

Vietnam's geopolitical advantages for sustainable development

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Abstract: Vietnam's participation in ASEAN is closely linked to its reform process and deep international integration. Vietnam has made significant strides in renewing its external outlook with diplomatic policies such as "Vietnamese bamboo," "more friends, fewer enemies," diversifying and multilateralizing international relations, and "moving from confrontation to dialogue," becoming "an active and responsible member" of ASEAN. This article analyzes the current development landscape and offers several recommendations for Vietnam to ensure prosperity and achieve a leading position in ASEAN, thereby continually enhancing its role and status in the region and the world.

Keywords: Prosperity; productivity; innovation center; international cooperation; sustainable development; Vietnam's geopolitical advantages.

1. Introduction

Vietnam's participation in ASEAN has significantly impacted the Association, substantially contributing to milestones such as the ASEAN-10 framework, the ASEAN Community, and the ASEAN Charter. Vietnam ranks 3rd in population but only 6th in GDP and GDP per capita among ASEAN countries (General Statistics Office, 2022). According to the World Economic Forum, Vietnam ranks 77th out of 140 economies in national competitiveness, scoring 88 in health but merely 33 in innovation (The World Economic Forum, 2022). Vietnam must achieve significant breakthroughs to enhance its role in ASEAN and rank among the region's top three in GDP and GDP per capita.

2. Leveraging Vietnam's geopolitical and economic advantages

Vietnam is leveraging its geopolitical and economic advantages. It is characterized by its extensive maritime territory of approximately one million square kilometers and a coastline stretching about 3,200 kilometers, which facilitate international naval exchanges. The country ranks third in population size and possesses substantial agricultural and forested land, comprising 10 million hectares and 18 million hectares, respectively (General Statistics Office, 2022). Moreover, Vietnam is rich in rare earth elements, such as limestone for cement production, iron ore, bauxite, coal, and apatite.

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Furthermore, Vietnam's strategic geopolitical and economic positioning has engendered potential for logistical, cultural, and marine tourism development, attracting significant

foreign direct investment (FDI) from ASEAN and global investors. Notably, between 2015 and 2022, Vietnam achieved considerable FDI from ASEAN countries, as detailed in Table 1.

Table 1: FDI Attraction of ASEAN countries (2015 - 2022)

Indicator	Total	Singapore	Philippines	Thailand	Indonesia	Malaysia	Vietnam
Total FDI (million USD)	830,084	465,404	49,615	33,831	104,726	49,422	85,920
% of ASEAN total	100	56.1	5.9	4.1	12.6	5.9	10.4

Source: General Statistics Office, 2022.

ASEAN member nations emphasize attracting foreign direct investment (FDI), a stance mirrored by Vietnam, which acknowledges the profound implications of FDI for its economic restructuring, labor productivity enhancement, and GDP per capita growth. However, Vietnam faces a series of constraints regarding FDI realization, exemplified by the fact that the actual investment realization barely reaches 47.7% of registered FDI, with an average capital per project hovering around USD 6.3 million. In contrast, while Vietnam and Indonesia collectively capture an estimated 10.4 - 12.6% of total FDI inflows, other ASEAN counterparts

attract a markedly lower proportion, comprising merely 4 - 6% of the overall ASEAN FDI (General Statistics Office, 2022).

Given the dynamic global and domestic landscape, Vietnam's urgency to attract high-tech foreign investments and facilitate technology transfer cannot be overstated. The influx of high-tech FDI from the US, EU, and prominent global economies into ASEAN, surpassing that directed into Vietnam, underscores the need for Vietnam to step up its game. This is not just about attracting investments but about ensuring a substantial technology transfer to Vietnam, which is crucial for its economic growth (Table 2).

Table 2: FDI from countries into ASEAN (2015 - 2022)

Indicator	Into Asean		Into Vietnam	
	Total (USD million)	Proportion (%)	Total (USD million)	Proportion (%)
Total FDI	830,084	100	231,452	100
From America	111,627	13.4	9,420	2.4
From EU	187,025	22.5	48,136	9.9
From Japan	102,715	12.4	60,557	15.7
From South Korea	37,388	4.5	70,442	18.2
From China	63,896	7.7	18,633	4.8

Source: General Statistics Office, 2023

Attracting FDI into Vietnam's processing, manufacturing, and real estate sectors is generally more than that of SEAN countries. Conversely, FDI inflows into Vietnam's agriculture, forestry, and fisheries sectors are disproportionately lower, accounting for only 0.9% compared to ASEAN's 2.3%. Moreover, Vietnam's FDI in the wholesale and retail sectors trails behind that of its ASEAN counterparts.

Table 3: GDP of ASEAN countries

Indicator	Singapore	Philippines	Thailand	Indonesia	Malaysia	Vietnam
GDP, current prices, 2021 (Million USD)	396.987	394.086	505.497	1.186.093	372.981	366.48
GDP per capita 2021 (USD)	72,796	3,461	7,066	4,333	11,109	3,720
Annual GDP growth rate, 2021 (%)	7.6	5.7	1.5	3.7	3.1	5.9
average electricity output per 1 USD of GDP (Kwh)	0.13	0.26	0.32	0.24	0.39	0.89
Labor productivity, 2021 (Million USD)	122,4	5,6	10,9	5,8	15,3	4,9

GDP structure by sector, 2021 (%)

Agriculture, forestry, fisheries (%)	0.03	10.1	6.2	12.4	7.1	12.7
Industry - Construction (%)	25.9	29.2	34.2	39.4	36.8	36.7
Services (%)	74.1	60.7	59.6	44.1	54.9	41.8
Product taxes minus subsidies (%)	-	-	-	1.2	1.2	8.8

Global competitiveness index, 2017

Rank out of 144 countries	3	56	32	36	23	55
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Business environment rank, 2018

Position (according to WEF)	2	113	26	72	24	68
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Source: General Statistics Office, 2023

Vietnam's GDP reveals noteworthy patterns, with its agricultural, forestry, and fisheries sectors contributing 12% to GDP, akin to Indonesia's contribution. However, other ASEAN nations exhibit a notably lower reliance on these sectors, averaging 6 - 7% of GDP. Additionally, Vietnam's service sector, constituting 42% of GDP, lags behind ASEAN's 54-74%, signaling the imperative of substantial expansion. Vietnam's GDP per capita remains markedly lower than that of neighboring nations, posing formidable challenges in narrowing the GDP per capita gap (General Statistics Office, 2022) (Table 3). This persistent disparity underscores the formidable hurdles confronting Vietnam in its endeavor to bridge the gap in GDP per capita.

The correlation between physical product manufacturing and service product manufacturing indicates the level of economic development. In developed countries, a 1% increase in physical product manufacturing typically corresponds with a 1.8% or higher increase in service product manufacturing. Services are crucial in supporting domestic and imported products and serving domestic and international markets. However, this correlation is lower in Vietnam, with a 1% increase in physical product manufacturing, corresponding to only a 1.1% increase in services. This discrepancy highlights the underdevelopment of Vietnam's service sector. Compared to Thailand, a country with a population of 67 million, which attracts approximately 39 million international tourists, Vietnam, with a larger population of 96 million, attracts only 18 million (Daron & James, 2012). Therefore, the service sector in Vietnam is less developed than in other ASEAN countries.

3. Strategic orientations for Vietnam's development and leadership in ASEAN

Firstly, restructuring the economy towards green development is paramount. This entails

embracing sustainable practices across production, consumption, education, and living environments. Leveraging its geo-economic location and tropical conditions is imperative to elevate Vietnam to a developed nation with high-income levels by 2045. To achieve this, Vietnam should focus on developing high-quality agricultural products, bolstering the manufacturing industry, and nurturing a robust service sector with an emphasis on tourism, cultural industries, telecommunications, digital technology, logistics, and a high-quality marine economy. Moreover, Vietnam should prioritize the development of the new materials industry and attract investment in advanced technologies such as semiconductors, chips, and high-end electronic goods production while integrating automation to enhance efficiency.

Endowed with a significant coastal presence, Vietnam necessitates robust economic advancements, particularly within sectors interfacing with healthcare and tourism. Given the imminent projection of its populace surpassing 100 million (General Statistics Office, 2023), strategic emphasis should be placed on the augmentation of pharmaceutical and vaccine manufacturing capabilities and the expansion of medical apparatus production. Concurrently, the imperative lies in fostering technological innovation within the manufacturing domain, explicitly focusing on steel refinement and the integration of nanomaterials.

Secondly, attracting strategic investors from developed nations is pivotal for Vietnam's economic advancement. To achieve this, Vietnam needs a comprehensive strategy to allure investors with significant financial capacities, technological expertise,

and access to global markets. The goal is to attract a substantial portion, approximately 65-67%, of total Foreign Direct Investment (FDI) from developed countries (General Statistics Office, 2023). Encouraging the construction of high-rise factories to optimize land usage, reduce energy consumption, and promote green and sustainable development is emphasized. Strengthening the attractiveness of FDI from critical partners such as the EU, the US, Japan, Korea, and prominent transnational corporations from Singapore while aligning with Vietnam's development strategy focusing on minimal land use and energy consumption is essential for achieving sustainable economic growth.

Thirdly, Vietnam should advance international cooperation by prioritizing diversification and multilateral engagement. This involves strengthening its role as a nexus between ASEAN and other key regions, including China, East Asia, the EU, and the Americas. Simultaneously, Vietnam should sustain multilateral partnerships with leading developed nations worldwide. While Vietnam possesses significant human capital, collaboration in innovation research is hindered by the scarcity of advanced technology and strategic materials. Hence, emphasis should be placed on developing electric-powered equipment and transportation infrastructure and establishing a robust digital governance framework. Investing in high-tech parks modeled after renowned global hubs like Silicon Valley (USA), Bangalore (India), Tsukuba Science City (Japan), or Zhongguancun (China) is recommended. Consequently, strategic initiatives are needed to attract top global talent to Vietnam, fostering business activities, residency, and contributions to national development.

Fourthly, it is essential to complete the legal framework and policies to create an attractive investment environment and expand the commodity consumption market. Developing a legal framework that aligns with international standards will facilitate economic growth, global integration, and cooperation, thereby attracting high technology and talent and fostering innovation. Moreover, policies should focus on diversifying export markets and importing advanced technologies and materials that Vietnam lacks.

Vietnam also needs a legal framework and policies prioritizing the development of critical areas, essential products, and the cultural industry alongside the modernization and rationalization of these sectors. This approach will ensure the country's unique strengths are fully leveraged and developed, enhancing its competitive edge within ASEAN.

Furthermore, legal and policy improvements must address the requirements of the digital economy, digital society, and digital government, aligning with global trends and enhancing the government's accountability. Administrative reforms should position Vietnam among the leading ASEAN countries in governance efficiency, targeting level 4 administrative reforms. Building a successful digital government will support the growth of the digital economy and society, driving economic development, creating high-income jobs, and expanding the domestic market. This integrated strategy will bolster Vietnam's financial resilience and ensure sustainable growth.

Fifthly, training high-quality human resources should be linked to the reform of the education and training system. Identifying key areas and products will provide a clear focus

for developing the necessary talent. With foreign exchange reserves exceeding \$100 billion (General Statistics Office, 2023), Vietnam can invest in modernizing its workforce and improving public sector capabilities. Meeting the human resource needs of enterprises is a significant challenge that requires careful planning. Improving the quality of lecturers and vocational teachers is essential, as Vietnam currently trails behind ASEAN countries like Singapore and Malaysia in this regard. Therefore, it is crucial to elevate educator training to international standards. Additionally, green development education should become a priority. Vietnam must invest appropriately and strategically to achieve the necessary results.

4. Conclusion

ASEAN plays an increasingly important role in the international arena. With its strategic geo-economic and geo-strategic location, Vietnam has considerable potential, strengths, and development opportunities. However, Vietnam has yet to fully leverage these advantages to become a leading nation within ASEAN. To address this, Vietnam needs a comprehensive strategy to restructure its economy alongside an urbanization strategy, aiming to develop key areas and products that showcase Vietnamese characteristics within the ASEAN framework.

Improving national governance capacity is an urgent priority. This involves establishing a solid legal and policy framework to enhance the business and investment environment, making it more attractive to foreign direct investment (FDI) and aligning with global strategies. Clearly defining the development strategy for critical areas and products and effectively developing high-quality human resources is essential. Expanding

international cooperation, especially with ASEAN countries, fosters innovation and advancement.

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