

Vietnam ‘has been a development success story’: World Bank

By Rainer Zitelmann

March 17, 2024 6:00 am

While **economic** freedom is declining around the world, **Vietnam** is bucking the general trend. The country still has a lot of work to do to join the ranks of economically free countries, but it is moving in the right direction. No other country of comparable size has made such strong gains in the **Index of Economic Freedom** in recent decades.

“Vietnam has been a development success story,” according to an April 2023 **report** from the World Bank. “Economic reforms since the launch of Đổi Mới 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 2022, GDP per capita increased 3.6 times, reaching almost US\$3,700. Poverty rates (US\$3.65/day, 2017 PPP) declined from 14 percent in 2010 to 3.8 in 2020.”

The International Monetary Fund forecasts that Vietnam's gross domestic product will increase by 5.8% in 2024, placing it second in the region.

Vietnam’s economy is projected to grow by 6% this year, rebounding from a slowdown in 2023, driven by the expectation of export recovery, as per the January update from the Association of Southeast Asian Nations-Plus Three Macroeconomic Research Office.

“We anticipate this positive momentum to continue in the coming year, projecting a growth rate of 6 percent,” AMRO chief economist Hoe Ee Khor said. “While this is slightly lower than the official target, we attribute it to a more moderate pace of export recovery.”

With a growth forecast of 6% in 2024, Vietnam ranked third in AMRO's 2024 GDP growth forecast, trailing the Philippines, with 6.3%, and Cambodia, with 6.2%.

Growth in Vietnam no longer revolves solely around agriculture as it has positioned itself in high-tech fields, including Industry 4.0, semiconductor chips, AI, and hydrogen, and is attracting international capital. Foreign direct investment amounted to **\$36.6 billion in 2023**.

How can Vietnam continue making economic progress? In the 2024 Index of Economic Freedom, the Heritage Foundation notes that Vietnam is one of the rising stars, contrary to the global trend, but also identifies **weaknesses**: “The overall rule of law is weak in Vietnam. 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.

“Vietnam’s overall regulatory environment is relatively well institutionalized but lacks efficiency,” it adds.

However, Oliver Massmann, partner at Duane Morris Vietnam LLC, sees progress in strengthening the rule of law: “Positive recent developments include the new Credit Law. On January 18, 2024, Vietnam’s National Assembly passed a new Law on Credit Institutions, providing greater protection against embezzlement and introducing more precise requirements for banks in crisis. Above all, the law simplifies approval procedures, an improvement sorely needed in Vietnam (as elsewhere in the world). The reform of land law is another positive aspect. Land prices should now be based more on market principles.”

Another positive aspect, according to Massmann: “Vietnam has made commitments to open its market and increase legal certainty for investors in its free trade agreements and investment protection agreements. ... The ISDS Investor State Dispute Settlement and Government Procurement Agreement stipulates that judgments against Vietnam can be enforced abroad without the Vietnamese government being able to object.” This would be unthinkable in China, for example.

The Heritage Foundation also cites the level of taxation and public debt as positive features: “The top individual income tax rate is 35 percent, and the top corporate tax rate is 20 percent. The tax burden equals 18.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 20.1 percent and -1.3 percent of GDP. Public debt amounts to 35.3 percent of GDP.”

[CLICK HERE TO READ MORE FROM THE WASHINGTON EXAMINER](#)

What can Vietnam still improve? The proportion of state-owned enterprises there remains far too high, and further privatizations are urgently needed. Labor law also needs to be reformed, as there are too many regulations.

Professor Andreas Stoffers, director of the Friedrich Naumann Foundation in Hanoi, highlights the fight against corruption. Although progress has been made, he says, the situation is still less than satisfactory. Stoffers also suggests setting up a financial hub in

Ho Chi Minh City, a move that is already discussed. Vietnam should take Dubai as an example: Dubai generates 14% of its GDP on the 0.4 square miles of its International Financial Center. A similar project in Ho Chi Minh City could be a major step forward on Vietnam's path to a free market economy.

Rainer Zitelmann's book about Vietnam, [How Nations Escape Poverty](#), has just been published.