

# Further reforms will make Việt Nam one of Asia’s leading nations

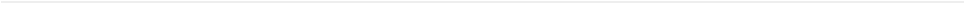
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Rainer Zitelmann, a German economic historian and sociologist who has written 29 books, including the latest one about the economic success of Việt Nam and Poland: “How Nations Escape Poverty, Vietnam, Poland, and the Origins of Prosperity” spoke with Việt Nam News reporter Mai Linh about how the country can become one of Asia’s leading nations.



Rainer Zitelmann

Viet Nam has emerged as one of the fastest-growing economies in the world. The country has also risen to become a magnet for Foreign Direct Investment in the global production shift, fuelled by stable macro-economy and improved investment environment. The economic freedom in Viet Nam has also improved greatly while global rating is in decline. Rainer Zitelmann, a German economic historian and sociologist who has written 29 books, including the latest one about the economic success of Viet Nam and Poland: *"How Nations Escape Poverty, Vietnam, Poland, and the Origins of Prosperity"* spoke with Viet Nam News reporter Mai Linh about Vietnamese economic prospects and how the country can become one of Asia's leading nations.

**With a GDP growth rate of 5.5 per cent in 2023, Vietnamese economic growth is positive on the backdrop of a global slowdown and rising uncertainty, making the country one of the fastest growing economies in the world. The outlooks are mostly rosy. What is the momentum that helps the Vietnamese economy achieve such impressive growth?**

You will be surprised, but in my opinion the most important positive factor is the mindset of the people in Viet Nam. It all started with the *Đổi Mới* (Renewal): The market economy is seen very positively in Viet Nam today.

My surveys for the book *Người giàu theo quan điểm công chúng* (*The Rich in Public Opinion*) reveal that entrepreneurs and rich people are role models for many people in Viet Nam. In Western countries today, the rich and entrepreneurs are often scapegoats for negative developments.

A country like Viet Nam, which understands the importance of the market economy and takes a positive view of entrepreneurship and wealth, is already well positioned for growth.

What's more, unlike some countries in Africa and Asia, Viet Nam sees foreign investment as an opportunity rather than a threat. This way of thinking is reflected, for example, in the fact that Viet Nam has concluded free trade agreements with more countries than any other country in the region! That is also very positive. I was recently in Nepal, there are very long lists of restrictions on foreign investment.

**What are your forecasts for the Vietnamese economy and what opportunities and challenges do you see in the future?**

I expect the Vietnamese economy to grow by 6 per cent this year and I think that in the long term, Viet Nam has the chance to remain one of the fastest-growing economies in the world.

However, this depends above all on the country's commitment to market economy reforms.

There are problems in the Vietnamese economy that need to be addressed to create room for further growth.

I would like to highlight two problems: Firstly, corruption. Of course, corruption is a widespread problem not only in Việt Nam but also in many countries globally, particularly in Africa, Russia, and Eastern Europe. While there have been some improvements in Việt Nam, the situation is still far from good.

There is only one effective way to combat corruption: reduce regulations and minimise state influence. Việt Nam must separate politics from the economy to a greater extent. Because whenever politicians and State institutions make decisions instead of allowing companies to operate independently, it creates opportunities for corruption.

The second problem is that there are still too many State-owned companies. I recommend a major new initiative to equitise State-owned companies. However, it is crucial to ensure that equitisation does not simply result in a few individuals with political connections acquiring these companies at knockdown prices.

**At the Việt Nam Business Forum where Prime Minister Phạm Minh Chính met with FDI companies on March 19, foreign investors raised concerns over the complicated and time-consuming administrative procedures and the problem related to electricity shortage. How do you evaluate the investment environment of Việt Nam and how can Việt Nam improve the efficiency of regulatory environment?**

These problems are not unique to Việt Nam. In Germany, the cost of electricity is exorbitant, which has prompted some companies to relocate elsewhere. The high cost of electricity in Germany is mainly the result of excessive government intervention in the energy market.

Việt Nam must not make the same mistake!

Lengthy administrative procedures are also a problem. Incidentally, long approval processes also often lead to corruption, as individuals seek to expedite the process through illicit means, such as bribery.

Việt Nam should strive for an ambitious goal, namely to become the Asian country with the most efficient and fastest administrative procedures within the next decade.

While this may seem like a daunting task, achieving this goal would undoubtedly result in a significant economic boom, and if word got around the world, Việt Nam would attract many more investors.

In the *2024 Index of Economic Freedom*, the Heritage Foundation notes that Việt Nam is one of the rising stars, contrary to the global trend, but also identifies weaknesses:

It wrote: “The overall rule of law is weak in Việt Nam. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average. Việt Nam’s

overall regulatory environment is relatively well institutionalised but lacks efficiency.”

The labour market remains rigid and controlled, and informal labour activity is considerable.

I think a great signal for international investors would be the establishment of a financial hub in HCM City. Việt Nam should take Dubai as an example: Dubai generates 14 per cent of its GDP on the 0.4 square miles of its International Financial Centre! A similar project in HCM City could be a major step forward on Việt Nam’s path to a free market economy.

**The Vietnamese Government has been proactively promoting foreign investments in high-tech fields with an ambition of being a global semiconductor manufacturing hub. In fact, many giant chip makers are eyeing to invest billions of dollars in Việt Nam. How can Việt Nam attract the investment influx and realise the dream and how can the country truly benefit from the investments?**

Việt Nam has a great opportunity at the moment because many western countries are worried about potential disruptions in the semiconductor supply chain in the event of a Chinese attack on Taiwan. Bear in mind that Taiwan produces over 60 per cent of the world’s semiconductors and over 90 per cent of the most advanced semiconductors. This dependency has prompted countries like the US and European nations to seek ways to diversify their risk, with Việt Nam emerging as a key player in this strategy.

Companies such as Intel, Amkor, Marvell, Samsung and Infineon have already made substantial investments in Việt Nam. However, Việt Nam’s contribution to the semiconductor supply chain remains relatively small when you consider the entire value chain. Today, Việt Nam is still primarily focused on the final stages of semiconductor production (assembly, testing and packaging), which are at the less profitable end of the value chain.

**You say that “Việt Nam has the chance to become one of Asia’s leading economic nations if the country continues on the path of market economy reforms”. Can you be more specific about the reforms that Việt Nam should focus on in the future?**

In Việt Nam, strengthening of the rule of law is paramount. What has made Việt nam so successful in recent decades? Quite simply, more market, less state. Việt Nam must continue along this path.

While I was in Hà Nội recently, I spoke with Oliver Massmann, a German lawyer who has lived in Việt Nam for several decades.

He emphasised the positive aspects: “Việt Nam has made commitments to open its market and increase legal certainty for investors in its free trade agreements and investment protection agreements.” In this regard, Việt Nam has already made significant strides and is more advanced than many other countries.

If it wants to attract even more investment, it is essential that Việt Nam continues to implement measures that further strengthen legal certainty for domestic and foreign investors. — VNS

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