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A STUDY ON VIETNAM'S ECONOMIC DEVELOPMENT MODEL (1986-2021)*

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Abstract

Vietnam, officially the Socialist Republic of Vietnam, is a country at the eastern edge of mainland Southeast Asia, with an area of 331,212 square kilometers (127,882 sq mi) and a population of over 100 million, making it the world's fifteenth most populous country. Vietnam shares land borders with China to the north, and Laos and Cambodia to the west. It shares maritime borders with Thailand through the Gulf of Thailand, and the Philippines, Indonesia, and Malaysia through the South China Sea. Vietnam is considered wise based on its strategic location, natural resources, and sea outlet. And then, Vietnam built good relations even with the enemy countries, the US and China for the country's development. Vietnam has been a development success story. Economic reforms since the launch of Doi Moi in 1986, coupled with beneficial global trends, have helped propel Vietnam from being one of the world's poorest nations to a middle-income economy in one generation. Between 2002 and 2021, GDP per capita increased 3.6 times, reaching almost US$3,700. Poverty rates declined from 14 in 2010 to 3.8 percent in 2020. This paper aims to analyze the Vietnam government's actions to develop Vietnam and the progress of Vietnam. The qualitative research method is mainly used in this research and applies secondary and tertiary sources. This paper tries to examine what development strategies have helped Vietnam to gain remarkable achievements and to what extent Vietnam's economic sectors have been developed. Finally, the research also considers that the role of the government in a country is very important to be able to success. If the government works to improve the country's economic strength, the country is peaceful and stable and people are satisfied, even though it is a one-party system.

Keywords: Doi Moi, middle-income economy, one-party system.

Introduction

After North Vietnam controlled South Vietnam in April 1975, leading to the abrupt fall of the government of South Vietnam. The nation was officially reunified in January 1976, and in July of the same year, the Socialist Republic of Vietnam was established. The reunification of the North with the South brought together two very different economic systems. The North practiced a state socialist centralized economic system, whereas the South practiced its decentralized market economic system. The communist government attempted to impose the northern model on the South, the so-called "transition to socialism", collectivization of agriculture, nationalization of industries, state monopoly over trade, etc., etc. As early as 1977, it was becoming clear that such a strategy was not working. Since then, Vietnam started the Doi Moi (Renovation) reform process in 1986, to transform the economy from a socialist model into a market-oriented one. Institutional changes aiming to improve the microeconomic foundations of Vietnam's burgeoning market economy and macroeconomic stabilization have been among the key focal points of the Government. Vietnam also adopted an "open-door policy", pursuing proactive integration into both the regional and global economies. This paper tries to explain the key policy changes and institutional reforms to achieve the economic development of Vietnam,

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and examine to what extend Vietnamese government's measures particularly Doi Moi reform contributed to the development of Vietnamese economy.

Literature Review

The economic development of Vietnam following Doi Moi has been written about by various scholars. In the paper "Doi Moi Policy and Socio-Development in Vietnam, 1986-2005," written by Tran Nhuan Kien and Yoon Heo, the authors describe the review and evaluation of the structure and performance of the Doi Moi policy. Vietnam has attained significant achievements in the areas of economic growth, openness to trade, poverty reduction, and human development. It also stated that weaknesses and challenges to the economy are emerging

The paper "Vietnam as a Role Model for Development" expressed by John Thoburn analyzed Vietnam's development performance since the early 1990s has been one of the strongest in the world, following the introduction of its Doi Moi (renovation) economic reform programme in 1986. The core of Vietnam's economic strategy has been rapid integration into the world economy, with a diversified portfolio of exports and the attraction of direct foreign investment. This open approach has been combined with successful domestic agricultural growth and a strong, continued role for state-owned enterprises while encouraging growth of the private sector.

KAI M. SCHELLHORN expressed in his article "Political and Economic Reforms in Vietnam", reforms adopted by communist states, intended to ensure the survival of their regimes, have had a mixed record over the past few years. For Vietnam, the lessons of the fall of the communist regimes in the former Soviet Union and the Eastern European bloc have led it to cautiously adopt an admixture of economic and political reforms that are now beginning to have a salutary impact on Vietnamese society. This article analyzed the various reforms adopted by the Hanoi government over a decade-long period, sets out their societal consequences, and details some of the competing pressures on the Communist Party of Vietnam. This article provided economic and political sectors of Vietnam. Unlike these papers, this paper efforts to express the Vietnam government's actions, study on Vietnam's economic development model, and lessons learnt for Myanmar.

Research Questions and Argument

The main objective of the study is to examine a study on Vietnam's economic development model (1986-2021). In doing so, the study tried to answer the following questions:

- How have the development strategies helped Vietnam to gain remarkable achievements?
- What are the characteristics of transformation? And to what extent were these economic sectors developed?

The paper argues that Vietnam closed the door as a communist country, but after 1986 Doi Moi, Vietnam practiced an open-door policy and made reforms in the economic sectors. The Vietnamese government made a lot of policies and strategies to improve equally in all economic sectors. This paper clarifies that to which these sectors were developed.

Research Methodology

The qualitative research method and case study design are mainly used in this research. Literature reviews on secondary sources and tertiary sources are done. Moreover, other reliable sources from the official websites, documents, and books are also used. The historical studies are also used to study the development model of Vietnam since 1986. Examining and interpreting the collected sources and data, the research on how the development strategies have helped Vietnam to gain noticed achievements has been described and explored.

Conceptual Framework

The Vietnam Communist Party's ideologies are a mix of three types: Marxism-Leninism and Nationalism, and Ho Chi Minh's ideology. Good government is a cornerstone of socio-economic stability and strength. Vietnam is inevitably affected and influenced by Nationalism. Vietnam needs to arouse national consciousness and genuine nationalism, focusing on patriotism and national pride to create a great motivation to protect the country and develop a prosperous and happy nation. Marxism–Leninism was introduced to Vietnam in the 1920s and 1930s. Marxism-Leninism has represented the intellectual and theoretical foundation for Vietnam's tremendous historical achievements during the Doi Moi (renewal) period. Vietnam, a Socialist country, instituted this program of comprehensive economic and social reforms oriented toward developing a market economy in 1986. Under Doi Moi, the Vietnamese state is attempting to create a market economy while retaining the one-party rule of the Vietnamese Communist Party. In the process, the state is focusing on development as a major theme and as justification for its continued legitimacy. During this huge social project, very few, very small private non-governmental organizations (VNGOs) focusing on various aspects of development are beginning to form. The Communist Party of Vietnam espouses Marxism-Leninism and Ho Chí Minh's ideas, the ideologies of the late Ho Chí Minh. The two ideologies serve as guidance for the activities of the party and state. According to the Constitution, Vietnam is in a period of transition to socialism. And Vietnamese culture has been led under the banners of patriotism and Marxism–Leninism.

Marxism–Leninism involves the creation of a one-party state led by a communist party, as a means to develop socialism and then communism. The communist party is the supreme political institution of the state. Marxism–Leninism asserts that the people's interests are fully represented through the communist party and other state institutions. Marxism–Leninism aims to create an international communist society. Vietnam is a one-party state but practices open-door policy and maintains relations with big powers as one of Vietnam's core development strategies.

Findings and Discussions

Historical Overview

Vietnam, a strip of land shaped like the letter "S", lies on the eastern part of the Indochinese peninsula. In 1973, the United States withdrew from Vietnam and signed a cease-fire agreement. After the US ended the country's Vietnam War, North Vietnam overtook South Vietnam and joined the country under Northern Vietnam's communist leadership. Since widespread reforms in 1986, Vietnam has embraced economic liberalization and privatized business, and the government has worked to protect human rights. During the Sixth Congress of the VCP near the end of 1986, the general principles of the Doi Moi reform were outlined. Most of the important principles concerned economic reforms, even though there were some signs of political reforms. The basis of Doi Moi was not to change the political system. The point of the reform was to fix the mistakes of previous leaders who chose to follow the Soviet economic model, not to reform the country into a democratic government. But to adjust to economic reforms, Vietnam also made political and social reforms. This paper only focuses on economic reforms.

Economic Reform under Doi Moi or Renovation

The "socialist transformation" program in the South, along with the impulse of the so-called "socialist relation of production" in the whole country, had economically failed, especially in agriculture. Since Vietnam was typically an agricultural country, the fall in agricultural output directly affected the living standard. Burdens of the wars with Cambodia and with China became extremely heavy for the exhausted economy. Ten years into the new era, Vietnam had gone through extreme difficulties and a severe economic crisis. In 1986, the hyperinflation peaked at over 700%, with an annual economic growth rate of 3%, and the country ran a current account deficit. Moreover, the economic slump had been aggravated by the Vietnam Communist Party's failure to adopt an appropriate foreign policy and efficiently command the economy.

Vietnam was ranked among the countries with the poorest standards of living in the world. From the outset, Vietnam's Doi Moi policy followed the movement of social and economic relaxation among the socialist countries led by the Soviet Union's reform in the mid to late 1980s. The main objective of this reform was to revitalize the economy under government control. This characteristic was conceptualized as a mixed economy in a transitional period in the initial stage of a socialist evolution. In 1986, Vietnam initiated the Doi Moi policy and commenced the social and economic reform to revitalize the stagnant economy, and Doi Moi aimed to establish a "socialist-oriented market economy". Doi Moi was the first step in the still ongoing transitional period of Vietnamese socialism, termed the socialist-oriented market economy. Initial efforts of Doi Moi focused on the decollectivization of the agricultural sector, price liberalization, and diversification of ownership rights. The concept of a multi-sector economy was introduced, comprising the state sector, collective sector, small-scale individual business sector, private capitalist sector, and state-capitalist sector. The government had abandoned its system of economic command and control, but did not adopt a replacement. The budget deficit swelled to 10 percent of the gross domestic product. Savings were negative, and the value of exports was less than half of the import bill for 1988. Inflation remained at its peak of three digits, and macroeconomic policies were out of control. It was not until late 1988 that the Vietnamese government made a turnaround into the array of market-oriented transformation, and implemented a series of accelerated reform measures. Official price controls were abolished for almost all goods and services in the economy, and consumer goods sold through state outlets were priced at the free market level. The Dong was devalued drastically to bring the official rate in line with the prevailing market rate. State-owned enterprises were granted more autonomy, and official state allocations and planning targets were abandoned.

One radical change introduced by Doi Moi was the opening of the economy to foreign investment. Due to this feature, Doi Moi is well known as the "open door policy." The Vietnamese government hoped foreign investment would aid the ailing economy and improve its economic environment. The Law on Foreign Investment (LFI) was enacted on December 29, 1987, and was recognized as one of the most liberal foreign investment laws among developing countries. The LFI was the first economic legislation ever enacted by the Vietnamese Congress. The LFI has played an important role in developing and reforming the Vietnamese legal system for a market economy. Foreign direct investment was to be attracted by this new law. The LFI expressly guarantees that the invested capital and assets of foreign investors will not be requisitioned or expropriated, and that an enterprise with foreign invested capital will not be nationalized. Direct foreign investment may be made through one of the following forms under the LFI: (i) Joint Venture Company, (ii) Wholly Foreign Owned Company, and (iii) Business Cooperation Contract.

Build-Operate Transfer Company is often referred to as another investment form, although it essentially falls into the former category. Foreign investment projects are only authorized to commence business upon the issuance of the investment license. The encouragement of foreign investment reflects both Vietnam's political preference and strategy. The domestic private sector was ideologically disfavored and had been constrained for several years. The Vietnamese government looked to foreign capital as a proper means to revitalize the ailing economy. In addition, by jointly participating in foreign investment projects through state-owned enterprises, the Vietnamese government hoped to supervise this economic activity. State capitalism was a preferred concept and way of doing business. Therefore, in the initial stage, the LFI required businesses in most areas to be set up in the form of a joint venture in which state-owned enterprises held at least 30 percent of the contributed capital. The joint venture company's board of management was to make the most important business decisions on a unanimous basis. This decision-making mechanism gives minority shareholders, normally Vietnamese state-owned enterprises, a veto right. Many joint venture companies needed to convert into wholly foreign-owned companies under government approval at a later stage.

Along with the policy on foreign investment encouragement, Vietnam's recognition of a multi-sector economy legitimizes private businesses and farming households. This recognition initially brought about significant progress in agriculture. The collectives were decentralized, which left farming households responsible for production. Farming households were allocated land and given the right to dispose of their crops, thus allowing farmers to benefit from their productivity. This led to increased agricultural production, and the country was able to meet its requirement of food requirements for the first time, particularly concerning imported rice. Self-financed business households were emerging in various production and service areas, signaling the increase in business activities. The Law on Companies and the Law on Private Enterprises, enacted on December 21, 1990, allowed private investors to start up and run their business as a limited liability company, shareholding company, or "private enterprise". The limited liability company is essentially a privately held corporation, while the shareholding company is based on the structure of a public corporation. Nevertheless, private investors showed their reluctance to invest, especially in production, because of a lack of a guaranteed business environment and a lack of confidence in the stability of state policies. As a result, the government did not promote private businesses. During this period, one rarely saw any government policies, administrative or economic, that supported private businesses. Consequently, this primitive market and cumbersome bureaucracy paralyzed private businesses. This gave rise to the most difficult and continuous reform, the reform of the state economic sector.

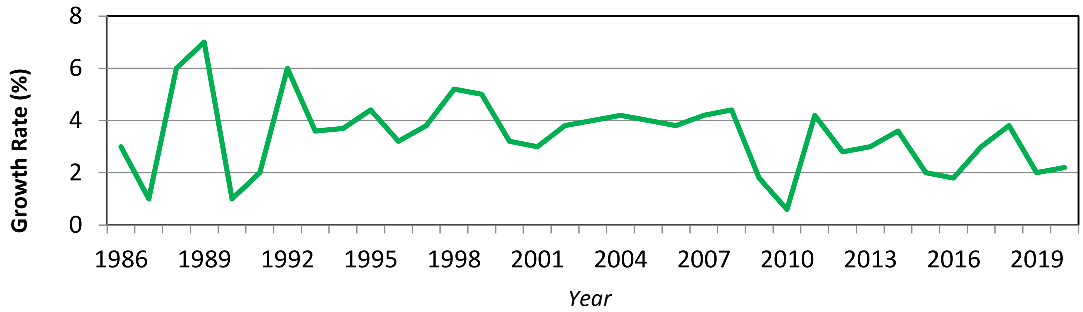
The state-owned enterprises sector is one of the pillars of Vietnam's economy. A large number of state-owned enterprises (SOEs) had been set up without considering efficiency. SOEs had strong social and political motivations to function as job generators under the government's umbrella. In the transitional period, the Vietnamese government planned to allow SOEs to operate autonomously, where they would be largely subject to market forces. In 1987, the Vietnamese government stopped subsidizing SOEs for the most part. As a result, the top-down state plans and targets were reduced substantially. Rather than providing direct funds, the government funded SOEs through bank loans, and in return, SOEs must repay these loans with interest. The SOEs' management was authorized to direct day-to-day business activities, with the sponsoring ministries' power being limited to state management over SOEs. That was the first step aimed at separating the ownership rights and the management rights of SOEs. Many people compared the autonomy of the SOEs with the self-management rights of farming households. The government's decision breathed a new spirit into the operation of SOEs, and SOEs began to produce most of the national output. Specifically, SOEs played a significant role in encouraging foreign investment, notwithstanding the absence of a strong private sector. In practice, however, SOEs have never gone beyond state interventions or been able to overcome their bureaucratic style of management. Thus, SOEs continue to be at the forefront of Vietnam's economic reforms.

The energy sector plays a key role in promoting the country's socio-economic development. Vietnam has large reserves of primary energy resources, such as coal, oil, natural gas, and water for hydropower generation. It also has a high potential for renewable energy resources, such as biomass, solar, and wind. In 2012, the total national primary energy supply was around 58.0 million tons of oil equivalent (Mtoe), of which noncommercial energy accounted for 14.0 Mtoe. The share of total national primary energy by fuel type was coal (26%), crude oil and petroleum products (27%), gas (14%), hydropower generation (8%), and noncommercial energy (25%). Vietnam national energy development strategy 2020, approved in 2007, with an outlook to 2050, has the following objectives: ensure national energy security; supply sufficiently high-quality energy for socioeconomic development; exploit and manage domestic primary energy resources efficiently; diversify energy investments and business models; establish and develop a competitive energy market; promote new and renewable energy sources; and develop energy resources effectively and sustainably with consideration for environmental protection.

Agricultural reform was regarded as a key constituent due to problems with inconsistent and unpredictable yields. Doi Moi in the agricultural sector has three main components: (i) Farmers were given land use rights on a longer-term basis. In addition, they were also allowed to own other means of agricultural production. (ii) Farmer households became self-supporting economic units. Farmers were responsible for their production activities, from the cultivation to the sale of their products. (iii) The cooperatives served only as service providers and received fees from farmers who purchased those services. Not until 1988 were major policy changes in agriculture introduced. In April 1988, the Politburo promulgated Resolution 10 on reforming the agricultural economy. This Resolution was a radical extension of the earlier policy (Resolution 100) in 1981. It allowed farming households to have long-term (15 years) contracts on land and permitted them to decide their farming activities. This policy resulted in the de-collectivization process, in which the state cooperatives shrank in size and number while farming households became the dominant force in agriculture. In November 1988, the Government announced that, except for tax obligations on agricultural output, farming households were free to sell their products in the market to private traders and state companies. Private traders were guaranteed equal treatment as state trading companies. The Government also dropped its food grain subsidy to government employees, thus dropping the two-tier price system and enabling liberalization in the agricultural output market. In addition, the agricultural input market was finally liberalized by December 1988, when private traders were allowed to sell machinery, fertilizers, and other input supplies to farmers. During the 1990s, there was one major policy reform in agriculture: The Land Law. Since 2000, Vietnam's agriculture has entered a new phase of shifting from extensive to intensive production, aiming at higher productivity and quality. This is also a new period of Vietnam's international economic integration. In addition to the agricultural restructuring scheme, there are several policies and plans to accelerate the reforms of the agricultural sector, such as the agricultural restructuring plan for the period 2017-2020.

The Vietnam Forestry Development Strategy (VFDS) is one of the country's most important plans for the forestry sector. Vietnam's first forestry development strategy, introduced in 2006, aimed to transform the forestry sector, moving it away from a traditional approach that valued forests only for direct benefits like timber, towards a recognition of wide-ranging indirect benefits like environmental services. In 2020, Vietnam had exceeded a number of the goals set out in VFDS 2006–2020, including: (i) accelerating the growth of production value in the sector; (ii) increasing the export value of wood and forest products; (iii) increasing domestic wood production; and (iv) planting protection forest (PTF) and special-use forests (SUF). However, the forestry sector still faces many challenges when it comes to other key performance indicators.

In addition, the 2005 Prime Minister Decree 27 supported the establishment of marine and inland waters protected areas that are important breeding, nurturing, and biodiversity conservation areas. These and several other decrees and decisions have been promulgated about the statutes in Vietnam's 2003 Fisheries Law. Until any new information is available that could change the situation, the Government's current plan is to try to limit the fish catch to the currently estimated MSY of about 2.15 million tons. This will require controlling the number of fishing boats by controlling the issuance of fishing licenses, for which, at present, there are no effective controls. These controls need to be put into place. Nearly all fish caught from inland capture fisheries are consumed domestically. Government objectives and strategy for the sector are described in the government's "Strategy of Vietnam's Fisheries Development to 2020," which outlines a path forward to protect and develop the sector through modernization and technical support.



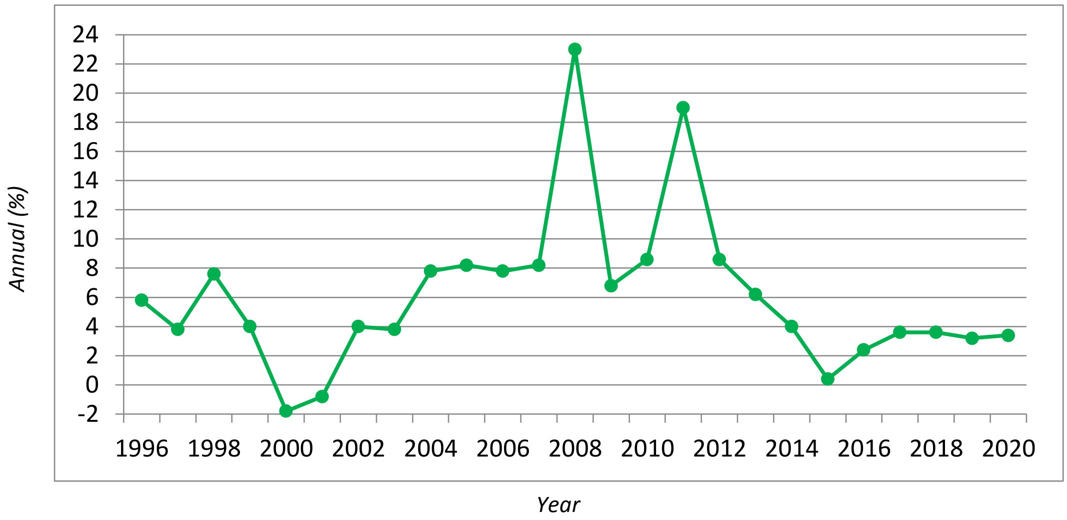
Graph-1: Growth rate of Agriculture, Forestry, and Fishery (%) 1986-2020

Source: https://vietnam.opendevelopmentmekong.net/topics/economy-and-commerce/.

According to Graph 1, Vietnam focused on sustainable agriculture and forestry, developing climate change adoption and resilience. The growth rate of agriculture, forestry, and fishery was 2.79% in 1986, and increased to 6.88% in 1992, after Doi Moi. But dropped 4.77% in the Asia Financial Crisis and 4.69% in the Global Financial Crisis. The government has made efforts to manage this situation using policies and laws.

Banking law is another important part of the legal framework supporting the market system. Early reforms to Vietnam's banking sector were part of the broader set of market-oriented reforms that the government began implementing in the mid-1980s. A number of these reforms focused on decentralizing and privatizing financial activities. The banking reforms were introduced in the wake of the Global Financial Crisis (GFC) in 2008. Before that, the banking sector was booming as new banks entered the market, and rural banks were transformed into full commercial banks. However, the sector was marked by significant inter-bank cross-holding. Vietcombank held 11 percent of the Military Bank, 8.2 percent of Eximbank, and 5.3 percent of Saigon Bank. However, the rapid credit growth resulted in rising non-performing loans, a situation aggravated by the Global Financial Crisis. The banking reforms yielded good results, especially up to 2018. The non-performing loan ratio declined to 8.4 percent by December 2016. The government also implemented a legal framework that enables the Vietnam Asset Management Company (VAMC) to buy and sell non-performing assets. The enhancement of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) measures also bolstered investors' confidence. At the same time, the State Bank of Vietnam pursued more market-oriented monetary policies, especially regarding the foreign currency exchange. The Vietnamese banking system is still "treading water" despite these achievements. Problems of the "zero dong" banks (GPBank, OceanBank, and CBBank), which would have defaulted if they had not been bailed out by the government, persist. While these banks are tasked with clearing their losses, their accumulated losses are increasing over the years. This is mainly because they have been restricted from engaging in new business activities, which prevents them from generating the necessary income to reduce their losses and make profits.

Vietnam has maintained GDP growth throughout the late 1990s and early 2000s, often exceeding 7% annually. The global financial crisis in 2008 led to a slowdown, with growth dipping to 5.7% in 2008 and 5.4% in 2009. The economy has recovered in subsequent years, achieving growth rates above 6%. However, the COVID-19 pandemic in 2020 caused a significant slowdown, with GDP growth at 2.9%.



Graph 2: Vietnam inflation, consumer prices (annual%), 1996-2020
Source: https://vietnam.opendevelopmentmekong.net/topics/economy-and-commerce/

According to Graph 2, the Vietnamese Dong (VND) has depreciated by 30% against the US dollar over the last ten years. Inflation (measured by the consumer price index) has also been volatile, peaking in 2008, with 23.12% and again in 2011, with 18.68%. Therefore, the State Bank and the Government have worked to manage inflation using monetary policy since 2015. By 2020, inflation reached only 3.23%.

Foreign Trade and Investment of Vietnam

Since Doi Moi, Vietnam has gradually opened its economy to foreign trade and investment. Economic integration had four milestones. First, in July 1995, Vietnam became a member of the Association of South East Asian Nations (ASEAN) and the ASEAN Free Trade Area (AFTA). Vietnam was signatory to an array of FTAs under the ASEAN Plus framework. At the end of 2015, Vietnam joined the ASEAN Community. In August 2019, Vietnam was active in negotiating the Regional Comprehensive Economic Partnership (RCEP) between ASEAN and China, the Republic of Korea, Japan, Australia, New Zealand, and India. Second, Vietnam negotiated and signed the Vietnam–United States (US) bilateral trade agreement in 2000, which induced Vietnam to prepare for regional FTA-based integration and the World Trade Organization (WTO) process and gave Vietnam better access to the US, its largest export market, implying improved competitiveness relative to other major exporters. Third, Vietnam became a member of the WTO in January 2007. The greatest pressures under the WTO are related to institutional reforms and the service sector. To fulfil its WTO commitments, Vietnam had to amend or promulgate many laws, ordinances, and decrees related to domestic institutional regulations. Fourth, since 2008, Vietnam has focused on bilateral and plurilateral FTAs. It negotiated or signed, amongst others, the Economic Partnership Agreement with Japan and FTAs with the EU, Chile, Korea, and the Eurasian Economic Union. Whilst the Trans-Pacific Partnership Agreement (TPP), signed in 2016, could not proceed due to the US's withdrawal, Viet Nam signed the CPTPP in March 2018, and ratified it in November 2018. Vietnam was the

United States' 28th-largest goods export market in 2020. Vietnam was the United States' 6th-largest supplier of goods imports in 2020. Exports to main markets, namely the EU, ASEAN, and ROK, plummeted. In 2020, the total value of exports was 281,441 million. The total value of imports was 261,309 million.

Table 1: Vietnam's Top 5 Export Countries in 2020

Country	**Export USD$**
United States	77,072 million
China	48,880 million
Japan	19,269 million
South Korea	19,125 million
Hong Kong	10,436 million

Source:https://wits.worldbank.org/CountryProfile/en/Country/VNM/Year/LTST/ Summarytext.

According to Table 1, Vietnam's main exports in 2020 were telephones, mobile phones, shipments, and textiles. Others included computers and electrical products, shoes and footwear, and machinery, instruments, and accessories. Main export partners were the United States (19% of the total exports), China (16%), Japan (8%), South Korea (7%), and Hong Kong (4%).

Table 2: Vietnam's Top 5 Import Countries in 2020

Country	**Import USD$**
China	84,198 million
South Korea	46,862 million
Japan	20,277 million
Other Asia	16,704 million
United States	13,764 million

Source:https://wits.worldbank.org/CountryProfile/en/Country/VNM/Year/LTST/ Summarytext.

According to Table 2, Vietnam's main imports in 2020 were computers, electrical products and machines, instruments, and accessories. Other included telephones, mobile phones and textile fabrics, and iron and steel. Main import partners were China (28% of the total import), South Korea (22%), Japan (8%), other Asia countries (6%), and the United States (4%).

Since the inauguration of Doi Moi in 1986, Vietnam has been proactive in its pursuit of regional and global economic integration. In actualizing such a transformative process, attracting FDI is among the crucial measures. Along with the country's official adoption of a multi-ownership economy, FDI is critical for national development. Indeed, the promulgation of the Foreign Investment Law in 1987 reflected its importance to the Government of Vietnam. The Law subsequently underwent four revisions in 1990, 1992, 1996, and 2000. These revisions were implemented to increase the rights of foreign investors, to make the investment environment more favorable, and to narrow the policy gap between foreign and domestic investors.

However, during 2003, the implemented capital of FDI projects in Vietnam increased slightly from over USD 2.4 billion to over USD 2.6 billion. Since 2004, FDI inflows into Vietnam have begun to increase. In particular, the WTO accession in 2007 enhanced the growth prospects of Vietnam, leading to a faster surge in FDI inflows to the country. Due to the removal of some preferential treatment statutes on foreign investment in the revised Foreign Investment Law in 1996. Total registered capital went up even more quickly, from over USD 4.5 billion in 2004 to above USD 12 billion in 2006, before peaking at USD 71.7 billion in 2008. Similarly, implemented capital increased more rapidly than in previous years, to US$4.1 billion in 2006, and US$11.5 billion in 2008, as compared to about US$2.8 billion in 2004. Due to the negative impact of the global financial crisis and Vietnam's domestic economic downturn since late 2008, the pace of new FDI registration and the implementation of several FDI projects, particularly large ones, slowed significantly. From 2005 to 2015, FDI, in both the number of projects and registered capital, increased steadily, with average growth rates of 8.1 percent and 13.4 percent, respectively. The share of FDI in gross investment increased from 14.9% in 2007 to 23.4% in 2018. In 2020, despite the crisis caused by COVID-19 having a strong impact on the global supply chain, the total registered capital by foreign investors in Vietnam still reached 31 billion USD. FDI capital continues to maintain positive results in 2020, showing that the section of foreign investors for Vietnam is an attractive and safe destination.

Outcomes from Vietnam's economic reforms

The world economy has gone through an extremely difficult period since the outbreak of the COVID-19 pandemic. However, according to the latest data from the World Bank, Vietnam's GDP per capita in 2021 reached $3,694.02."It can be seen that Vietnam is one of the few economies that has survived the impact of the pandemic," Forbes assessed. Accordingly, in 2019, Vietnam's GDP per capita was $3,425.09, then increased to $3,526.27 in 2020, and $3,694.02 in 2021. The GDP per capita of Vietnam has increased dramatically since 2005. The World Bank calculates Vietnam's GDP per capita growth in constant local currency. Therefore, if Vietnam's annual GDP per capita growth rate is calculated in dollar terms at the moment, the data would not match the annual growth rate provided by the World Bank. For the period 2020-2021, the GDP per capita growth rate of Vietnam is 1.72%/year if calculated according to the fixed value of the Vietnamese dong. In current dollar terms, the annual GDP per capita growth rate is 4.76%.

According to Table 3, the annual GDP growth rates during this period were diverse, with a maximum of 82.55% in 1986 and a minimum of -75.79% in 1989. The average annual GDP growth rate of Vietnam's GDP per capita from 1986 to 2020, for 35 years, is approximately 11.72%. From 2019 to 2020, Vietnam's annual GDP per capita growth rate was 2.01%. Although the growth rate during this period slowed down compared to the annual growth rate of the period 2018-2019 (6.13%), it is still extremely positive. From 2006 to 2021, Vietnam's GDP per capita increased by nearly 371%, corresponding to an increase of nearly 5 times. Vietnam's GDP per capita has grown extremely impressively.

Table 3: Vietnam GDP Per Capita-Historical Data (1986-2020)

Year	GDP Per Capita (US$)	Annual Growth Rate (%)
1986	$430	82.55%
1987	$585	36.06%
1988	$397	-32.17%
1989	$96	-75.79%
1990	$97	0.61%
1991	$141	45.40%
1992	$141	0.54%
1993	$185	30.98%
1994	$225	21.30%
1995	$281	25.15%
1996	$329	17.03%
1997	$353	7.27%
1998	$353	-0.04%
1999	$367	4.07%
2000	$395	7.47%
2001	$409	3.78%
2002	$435	6.18%
2003	$485	11.65%
2004	$552	13.69%
2005	$639	25.60%
2006	$791	14.05%
2007	$913	15.52%
2008	$1,158	26.80%
2009	$1,226	5.85%
2010	$1,684	37.38%
2011	$1,954	16.01%
2012	$2,190	12.12%
2013	$2,367	8.09%
2014	$2,559	8.08%
2015	$2,595	1.42%
2016	$2,761	6.38%
2017	$2,991	8.38%
2018	$3,267	9.20%
2019	$3,491	6.85%
2020	$3,586	2.73%

Source**:** https://www.macrotrends.net/countries/VNM/vietnam/gdp-per-capita

Lessons learnt for Myanmar

Myanmar can learn several lessons from Vietnam's economic development model, particularly its transition from a centrally planned economy to a market-oriented economy after Doi Moi in 1986. Myanmar can adopt economic liberalization, balancing state control with private sector development. Vietnam actively welcomed FDI by creating policies and laws, such as tax incentives, special economic zones (SEZs), and business regulations. Myanmar can upgrade its FDI policies, particularly in sectors like manufacturing, agriculture, and the digital economy, to attract foreign investors. Vietnam transformed agriculture through land reforms, rural credit programs, improved technology, created marketplaces for farmers, and became the world's second-largest rice exporter. Like Vietnam, Myanmar is an agricultural country. Myanmar should invest in modern farming techniques, better irrigation systems, and agro-processing industries to increase productivity and rural incomes. Vietnam prioritized transport, energy, and digital infrastructure, enabling faster economic growth and urbanization. Myanmar also needs to upgrade roads, ports, electricity supply, and internet access to support business activities and attract investment. Vietnam's economic success is built on gradual reforms, openness to trade, investment in infrastructure, and human capital development. If Myanmar utilizes similar strategies while addressing its challenges, Myanmar can achieve sustainable economic growth and greater integration into the global economy.

Conclusion

Vietnam declared independence in 1975, and at this time, Vietnam was one of the world's poorest countries. However, in a period of 15 years, Vietnam transformed from an agricultural-based society into a transitioning lower-middle-income country. Poverty rates declined sharply from 79.7% in 1992 to 6.6% in 2018. Vietnam began actively integrating itself into global trade starting in 2000, when it signed the Vietnam-US Bilateral Trade Agreement. Vietnam joined ASEAN in 1995 and the World Trade Organization in 2007. Joining the WTO was a major turning point in its economic reform process, strengthening Vietnam's private and export-oriented sectors, which became the engine of growth. WTO commitments led to the privatization of Vinamilk, a state-run dairy company, to open markets. Vietnam also shifted toward an export-oriented economy, focusing on agricultural products, textiles, and raw materials. Considered a success story by the international community, Vietnam lifted over 45 million people out of poverty and boosted living standards during this period. After a prolonged period of high growth, Vietnam was recognized as a lower-middle-income country in 2010. Growth continues to accelerate. Growth continued at 2.73% in 2020, despite the COVID-19 pandemic.

Vietnam posted a slight trade deficit from 1990-2011, but this shifted to a surplus from 2012-2019. Total trade, exports, and imports have grown rapidly, at 18% annually during 1991-2019. In 2019, total trade reached a record value of US$51 billion. Vietnam rose from 39th place in 2009 to 23rd place in 2019, among the world's top 50 merchandise traders. This improvement was primarily due to the nation's active participation in global value chains, particularly in manufactured goods. Foreign Direct Investment is another driver of Vietnam's economy, attracting capital and expertise to value-added industries in Vietnam. The manufacturing and processing industries have replaced mining as the primary beneficiaries of FDI. Reasonable labor costs and increasingly improved business conditions have made Vietnam a popular destination for FDI. It is also considered one of the world's most dynamic and open economies with 16 Free Trade Agreements (FTAs) joined, including the two "new-generation" FTAs –the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA). Some challenges remain, including underdeveloped infrastructure and slow public sector reform, while the banking system and business environment could be further improved. With all these advances in various sectors, numerous issues arise, and Vietnam must address these challenges wisely.

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