

Vietnam's economy struggles for independence

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12/20/2024

The paper will use per capita GDP instead of GNI as the data on GDP are more readily available. This synopsis hopefully provides some answers to the struggle of Vietnam since 1975. The data on Vietnam used are from General Statistical Office of Vietnam (GSO). However, since 2010, GSO has revised GDP data from 2010 onward by 30% without touching data before that. The author assumed that the data in 1975 remained the same as before and updated the old GDP rates of growth with incremental growth factor so that new GDP of 2010 (the starting point of the new series 2010-2022) will be reached by the revised growth rates, which are higher than before. This means basically growth rates before 2010 are higher than before and compatible with the new series 2010-2022. Until the GSO revised completely the data from 1975 to 2022 by fully reexamining the basic census or reported data of the past, this is the best possible mechanical revision.

I. Basic observations on the economy of Vietnam

Here are some of the basic observations on the economy of Vietnam as compared to neighboring and other related countries:

1. **Vietnam has made significant progress but much less than China and before that South Korea.** Vietnam was united on 30 April 1975. At that time, its per capita GDP in 1975 was merely \$US 372 (calculated in 2022 \$USD)¹, or 1\$ a day, and less than a half of Indonesia at \$US 865, but was still higher than that of China at \$340 (see Table 1). The extremely low per capita of China was due to Mao's Cultural Revolution. However, by 2022, Vietnam per capita GDP in 2022 has overpassed the Philippines, India, catching up with Indonesia, and reached \$US 4,164, at the level of low middle income countries as defined by the World Bank. Per capita GDP of Vietnam has increased 11.8 times during the 1975-2022 period, though much less than 34 times achieved by China, and thus China is reaching the high middle income level and approaching high income level, around \$US 14,000 (see Graph 1 and Table 1). The lesser achievement in Vietnam was due to the shorter period of high growth before deceleration as compared to South Korea and later to China. It is necessary to find out the reasons, though it may seem that greater achievement was obtained by South Korea and later by China because both countries emphasized on import and then adaptation and development of high technology together with the promotion of research at both universities and research centers, instead of encouraging foreign direct investment to utilize cheap labor as in Vietnam. China allows FDI but with a condition of transferring technology. The achievement of Vietnam's industrialization lasted for 15 years (1990-2006) with an average annual rate of growth in GDP of 7.3% is laudable, but is

¹ This is based on the effort to merge the statistics of South Vietnam and North Vietnam by the Statistical Office of Vietnam in *Kinh Tế Việt Nam 1955-2000, Tính Toán Mới, Phân Tích Mới*, Nhà Xuất bản Thống Kê, Hà Nội 12-2000.

comparatively short in comparison to that of South Korea for 20 years (1970-2000) at 8.1%, or China for 35 years (1978-2013) at 8.7%. Some Vietnamese analysts have written that Vietnam planned to be high-income (per capita GDP/income) of \$14,000 and over by 2035.² They may be dreaming as if this target is measured in constant \$USD of 2022 with zero inflation, Vietnam would have to achieve an average annual rate of growth in GDP of 10% given that the increase in population is approaching zero.

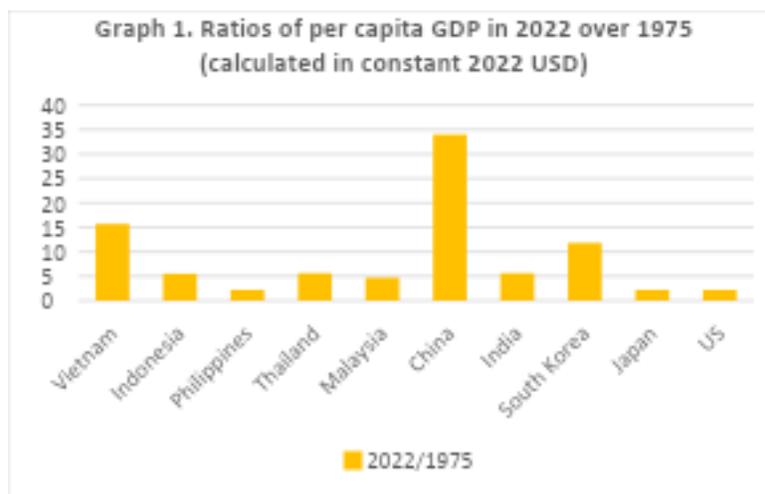


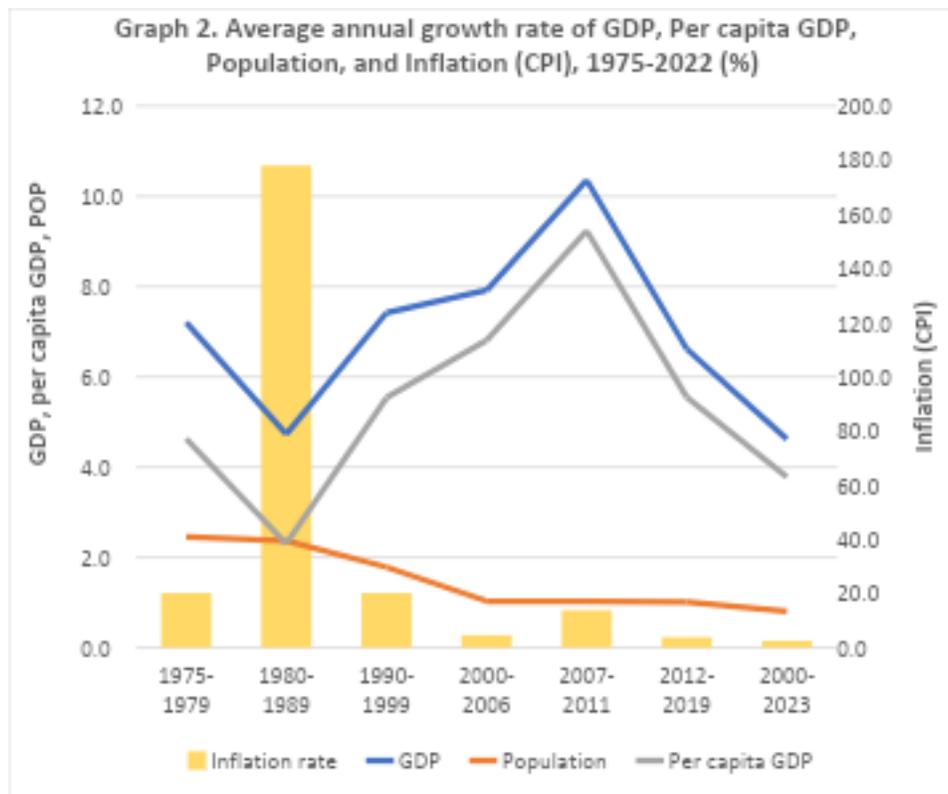
Table 1. Per capita GDP by a number of countries over time and average annual growth rates.

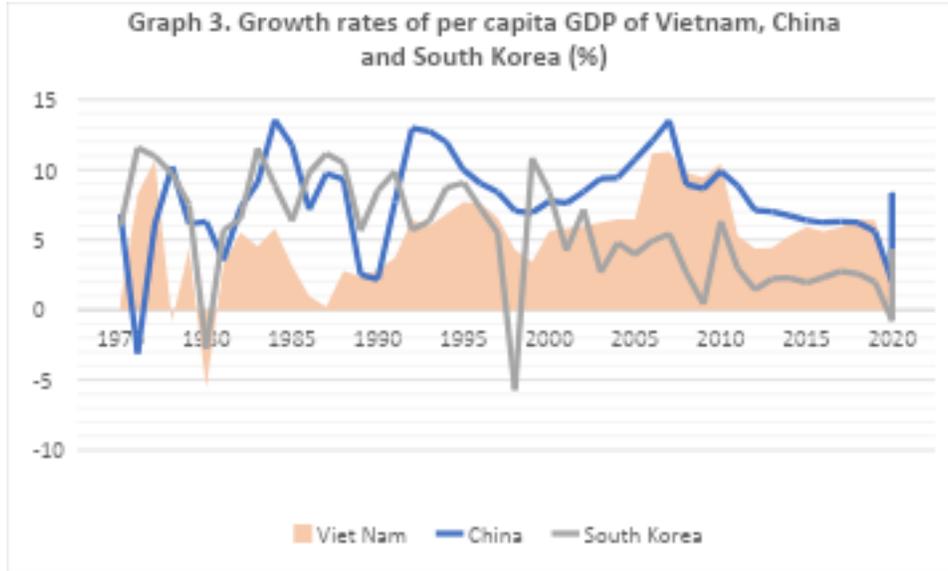
	Population (mil.)	Per capita GDP in 2022 USD			Ratios of per capita GDP		Average annual growth rate in per capita GDP	
		1975	2010	2022	2022/1975	2022/2010	1975-2009	2010-2022
	2022				5	0		
Vietnam	98	372	2,311	4,164	11.2	1.8	7.1	6.5
Indonesia	124	865	3,166	4,784	5.5	1.5	3.8	3.5
Philippines	116	1,630	2,496	3,645	2.2	1.5	1.2	3.2
Thailand	72	1,255	5,725	7,072	5.6	1.2	4.4	1.8
Malaysia	34	2,640	8,881	12,466	4.7	1.4	3.5	2.9
China	1426	340	5,657	11,560	34.0	2.0	8.4	6.1
India	1417	422	1,402	2,366	5.6	1.7	3.5	4.5
South Korea	52	3,297	29,861	38,822	11.8	1.3	6.5	2.2
Japan	124	15,168	30,794	34,017	2.2	1.1	2.0	0.8
US	338	34,222	64,371	76,943	2.2	1.2	1.8	1.5

² “Phát triển kinh tế bền vững ở Việt Nam đến năm 2025 và tầm nhìn 2030”, Phùng Thế Đông, **Tạp chí Tài Chính**, <https://tapchitaichinh.vn/phan-trien-kinh-te-ben-vung-o-viet-nam-den-nam-2025-va-tam-nhin-2030.html>

Sources: United Statistical Division for all countries except VN. Statistics after 2010 are from General Statistics Office of Vietnam and revised upward by 30%, therefore data before 2010 are obtained by applying previous rates of growth.

1. **Economic growth has been decelerating since 2011.** Deceleration of growth rates is already happening in Vietnam (see pink line, Graph 2 and Graph 3). This is normal as it happened to Korea and Japan, including China, after full potentials of a given new economic policy (market economy in the case of China and Vietnam) or stage of technology development have been realized, unless a new stage that brings forth labor productivity appears (of course given supply of population and natural resources). However, it is unfortunate that the period of high growth (at a lower level) was much shorter in Vietnam than in South Korea, and China. This deceleration cannot be blamed on the Covid. GDP growth rate was 5% in 2023 and is expected to be 6.1% in 2024, so the per capita GDP would be roughly 4% in 2023 and 5% in 2024 given that population growth rate is declining to less than 1% (at 0.7%). The deceleration trend will not be reversed unless new economic policy encourages high-skilled domestic production instead of relying on low- skilled labor to support foreign direct investment.





2. **Vietnam is a minor power in Asia.** With a population of almost 100 million, 1/3 of the US and 1/10 of India and China but in terms of GDP is very small in compared to the US, China and India. However, with 100 million people, more than Germany of 80 million and almost doubled that of France and United Kingdom, domestic demand and supply with improvement of technical skill and labor productivity should be the main focus of its economic strategy. In addition, friendly and peaceful relations with neighbors should be the main consideration. The US will remain a powerful country and a center of technology however by 2035, China's GDP, signifying economic power, will be very close to that of the USA, assuming that: a) the US will grow at the same speed, b) the average annual per capita GDP of China will grow only at 5% instead of 6.1% as in the last 10 years and at the same time its population will decline from 1.426 billion people down to 1.363 in 2035 as projected by population experts (See Graph 5 and Table 2).

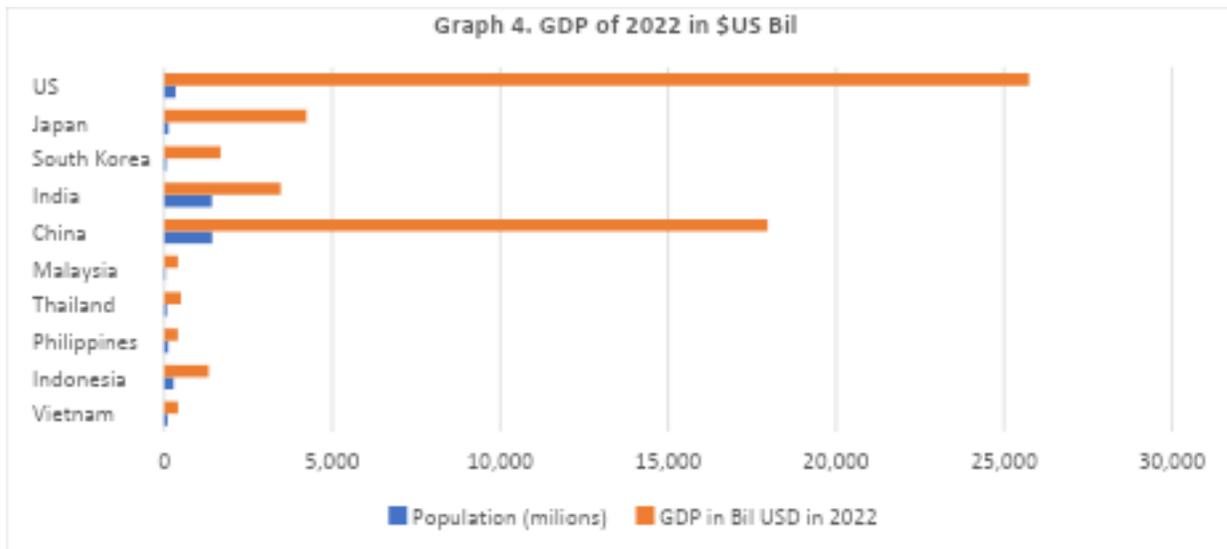


Table 2. Projection to 2035 of the economy of China vs US

	2022	2035
US		
Population (mil)	338	351
GDP per capita (\$US2022)	76,943	93,375
GDP (Bil \$US2022)	26,029	32,775
China		
Population (mil)	1,426	1,363
GDP per capita (\$US2022)	11,560	21,798
GDP (Bil \$US2022)	16,483	29,711

Notes on assumptions: a) Average annual per capita GDP of the US will be the same of 1.5% as in the 2010-2022 period. B) Average annual per capita GDP of China will be lower, at 5% instead of 6.1% as in the 2010-2022 period.

II. Stages of reforms and economic policy in Vietnam since 1975

The reform started in 1986 in Vietnam, so-called *Đổi Mới* (renovation) but in fact it was a restoration of a market economy, by dropping state price control, allowed private enterprises, all of which has since permitted the economy of Vietnam to function more effectively. The US dropped trade embargo against Vietnam in 1994 and allowed Vietnam to join the World Trade Organization in 2007 in order to enjoy equal access to other member states' markets with lower tariffs; this was 6 years after China joined it in 2001.

The role of the state has however still been important, at one period (2007-2011) the effort to build up huge state enterprises in ship manufacturing and other projects generated high inflation, corruption, bankruptcy, and thus lower economic growth. Since 2012, the economy has reverted back to its normal self: a highly bureaucratic state with low pay thus cannot function in an effective and impartially.

There were many phases of the economic reform in Vietnam:

1980-1989 period: Economic decline after the war was a result of many factors: the most important ones were the banning of private businesses including household farming, and the imposing of central planning and price control. However, due to the need to purchase grains, the government had to allow price bidding for procurement after a given supplier contract was satisfied. But that action was uncontrollable, inflation soared to an annual rate of almost 200% for many years. In 1986, with the decision to change the old money with the new fiat money with a restriction of the exchangeable amount as a form of forced saving, but the decision to print money for food procurement, without understanding that there is always a close economic relationship between prices and money supply, created inflation in 1986 to almost 800%. (see Graph 2 from the right side).

Table 3. Average annual growth rates of GDP, Population, per capita GDP, inflation in Vietnam by periods from 1975-2022 in Vietnam

	GDP	Population	Per capita GDP	Inflation rate (CPI)
1975-1979	7.2	2.5	4.6	20.2
1980-1989	4.7	2.4	2.3	177.9
1990-1999	7.4	1.8	5.5	20.2
2000-2006	7.9	1.0	6.8	4.6
2007-2011	10.4	1.0	9.2	13.8
2012-2019	6.6	1.0	5.5	3.9
2000-2023	4.6	0.8	3.8	2.5

Source: United Nations Statistics Division

1990-1999 period: The reform in 1986 started badly but allowed private enterprises and market prices set by supply and demand, which created conditions for the economy to grow. With the control of money supply established, interest rates were set higher than inflation rate, tax rates were imposed on imports and the allowance of money remittances from Vietnamese overseas, the economy was turned around: inflation was down and GDP growth rates were higher. This period 1990-1999 period achieved average annual rate of GDP growth at 7.4%, per capita growth rate at 5.5% and inflation was down to 20%. It is also remarkable that inflation went down to only 0.1% in 1999, the last year of the period.

2000-2006 period: The economy was totally stabilized with average annual GDP growth rate of 7.9% and annual inflation of 4.6%.

2007-2011 period: The government attempted to build up super large state enterprises in shipbuilding, ocean transportation and bauxite mining and aluminum production backfired with corruption, growth rate was higher but it also brought high inflation, leading to very high inflation rate (at high average annual rates of 13.8% for 5 years) but at the last year of the period, 2011, growth rate was down to 6.4% and inflation was at almost 20%, leading to lower growth in the following period.

2012-2023 period: The economy performed better with less grandiose plan of the previous period.

III. Special features of Vietnam's recent economic reforms

It is necessary to review to actual policies carried out in Vietnam and their results in order to visualize what further actions need to be done to stimulate further growth. This part will focus on the two areas that economic statistics reveal the actual or implicit policies.

Reducing the role of the state enterprises and increasing the role of FDI enterprises

In terms of the overall economy reflected in GDP, the share of the state sector (including production of goods and services of state-owned enterprises and state administration) the share of the state sector

was reduced from 37.6% down to 20.5%. The most significant increase is the share of foreign direct investment (FDI) sector, entirely of FDI enterprises, which is now 20.5%, the same share as that of the state sector.

Table 4. Shares of GDP by institutional sectors (%)

GDP		2005	2010	2022
		State sector	37.6	24.2
	FDI sector	15.2	15.1	20.5
	Domestic private sector including households	47.2	49.7	50.5
	Taxes on production		11.0	8.6

Note: the shares in 2005 may not be compatible with those of 2010-2022 as GDP before 2010 has not been revised.
Source: General Statistics Office of Vietnam

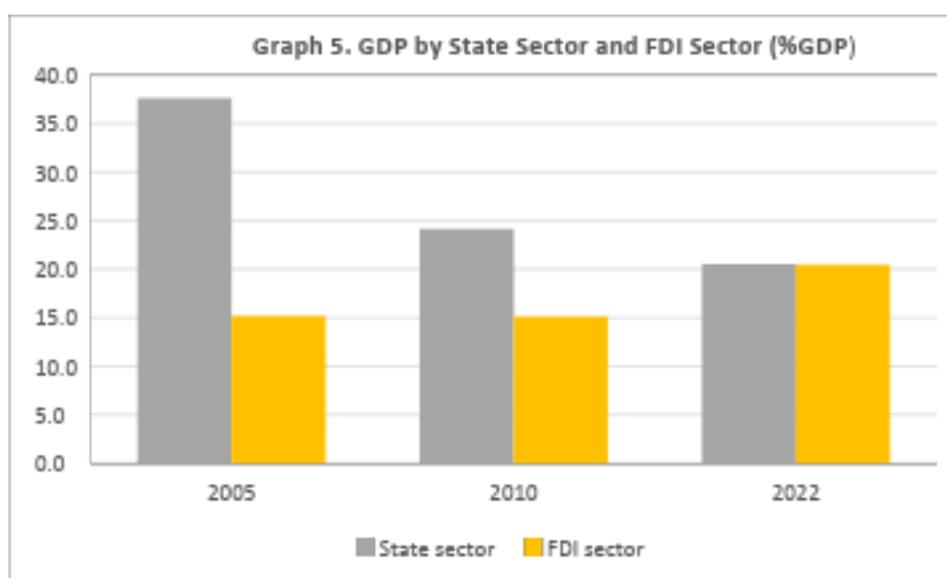


Table 5.1 Quantity, assets, revenues, profits by types of ownership of national totals (in current billion VND) and number of employees (1000 persons)

	2010	2015	2016	2017	2018	2019	2020	2021	2022
1. STATE-OWNED ENTERPRISE									
Number of enterprises	3,281	2,835	2,662	2,486	2,260	2,109	1,963	1,906	1,861
Number of employees	1,603	1,372	1,286	1,201	1,127	1,108	1,005	978	1,006
Capital assets	3,702	6,945	7,609	9,087	9,466	9,358	10,284	10,625	11,467
Revenues	2,034	2,722	2,866	3,125	3,414	3,582	3,438	3,379	4,310
Profit before taxes	115	157	197	201	190	206	195	260	348
2. NATIONAL PRIVATE-OWNED ENTERPRISES									
Number of enterprises	268,831	427,710	488,395	541,749	591,499	647,632	660,055	694,181	710,664
Number of employees	5,983	7,713	8,572	8,807	8,977	9,075	8,607	8,604	9,082

Capital assets	5,452	11,021	13,713	16,095	20,670	24,205	27,096	30,193	33,325
Revenues	4,068	8,075	9,762	11,734	13,411	15,128	15,782	17,578	20,677
Profit before taxes	116	151	188	291	324	278	296	492	555
3. FDI-OWNED ENTERPRISES									
Number of enterprises	7,248	11,940	14,002	16,178	16,878	18,762	22,242	22,610	22,930
Number of	2,156	3,773	4,154	4,510	4,714	4,969	5,090	5,217	5,254
Capital assets	1,688	4,178	4,728	5,500	6,679	7,512	8,873	10,086	11,330
Revenues	1,386	4,152	4,809	5,801	6,813	7,617	8,154	9,450	10,975
Profit before taxes	125	245	327	385	382	406	463	524	556

Table 5.2. Quantity, assets, revenues, profits by types of ownership and shares of national totals (%)

	2010	2015	2016	2017	2018	2019	2020	2021	2022
1. STATE-OWNED ENTERPRISE									
Number of enterprises	1.2	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Number of employees (1000 pers.)	16.5	10.7	9.2	8.3	7.6	7.3	6.8	6.6	6.6
Capital assets	34.1	31.4	29.2	29.6	25.7	22.8	22.2	20.9	20.4
Revenues (Bil VND)	27.2	18.2	16.4	15.1	14.4	13.6	12.6	11.1	12.0
Profit before taxes (Bil VND)	32.3	28.4	27.7	22.9	21.3	23.2	20.4	20.4	23.9
2. NATIONAL PRIVATE-OWNED ENTERPRISES									
Number of enterprises	96.2	96.7	96.7	96.7	96.9	96.9	96.5	96.6	96.6
Number of employees (1000 pers.)	61.4	60.0	61.2	60.7	60.6	59.9	58.5	58.1	59.2
Capital assets (Bil. VND)	50.3	49.8	52.6	52.5	56.1	58.9	58.6	59.3	59.4
Revenues (Bil VND)	54.3	54.0	56.0	56.8	56.7	57.5	57.7	57.8	57.5
Profit before taxes (Bil VND)	32.5	27.2	26.4	33.2	36.1	31.2	31.0	38.6	38.0
3. FDI-OWNED ENTERPRISES									
Number of enterprises	2.6	2.7	2.8	2.9	2.8	2.8	3.3	3.1	3.1
Number of employees	22.1	29.3	29.6	31.1	31.8	32.8	34.6	35.3	34.2
Capital assets	15.6	18.9	18.1	17.9	18.1	18.3	19.2	19.8	20.2
Revenues (Bil VND)	18.5	27.8	27.6	28.1	28.8	28.9	29.8	31.1	30.5
Profit before taxes (Bil VND)	35.2	44.4	45.9	43.9	42.6	45.6	48.5	41.1	38.1

Table 5.3. Capital assets and revenues per employees (Mil VND in current prices) and profit rates (%)

	2010	2015	2016	2017	2018	2019	2020	2021	2022
1. State-owned enterprises									
Revenues per employee	1.3	2.0	2.2	2.6	3.0	3.2	3.4	3.5	4.3
Assets per employee	2.3	5.1	5.9	7.6	8.4	8.4	10.2	10.9	11.4
Net profit over assets (%)	3.1	2.3	2.6	2.2	2.0	2.2	1.9	2.4	3.0
2. National private-owned enterprises									
Revenues per employees	0.7	1.0	1.1	1.3	1.5	1.7	1.8	2.0	2.3
Assets per employees	0.9	1.4	1.6	1.8	2.3	2.7	3.1	3.5	3.7
Net profit over assets (%)	2.1	1.4	1.4	1.8	1.6	1.1	1.1	1.6	1.7
3. FDI-owned enterprises									
Revenues per employees	0.6	1.1	1.2	1.3	1.4	1.5	1.6	1.8	2.1
Assets per employees	0.8	1.1	1.1	1.2	1.4	1.5	1.7	1.9	2.2

Net profit over assets	7.4	5.9	6.9	7.0	5.7	5.4	5.2	5.2	4.9
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Source: Statistical Office of Vietnam: <https://www.gso.gov.vn/doanh-nghiep/>

It is however more interesting to analyze the role of FDI enterprises as a part of the Vietnam's enterprises as a whole. In Vietnam, enterprises are basically more formal and more advanced form of business organizations than informal family-owned businesses.

Enterprises are defined by Vietnam as legally registered and government approved organizations for business purposes with distinct names, own assets and stable business locations for transaction according to the National Law on Enterprises. Enterprises exclude all so-called small family businesses that are also legally allowed but the owners are personally responsible for the business' liabilities as there is no legal separation of personal owned assets and business assets.

For state-owned enterprises, their number has been reduced from 3,281 in 2010 to 1,861 in 2022 (0.3% of the national total), but the share of national assets although down from 34% to 22% is still significant (Table 5.2).

By economic activity, it is also interesting to see that manufacturing firms in Vietnam are equipped with the lowest capital investment per employee among almost all good-producing activities including agriculture (Table 6). The most capital intensive are firms that produce electricity and gas, mineral extraction, and real estate services. Thus, it is not surprising to find that FDI firms are less capital intensive than native firms as shown in Table 5.3 (average capital asset per employee of FDI is 2.2 Mil. VND while that of non-state private enterprises is 3.7 Mil. VND).

Table 6. Average fixed assets per employee by type of the enterprises

	2022
Overall	477
Agriculture, forestry and fishery	798
Mineral extraction	951
Manufacturing	417
Electricity, gas and hot water	8,494
Water supply and waste disposal	857
Construction	196
Wholesale, retail and repairs	218
Transport and warehousing	778
Hotels, restaurants	871
Information and communication	293
Finance, banking and insurance	284
Real estate services	1,304

	2022
Scientific and professional activities	119
Business supporting services	99
Education and training	257
Hospital, health and social services	416
Entertainment	1,207

Source: General Statistics of Vietnam, <https://www.gso.gov.vn/px-web-2/?pxid=V0543&theme=Doanh%20nghi%E1%BB%87p>

FDI enterprises are taking the previous role of state-owned enterprises

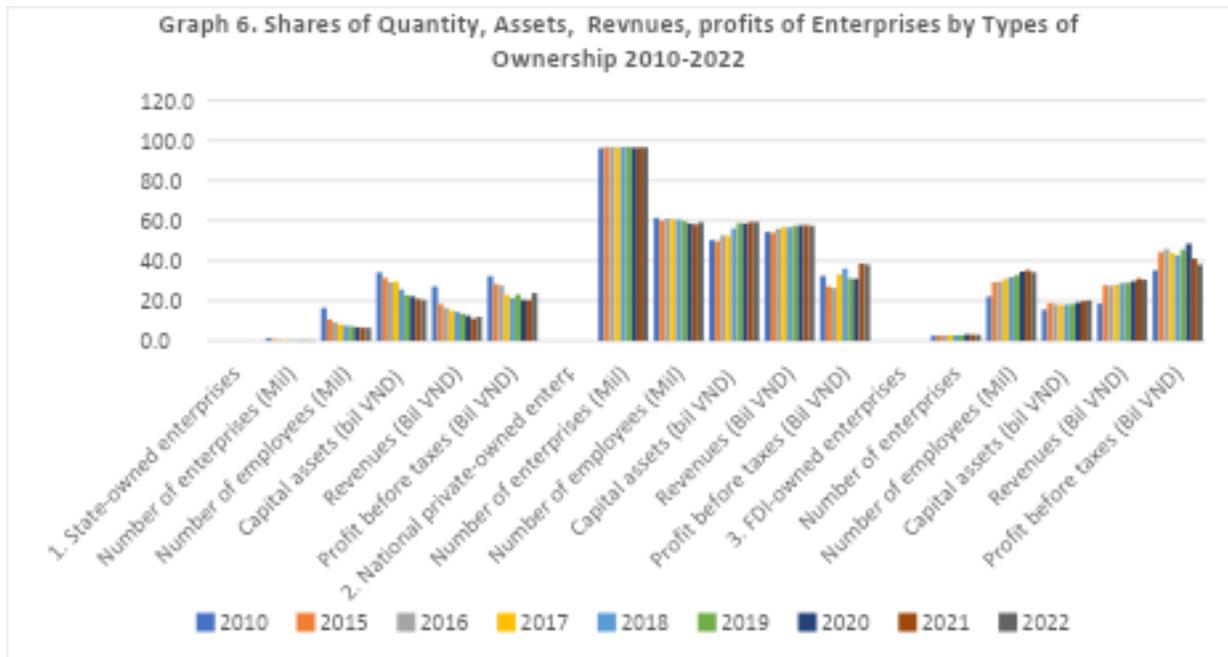
FDI enterprises become more and more significant over time in Vietnam. In 2022, its number of enterprises increased from 7,248 to 22,930, making up only 3.1% of all enterprises, but these FDI owned 20.2% value of national assets, employed 5 million employees, or 34.2% of all enterprises' employees and generating 38.1% of total national profits before taxes. GDP generated by the FDI sector now makes up of 20% of GDP as much as the state sector (including enterprises and government services) which was reduced from 38% down to 20% in 2022 (see Graph 6).

Table 7 summarizing Table 5.2 shows the shares of FDI enterprises in all enterprise in Vietnam in quantity, number of employees, values of assets and profit that have been increasing over the years, surpassing state-owned enterprises and still increasing. Despite that, FDI shares in various aspects are still lower than those of more numerous national private-owned enterprises.

Table 7. Shares of FDI enterprises in all enterprises in Vietnam (%)

	2010	2015	2016	2017	2018	2019	2020	2021	2022
Share of number of enterprises	1.2	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Share of assets	15.6	18.9	18.1	17.9	18.1	18.3	19.2	19.8	20.2
Share of labor	22.1	29.3	29.6	31.1	31.8	32.8	34.6	35.3	34.2
Share of revenues	18.5	27.8	27.6	28.1	28.8	28.9	29.8	31.1	30.5

Source: GSO of Vietnam



With respect to the major products that are produced and exported from Vietnam, micro-computers, cell phones, machineries and appliances made up about 35% of total exports might be classified to high-tech, simply because of their names. In fact, the General Statistics Office (GSO) of Vietnam stated that about 12% of firms with 32% of asset values can be classified as high tech as identified by General Statistics of Vietnam, but it is a very doubtful assessment.³ However, if one looks deeper into the data on enterprises, one may get a different view. The exported value of Samsung Vietnam reported by its chairman in 2023 was 55.7 Bil \$US,⁴ a bit higher than the total value of cell phones 52.4 Bil \$US exported from Vietnam reported by Vietnam’s Customs. Again, the identification and classification of an enterprise into high-tech would require close examination on the content of scientific research and technological development and its high technology added value at a given enterprise. . Samsung paid software engineers from workers \$US 3,800-13,200 a year (95-331 Mil. VND).⁵ Clearly, with this payment it would not be able to attract back any Vietnamese engineers with training abroad or even high quality engineers with R&D capability at home.

³ See classification of enterprises in terms of high tech, middle and low tech here:

<https://www.gso.gov.vn/px-web-2/?pxid=V0545&theme=Doanh%20nghi%E1%BB%87p>. GSOVN did not specify how it classified an enterprise as high tech, however, the item 1, article 3 of the Law of High Tech of 2008- Luật Công Nghệ Cao ([Luật công nghệ cao 2008 số 21/2008/QH12 áp dụng 2024 mới nhất \(thuvienphapluat.vn\)](http://www.thuvienphapluat.vn)) defines the “High technology is the technology with high content of scientific research and technological development; integrated from modern scientific and technological achievements; creating products with superior quality, features, high added value, environmentally friendly; playing an important role in forming new manufacturing and service industries or modernizing existing manufacturing and service industries.” It is unclear how GSO applied this law in its survey on enterprises as the law requires that the high tech enterprises should have high content of R&D and the product produced is high tech. These requirements should disqualify factories that processing goods for foreign owners for exports.

⁴ <https://nhadautu.vn/ty-trong-cua-samsung-trong-kim-ngach-xuat-khau-cua-viet-nam-giam-d91826.html>.

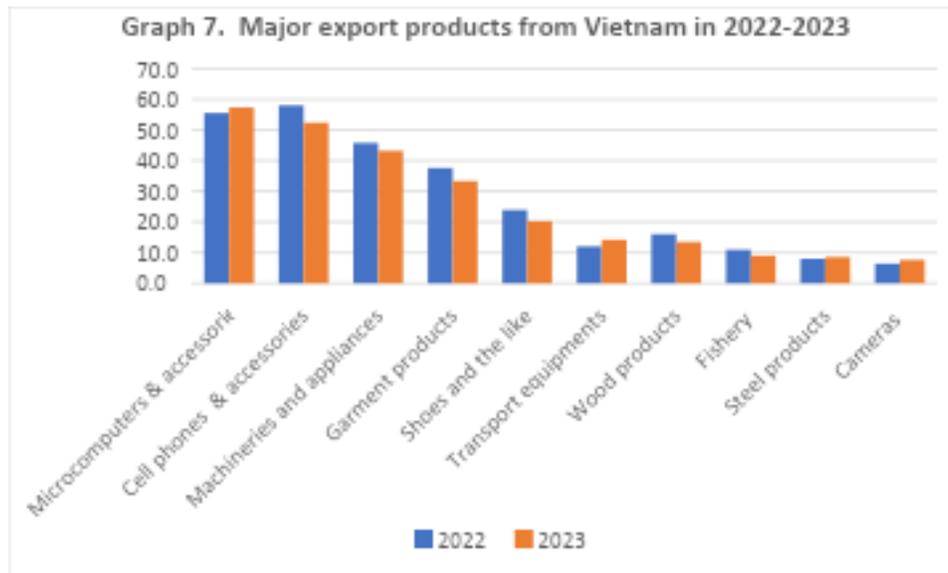
⁵ https://www.glassdoor.sg/Salary/Samsung-Electronics-Vietnam-Salaries-EI_IE3363.0,19_IL.20,27_IN251.htm.

Table 8. Major export products from Vietnam in 2022-2023

	Bil \$US 2022	Bil \$US 2023	Share in 2022	Share in 2023
Microcomputers & accessories	55.5	57.3	12.7	12.6
Cell phones & accessories	58.0	52.4	13.3	11.5
Machineries and appliances	45.8	43.2	10.5	9.5
Garment products	37.6	33.3	8.6	7.3
Shoes and the like	23.9	20.2	5.5	4.5
Transport equipment	12.0	14.2	2.7	3.1
Wood products	16.0	13.5	3.7	3.0
Fishery	10.9	9.0	2.5	2.0
Steel products	8.0	8.5	1.8	1.9
Cameras	6.4	7.6	1.5	1.7
Total major products (Bil US\$)	274.0	259.2	62.6	57.0
Total exports (Bil US\$)	437.7	454.7		

Source: Hải Quan Việt Nam (Vietnam Customs):

<https://www.customs.gov.vn/index.jsp?pageId=442&tkid=7143&group=Ph%C3%A2n%20t%C3%ADch&category=undefined>

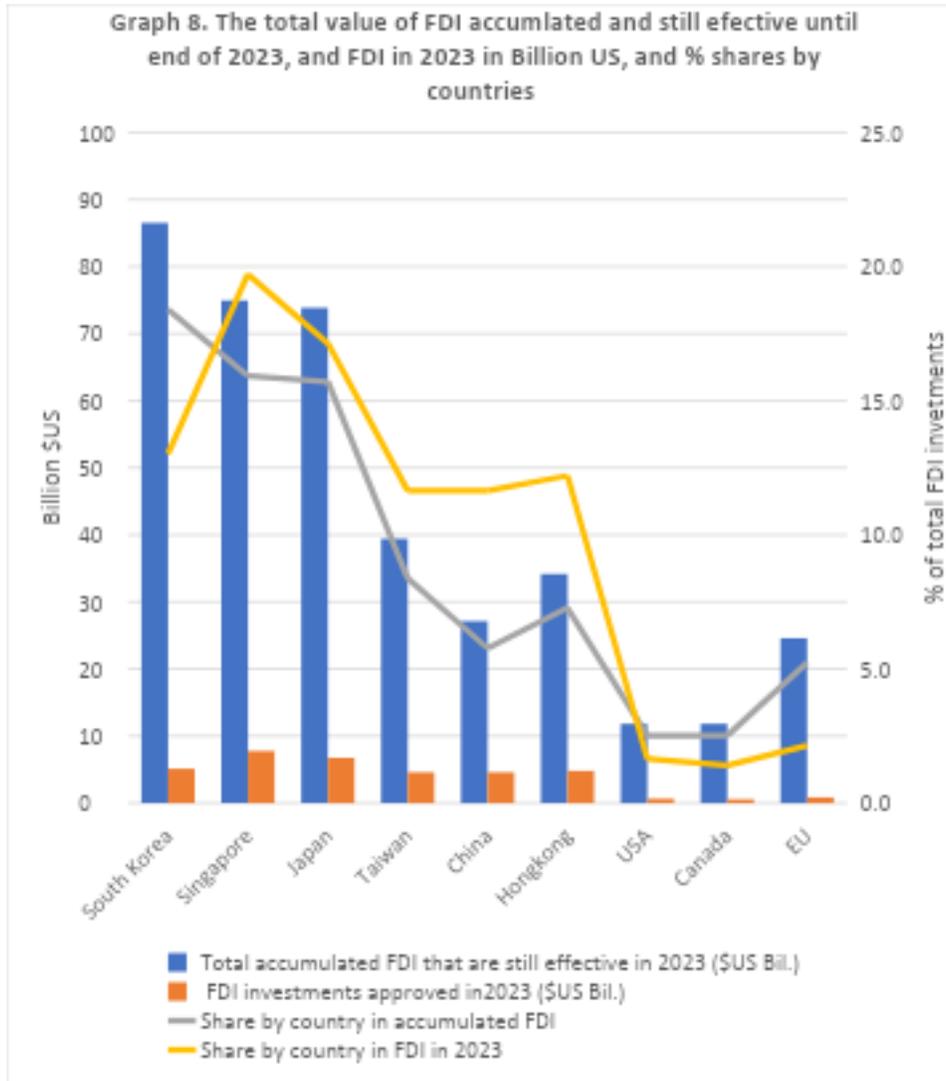


Statistics published by GSO of Vietnam seem to tell a different story on FDI, i.e., FDI aims mainly at exploiting cheap labor from Vietnam

Excluding state-owned enterprises that engage mainly in heavy industries, investment of FDI on per employee is even lower than those of other native-owned enterprises but their profit rates are the highest among different types of enterprises. Surprisingly, revenues per employees of FDI are also the lowest (see Table 5.3). This is not easy to explain except to say that the goods produced by FDI are

low-priced ones using low cost labor as termed by McKinsey.⁶ This is reflected in the lower increase of the share of assets in the 2010-2022 period (only 30%) but much higher increase in the share of labor (50%) and in the share of revenues (60%) (the percentage increases are calculated from Table 7).

What countries are investing in Vietnam? The main investors in Vietnam are: South Korea \$US 87 Bil (18.4%), Singapore \$US 75 Bil (15.9%), Japan \$US 74 Bil. If one totals Singapore, China and Hongkong, the total investment, suspectedly sourced to China, was \$US 136 Bil. making up 29% of the total and topped 43.6% of total FDI in 2023 (see Graph 8). It is likely that many products, which may be even South Korean products) are produced in China, shipped to be packaged in Vietnam for exports to the US for reducing high tariff rates that the US imposed on China goods, but this conjecture is yet to be proven. One direction of research is to collect the FDI companies from Singapore and then analyzed origins of their major equity owners.



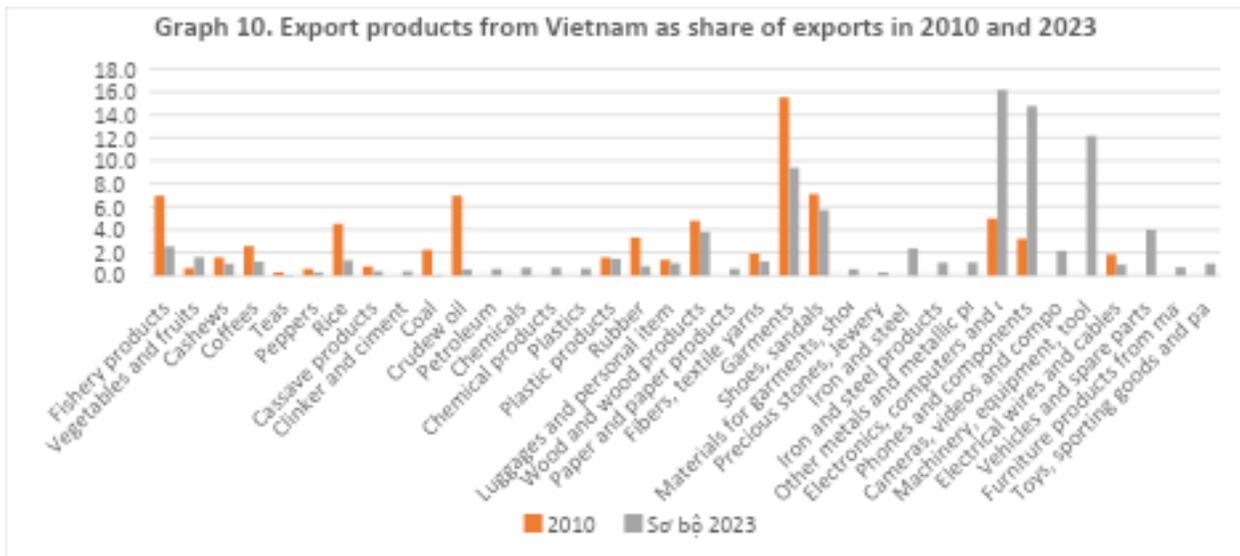
Source: General Statistical Office of Vietnam.

There are two main purposes of FDI in Vietnam:

- a) FDI aims at using cheap Vietnamese labor for processing goods to be exported, particularly to the US and European market. Graph 9 show that the two most significant grouping of exported products in terms of values: electronics, phones and components where more than 80% of contents are imported from abroad, and for garments, shoes and accessories where around 50% of contents are imported. With 80% of content imported from abroad for their production, the electronic, cell phones grouping does not show that these are really Vietnam's domestic products with technology from abroad.



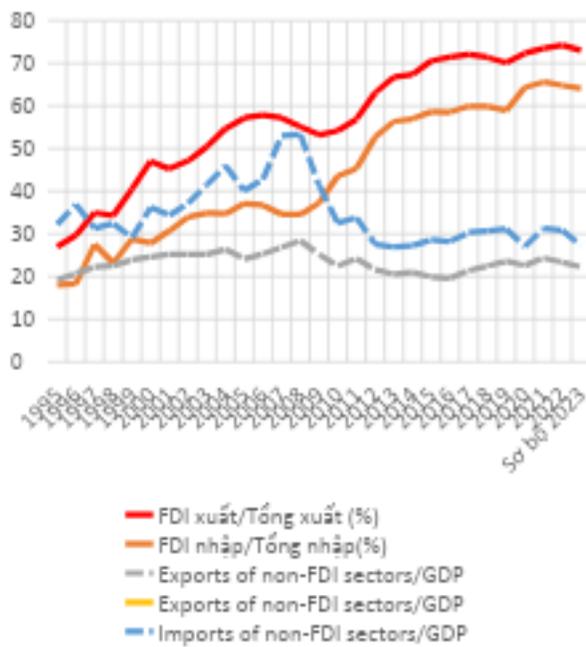
Source: calculated from data of major exported and imported products, General Statistics Office.



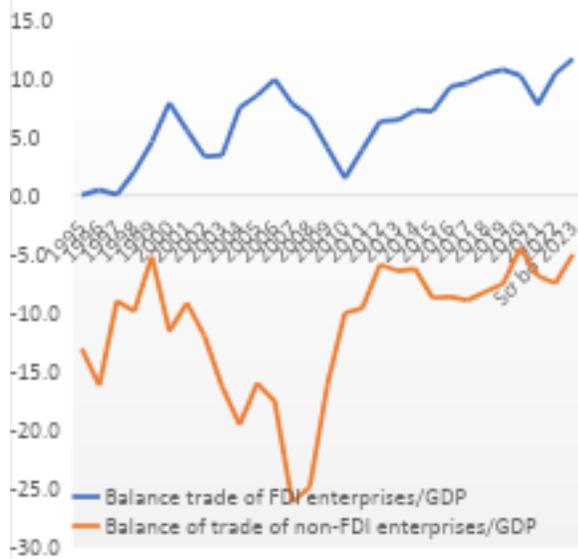
Sources: General Statistics Office of Vietnam

- b) FDI producers dominated the export and import markets of Vietnam. In 2023, 70% total exports of Vietnam are by FDI firms and while their imports made up 64% of Vietnam's total imports, according to the statistics reported by the General Statistics of Vietnam (See Graph 11). It is also interesting to observe that Vietnam has a positive balance of trade, but it is the FDI enterprises that have positive balance of trade, while non-FDI, i.e. local enterprises have negative balance of trade balance (See Graph 12).

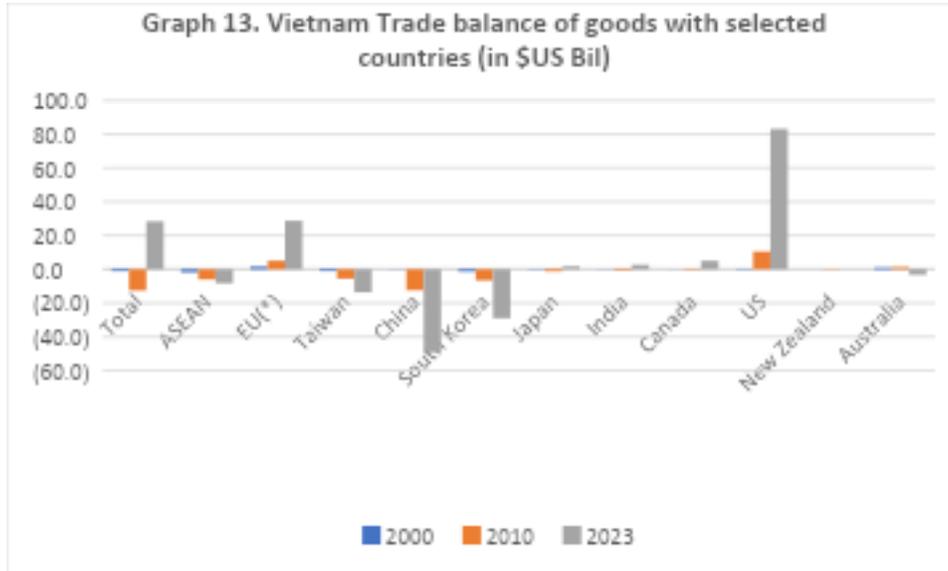
Graph 11. Shares of exports and imports of goods by FDI and non-FDI enterprises in total exports and imports of Vietnam

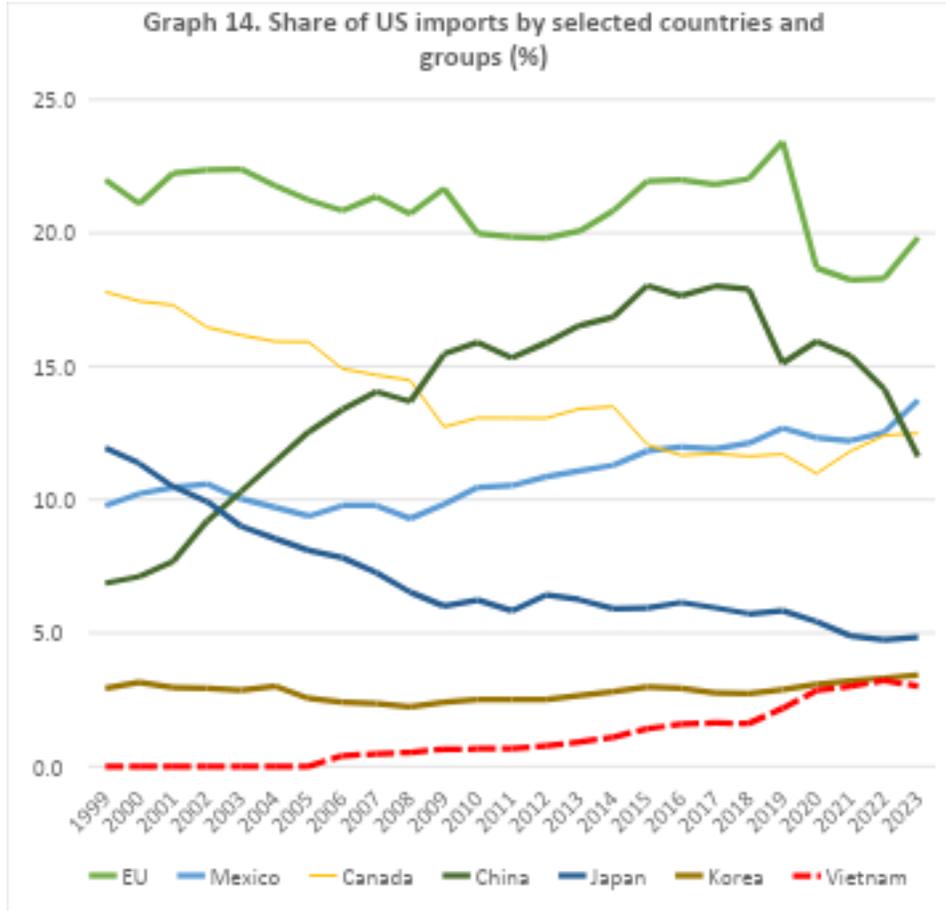


Graph 12. % of Balance of trade of goods by FDI and NonFDI enterprises



c) As shown in Graph 13, the intention of FDI producers from Taiwan, South Korea, Japan and later China and probably the extended hands of the later in Hong Kong and Singapore is quite clear: their aim is to exploit the cheap labor market in Vietnam in order to export to the US and EU market, thus creating a very intense political conflict with the United States, even though the US imports of goods and services from Vietnam made up only 3% of its imports in 2023 (graph 14).



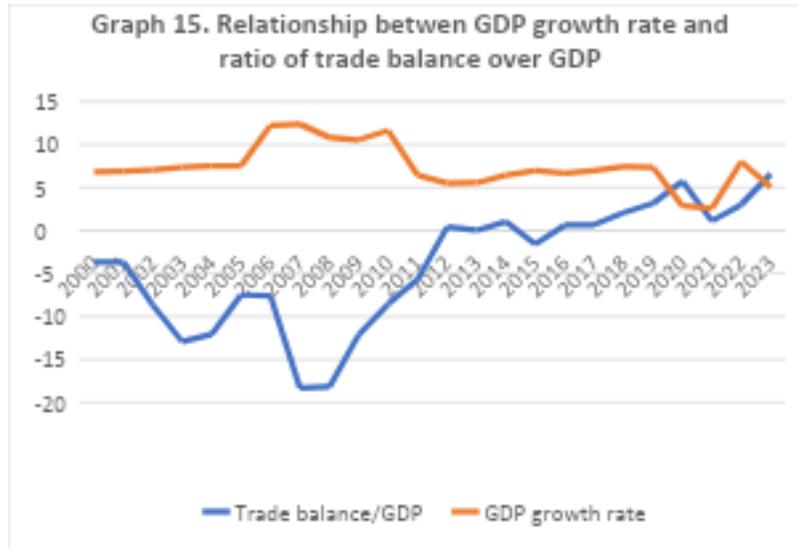


Source: US Bureau of Census

Comment on the role of international trade and economic development

In the case of Vietnam, it is worth to pose the question on whether international trade has been the main driving factor in its creating economic growth or something else, as it is interesting to see that growth rates decelerated since 2012 when Vietnam's balance of payment get positive and ratio of trade over GDP is approaching 200% (see Graph 15)?

It is well known that economic theory asserts that both trading countries will benefit when countries import products that are produced more efficiently and cheaply abroad, the question is not easy to answer in practice, because trade may lead to richness to a few but create unemployment to a large segment of a society especially when people cannot freely move from one country to another. Currently, international trade becomes a hotpot for international political alignment and of course military threat.



Source: General Statistical Office of Vietnam.

	199	200	201	202	2022 Per capita GDP (in 2022 USD)
	0	0	5	2	
Cambodia	-	112	128	123	1,787
China	24	39	39	38	12,720
India	16	27	42	50	2,389
Indonesia	53	71	42	45	4,788
Japan	19	20	35	47	33,815
Korea, Rep.	51	66	79	97	32,255
Lao PDR	36	69	86	..	2,088
Malaysia	147	220	131	147	11,972
Philippines	43	85	59	72	3,499
Thailand	76	121	125	133	6,909
Viet Nam	81	111	145	184	4,164
US	20	25	28	27	76,399
Hong Kong	226	248	389	385	48,984
Singapore	344	364	329	333	82,808
European Union	53	72	88	106	
North America	22	30	31	31	
High income	41	52	61	67	
Middle income	32	47	47	53	
Low income	..	41	46	53	

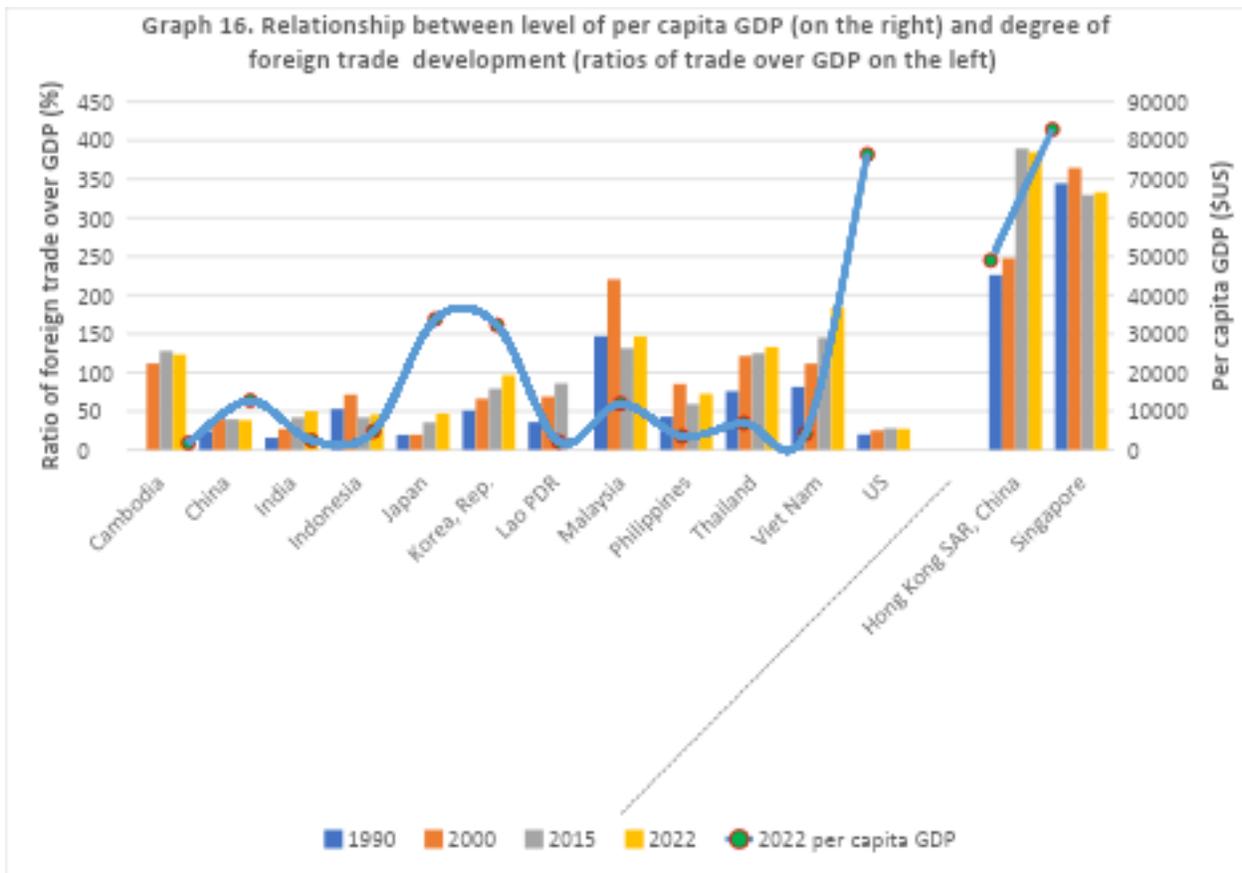
Source: calculated from data in [Basic Data Selection - amaWebClient \(un.org\)](https://data.un.org/Data.aspx?ds=Basic+Data+Selection)

Statistically, data in many countries show that high income countries like US, Japan, South Korea and even UK are not as heavily dependent on trade (see Table 9 and Graph 16). Very high income countries have relatively low ratios of foreign trade over GDP: The US has a trade ratio of only 27%, China 38%,

Japan 47%, and Korea is high at 97% only recently. In contrast, many low and middle income countries in Asia have very high ratios of foreign trade over GDP.

Hong Kong and Singapore are exceptions as they are small territories that are logistically and politically lend themselves to serve as transshipment centers and therefore their ratios of trade over GDP are as high as between 300-400%.

In fact, data on Vietnam shows that the growing positive trade balance together with the ratio of trade over GDP reaching almost 200% does not seem to improve economic growth rate. GDP growth rate of Vietnam seem decelerating since 2012 when balance of trade turned positive. Of course before that, the negative balance of trade actually stimulated extraordinary increase in GDP, that negative balance of course cannot be sustained for long due to inability to pay debts.



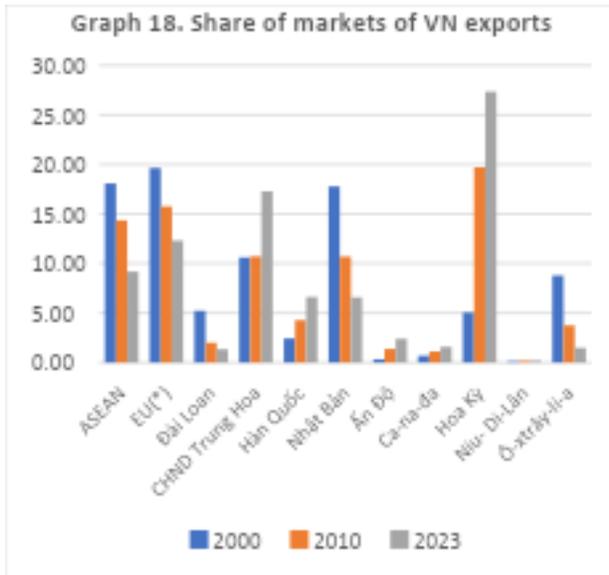
Sources: 1) % trade over GDP from World Bank:

<https://wits.worldbank.org/CountryProfile/en/country/by-country/startyear/ltst/endyear/ltst/indicator/NE-TRD-GNFS-ZS>, 2) Per capita GDP in constant USD are UNSD: <https://unstats.un.org/unsd/snaama/Basic>. The author has revised the data before 2010 for Vietnam based on the previous growth rates of GDP and population. Data from all sources are updated to 2022 USD.

The catching up of Vietnam by attracting FDI seems to be exhausted as it relies too much on foreign direct investment that allows foreign capital to exploit low wage of unskilled Vietnamese labor for producing goods for exports without its own internal technological capability that raises labor productivity.

Though there is some connection between international integration through trade and high development represented by high per capita income, in many cases, the integration is not for transfer of technology but simply for use of cheap and low quality labor. These cases may be Malaysian, Vietnam, Cambodia and Thailand that have trade over GDP ratio of over 100%, and particularly Vietnam.

It may be both a benefit and a curse for Vietnam to become the spot line for other countries to invest in so as to export to the US market that reached \$US 109.4 Bil in 2022 and less in 2023 at \$US 97 billion. Although imports from Vietnam made up only 2.5-2.8% of the total imports of the US, Vietnam has become a target for the US to threaten with high tariffs, especially when it tries to be friendly to all countries possible.



Sources: Data for Graph 17 from GSO of Vietnam. Data for Graph 18 from US Bureau for Economic Analysis, Table 1. U.S. International Trade by Selected Countries and Areas, <https://www.bea.gov/data/intl-trade-investment/international-trade-goods-and-services>

Source:

<https://www.wsj.com/economy/trade/trump-tariff-rates-china-world-trade-charts-3d6aee09?mod=djem>
10point

Tariff rate, applied, weighted mean, all products (%):

<https://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS>

What policy formulation for economic development of Vietnam should not ignore?

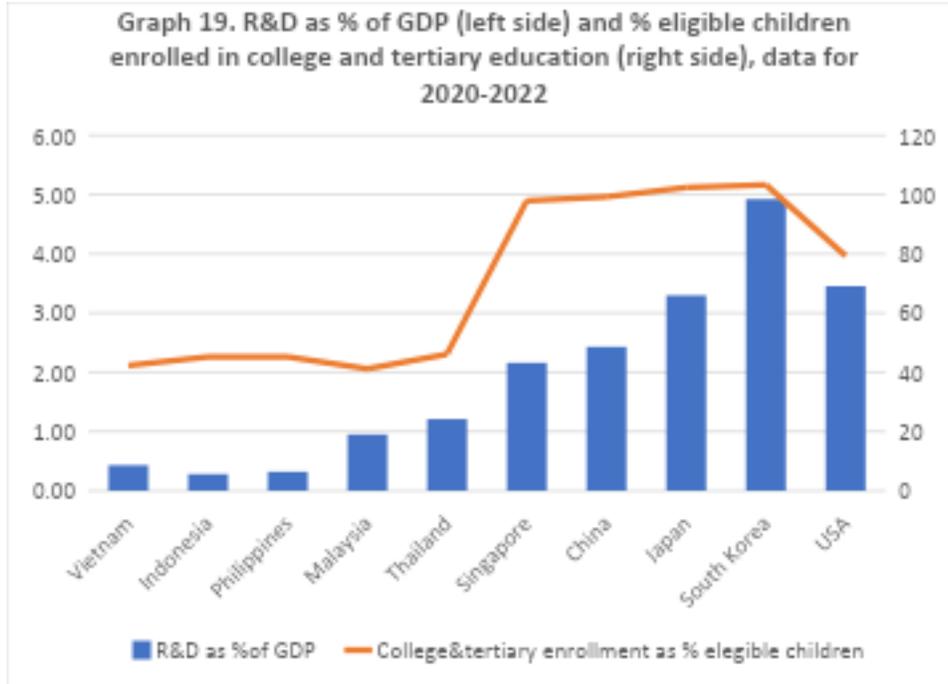
The question to be posed here is: what is the long-term strategic economic policy that Vietnam pursues? Should it focus on the development of its own technical capability and the increase in the demand of its own population of 100 million, not a small number as compared to 50 million of France's population?

It is quite clear that the development of South Korea and later China were achieved through the improvement of their educational system, particularly relating to college and other tertiary education and from their focus on research and development (R&D) that allow them to develop on its own technical capability or adapt foreign technology to its own uses.

The ratio of South Korea R&D is currently 4.9% of GDP, the highest in the world and its ratio of college and tertiary enrollment over eligible children at 103% is also the highest.⁷ It is remarkable China started after 1975 at a point almost as low as Vietnam, but it has learned quickly from other more advanced countries first with imports and then with a clearly stated intention to develop technology on its own, even written in contracts with foreign partners as in the case of building its high speed railway system. The data in the graph shows that China has spent 2.43% of GDP on R&D and 99% of eligible children are attending colleges and tertiary schools.

Vietnam on both accounts are not better than most of the Southeast countries in the bottom. The data published by Vietnam General Statistics Office showed the recent decline since 2014-15 in the ratio of college students over population (2.5% in 2014 down to 1.9% in 2020) as well as the decline in graduation (20% in 2015 down to 12.7% in 2020). Given that there is no change, Vietnam may not avoid the fate of being a center for good processing for a while until it is replaced by other centers. This fate is now threatened by possible higher tariff rates from the US, as the US assumes that China would turn Vietnam into an exit gate to the US for its products.

⁷ The rate of over 100% is due to the number of college students from adult population.



Source: Important data from various international organizations are assembled here: <https://www.theglobaleconomy.com/economies/> or Science & Engineering Indicators, US National Science Foundation: <https://nces.nsf.gov/pubs/nsb20246/figure/RD-10>

