

Viet Nam

- 1. In which areas of structural reforms have the most significant progress been made in your economy in the past five years? Please describe in what way you think the progress has been significant? Any structural reform activity can be included here, and does not necessarily need to be restricted to the five LAISR themes.**

Regulatory reform

This is the area with most rapid progress in Viet Nam. As Viet Nam does not have a complete legal framework in place, regulatory reform in Viet Nam progresses on both improving the quality of new regulations and reviewing, augmenting and improving existing regulations. The reform focuses on improving the socialist market-oriented institutions, building up socialist rule-based state of the people; radically renovating mechanism of making and implementing legislations; maximising the role and effectiveness of the legislation in governing the society; maintaining political stability; promoting economic development and international integration; making the state strong; executing human rights, citizen freedom and democracy; facilitating Viet Nam to transform into an industrial economy in 2020.

A crucial document that put a milestone in the regulatory reform in Viet Nam is Resolution 48-NQ/TW issued by the Politburo of the Communist Party of Vietnam in 2005 on “*The Strategy for Establishment and Improvement of the Legislative Framework to 2010 and Major Orientations to 2020*”. Under this resolution, the objectives, viewpoints, orientation, major measures and implementing institutions for regulatory reform up to 2010 have been announced. The latest Law on Issuing Procedure for Regulations promulgated in 2008 and was in effect since 1 January 2009 further promotes regulatory reform in Viet Nam through an improved procedure through which the quality of the regulations is improved and the involvement of stakeholders has been widened.

Competition policy

To prevent anti-competitive and unfair competition among enterprises, the Competition Law was enacted and came into effect in July 2005. Implementation of the law has been administered by Vietnam Competition Administration Department (VCAD) of the Ministry of Industry and Trade of Vietnam.

Two State authorities have been established for the law implementation – the VCAD (with investigative powers) belonging to Ministry of Industry and Trade of Vietnam, and the Vietnam Competition Council (VCC) with adjudicative powers.

However, the progress has been rather slow. The key sectors are still controlled by big enterprises and, despite the State control over their prices, the price behaviour still lacks substance of competition.

Public sector governance

To improve public sector governance, Viet Nam has strived to accelerate its administrative reform. The economy has adopted the master plan for administrative reform in 2001-2010, and recently approved the Project on Simplifying administrative formalities in public administration. At this stage, Viet Nam has completed the stocktaking of all administrative procedures, 30 percent of which are to be cut down. However, numerous works remain to be done, as the problem lies not in the number of administrative procedures itself, but instead in the weak incentive for civil servants to streamline administrative procedures for the sake of the people.

Corporate governance (see question 2)

Strengthening economic and legal infrastructure (SELI)

As mentioned above, the legal infrastructure has been strengthened significantly along with the fundamental market-oriented reforms that Viet Nam has pursued. The basis for promulgating legal documents has been institutionalized, while various new laws and associated under-law documents have been promulgated, with others currently in preparation.

Progress in regulatory reform has been most rapid. First, this has been via the effective policy review. Second, Viet Nam has enforced more effective public policy consultation. For instance, the draft legal documents are to be put upon the website of the government for public comments before revision and/or official promulgation. Finally, Viet Nam has also adopted regulatory impact assessment (RIA) to identify measures complementary to its regulatory reform.

2. Describe examples of successful reforms and lessons learned in your economy in implementing structural reforms in the five LAISR areas. Please indicate relevant websites or other reference material, preferably those written in English.

Among the key examples of successful structural reforms over the past years is the promulgation and implementation of the (unified) Enterprise Law. This Enterprise Law has the scope of adjustment of all enterprises, regardless of their ownership type. Accordingly, this Law enhances the business freedom for both foreign and local enterprises. In addition, the Law shortens the time required to process the application for business registration, whilst making provisions for better corporate governance, including the protection of small shareholders, etc. As such, it provides an attempt towards more equal treatment of all enterprises, making the structural reform better in line with the market-oriented reforms in Viet Nam.

Among others, the Law has brought about positive results. The number of newly established enterprises has gone up from almost 39,900 in 2005 to about 46,700 in 2006, over 58,900 in 2007, over 65,300 in 2008, and approximately 34,500 in the first half of 2009. Of which, the number of one-member limited liability companies has gone up rapidly, while that of private enterprises has decreased considerably. This might have reflected the choice of investors over enterprise type to minimize risks and to enhance development potential. The State-owned enterprises decreased in number and were present in a smaller number of areas, notwithstanding their irreplaceable role in the economy. Foreign-invested enterprises became an indispensable part of the economy, with significant and increasing contribution to the economy.

Several lessons can be drawn from the example of the (unified) Enterprise Law. First, the reform should be placed in a broad framework of market-oriented reforms, seeking to enhance the allocation and utilization efficiency of resources. Second, political will is required for effective implementation of reform; otherwise, the credibility of subsequent reform measures may be undermined. Finally, the reform measures should be implemented gradually, taking due consideration of the development context. In doing so, the role of effective public consultation and communication should be emphasized.

Source: Institute for Business Development Studies, 2009, *Report on the Implementation of the Enterprise Law and Investment Law* [Báo cáo thi hành Luật Doanh nghiệp và Luật Đầu tư]. In Vietnamese.

3. What in your economy's experience are the keys to the success of reform? (e.g. leadership, institutional framework, communication strategy, consultation process) What are the factors, if any, that impeded reform? What lessons can we learn from your experience?

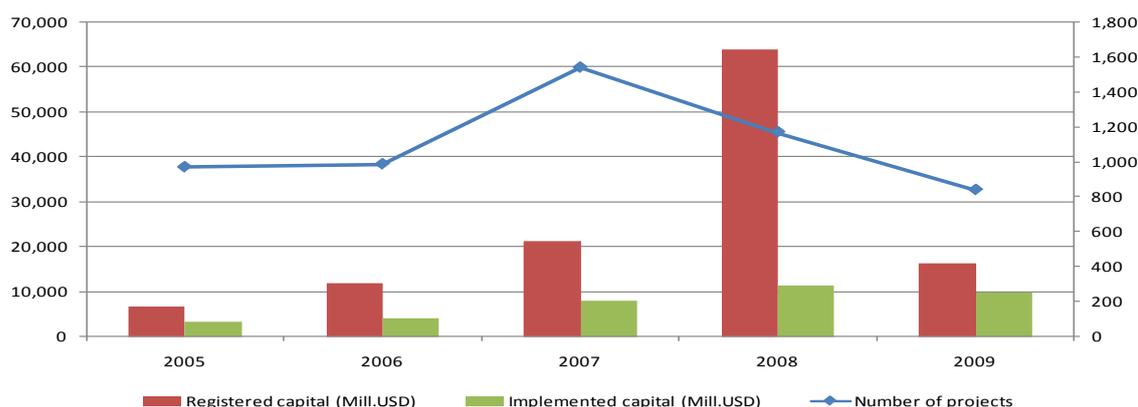
From our experience, effective leadership and public consultation have been among the keys to successful reform. Without effective leadership, Viet Nam would not have had a politically stable environment for sound policy reforms. Also, the leaders are aware of the necessity of reforms, and their anticipated impacts on the economy. Meanwhile, effective public consultation facilitated the transmission of people's ideas and desires to the policymakers, thereby making policies more relevant to actual development needs.

However, the reforms were to some extent impeded by various factors. Many reform measures were slowed down, and even reversed as they undermine the interest of some social groups. The slowdown of SOE equitization in some periods partly resulted from this. Besides, the reforms may fail to make good progress without reasonable (and feasible) reform objectives. Furthermore, the reforms were sometimes inconsistent, and have therefore been amended. This raised doubt about the credibility and effectiveness of subsequent reforms.

Among the key lessons, the reforms need strong political will and effective implementation roadmap to be effectiveness. Besides, making the objectives of reforms clear and transparent helps enhance public confidence in the reforms themselves. Finally, the scope of reforms should be reasonable and relevant to the development needs.

4. What are the impacts, both positive and negative, of the reform on the economy and the flow of trade and investment? Please provide data or statistics where available.

The reforms contributed significantly to the impressive economic performance over the past years. In the years prior to and subsequent to the WTO accession, GDP growth has been high, with increasing contribution by the domestic private sector and foreign-invested enterprises. Substance of competition enforced by new regulations also helped raise the efficiency of resource usage. Attracted by the new investment and business environment, foreign investors have increased their presence in Viet Nam (Figure 1). Driven significantly by foreign-invested enterprises, export growth accelerated, and reached 29 percent in 2008.

Figure 1: FDI flows in Viet Nam, 2005-2009

Source: Ministry of Planning and Investment.

Even in the time of the global financial crisis and economic recession, Viet Nam's economic growth still reached 5.3 percent in 2009. Among others, this stemmed from the fact that small enterprises were flexible in their production and business activities, with rotation of workers from time to time. Accordingly, the number of laid off workers were smaller than expected.

A problem with the reforms could have been the emergence of macroeconomic instability due to inappropriateness of the roadmap for liberalization of capital account and the presence of market power in several key areas. For instance, State control over retail prices of oil and petroleum products was gradually relaxed, without due consideration of the market dominance of several big firms, particularly the state-owned general corporation Petrolimex. This resulted in the recent rises in their retail prices, which threatened the attempt to control inflation.

5. In what ways can APEC better promote structural reform in the region? What would be some possible next steps beyond 2010 based on the achievement of the LAISR process?

Structural reforms still need to be continued and, in fact, should be accelerated in the region. In the current context of global economic recovery, possible next steps could be those activities of structural reform that facilitate trade and investment flows and enhance connectivity at least within the region. Within each economy human resource upskilling is crucial to raise growth. Social protection to cushion adverse impact of the crisis is another issue which deserve attention.

Cooperation between APEC member economies, particularly between more advanced ones and developing ones, should be further enhanced, where less developed economies not only learn experience from more advanced economies, but also adapt it to their specific conditions in their economies. Therefore, under the APEC framework, more technical assistance should be provided. Moreover, the technical assistance programs should not be common to all member economies; instead, they should be designed to meet the specific needs of each member economy or, at least, a group of less developed economies.