. 2017. The Patterns of Korea’s Foreign Direct Investment in Vietnam. *Open Journal of Business and Management* 05 (02): 253–271. <https://doi.org/10.4236/ojbm.2017.52023>.
- Ohno, Kenichi. 2009. Avoiding the Middle-Income Trap: Renovating Industrial Policy Formulation in Vietnam. *Asean Economic Bulletin* 26 (1): 25–43. <https://doi.org/10.1355/ae26-1c>.
- Pfau, Wade Donald, and Long Thanh Giang. 2009. Determinants and Impacts of International Remittances on Household Welfare in Vietnam. *International Social Science Journal* 60 (197–198): 431–443. <https://doi.org/10.1111/j.1468-2451.2010.01733.x>.

- Pham, Hung Hiep. 2019. *Giải pháp mạnh xử lý cuộc khủng hoảng*. RPE Discussion Papers.
- Pham, Thi Thu Tra, and James Riedel. 2012. On the Conduct of Monetary Policy in Vietnam. *Asian-Pacific Economic Literature* 26 (1): 34–45. <https://doi.org/10.1111/j.1467-8411.2012.01335.x>.
- Pham, Thi Ngoc Linh, Michael P. Burton, and David Vanzetti. 2008. *The Welfare of Small Livestock Producers in Vietnam Under Trade Liberalisation – Integration of Trade and Household Models*. 2008 Conference (52nd), February 5–8, Canberra, Australia.
- Randle, Robert F. 1970. *Geneva 1954. The Settlement of the Indochinese War*. Princeton University Press.
- Ritzen, Jozef, and Michael Woolcock. 2000. *Social Cohesion, Institutions, and Growth: Implications for Countries in Transition*. Annual Bank Conference on Development Economics (Europe), Paris, June 26–28, 2000.
- Rothkopf, David. 2008. *Superclass: The Global Power Elite and the World They Are Making*. New York: Farrar, Straus and Giroux.
- Thành Đạt. 2018. State Capital Committee: A Copy of SCIC? VOA, February 6. <https://www.voatiengviet.com/a/scic-uy-ban-von-nha-nuoc/4270943.html>. Accessed June 3, 2018.
- Thế Kha. 2014. Cử tri cả nước bất bình về giàn khoan Hải Dương 981. *Người Lao Động*, May 20. <https://nld.com.vn/thoi-su-trong-nuoc/cu-tri-ca-nuoc-bat-binh-ve-gian-khoan-hai-duong-981-20140520115317109.htm>. Accessed June 3, 2018.
- Thuai, François. 2002. *Géopolitique du bouddhisme*. Paris: Éditions des Syrtes.
- Tomiyaama, Aatsushi. 2017. Japan returns as top investor in Vietnam. *Nikkei Asian Review*, December 28. <https://asia.nikkei.com/Economy/Japan-returns-as-top-investor-in-Vietnam>.
- Tran, Trong Kim. 1920. *Việt Nam Sử Lược*. Hanoi: NXB Văn Học.
- Tran, Angie Ngoc, and Irene Nørlund. 2014. Globalization, Industrialization, and Labor Markets in Vietnam. *Journal of the Asia Pacific Economy* 20 (1): 143–163. <https://doi.org/10.1080/13547860.2014.974343>.
- TuoiTrenews. 2014. Chinese Vessels Try to Scare Vietnam's Ships Further Away from Illegal Rig. *Tuoi Tre News*, June 9. <https://tuoiitrenews.vn/society/20194/chinese-vessels-try-to-scare-vietnams-ships-further-away-from-illegal-rig>. Accessed June 3, 2018.
- Valette, Jacques. 1993. *Indochine, 1940–1945: Français contre Japonais*. Paris: SEDES.
- Vietinbank. 2018. *Financial Statement*. <http://investor.vietinbank.vn/FinancialStatements.aspx>. Accessed June 3, 2018.
- VietNamNews. 2018. Việt Nam Rolls Out Carpet for Japanese Investment. *VietNamNews*, May 21. <http://vietnamnews.vn/economy/449009/vietnam-rolls-out-carpet-for-japanese-investment-president.html#IYOk1q4kDwVICxfB.97>. Accessed June 3, 2018.

- VNExpress Reporters. 2014. Hơn 400 người đập phá trong cuộc biểu tình bị bắt. *VNExpress*.
- Vo, Tri Thanh, and Anh Duong Nguyen. 2009. Vietnam After Two Years of WTO Accession: What Lessons Can Be Learnt? *Asean Economic Bulletin* 26 (1): 115–135. <https://doi.org/10.1355/ae26-1h>.
- Vuong, Quan Hoang. 2011. Vietnam's Economic History: The Feudalism System. *Stratfor World View*. Accessed June 21, 2011.
- . 2014. Vietnam's Political Economy in Transition (1986–2016). *Stratfor World View*. Accessed May 27, 2014.
- Vuong, Quan Hoang, and Nancy K. Napier. 2014. Resource Curse or Destructive Creation in Transition. *Management Research Review* 37 (7): 642–657. <https://doi.org/10.1108/mrr-12-2012-0265>.
- Vuong, Quan Hoang, and Minh Chinh Pham. 2009. *Kinh tế Việt Nam: Thăng trầm và Đột phá*. Hanoi: NXB Chính trị quốc gia.
- Vuong, Quan-Hoang, and Tri Dung Tran. 2009. The Cultural Dimensions of the Vietnamese Private Entrepreneurship. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.1442384>.
- Vuong, Thu Trang, and Quan Hoang Vuong. 2018. *L'Indochine française du XIXe–XXe siècle – politique et religions*. Working Papers CEB, Bruxelles.
- Vuong, Quan Hoang, Van Nhue Dam, Daniel van Houtte, and Tri Dung Tran. 2011. The Entrepreneurial Facets as Precursor to Vietnam's Economic Renovation in 1986. *The IUP Journal of Entrepreneurship Development* 8 (4): 42.
- Vuong, Quan Hoang, Quang Hoi Vu, and Thu Trang Vuong. 2016. Relationship Between Past Experience, Social Network Participation and Innovative Capacity: Vietnamese Entrepreneurship in Transition. *International Journal of Transitions and Innovation Systems* 5 (3/4): 299. <https://doi.org/10.1504/ijtis.2016.083587>.
- Vuong, Quan-Hoang, Quang-Khiem Bui, Viet-Phuong La, Thu-Trang Vuong, Viet-Ha T. Nguyen, Manh-Toan Ho, Hong-Kong T. Nguyen, and Manh-Tung Ho. 2018. Cultural Additivity: Behavioural Insights from the Interaction of Confucianism, Buddhism and Taoism in Folktales. *Palgrave Communications* 4 (1). <https://doi.org/10.1057/s41599-018-0189-2>.
- Woolcock, Michael. 1998. Social Capital and Economic Development: Toward a Theoretical Synthesis and Policy Framework. *Theory and Society* 27 (2): 151–208. <https://doi.org/10.1023/a:1006884930135>.
- World Bank. 2017a. *Country Partnership Framework for the Socialist Republic of Vietnam for the Period FY18–FY22*. World Bank.
- . 2017b. *Vietnam – Country Partnership Framework for the Period FY18–FY22*. Washington, DC: World Bank Group.
- . 2018. *Enterprise Surveys*. World Bank.