GRIPS Discussion Paper 24-1

Reinterpreting Vietnamese Industrialization: Another Southeast Asian (Paper) Tiger?

By

Guanie Lim
Nhat Anh Nguyen

April 2024

GRIPS
NATIONAL GRADUATE INSTITUTE FOR POLICY STUDIES

National Graduate Institute for Policy Studies
7-22-1 Roppongi, Minato-ku,
Tokyo, Japan 106-8677

Reinterpreting Vietnamese Industrialization: Another Southeast Asian (Paper) Tiger?

Guanie Lim (National Graduate Institute for Policy Studies, Japan); g-lim@grips.ac.jp

Nhat Anh Nguyen (National Graduate Institute for Policy Studies, Japan)

ABSTRACT

This paper delves into the transformation of East Asia's economic landscape post-World War Two, with a special emphasis on Vietnam's developmental path in the context of regional shifts. It evaluates the effects of the 'doi moi' reforms initiated in 1986, which, despite some successes, have led to limited advancements in fostering sustainable internal capabilities and in establishing a robust export-oriented manufacturing sector. The paper points out a notable trend: leading Vietnamese firms, including state-owned enterprises, predominantly engage in protected, non-tradable sectors such as real estate and finance, rather than in manufacturing. A critical examination reveals that Vietnam's governance structure and industrial policy approach contribute to its mixed economic performance. The absence of a dominant coordinating body or ministry in Vietnam, unlike the models seen in earlier East Asian industrializers, has resulted in ineffective policy execution and a governance model marked by decentralization and inefficiency. The paper concludes with a poignant argument: Vietnam's economic journey only loosely mirrors that of the early East Asian industrializers. The concern of Vietnam falling into a middle-income trap looms large, as its largest firms lack the dynamism to compete internationally. Promises of reform, while welcome, have also not been as forthcoming or consequential as initially expected. The paper calls for a radical overhaul in governance and policymaking to steer Vietnam away from mediocrity and towards a more promising economic future.

Keywords: Development, Industrialization, Industrial Policy, East Asia, Vietnam, Governance, State-Business Relations.

Introduction

Since the conclusion of World War Two, East Asia's economic architecture has been transformed significantly. As Japan and the region's first-tier tiger economies – Hong Kong, Singapore, South Korea (hereafter Korea), and Taiwan – mature, much of their labor-intensive productive functions have been progressively transferred to other economies further down the region's pecking order. While the second-tier tiger economies (Indonesia, Malaysia, and Thailand) have absorbed such capital and technology, in addition to that provided by other sources, and uplifted their economic structure, their progress was severely interrupted by the 1997 Asian Financial Crisis (AFC). It is true that these countries have since revived their economies, but various analysts demonstrate that their post-1997 gross domestic product (GDP) growth rates have not matched those recorded in the years leading up to the AFC (Menon 2014; Nederveen Pieterse 2015).

One of the key reasons behind the second-tier economies' uneven recovery is the inability of their national firms to develop more sustainable forms of internal capabilities (such as striving for higher product standards in technology-intensive manufacturing). This 'technology-less' development is, to some extent, kept alive by aggressively attracting foreign direct investments (FDI), allowing some ‘superficial’ domestic participation in seemingly high-technology industries, ranging from semiconductors to medical equipment manufacturing (Yoshihara 1988). Yet, the reality is that critical inputs, factory design, and manufacturing workflow remain primarily driven by Global North transnational corporations (TNCs) (Wong and Cheong 2014; Lim, Hoon, and Zhao 2023). This structural limitation, amongst other issues, prompted revisionist readings of the second-tier tiger economies. For Jomo (2003) these economies were euphemistically termed ‘paper tigers’. Echoing his thesis is Studwell (2013), who highlights East Asia’s two-track progress. Distinguishing themselves from the Southeast Asian ‘paper tigers’ are the technology-driven Northeast Asian economies.[1] More worryingly, a newer group of scholars argue that without a concerted push to facilitate value capture from the production and sales of increasingly complex goods and services, these Southeast Asian nations risk falling into the middle-income trap (Wang and Lim 2023; Hutchinson and Basu Das 2016).

This does not imply a *complete* loss of interest in East Asia, nevertheless. Close behind the second-tier economies are another group of latecomers, led primarily by China and Vietnam. Relative to their more advanced counterparts, these economies were not as severely or directly impacted by the 1997 AFC. For Vietnam, it introduced the *doi moi* (renovation) reforms in 1986 to revive its hitherto moribund economy. Despite some challenges, the *doi moi* has kickstarted a dramatic socioeconomic transformation. Key indicators, ranging from poverty reduction to industrial production, highlight the Southeast Asian nation’s robust performance (World Bank 2012; Masina 2006). By the mid-1990s, Vietnam emerged as Southeast Asia’s fastest-growing economy, approaching the stature of the second-tier tigers, which were showing signs of overheating (McCargo 2004). Although its growth rate has declined gradually (but almost secularly) since the late 1990s, Vietnam continues to attract the attention of investors and analysts alike. For example, following the intensifying US-China geoeconomics competition in recent years, Vietnam has been touted as one of several economies that is expected to benefit from the de-risking strategy of TNCs intending to diversify their activities away from China. By late 2023, a Bloomberg report even termed Vietnam, along with four other economies, a ‘connector economy’ (Curran et al. 2023). The report’s core idea is that, by positioning themselves as new links between the US and China, these economies could seize the windfall stimulated by a global economy that has seemingly fragmented into rival blocs.

Is the optimism about Vietnam's economic prospects warranted, and to what extent? More specifically, is Vietnam aligning more with the development models of the first-tier or second-tier East Asian economies, or is it forging its own path? This paper tackles such questions by examining the evolution of the Vietnamese economy over the past decades. It also delves into the dynamics of state-business relations and their influence on Vietnam's growth trajectory. In doing so, the paper contributes to existing discussions in comparative political economy, public policy, and development studies.

[1] Much like his fellow analysts, Studwell (2013) does not explicitly reject the common categorization of the first-tier (Hong Kong, Korea, Singapore, and Taiwan) and second-tier tigers (Indonesia, Malaysia, and Thailand). However, he clarifies that Hong Kong and Singapore cannot be easily compared to regular economies as they both are essentially offshore centers with an unusually small population size and agriculture sector (which hampers productivity, at least in the early stages of growth). Unless otherwise specified, this paper adopts a similar line of reasoning.

The core argument presented here is that while Vietnam's growth has been commonly celebrated by various quarters, earning the latecomer monikers such as the 'New Asian Dragon' (Schaumburg-Müller and Pham 2010) and the 'connector economy' (Curran et al. 2023), it appears modest when viewed critically. Even after close to 40 years of market and administrative reforms, Vietnam has made only meek progress in fostering sustainable internal capabilities. More alarmingly, there is a notable absence of Vietnamese export-oriented manufacturing powerhouses. The majority of leading Vietnamese companies, whether state-owned or private, operate in protected, non-tradable industries like real estate, finance, and utilities. This trajectory resembles that of the less technology-driven Southeast Asian 'paper tigers' more than the manufacturing-centric economies of Japan and Korea. Despite their status as favorites of global investors in the 1980s-1990s, these nations have struggled to acquire the expertise needed to extract increased value from the creation and sale of intricate goods and services. As mentioned earlier on, their growth rates even tapered off post-1990s, pushing them towards a potential middle-income trap, a worry that has seemingly gained traction in Vietnam.

What accounts for Vietnam's uneven performance then? This paper suggests that one of the main answers lies in its governance structure and approach to industrial policy. Compared to the models adopted by the earlier East Asian industrializers, Vietnam's line ministries operate on a more egalitarian plane without a commanding ministry or body to oversee inter-ministry collaboration. While this fosters stability and broad idea exchange, it diminishes prioritization for actionable measures, leading to lackluster policy execution.

The next section highlights several key features of Vietnam's development over the last decade or so. These features will be unpacked in relation to the nation's long-term structural transformation. Subsequently, the paper provides a wider context by discussing the governance structure of various East Asian economies vis-à-vis that of Vietnam. The last section concludes with a summary of the main arguments.

Beneath the Veneer of the Vietnamese Economy

Table 1 displays Vietnam's 10 largest listed companies (by revenue) from 2012 to 2023. There are multiple trends worth discussing here. Firstly, the SOEs remain the most important players in the Vietnamese economy. This is unsurprising if one considers the reality that the objective of the *doi moi* reforms has not been simply to abolish the SOEs or to 'privatize' them. More specifically, it is to concentrate the state's resources to groom large and capable SOEs, in turn helping them to compete against other firms in the domestic and international markets. Perkins (2013), who advised the Vietnamese technocrats during the early years of the *doi moi*, noted that he initially thought that Hanoi's 'willingness to rein in the state enterprise expenditures … indicated a willingness to move rapidly and firmly on state enterprise reform more generally' (Perkins, 2013 pp. 142). He eventually misread the situation as the SOEs were given leniency as soon as other aspects of the economy improved, particularly the lowering of inflation and the availability of substantial amounts of foreign exchange. This view is consistent with Sakata, pp.7 (2013), who explains that the SOEs are still expected to play a 'leading role' in the 'socialist- oriented market economy', despite the supposedly more pro-business spirit in the post-1986 period.

Table 1: Top 10 Biggest Companies (by revenue) in Vietnam, 2012-2023 (USD)*

	2012	Revenue	2015	Revenue	2020	Revenue	2023	Revenue
1	PV Gas (Energy and Utilities) ^	3.00 bn	Petrolimex (Energy and Utilities) ^	6.50 bn	Petrolimex (Energy and Utilities) ^	5.50 bn	Petrolimex (Energy and Utilities) ^	12.70 bn
2	Vietnam Airlines (Other Services) ^	2.80 bn	Vietnam Airlines (Other Services) ^	3.00 bn	Vingroup (Real Estate)	5.00 bn	Vingroup (Real Estate)	7.80 bn
3	Vinamilk (Manufacturing)^	1.10 bn	PV Gas (Energy and Utilities) ^	2.90 bn	Mobile World (Wholesale and Retail Trade)	4.70 bn	Mobile World (Wholesale and Retail Trade)	5.20 bn
4	FPT (Other Services)	1.00 bn	Vinamilk (Manufacturing)^	1.70 bn	Hoa Phat Group (Manufacturing)	3.60 bn	Hoa Phat Group (Manufacturing)	4.90 bn
5	Saigon Beer Company (Manufacturing)^	0.90 bn	FPT (Other Service)	1.60 bn	Masan Group (Finance)	3.40 bn	PV Gas (Energy and Utilities) ^	3.90 bn
6	Vietinbank (Finance)^	0.78 bn	Hoa Phat Group (Manufacturing)	1.20 bn	PV Gas (Energy and Utilities) ^	2.90 bn	Masan Group (Finance)	3.49 bn
7	Hoa Phat Group (Manufacturing)	0.75 bn	Saigon Beer Company (Manufacturing)^	1.17 bn	Vietnam Airlines (Other Services) ^	2.48 bn	Vietcombank (Finance)^	2.79 bn
8	Vietcombank (Finance)^	0.52 bn	Vietinbank (Finance)^	0.79 bn	Vietcombank (Finance)^	1.67 bn	Vinamilk (Manufacturing)^	2.67 bn
9	BIDV (Finance)^	0.52 bn	BIDV (Finance)^	0.79 bn	Vietinbank (Finance)^	1.30 bn	BIDV (Finance)^	2.23 bn
10	Masan Group (Finance)	0.46 bn	Vietcombank (Finance)^	0.64 bn	BIDV (Finance)^	1.28 bn	Vietinbank (Finance)^	1.91 bn

*: The US Dollar (USD) to Vietnamese Dong (VND) exchange rate is 1: 22,378.33. Annual revenue is calculated using a trailing 12-month formula, as of December 2023.
^: State-owned enterprises.
Source: Simply Wall Street and Vietstock.

Notwithstanding the above, there appears to be a slight reduction in the predominance of the SOEs between 2012 and 2023. For example, only FPT, Hoa Phat Group, and Masan Group hail from the private sector in the 2012 list. Apart from FPT, the other two firms occupy positions in the latter half of the top 10 list. However, by 2020, all four private firms (Vingroup, Mobile World, Hoa Phat Group, and Masan Group) are represented in the upper half of the top 10 list. These four private firms have generally maintained their presence in the 2023 rankings, although Masan Group did drop slightly to the number sixth spot.

Secondly, and related to the previous point, the growing importance of the Vietnamese private firms, however marginal, offers relatively little reason for optimism. Apart from Hoa Phat Group, none of the private firms are involved in manufacturing in a sizeable manner. More worryingly, the lack of interest or strength in manufacturing is also reflected in the profile of the SOEs. As a result, only three manufacturing firms, Hoa Phat Group, Vinamilk, and Saigon Beer Company, were represented in Table 1 between 2012 and 2023, The rest of the list is made up of firms largely operating in cossetted, non-tradable industries (e.g., real estate, finance, and energy and utilities). These industries rely on governmental support (tacit or otherwise) and other forms of market barriers. For Ishida (2013), the extra protection has allowed firms (usually the SOEs) to capture monopolistic or oligopolistic positions. This also implies that their product offering tends not to be very dynamic and internationally tradable, at least relative to manufacturing. The vitality of the manufacturing sector (and by extension, export competitiveness) can be questioned further when two (Vinamilk and Saigon Beer Company) out of the three firms are agri-food manufacturers whose products and processes are not typically technology-intensive. While Vinamilk and Saigon Beer Company export some of their products, most of their revenue is derived from the Vietnamese market. By 2023, only Hoa Phat Group and Vinamilk remain in the top 10 list.

This is where a comparison of Vietnam's industrial structure with those in other East Asian economies is instructive. Tables 2-5 summarize 2023's 10 largest listed companies (by revenue) in Japan, Korea, Malaysia, and Thailand, respectively. In both Japan and Korea, manufacturing TNCs are well represented (see Tables 2 and 3). Although some of these manufacturing firms such as Mitsubishi Corporation and Samsung are also involved in related activities such as trading, virtually all of them had (or continue to have) a manufacturing core. At the very least, these firms are synonymous with original brand name goods that are proprietary to their manufacturing businesses. The reliance on manufacturing appears to be higher in Korea than Japan, but this can be partly explained by the latter's more mature economy, which usually brings about deindustrialization (and by extension, a heavier role of services).

Table 2: Top 10 Biggest Companies (By Revenue) in Japan, 2023 (USD)*

1	Toyota (Manufacturing)	260.13 bn
2	Mitsubishi Corporation (Manufacturing)	156.86 bn
3	Honda (Manufacturing)	121.32 bn
4	Mitsui Bussan (Wholesale and Retail Trade)	106.42 bn
5	ENEOS Holdings (Energy and Utilities)	104.77 bn
6	Itōchū Shōji (Wholesale and Retail Trade)	103.95 bn
7	Nippon Telegraph & Telephone (Energy and Utilities)	97.62 bn
8	7-Eleven (Wholesale and Retail Trade)	86.73 bn
9	Japan Post Holdings (Finance)	85.37 bn
10	Hitachi (Manufacturing)	84.28 bn

*: Annual revenue is calculated using a trailing 12-month formula, as of December 2023.
Source: Economic Activity (2023a).

Table 3: Top 10 Biggest Companies (By Revenue) in Korea, 2023 (USD)*

1	Samsung (Manufacturing)	241.60 bn
2	Hyundai (Manufacturing)	105.12 bn
3	SK Group (Other Services)	99.37 bn
4	POSCO (Manufacturing)	67.07 bn
5	LG Electronics (Manufacturing)	64.85 bn
6	Kia (Manufacturing)	62.61 bn
7	SK Innovation (Energy and Utilities)	56.55 bn
8	Korea Electric Power (Energy and Utilities)	51.84 bn
9	SK Hynix (Manufacturing)	38.73 bn
10	LG Chem (Manufacturing)	38.10 bn

*: Annual revenue is calculated using a trailing 12-month formula, as of December 2023.
Source: Economic Activity (2023b).

This scenario cannot be more different in Malaysia and Thailand (see Tables 4 and 5). For Malaysia, the manufacturing sector is represented by only two firms: Petronas Chemicals and Press Metal. However, there is a catch here. The revenue of Petronas Chemicals, the third in the list, is noticeably lower than that of the first two companies. Likewise, the revenue for Press Metal (ranked eighth) is also much smaller than that further up the ladder.

Table 4: Top 10 Biggest Companies (By Revenue) in Malaysia, 2023 (USD)*

1	Tenaga Nasional (Energy and Utilities)	15.96 bn
2	Sime Darby (Other Services)	10.11 bn
3	Petronas Chemicals (Manufacturing)	6.26 bn
4	YTL Corporation (Other Services)	5.72 bn
5	Maybank (Finance)	5.65 bn
6	CIMB Group (Finance)	4.38 bn
7	IHH Healthcare (Other Services)	4.04 bn
8	Press Metal (Manufacturing)	3.48 bn
9	Public Bank (Finance)	2.95 bn
10	MISC Group (Other Services)	2.93 bn

*: Annual revenue is calculated using a trailing 12-month formula, as of December 2023.
Source: Economic Activity (2023c).

Table 5: Top 10 Biggest Companies (By Revenue) in Thailand, 2023 (USD)*

1	PTT Group (Energy and Utilities)	93.21 bn
2	CP All (Wholesale and Retail Trade)	22.63 bn
3	Indorama Ventures (Manufacturing)	18.4 bn
4	Charoen Pokphand Foods (Manufacturing)	16.98 bn
5	Siam Cement (Manufacturing)	16.96 bn
6	Thai Oil (Energy and Utilities)	13.94 bn
7	PTT Exploration and Production (Energy and Utilities)	8.64 bn
8	Thai Beverage (Manufacturing)	8.15 bn
9	Advanced Info Service (AIS) (Energy and Utilities)	5.38 bn
10	Karsikorn Bank (Finance)	4.76 bn

*: Annual revenue is calculated using a trailing 12-month formula, as of December 2023.
Source: Economic Activity (2023d).

The situation is somewhat more sanguine in Thailand, where four manufacturers – Indorama Ventures (third), Charoen Pokphand Foods (fourth), Siam Cement (fifth), and Thai Beverage (eight) – made it into the 10 largest listed companies (by revenue) list. Upon closer scrutiny, some interesting observations emerge. For one, PTT Group, the firm at the top of the Thai list, generates more than four times the revenue of its nearest competitor, CP All. Additionally, Charoen Pokphand Foods and Thai Beverage are agri-food manufacturers, whose business model resembles those of their Vietnamese counterparts, namely Vinamilk and Saigon Beer Company.[2] As for Siam Cement, it mainly manufactures and markets cement and related products, as its name implies. However, these products are not typically technology-intensive. These products are also a proxy to real estate and construction, which enjoy some regulatory protection (direct or otherwise).

[2] Indeed, Thai Beverage has emerged as a significant shareholder of Saigon Beer Company since 2018.

East Asian Industrialization: Structure Matters

Insights from the Region

There has been a voluminous increase in studies covering East Asia's rapid industrialization in the post-World War Two era. While the focus was initially on Japan (Johnson, 1982), the first-tier (Amsden 1992; Wade 2018; Low 2001), and second-tier tiger economies (Jomo 2003; Suehiro 2008; Robison 1986), there has been growing interest to study formerly closed economies such as China (Huang 2008; Li 2014) and Vietnam (Lim 2016; Ngo 2020). Some analysts take on a comparative perspective in their analysis of these economies (Wong and Cheong 2014; T. Vu 2010), while others prefer to compare them to non-East Asian economies (Davis 2004; Henley 2015). Regardless of the East Asian economies (as well as the specific issues) surveyed, there is a consensus regarding the proactive role of the state in shaping their development trajectory, as noted by Beeson and Pham (2012).

For Ohno (2009), the critical thread tying all these East Asian economies together is *how* they minimize coordination cost between key stakeholders. This thesis also suggests a larger-than-expected role of the state in the economy, at least relative to the minimalist, laissez-faire archetypes most commonly found in standard economics literature. Ohno (2009) further expounds three development structures adopted by several of the region's economies. Firstly, there is the *super-ministry model*, most famously associated with Japan's middle to late Shōwa era (1926-1989). Japanese industrial policy formulation during this period was orchestrated by the former Japanese Ministry of International Trade and Industry (MITI).[3] The ministry was granted strong and broad authority by the national leadership, which insulated it from societal pressure (see Johnson 1982). Bureaucratic 'turf war' was also minimized as the MITI was tasked to coordinate policy matters with other ministries and government agencies, with the ultimate goal of uplifting national competitiveness. A similar model was also adopted in Korea, especially during the Park Chung-hee administration (1961-1979). The Korean 'equivalent' to the Japanese MITI was the Economic Planning Board (EPB). Although the EPB was not technically a line ministry, it still provided Park (and subsequent national leaders) with timely information about the economy, in addition to coordinating economic policies across the relevant line ministries (Amsden, 1992; Evans, 1995).

Secondly, the *central coordination model* was witnessed in Thailand during the Prime Ministership of Thaksin Shinawatra (2001-2006). To mediate different interests and to facilitate decision-making, Thaksin saw it fit to make himself the hub of policymaking. Perhaps influenced by his experience in the business world, Thaksin determined general directions – such as making Thailand the 'Excellent Medical Hub of Asia' (medical tourism industry) – and tasked the relevant line ministries to work out the details and implement subsequent actions (Pitakdumrongkit and Lim 2021).[4] Thaksin's break with tradition, while accused as top-down by his rivals, did promote industrialization to a certain extent. Compared to the previous administrations, in addition to expediting decision-making

[3] It has been reorganized and renamed as the Ministry of Economy, Trade and Industry (METI) since 2001.
[4] Some attribute this to Thaksin's personal preference for taking decisive actions and seeking rapid results.

processes, dialogue among ministries and between the public and private sectors also intensified (Ohno 2009).

Lastly, in the *multiple layer model*, industrial plans are conceptualized through overlapping (albeit not necessarily conflictual) mechanisms. This model was most clearly deployed by Malaysia's Mahathir Mohamad during his first tenure as Prime Minister (1981-2003).[5] To push Malaysia towards the coveted status of a 'fully developed country' by 2020, Mahathir promoted the hugely ambitious 'Vision 2020'. The Economic Planning Unit (EPU), parked under the Prime Minister's Office, was responsible for concretizing this vision through overlapping policy documents and cascading organizations.[6] The EPU coordinated dialogues and information sharing across various line ministries by establishing minister-level committees, steering committees, and technical resource groups (Ostwald 2017; Hutchinson 2014). In some cases, the EPU has assumed roles usually handled by other line ministries, enabling the Prime Minister to advance large, costly projects deemed critical to national interests (Slater 2003). From the outside, this system seems complex and unwieldy, but the Malaysian government has managed it relatively well, avoiding excessive red tape (Ohno 2009).

The Vietnamese Way?

Through his analysis of the Vietnamese motorcycle manufacturing and banking industries, Lim (2021) argues that Vietnam exhibits little direct resemblance to any of the three models adopted by its East Asian peers. While every nation's development pathway is *suis generis*, it is important to note several peculiarities with respect to the Vietnamese political economy. Firstly, despite its status and external appearance of one-party rule, Vietnam's political system is ultimately underpinned by consensus. At least since the 1980s, it is premised on a unique form of 'balanced leadership', meaning that the top four positions in the country – the General Secretary of the Vietnamese Communist Party (VCP), President, Prime Minister, and the National Assembly Chairperson – serve as checks and balances against each other (Tatarski 2018). This 'balanced leadership' is also reflected in how power is distributed across the line ministries. None of the ministries hold definitively more power than the rest, with the Prime Minister leading the executive branch of the government. While contributing to stability, this set-up is perhaps not nearly as effective in pushing for bold, radical reforms (Vu, 2015).

Secondly, the onset of the *doi moi* has unleashed a decentralization wave – from the central to local authorities – across Vietnam. However, decentralization has come at a price. It has encouraged unhealthy inter-province competition, undermining the uniformity of national policies. Researchers also note that the *doi moi* did not lead to the state's *complete* withdrawal from the market. What transpired instead is the reconfiguration of the state (at multiple scales) to exploit the opportunities opened (Gainsborough, 2003; Painter, 2005). While the central government in Hanoi has demonstrated its willingness to force central and

[5] Between 2018 and 2020, Mahathir served his second tenure as Prime Minister.

[6] The EPU has been moved out of the Prime Minister's Office, becoming a traditional line ministry, since May 2018. It is now termed the Ministry of Economy.

provincial authorities to collaborate, in addition to imposing discipline on different line ministries, this has only occurred sporadically (Pincus 2015).

These idiosyncrasies have created a set of complex challenges, observed particularly in the development of the Ho Chi Minh City (HCMC) port system. To further support its expansion, HCMC has embarked on ambitious projects to expand and modernize its infrastructure, especially the port facilities. The central government also recognizes the strategic importance of the port system in fueling industrialization for HCMC and the entire nation (Das 2019). However, the decentralized nature of the Vietnamese political system has resulted in a scattered approach. It is true that SOEs like Vinalines play dominant roles in the development of the HCMC port system, but this has not prevented various local and central agencies from creating multiple ports within the city and nearby provinces. The central authority is aware of such problems as it has had to step in several times to address issues like port relocation, infrastructure investment, and policy coordination, but these interventions have thus far failed to create long-lasting systemic changes. What is certain is that the lack of a unified strategy has caused issues like congestion, overlapping functions, and uncoordinated development (Pincus 2015).

Conclusion

This paper has discussed Vietnam's key development features, with the purpose of shedding light on its seemingly natural, unproblematic path of joining East Asia's earlier industrializers. While the authors readily acknowledge other Vietnamese socioeconomic achievement attained since the *doi moi* (such as improvement in infrastructure and overall GDP expansion), these issues are beyond the scope of this paper. It instead focuses on and poses questions about industrial structure and structural transformation. More importantly, the paper has compared Vietnam's experience vis-à-vis Japan and the other East Asian economies. The Japanese, Korean, Malaysian, and Thai experience is especially instructive in this exercise.

The overarching thesis is that Vietnam has followed, only loosely, the path of the earlier industrializers. While this might not be an entirely new argument, as all nations are bound by their place- and time-specific constraints, what is worth mentioning here is that Vietnam is exhibiting features that parallel those of Malaysia and Thailand, albeit not in a wholly positive sense. The earlier half of the paper has highlighted how the nation's entrepreneurial zeal has been directed towards cosseted industries that contribute only minimally to export competitiveness. Lacking competition to benchmark their performance, Vietnam's largest firms are not exposed to the rigor and standard demanded in global markets, resulting in their lack of vitality in developing more sustainable forms of internal capabilities. This is proxied by the weak presence of homegrown manufacturing powerhouses. While the SOEs continue to dominate the economy, their influence is not reflected in niches that are likely to generate long-term international competitiveness. Parallel to this is how the nation's supposedly nimble and market-responsive private firms have bypassed manufacturing and entered activities such as real estate and other services that offer relatively little linkages and upgrading avenues to the rest of the economy.

This raises the specter of 'technology-less' development, which has plagued the second-tier East Asian economies since at least the late 1990s. While the term was coined by

Yoshihara (1988), contemporary scholars commonly interpret it as part of a wider middle-income trap (Hutchinson and Basu Das 2016; Wong and Cheong 2014). Their basic argument is that formerly fast-growing low-income economies that have reached a certain level of per capita income based on labor-intensive activities (usually in mature industries) can no longer rely on the same factors (such as low labor and other input cost) as they pursue more sophisticated activities. As detailed elsewhere (Eckardt and Vu 2019), there is concern that Vietnam might face a similar quagmire if it has not already. Should the situation persist, then it is likely that Vietnam deserves the title of a 'paper tiger' (Jomo 2003; Studwell 2013), rather than more celebrated ones such as the 'New Asian Dragon' (Schaumburg-Müller and Pham 2010).

There are numerous reasons that have contributed to such a malaise. One of which, advocated in the latter half of this paper, is Vietnam's governance structure. Once again, a comparison with the earlier East Asian industrializers offers some clues. While they implemented diverse governance structures, the stark commonality among them is the reduction of coordination costs between key stakeholders in their respective societies. This, however, is not a strength of Vietnam's consensus-driven and 'balanced leadership' style, which has proven ineffectual in staging ambitious and path-breaking reforms. Another obstacle lies in how central-provincial relations have evolved since 1986. While decentralization has, to a certain extent, facilitated bottom-up decision making, it has also created unhealthy, overlapping competition between various levels of authority. The prognosis is that absent significant willpower curating a structure that prioritizes leadership and responsibility, Vietnam's policy experimentation is likely to remain mediocre, in turn casting a shadow over its prospects.

Reference

Amsden, Alice. 1992. *Asia's Next Giant: South Korea and Late Industrialization*. Oxford University Press.

Beeson, Mark, and Hung Hung Pham. 2012. "Developmentalism with Vietnamese Characteristics: The Persistence of State-Led Development in East Asia." *Journal of Contemporary Asia* 42 (4): 539–59. https://doi.org/10.1080/00472336.2012.706481.

Curran, Enda, Shawn Donnan, Maeva Cousin, Dieu Tu Uyen Nguyen, Quynh Nguyen, Maciej Martewicz, Maya Averbuch, et al. 2023. "Vietnam, Poland, Mexico, Morocco Benefit From US-China Tensions - Bloomberg." *Bloomberg New Economy Businessweek*, November 2023. https://www.bloomberg.com/news/articles/2023-11-02/vietnam-poland-mexico-morocco-benefit-from-us-china-tensions.

Das, Koushan. 2019. "Port Infrastructure in Vietnam 3 Regional Hubs for Importers and Exporters." https://www.vietnam-briefing.com/news/port-infrastructure-vietnam-3-hubs-for-importers-exporters.html/.

Davis, Diane E. 2004. *Discipline and Development*. Middle Class and Prosperity in East Asia and Latin America. Cambridge University Press.

Economic Activity. 2023a. " Top 10 Biggest companies by revenue in Japan (2023 data)". https://www.economicactivity.org/top-10-biggest-companies-by-revenue-in-japan-2023-data/. Accessed March 2024.

Economic Activity. 2023b. "Top 10 biggest companies by revenue in South Korea (2023 data)". https://www.economicactivity.org/top-10-biggest-companies-by-revenue-in-s-korea-2023-data/. Accessed March 2024.

Economic Activity. 2023c. ‘"Top 10 Biggest companies by revenue in Malaysia (2023 data)". https://www.economicactivity.org/top-10-biggest-companies-by-revenue-in-malaysia-2023-data/. Accessed March 2024.
Economic Activity. 2023d." Top 10 Biggest companies by revenue in Thailand (2023 data)". https://www.economicactivity.org/top-10-biggest-companies-by-revenue-in-thailand-2023-data/. Accessed March 2024.
Eckardt, Sebastian, and Viet Ngoan Vu. 2019. "How Can Vietnam Avoid the Middle-Income Trap?" *Brookings*, May 16, 2019. https://www.brookings.edu/articles/how-can-vietnam-avoid-the-middle-income-trap/.
Evans, Peter. 1995. *Embedded Autonomy: States and Industrial Transformation*. Princeton University Press.
Gainsborough, Martin. 2003. *Changing Political Economy of Vietnam. The Case of Ho Chi Minh City*. Routledge.
Henley, David. 2015. *Asia-Africa Development Divergence: A Question of Intent*. Zed Books.
Huang, Yasheng. 2008. *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge University Press.
Hutchinson, Francis E. 2014. "Malaysia's Federal System: Overt and Covert Centralization." *Journal of Contemporary Asia* 44 (3): 422–42. https://doi.org/10.1080/00472336.2013.878374.
Hutchinson, Francis E., and Sanchita Basu Das. 2016. *Asia and the Middle-Income Trap*. Routledge.
Ishida, Akie. 2013. "State Enterprise Groups in Vietnam Following Accession to the WTO." In *Vietnam's Economic Entities in Transition*, edited by Shozo Sakata, 23–58. Palgrave Macmillan.
Johnson, Chalmers. 1982. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford University Press.
Jomo, Kwame Sundaram (Ed.). 2003. S*outheast Asian Paper Tigers? From Miracle to Debacle and Beyond*. Routledge.
Li, Chen. 2014. *China's Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business*. Routledge.
Lim, Guanie. 2016. "Managing Technological Development: A Study of Vietnam's Telecommunication Goods Industry." *Journal of Comparative Asian Development* 15 (2): 276–99. https://doi.org/10.1080/15339114.2016.1227272.
Lim, Guanie. 2021. *The Political Economy of Growth in Vietnam: Between States and Markets*. Routledge.
Lim, Guanie, Chang-Yau Hoon, and Kaili Zhao. 2023. "Foreign Investment, State Capitalism, and National Development in Borneo: Rethinking Brunei–China Economic Relations." *Journal of Current Southeast Asian Affairs* 42 (2): 242–64. https://doi.org/10.1177/18681034231186441
Low, Linda. 2001. "The Singapore Developmental State in the New Economy and Polity." *The Pacific Review* 14 (3): 411–41. https://doi.org/10.1080/09512740110064848.
Masina, Pietro. 2006. *Vietnam's Development Strategies*. Routledge.
McCargo, Duncan. 2004. *Rethinking Vietnam*. Routledge.
Menon, Jayant. 2014. "Growth without Private Investment: What Happened in Malaysia and Can It Be Fixed?" *Journal of the Asia Pacific Economy* 19 (2): 247–71. https://doi.org/10.1080/13547860.2013.820471.
National Assembly. 2023. *Resolution 98/2023/QH15 Implementing Distinct Developmental Policies for Ho Chi Minh City*. https://xaydungchinhsach.chinhphu.vn/toan-van-nghi-quyet-thi-diem-co-che-chinh-sach-dac-thu-phat-trien-tp-hcm-119230707074903999.htm.

Nederveen Pieterse, Jan. 2015. “What Happened to the Miracle Eight? Looking East in the Twenty-First Century.” *Canadian Journal of Development Studies / Revue Canadienne d’études Du Développement* 36 (3): 263–82. https://doi.org/10.1080/02255189.2015.1069178.

Ngo, Christine Ngoc. 2020. *Rent Seeking and Development: The Political Economy of Industrialization in Vietnam*. Routledge.

Ohno, Kenichi. 2009. *The Middle-Income Trap: Implications for Industrialization Strategies in East Asia and Africa*. *GRIPS Development Forum*.

Ostwald, Kai. 2017. “Federalism Without Decentralization: Power Consolidation in Malaysia.” *Journal of Southeast Asian Economies*, 34 (3): 488-506.

Painter, Martin. 2005. “The Politics of State Sector Reforms in Vietnam: Contested Agendas and Uncertain Trajectories.” *The Journal of Development Studies* 41 (2): 261–83. https://doi.org/10.1080/0022038042000309241.

Perkins, Dwight H. 2013. *East Asian Development: Foundations and Strategies*. Harvard University Press.

Pincus, Jonathan. 2015. “Why Doesn’t Vietnam Grow Faster? State Fragmentation and the Limits of Vent for Surplus Growth.” *Journal of Southeast Asian Economies* 32 (1): 26-51. https://www.jstor.org/stable/44132177.

Pitakdumrongkit, Kaewkamol, and Guanie Lim. 2021. “Neo-Liberalism, the Rise of the Unelected and Policymaking in Thailand: The Case of the Medical Tourism Industry.” *Journal of Contemporary Asia* 51 (3): 447–68. https://doi.org/10.1080/00472336.2020.1740294.

Robison, Richard. 1986. *Indonesia: the Rise of Capital*. Sydney: Equinox.

Sakata, Shozo. 2013. “Introduction: The Changing Status of Economic Entities in Vietnam.” In *Vietnam’s Economic Entities in Transition*, edited by Shozo Sakata, 1–22. Palgrave Macmillan.

Schaumburg-Müller, Henrik and Pham, Hong Chuong (Eds.). 2010. *The New Asian Dragon: Internationalization of Firms in Vietnam*. Copenhagen Business School Press.

Slater, Dan. 2003. “Iron Cage in an Iron Fist: Authoritarian Institutions and the Personalization of Power in Malaysia.” *Comparative Politics* 36 (1): 81-101. https://doi.org/10.2307/4150161.

Studwell, Joe. 2013. “How Asia Works: Success and Failure in the World’s Most Dynamic Region,.” Open Road + Grove/Atlantic.

Suehiro, Akira. 2008. “Catch-up Industrialization: The Trajectory and Prospects of East Asian Economies,.” NUS Press.

Tatarski, Michael. 2018. “Vietnam’s Communist Party Chief Set to Become President | News | Al Jazeera.” *Aljazeera*, October 22, 2018. https://www.aljazeera.com/news/2018/10/22/vietnams-communist-party-chief-set-to-become-president.

Vu, Minh Khuong. 2015. “Can Vietnam Achieve More Robust Economic Growth? Insights from a Comparative Analysis of Economic Reforms in Vietnam and China.” *Journal of Southeast Asian Economies* 32 (1): 52–83. https://www.jstor.org/stable/44132178.

Vu, Tuong. 2010. *Paths to Development in Asia: South Korea, Vietnam, China, and Indonesia*. Cambridge University Press.

Wade, Robert. 2018. “Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization," Princeton University Press.

Wang, Hongchuan, and Guanie Lim. 2023. “Catching-up in the Semiconductor Industry: Comparing the Chinese and Malaysian Experience.” *Asian Journal of Technology Innovation* 31 (1): 49–71. https://doi.org/10.1080/19761597.2021.2007144.

Wong, Chan Yuan, and Kee Cheok Cheong. 2014. “Diffusion of Catching-up

Industrialization Strategies: The Dynamics of East Asia's Policy Learning Process." *Journal of Comparative Asian Development* 13 (3): 369–404. https://doi.org/10.1080/15339114.2014.929939.
World Bank. 2012. "Well Begun, Not Yet Done: Vietnam's Remarkable Progress on Poverty Reduction and the Emerging Challenges." World Bank, Hanoi. http://hdl.handle.net/10986/12326.
Yoshihara, Kunio. 1988. "The Rise of Ersatz Capitalism in South-East Asia,." Oxford University Press.