

Sustainable Economic Growth in International Integration Period in Vietnam

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Abstract – In recent years, sustainable economic growth is a growing trend of most nations all over the world including Vietnam. After 30 years of innovation, Vietnamese economy has growth significantly, creating an important material prerequisite to economic development. However, this development still has many limitations and lacks of sustainable basements. Therefore, Vietnam should actively implement solutions not only for supporting economic growth but also ensuring social equality, ecological environment for sustainable development of the country in the period of accelerating international integration.

Keywords – Sustainable Economic Growth, International Integration, Vietnam Economy.

SUSTAINABLE ECONOMIC GROWTH - CRITICAL DEVELOPMENT TREND OF VIETNAM IN INTERNATIONAL INTEGRATION ENVIRONMENT

Economic growth is one of basic macroeconomic index to evaluate and reflect the economic development level in particular period. It can be defined as increase in production scale of an economy or in gross national product in a given period (a year commonly). Basically, the economic growth is the positive changes in quantity of economy. Economic growth is not a sufficient condition, but it is a necessary condition for the country to overcome poverty as well as improving the living quality of people. It is the basements for implementation of macroeconomic objectives such as: unemployment reduction or creating foundations for strengthening national security and consolidating political regime. Especially for developing economies, the economic growth is prerequisites to keep up with other developed one (Jones, 2016).

In fact, in order to reach the expected economic growth, developing countries usually have to accept the environmental pollution, natural resource exploitation, and expansion of rich-poor gap (Hanushek, 2013). These disadvantages can create an unsustainable economic and social development in the future. Therefore, most of nations are heading toward sustainable economic growth, which has significant growth rate in a certain period (20-30 years) along with environment protecting and society advancing.

In Vietnam, in the last 30 years of innovation, the economy has enjoyed continuous high economic growth, thus Vietnam has become a middle-income country. This growth is a foundation to improve the national living standard, reduce the employment rate, advance the educational and medical service, etc. However, the growth is not reach the full potential and society's requirements. The implementation of progress still did not support the social equality and environmental protection. The proportion of poor and near-poor households remains

significant which means the poverty reduction plans are unsustainable. The efficiency of natural resource usage is limited while the environment is heavily polluted. Therefore, Vietnam must inevitably improve the quality of growth; economic growth must be associated with protecting the ecological environment and social progress (Nguyen & Luong, 2012). That view was also affirmed by the Vietnamese Communist Party during the congresses, especially in the document of the 12th Congress: "Improving the quality of growth and competitiveness on the basis of raising labor productivity, applying scientific and technological advances, innovation and creativity, raise the quality of human resources, bring into full play the comparative advantages and take initiative in international integration, develop quickly and sustainably".

ECONOMIC GROWTH IN VIETNAM FROM 1986 TO 2016

From 1976 to 1985, the average annual economic growth was Vietnam is about 2% and reached 4.4% in the period 1986-1990; the index was 8.2% in 1991-1995; 7.0% in 1996-2000; 7.5% in 2001-2005; 7.0% in 2006-2010; and 5.9% in 2011-2016. It can be seen that Vietnam has relatively high economic growth compared to other nations in the region. Therefore, the scale of the economy has expanded significantly. In 2001, after 15 years of innovation process, the income per capita of Vietnam reached USD 405 per year. Moreover, the GDP of Vietnam's economy was 205 billion USD and the income per capita was USD 2,200 per year in 2016. The national productivity during 2006-2015 has continuously increased by about 3.9% per year. The Incremental Capital Output Ratio (ICOR) reduced from 6.96 in 2006-2010 to 6.5 in 2011-2015. The Total Factor Productivity (TFP) on the economic growth in 2006-2015 is about 23%. The national economic structure has shown positive shift: the contribution from agriculture decreased while the contribution from industries and services significantly escalated. In 1991, the agriculture contributed about 40.5% to the GDP but its influences were reduced to 16.32% in 2016. Meanwhile, the proportion from construction and other industries; and services increased from 23.8% to 32.72%; and 34.1% to 40.92% respectively (General Statistics Office of Vietnam, 1986-2016).

Achievements of the economic growth

The innovation progress brought the country out of economic crisis with relatively high growth rate maintained in many years and successfully made Vietnam became a middle-income country. Generally, all sectors in the economy have dramatic improvements. In which, the agriculture changed from rice monoculture with low

productivity to high-yielding agro-industries with exporting potential. The industry gradually improved its competitiveness; maintained the domestic market while expanded the export market; and attached various new and high-tech industries. The service sector has developed with large diversity and good growth rate. Therefore, the basic macroeconomic was stabilized and inflation was controlled. The economic growth pattern initially changed from width-oriented to depth-oriented. The contribution of science and technology to the economy increased and capital was used with more efficiency.

The achievements of economic growth have created important foundation for Vietnam to gradually improve the lives of the people. Basic social security is ensured; the rate of poor households is significantly reduced. Culture and social development has been strong, the implementation of social justice achieved many positive results. In addition, the management of natural resources, environmental protection and response to climate changes is also strengthened. In general, the economic growth has been attached with protecting social equality and natural environment.

Limitations of the Economic Growth

Although the economic growth in Vietnam is considered as very impressive, it is not fulfilling the potential of the country. The government is still concerning that this growth is not enough for catching up with other nations in the world and region. Meanwhile the growth quality is not sustainable because of low productivity and low applied technologies in many industries. Moreover, the growth is heavily relied on investment equity; natural resources and low-price human resource.

In the growing process, social and environmental issues are rising. The risk of high re-poverty and the gap between rich and poor between regions, the population is still large. Social evils are complex. In society there are many bad manifestations of morality and lifestyle. The basic investigation activities, planning and use of resources are still inadequate. Environmental protection is still very limited.

These constraints have many causes, but one of the fundamental causes is that the economic growth model has not utilized the contribution of TFP factors. The contribution of capital and labor is three times higher than that of TFP. Furthermore, the level of technology being applied in Vietnam is lower than that of other countries in the region, leading to low labor productivity. The efficiency of using our country's investment capital in the early period of renovation is quite high, but tends to reduce efficiency in recent years. The cause is due to investment spreading, lacking of focus; The situation of waste in the use of State capital still occurs significantly; public administration renovation work has been strengthened but still has many shortcomings.

Vietnamese labor forces still have many disadvantages. Although the labor force is large in number, but mainly in general labor, the percentage of trained workers is still low. Thus, Vietnam's economic growth is based on factors of low quality production that have affected the quality of growth. In addition, during the process of growth, Vietnam

has not seriously considered the sustainability of the economy, so there is no coherent and reasonable link between economic growth; social progress and equality; and ecological environment protection.

MEASURES TO PROMOTE SUSTAINABLE ECONOMIC GROWTH IN VIETNAM IN THE PERIOD OF ACCELERATING INTERNATIONAL INTEGRATION

Requirements for economic growth in Vietnam in the period of accelerating international integration

Globalization and international integration are prominent trend of the contemporary world. In line with that trend, from 1986 to now, Vietnam has stepped up international integration with the motto "diversification, multilateral external relations." At the moment, Vietnam is entering a period of deep and comprehensive international integration in all fields. Vietnam has diplomatic relations with more than 170 countries, with economic, trade and investment relations with more than 220 countries and territories. Vietnam's accession to the World Trade Organization (WTO) in 2007 upgraded the integration of the country from regional level (ASEAN in 1995) and inter-regional (ASEM in 1996, APEC in 1998) to global level.

Extensive international integration on many levels has brought many opportunities for Vietnam to access modern technologies and advanced management experiences, as well as creating a premise for the transformation of the model which is mainly based on capital investment and the exploitation of natural resources to the growth model based on improving the efficiency of production factors (in which scientific and technical progress plays a key role) (Herr, Schweishelm, & Vu, 2016). International integration also creates opportunities for Vietnam to add value and advancement of the world's culture and civilization to enrich the national culture; to promote social progress. Moreover, it also opens the possibility of coordinating international resource to solve the problems of common concerns of the regions and the world, including environmental issues.

However, not only bring opportunities, international integration also forces countries, including Vietnam, to face many challenges, especially increased competition which could cause significant difficulties for domestic enterprises. International integration has also increased the dependence of the national economy on the offshore market (Herr, Schweishelm, & Vu, 2016). This makes the economy vulnerable to fluctuations in the international market, which in turn directly affects economic growth. On the other hand, international integration does not distribute benefits and risks fairly to different groups of people in society, thereby increasing the gap between rich and poor. During international integration progress, developing countries, including Viet Nam, tend to focus on resource intensive industries with low added value. As a result, these industries could place the nation facing industrial waste, depleted natural resources and degraded environment. Therefore, the new context of international integration poses many requi-

rements for economic growth in Vietnam.

Vietnam should fully exploit the benefits of international integration to achieve economic growth objectives. Integration brings opportunities to exploit external resources such as capital resources, high quality workforce, modern technology and management experience. In addition, economic growth must be sustainable. Besides taking advantage of opportunities from international integration, Vietnam should avoid the disadvantages to ensure the quality of growth. Growth should not be made at all costs and should be tied to environmental protection, reasonable exploitation and efficient use of resources. Economic growth should be linked to the enhancement of national culture and social justice.

Measures to promote sustainable economic growth in Vietnam in the current period

a) Improving the quality of economic growth

The economic restructuring associated with the reform of the growth model

Restructuring the economy and reforming the growth model play an important role in economic growth. When the economic structure is adjusted properly, along with the appropriate growth model, not only the gross output of the economy increases but the growth rate is also significantly improved (Greiner, 2000).

In the upcoming period, in order to restructure the economy, Vietnam needs to focus on important areas, including:

- Completing the restructuring of the following three focus areas

Investment restructuring, with focus on public investment; Restructuring state-owned enterprises with focus on state-owned groups and corporations; Restructuring the financial market with focus on commercial banking system.

- Restructuring the State budget; ensuring the safety of public debt and national finance.

- Modernizing the planning process for economic sectors in the direction of increasing productivity and quality associated with enhancing international economic integration; restructuring agriculture towards increasing value added in association with rural economic development; reviewing and inventing industrial development strategies; selecting a number of areas has special advantages for building special economic zones; promoting the development of services; prioritizing industries with high levels of knowledge, technology and value added.

b) Increasing the productivity

Labor productivity is a key factor deciding the quality of economic growth (OpenStax College, 2014). Although Vietnam's labor productivity has improved significantly and gradually over the years, it is still low compared to other countries in the region. By 2015, Vietnam's labor productivity at the current exchange rate is USD 3,660 per person. This statistic is 4.4% for Singapore, 17.4% for Malaysia, 35.2% for Thailand, 48.5% for the Philippines and 48.8% for Indonesia. Labor productivity in Vietnam is only 61% of average productivity of ASEAN countries and only higher than Myanmar and Cambodia. Thus, Vietnam

is one of the three countries with the lowest labor productivity in ASEAN.

The main cause of the situation is due to: the economic structure is still changing slowly, a large proportion of labor occupied in agriculture while agricultural labor productivity is still low. Machinery, equipment and production processes are outdated; Quality and efficiency are low. The capabilities on organizing, managing and using resources of the economy are still inadequate. Therefore, in the upcoming time, Vietnam could focus on the following key points to improve labor productivity:

- Economic restructuring to higher productivity industries

Labor productivity in a country depends on the level of labor efficiency combined with other factors of production, such as the amount and quality of using machinery and technology. Thus, if Vietnam has a high proportion of labor in the agricultural sector, overall labor productivity will be lower because the labor productivity of the agricultural sector is much lower than that of other industries and services (McCaig & Pavcnik, 2013). During the process of restructuring the economy associated with innovation model growth, Vietnam needs to actively shift its economic structure from agriculture and low-level services to industries that have high scientific and technological contents plus participating in global production networks and chains (mechanical engineering, electronics, informatics, chemicals, building materials...); and high value added services such as telecommunications or tourism.

- Applying advanced technology to producing process

Advanced science and technology play an important role in improving labor productivity and product quality (OECD, 2000). In order to enhance the application of scientific and technological advances to production, Vietnam needs a new administrative mechanism to encourage and create incentives for enterprises to study, develop and apply new technologies. The government also should provide additional support to import advanced technology for domestic enterprises. In addition, Vietnam should continue to promote international cooperation in the field of science and technology. Through this way, more and more advanced technology could gradually increase its participation in the economy.

- Improving the quality of human resources

One of the main causes of low labor productivity in Vietnam is the limited skills of workers plus a significant proportion untrained labor force and lack of soft skills. In fact, the training does not meet the demand of the labor market in both quality and quantity. While many college graduates are unable to find a job due to the labor market's lack of demand, many businesses find it difficult to recruit technicians and trained workers in the right field. Many enterprises have to fully re-train their employees after recruitment. There is a fact that most of Vietnam's current trained workers are usually lacking the capabilities of foreign languages as well as practical skills (McKinsey Global Institute, 2012). Hence, improving the quality of human resources might play a critical role in increasing national labor productivity.

In the coming time, Vietnam needs to synchronously implement mechanisms and policies for human resource development, especially high quality human resources. It is necessary to fundamentally reform, comprehensively education and training system. Improving the quality of training, especially at vocational colleges is very necessary. The training schools in technical sector should enhance and improve their training programs to suit the recruitment demand of the labor market. Additionally, there should be a administrative mechanism which links the training of human resources with the use of human resources within domestic enterprises.

c) Attracting foreign investment

In the era of globalization and international integration, foreign investment plays a very important role in the economic development of countries, especially in developing countries, including Vietnam. While the domestic resources required for economic growth are very limited (low capital, backward technology, and poor management), the attraction and promotion of foreign investment resources is very necessary. By attracting foreign investment, Vietnam might have a chance to mobilize large capital, absorb modern technology and learn advanced management experiences to increase the efficiency of the economy as well as improving the growth quality.

In order to promote the efficiency of foreign investment resources for sustainable growth, attracting foreign investment should focus on quality and efficiency of the investment. Vietnam needs to select investors from modern industries with advanced technology. Moreover, it is necessary to concentrate investment capital on the sectors with competitive advantages and key industries. In addition, priority should be given to projects using clean technology, low energy and natural resources consumption, and environmentally friendly. In addition, Vietnam needs to step by step restrict and terminate projects that are potential to pollute the environment. Finally, the Government should encourage FDI enterprises to set up R & D facilities in Vietnam in order to improve the competitive advantage of the country in the region. Strengthen the connectivity of Vietnamese enterprises to the supply chains of these FDI enterprises.

d) Harmonizing economic growth with social equality

In order to harmonize economic growth with social justice, Vietnam should continue to accelerate industrialization and modernization of agriculture; shift labor structure towards reducing the proportion of agricultural labors plus increasing the percentage of labors in the industries and services. As the majority of the poor live in rural areas, the state needs to strongly support the development of employment and production in these areas. Prioritizing economic development in rural areas is the first step to eradicate poverty as well as reduce the gap between rich and poor in society. The State also needs to mobilize resources for poverty reduction; promote sustainable poverty reduction; facilitate and encourage poor households to strive to escape poverty. In addition, private enterprises should be encouraged to participate in poverty reduction (through investments or volunteer works).

The government also needs to reform the wage policy, based on market principles, based on labor productivity. In addition, basic social services such as education, health care, housing, clean water, information and social security should be enhanced.

e) Harmonizing economic growth with environment protection

In order to ensure sustainable development, Vietnam needs to harmonize economic growth with environmental protection to meet the needs of the current generation without utilizing the resources in future generations. In order to link economic growth with environmental protection as well as respond to climate changes, the government should focus on three following points:

- Promoting propaganda activities to change the awareness, sense and responsibility of economic subjects on sustainable growth and development; stop prioritizing economic growth at all costs and regardless of environmental pollution.

- Strengthening the State's management; improving the legal system, mechanisms and policies on response to climate changes; closely associating environmental protection with the national socio-economic development plans; developing strategies, scientific planning for the exploitation and usage of natural resources.

- Applying economic measures in environmental management, imposing high taxes on economic activities which have the risk of environmental pollution is the most effective way to protect the environment.

Green growth is a new approach to economic growth. The United Nations Environment Program (UNEP) defined green growth as promoting economic development through sustainable consumption and production patterns, to ensure that natural capital continues to be capable of providing resources and services that lives of humanity depend on. The World Bank (WB) suggested that green growth is an efficient, environmentally friendly use of resources (The World Bank, 2012). Thus, it can be seen that green growth is likely to be restored to protecting the natural ecology and mitigating the effects of climate change.

Following the international trend, Vietnam also has to follow the path of green growth. Green growth must be the basis for attracting and encouraging investments from both domestic and foreign enterprises. The attraction of capital should be associated with the conditions that ensure "green technology", environmentally friendly technology with less fuel consumption. In addition, it is necessary to have preferential policies, encourage enterprises to invest in environmentally friendly economic activities which use clean energy and efficient wastes treatments.

It is necessary to review the structure of industries as well as the consumption structure of the economy. Through this way, Vietnam might step by step change the traditional production processes, especially in agriculture, and implement new clean and organic models. Moreover, the nation needs to narrow industries that use a lot of natural resources and promote the habit of "green" consumption; resolutely limit and proceed to not use products and services polluting the environment.

CONCLUSION

Economic growth is a core economic component of economic development. However, in order to ensure sustainable development, the process of economic growth must be closely linked to the protection of the ecological environment and social equality. After 30 years of renovation, Vietnam's economy has grown significantly; however, this process is still limited. Therefore, in the upcoming time, Vietnam needs to actively implement solutions that improve economic growth in both quantity and quality, while harmonize it with social equality and environmental protection.

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