Vietnam: Navigating a Rapidly Changing Economy, Society and Political Order is the latest attempt to evaluate Vietnam’s economic and political resurgence since its government initiated its Đổi Mới economic reforms in 1986 and to examine its prospects to sustain its success. These reforms, which translate to “economic renovation,” aimed at transforming the Vietnamese economy from one that was centrally planned and closed to one that was open to foreign trade and investment while relying primarily on markets to allocate resources. Edited by Borje Ljunggren and Dwight Perkins, this volume is also by far the most ambitious such exercise for two reasons. First, the lens it adopts in looking at Vietnam’s development experience over the past almost 40 years is explicitly multidisciplinary. The editors of this volume are a political scientist and former senior diplomat (Ljunggren) and a noted development economist (Perkins). The fifteen other contributing authors come from a mix of academic disciplines—anthropologists, economists, political scientists, and sociologists. Second, the book ambitiously engages the challenging question of not only how Vietnam’s governance since Đổi Mới has influenced the growth and development of its economy but also what it means for its politics, its social development, and its relations with the rest of the world. In this regard, it is noteworthy that the volume also brings together authors from Vietnam, North America, and Europe.

It is impressive that the book largely succeeds in what it sets out to do despite its ambitious scope. Ljunggren and Perkins provide “…a contemporary and comprehensive view of Vietnam’s political, socioeconomic, and diplomatic emergence; how it arrived to where it stands today; and where it appears to be heading” (xi). The multidisciplinary approach adopted by the editors, and the expertise and candor of the authors, allow the volume to shed light on Vietnam’s past, present, and future prospects in a balanced and nuanced way.

Given the disciplinary breadth of *Vietnam: Navigating a Rapidly Changing Economy, Society and Political Order*, it is difficult for a single reviewer to do justice to all the contributions. The approach this review takes is to look at the volume as a whole while focusing on the specific chapters that fit most squarely with the expertise of this reviewer, which is on how Vietnam’s economic reforms since 1986 have affected its growth and development in the period since, and how these reforms now need to be broadened and deepened if the country is to sustain its development progress.

In reviewing *Vietnam*, two questions arise. First, why is Vietnam’s recent economic, political, and social evolution worth the focus of an entire volume? Specifically, are Vietnam’s experience and prospects likely to be of interest beyond the community of scholars and practitioners who focus on the country? Second, even if Vietnam’s development experience is worth delving into, what value does this volume add? In particular, how do the chapters in this volume complement what is already known about Vietnam’s development path and prospects?

To answer the first question, it is worth placing Vietnam and its growth and development trajectory in a global context. In 2006, the World Bank convened a high-level Commission on Growth and Development that was chaired by Michael Spence and consisting of twenty other commissioners, mostly senior policymakers from developing countries. Its charge was to identify the characteristics of high-growth economies and on this basis to specify the ingredients that other countries might consider in articulating their own strategies for sustained growth and inclusive development. The Commission issued its report in 2008 (just before the onset of the Global Financial Crisis). Despite its unfortunate timing, the findings of the Commission were both insightful and influential.

Since the Commission’s work reflected development experience as of 2006–2007, Vietnam was not among the thirteen high-growth economies whose records were analyzed. As explained in several chapters in this volume, most notably by Vu Thanh Tu Anh and Dwight H. Perkins, Vietnam’s growth surge began only in 1986 (133–157). It therefore did not build the necessary track record of 25 years of sustained growth that the Growth Commission used as its cut-off in 2006. However, had the Commission been undertaking its analysis a decade later, Vietnam would have merited consideration for inclusion among the group of high-

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3. The cutoff that the Commission used in defining high-growth economies was that they registered at least 7 percent average annual GDP growth over a period of at least 25 years.

growth economies. Its annual gross domestic product (GDP) growth rate between 1991 and 2016, for instance, was 6.94 percent, close enough to the 7 percent annual growth rate that the Commission used. Vietnam’s growth performance in the almost four decades since its economic restructuring was initiated with Đổi Mới, has undoubtedly been remarkable, with only China, with annual GDP growth of almost 9 percent, bettering Vietnam in sustaining high growth. While Vietnam’s growth experience alone would be notable enough to warrant closer analysis, its performance in improving a range of other development outcomes over the past forty years make it even more compelling as a case study. Most remarkably, poverty has fallen dramatically—from over 50 percent in 1993 to less than single digits in 2022. Human development indicators have improved significantly, and Vietnam’s population is better fed, longer lived, and more educated than in the past.

Despite its success, Vietnam has not received the attention it warrants. In part, this is because its much larger and more dominant northern neighbor, China, has grown faster and sustained it over a longer period. Yet, with the possible exception of India, China resembles no other developing country given its large population and continental expanse. Vietnam, on the other hand, looks more like the rest of the developing world. For this reason alone, an analysis of the basis for Vietnam’s success and the challenges it faces going forward is worthwhile.

Turning to the second question, the value-added of Vietnam comes from the scope of its enquiry and the quality of its content. The multidisciplinary approach adopted here allows for a broad view of Vietnam’s development experience since 1986 rather than looking only at individual aspects, such as its economic performance or the evolution of its politics. The reader can thus appreciate the extent to which these domains are interconnected. An understanding of Vietnam’s growth strategy, for instance, also requires an analysis of its political structure and, in particular, the role of the Communist Party of Vietnam (CPV). Similarly, the decisions that Vietnam’s leaders made to restructure and open the country’s economy can only be understood in the context of its relations with the former Soviet Union as well as its complex political and economic relationship with China.

Following an introduction that provides the context and pulls together the key conclusions, Ljunggren and Perkins organize the seventeen essays into four parts: the role of politics, the economy and the environment, human welfare, and the changing global environment. In each section, the essays cover complementary topics. For instance, part 2 on the economy and the environment includes five chapters focused on Vietnam’s growth experience, the evolution of its large domestic businesses, foreign direct

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7 See, World Bank, From the Last Mile to the Next Mile—2022 Vietnam Poverty and Equity Assessment, (Washington DC, 2022), Fig. O.1.
investment flows, the political economy of financial markets, and environmental challenges in Vietnam’s agricultural sector.

Reflecting the expertise of the contributors and the relevance of the topics that are covered, the content of the volume is rich and expansive. Each contributor brings a substantive knowledge of the topic and a deep understanding of Vietnam and its economic, political, and social institutions; most of them, including both co-editors, are scholars of Vietnam and China. This juxtaposition allows them to place Vietnam’s development experience alongside that of China, which is extremely helpful given the extent to which Vietnamese leaders continue to look to China for lessons and development experience. Finally, given the focus both on understanding Vietnam’s development journey over the past 40 years as well as its prospects going forward, the analysis of its politics and the global context in several of the essays are critical.

There are several common themes that cut across the four sections of the volume. Five of these are worth highlighting because their implications are key to the questions that the volume seeks to address about Vietnam’s past, present and future.

First, the CPV remains central in Vietnam’s politics, its economy, and its society, and it is unlikely to cede its primacy in the future. This point emerges from several of the essays in the volume. As Ljunggren posits, “Even though considerable institutional development has taken place and the Vietnamese society today is far from monolithic, the country remains a party-state” (19). He goes on to assert that it is not “...just a party-state but... a comprehensive system of a different nature, different in its explicit ambition to ultimately maintain control of all political activity” (20). The links between oligarchs and the Party are detailed by Nguyen Xuan Thanh, who refers to their reliance on... “...political connections to ensure further wealth accumulation...” and “...a new cozy relationship being forged between the government and the oligarchs as their businesses are encouraged to invest in new industries with the government’s official support” (173). In his discussion of how Vietnam’s foreign policy has evolved since Đổi Mới began, Alexander L. Vuving shows how changes in global factors such as the collapse of Communism in Eastern Europe and the invasion of Iraq by the US led to rent-seeking behaviors in tandem with policies aimed at integrating with the global economy.

Second, the economic reforms that have underpinned Vietnam’s success in spurring and sustaining growth have been a product primarily of pragmatism rather than of ideology. From the outset, the reforms the CPV initiated in 1986 under the label of Đổi Mới were customized to Vietnam’s specific conditions rather than reflecting a generic design dictated by external parties such as the World Bank and the International

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Monetary Fund (IMF). While this not a novel finding, it is illustrated well in several essays in this volume. Anh and Perkins stress how the design of the post-1986 development strategy owed at least as much to the characteristics of the erstwhile South Vietnam, which had been allowed to preserve many of its more freewheeling, capitalist features even after reunification in 1975, as to external advice. Despite the border tensions with China in the latter part of the 1970s, it is clear the Vietnam’s leaders also looked to China’s economic reforms for insights into how they might design their own reform and growth strategy. A feature that Vietnam’s reforms shares with those implemented by China is that, from its earliest days, it reflected a “development bargain.” Specifically, irrespective of any ideological differences among its leaders (and several of the pieces in this volume such as Vuving’s highlight many of these over the years), there was a consensus among the leadership that the main goals of the reform program had to include the improvement in living standards for most citizens. In this regard, there was a significant focus on ensuring that growth was “inclusive” in the sense that its benefits reached most of the population. As David Dapice notes, “...Vietnam was successful in reducing poverty from quite high rates to single-digit levels over the 1990–2020 period...So this is a striking success story” (251). And as Jonathan London documents in the case of basic education, and Sarah Bales, Le Nhan Phuong, and Lincoln Chen do for health outcomes, these improvements have extended beyond the significant reduction in income poverty.

Another example of how pragmatism has shaped Vietnam’s economic policies since 1986 is in the important economic role played by state-owned enterprises (SOEs), as well as in the design of its intergovernmental transfers. As several of the papers explain, notably Anh and Perkins, SOEs remain dominant in Vietnam’s manufacturing and services sectors despite considerable evidence that they have been a drag on productivity growth. Given this evidence and the volume of advice that Vietnamese policymakers have received from donors and international organizations over the years on the need for SOE reforms and the forms these might take, the only conclusion is that Vietnam’s leaders have decided that the economic gains from these reforms would be swamped by their social and political costs. While the leadership has adopted the rhetoric of SOE reforms, the CPV has done little to substantively advance them. Similarly, Vietnam’s

“*This customization of reforms, like those pursued by China a decade earlier, are an example of what Dani Rodrik characterizes as “...policy reforms that ... combine elements of orthodoxy with unorthodox institutional practices.” Dani Rodrik, One Economics, Many Recipes (Princeton: Princeton University Press, 2007), 39. This is not to say, however, that the International Financial Institutions were not involved in advising Vietnam’s policymakers in designing and implementing reforms. They were important players, and continue to be so, but they always took their lead from their Vietnamese counterparts.


intergovernmental transfer system leads to many (well documented) inefficiencies by rewarding the poorest (and often the least efficient) provinces at the expense of the richest and most productive ones. Despite these inefficiencies there has been little appetite to change this system because it reflects the political realities of Vietnam, including its highly decentralized governance structure.

Third, the economic and political reforms implemented by Vietnam have been similar in many respects to those instituted by China since the late 1970s, but there are also significant differences. Among the similarities are the emphasis on the leading role of the Communist Party, the commitment to inclusion, especially in the initial stages of reform, and the customization of reforms and their phasing to country conditions. Among the key differences are the continued sharing of power at the highest levels in Vietnam, contrasting with its increasing concentration in China under President Xi Jinping, and the degree of internal discussion within the CPV before reforms were implemented unlike the case in China.

A fourth theme that runs through the essays in this collection concerns the increasing tensions between the far-reaching changes in the economic system that have resulted from reforms and the lack of change in the political system where the primacy of the CPV remains unquestioned. One manifestation of this tension is the disconnect in the areas between policies and institutional development. Despite the best and oft-stated intentions of its leaders, Vietnam continues to lag in such areas as post-secondary education, technology development, and the depth of its financial sector, all of which are likely to constrain its growth potential. On post-secondary and vocational education, London’s contribution in this volume clearly identifies the extent to which Vietnam’s performance continues to lag its advanced neighbors such as Singapore and Korea, and fails to match its own exemplary performance on basic education, as seen for instance in its students’ high scores on reading and mathematics standardized tests. London further explains how these shortcomings are attributable not as much to inappropriate policies but rather to “institutional arrangements and practices” (279).

On technology development, as discussed by Ari Kokko, Curt Nestor, and Le Hai Van, the challenge is that Vietnam’s openness to foreign direct investment has not produced the desired results. The problem again is not that the policies are inappropriate. In fact, there is a case to be made that the incentives Vietnam now offers foreign investors are too generous, particularly in a global setting that is now less supportive of countries competing for foreign direct investment (FDI) with fiscal incentives. The constraint is that institutions operate in a way that discriminates systematically against the domestic private sector, rendering it difficult for these firms to grow and strengthen their linkages with foreign enterprises. Finally, in terms of the financial sector, as explained by Jay Rosengard and Huynh The Du, while Vietnam has succeeded in modernizing its banking and capital markets since the advent of Đổi Mới, its institutional underpinnings in

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21 See, for example, IMF, OECD, World Bank, WTO, Subsidies, Trade and International Cooperation, (Washington D. C.: IMF, 2022), Box 2, for a summary of recent efforts by the OECD and G-20 to limit tax competition through investment incentives.
areas such as prudential regulation remain underdeveloped. These weaknesses in turn place strains on economic stability, especially in response to shocks.

The final theme is on the new challenges Vietnam now faces in sustaining growth and development and how it might respond. These issues reflect changes both within Vietnam that have resulted from its progress over the past 40 years as well as those that reflect the political and economic changes in the rest of the world. A particularly pressing issue is highlighted by Le Thi Quynh Tram and Malcolm McPherson who conclude that, “Future agricultural expansion will depend entirely on increasing output by using all productive inputs in ways that leave the environment unimpaired. Success in this endeavor will require multiple constructive changes in the behavior of all agricultural producers and those who support them, especially the government” (240). The key question that Vietnam’s leaders face is how to adapt to these changes while retaining the primacy of the CPV.

Several pieces in this volume document how much Vietnam has changed since 1986. The country is now largely middle-class, thanks to its progress in reducing income and non-income poverty and keeping inequality in check, has a diversified and outward-oriented economy, and is a society in which “family configurations are becoming more heterogenous” (313). Although there is a passing reference by Anh and Perkins, the book does not examine how Vietnam is also now among the most rapidly aging countries in the world.

Alongside this transformation of Vietnam, the world has also changed dramatically since 1986. What was once a bipolar division between the capitalist and Communist world has given way to political and economic competition between the United States (and advanced Western economies more generally) and China, alongside a revival of hostilities reminiscent of the Cold War between the United States and Russia.

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23 See, Andrew D. Mason and Sudhir Shetty, A Resurgent East Asia: Navigating a Changing World (Washington D. C.: World Bank, 2019) for an analysis of these challenges and their implications for developing economies in East Asia, including Vietnam.


29 For a summary of the challenges that a rapidly aging population poses for some of East Asia’s developing countries, including Vietnam, see World Bank East Asia and Pacific Economic Update (April), Reviving Growth, (Washington, D. C.: World Bank, 2023).
The so-called Fourth Industrial Revolution is now well underway with the advent of artificial intelligence (AI) and labor-saving technologies more generally. And the adverse impacts of climate change are increasingly coming to the fore as global carbon emissions and temperatures continue to rise.

In responding to these changes, Vietnam’s leaders will also have to take account of what has not changed. Vietnam remains a lower middle-income country. Despite its progress in improving living standards for most of its people, about a fifth of its population, notably ethnic minorities and/or those living in remote locations, still lag behind on economic and human development outcomes. Its location on the South China Sea places Vietnam at the center of one of the great power rivalries of this century. And as Pham Duy Nghia argues, its politics remains, as it was in 1986, that of “rule by law” rather than “rule of law” (73).

That said, and at the risk of quibbling given the many topics that are covered in depth in this volume, there are two issues I wish had been covered in greater detail: the rapid aging of its population and the fragmentation of its decisionmaking. If unaddressed or if addressed piecemeal, each one has the potential to derail Vietnam’s continued economic and social progress over the next quarter century. Addressing each of these issues poses difficult challenges for Vietnam’s leaders, including to the extent in which they are willing to confront the need for changes in the primacy and the role of the CPV. While there is some discussion of each of these, particularly in the contributions by Anh and Perkins, and Tram and McPherson, their importance to Vietnam’s prospects could have warranted a more thorough analysis.

Given the challenges that Vietnam faces and the uncertainties inherent in predicting the way in which many of them will evolve, it would be foolhardy to predict how things will turn out for Vietnam over the next decade or two. It is a virtue of this valuable collection of papers that it does not fall into the trap of making such predictions. Rather, what the contributors do is to highlight these challenges and the need for Vietnam’s leaders to confront them forcefully. These findings should be of interest to scholars who are interested in understanding Vietnam’s successes over the past four decades and the lessons it offers for other developing countries. And for Vietnam’s leaders, the challenges analyzed here should serve as a reminder that for all Vietnam’s success thus far, the country’s transition to a high-income economy is a journey that is far from complete.

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