

VIETNAM

In Search of a New Growth Model

Jonathan Pincus

Vietnam suffered two major domestic financial crises on either side of the global economic crisis of 2008. This extended period of turbulence destabilized the economic model that had been in place for most of the *doi moi* or “renovation” period since the late 1980s. The model had consisted of export-oriented and labour intensive “vent for surplus” sectors welded to a state-dominated economy producing goods and services for the domestic market. The former generated employment and export earnings, while the latter distributed economic rents throughout Vietnam’s highly commercialized and fragmented state apparatus.

By the early 2000s, rapid credit growth was fuelling speculative investments in equities, property and other risky ventures by domestic businesses and households, both in the state and non-state sectors. This process gradually undermined bank, corporate and household balance sheets. By 2011 the decay could no longer be concealed, and major scandals broke in the state economic groups, notably in the shipbuilder Vinashin and the state shipping company Vinalines. The export sector continued to grow, led by surging exports of mobile phones and other electronic goods as global producers sought to diversify production bases away from China, where wages and other costs were rising quickly. However, domestic investment and consumption stagnated as businesses and households struggled under the weight of a heavy debt burden, frozen asset markets and tight credit conditions. Moderate rates of growth have been sustained but they remain heavily dependent on foreign direct investment and external demand. The challenge facing the government is to devise a new growth model that builds on the country’s export success and

JONATHAN PINCUS is a development economist specializing in Southeast Asia. He has taught economics at SOAS, University of London and the Fulbright School in Ho Chi Minh City, and he was formerly UNDP chief economist in Hanoi. He is now affiliated with the Open Society Foundations and the Centre for Development Studies, University of Cambridge.

stimulates investment in domestic supplier and downstream industries, while at the same time opening domestic markets to greater competition.

This chapter sets out to do three things. First, it briefly describes the growth model that evolved during the *doi moi* period and remained intact until the crises of 2008–11 played themselves out. One of the most interesting features of the model is the concentration of domestic commercial activity within the state, and the resulting absence of large-scale private firms in the dynamic export sectors or the import-substituting sectors. Second, we revisit the crises of 2008 and 2010 to emphasize the central importance of these events to the breakdown of the old model. Finally, we consider some of the constraints that policymakers face in fashioning a new model that would build on the achievements of *doi moi* while avoiding the pitfalls of state commercialization and the resulting obstacles to autonomous private sector development.

The Old Growth Model

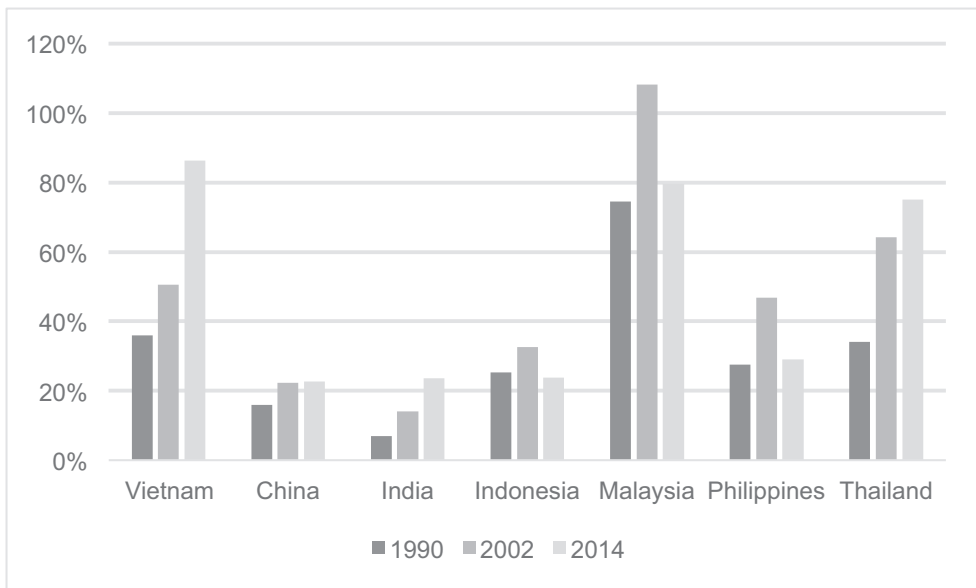
The *doi moi* model evolved over the two decades beginning in the late 1980s and marked a gradual turning away from central planning and towards a mixed or “socialist market economy”, to use the government’s preferred terminology. As many scholars have pointed out, economic reform was less a conscious reorientation of policy than an unintended outcome of defensive actions to relieve conditions of extreme shortage while maintaining the Communist Party’s monopoly on political power.¹ Agriculture was decollectivized in stages, domestic prices were liberalized and the state’s domination of foreign trade relaxed. Greater space was allowed for foreign investment and private sector activity.

These changes made it possible for millions of Vietnamese households and small businesses, and foreign invested enterprises, to mobilize underutilized land and labour in the production of goods for export. The noted Burmese economist Hla Myint borrowed Adam Smith’s term “vent for surplus” to describe this process, which he viewed as a common pattern in Southeast Asia.² Vietnam’s vent-for-surplus growth started in the agricultural sector and gradually expanded into labour-intensive manufacturing. A net food importer in the 1980s, Vietnam was by 2000 the second-largest rice exporter in the world, the second-largest exporter of coffee, the top exporter of pepper and cashews, and an important producer of fish, shellfish, fruit, vegetables and cut flowers. Most of these commodities were produced on small farms and marketed through state trading companies. Garment exports expanded by 20 per cent per annum, and footwear by 13 per cent in the decade following implementation of the Bilateral Trade Agreement with the

United States. The wages earned by these workers — like the profits going to small farmers — drove increases in domestic demand, which accounted for more than half of Vietnam’s output growth over the period 1990 to 2010.

Agriculture and labour-intensive manufacturing were the growth engines of the *doi moi* period. As shown in Figure 1, exports as a share of GDP rose from about one-third to nearly 90 per cent after 1990, making Vietnam one of the most open economies in the region. In the aid donor literature, the explosion of production on family farms, in small workshops and foreign enterprises is usually interpreted as the retreat of the state and its replacement by a thriving private sector. There is certainly an element of truth to this reading of events, as the shift from rationing under central planning to market allocation, and the relaxation of restrictions on inward investment and private business removed important segments of trade, agriculture and manufacturing from state entities and placed them in private hands. However, what is often missed in these accounts is that the state did not so much withdraw from these sectors as strategically reposition itself in the most lucrative segments and activities, such as control over natural resource exploitation, domestic and international commodity trading, distribution and retail,

FIGURE 1
Exports as a Percentage of GDP, Vietnam and Comparator Countries



Source: World Development Indicators.

manufacturing for the domestic market, transport, finance, construction, property development and telecommunications.

In effect, the state retained control over the commanding heights of the economy — in other words, large scale and strategic domestic industries — while leaving small-scale, less profitable activities to household enterprises and small firms. Part of the explanation for the continuing dominance of state-owned enterprises and state agencies despite the growing acceptance of private activity lies in the absence of influential groups outside of the state that had the power and self-awareness to demand limits on the ability of government to manipulate domestic markets. Private activity had been strictly controlled under the war economy and largely prohibited during the brief attempt at central planning after reunification. But even before then, Vietnam had never produced a significant domestic commercial class. The exodus of much of the ethnic Chinese community in the 1970s was a significant loss of commercial experience and entrepreneurialism. The resulting vacuum was filled by state-owned enterprises, central and provincial agencies and government personnel working on their own account or linked to nominally non-state businesses and individuals. These state and state-related entities were well positioned to mobilize state power to achieve commercial ends. They had the experience, connections and control over land and capital that was required. No genuinely independent commercial interests existed that could put pressure on government to rein in the state enterprises and open opportunities for non-state actors. As Jonathan London notes, against expectations that liberalization would give rise to independent capitalists, “what occurred was the development of a business class within the state”.³

Thus the *doi moi* growth model comprised small-scale domestic producers, foreign firms and medium-to-large-scale domestic enterprises under state control or closely linked to the state. Large private domestic firms are rare, and virtually non-existent in the manufacturing sector. The largest domestic manufacturing firm in Vietnam by market capitalization is the Thai Nguyen Iron and Steel Company, a partially equitized state-owned enterprise with a registered capital of just US\$135 million. The ten largest Vietnamese companies consist of three banks, the state-owned insurer Baoviet, three mobile network operators, Electricity of Vietnam, joint-venture oil producer Vietsovpro, and the state railway company. There are no genuinely private companies among the largest thirty enterprises in Vietnam.

Equitization, or the process of converting state-owned enterprises into joint-stock companies, was seen by many as a vehicle through which a genuine private sector could be created from the reallocation of state assets. But in the event, equitization never represented a real challenge to state domination of the

commanding heights of the economy. Martin Gainsborough has shown that managers of state-owned enterprises and provincial officials were well placed to control the process and to channel public assets, particularly land, into joint-stock companies under their control.⁴ The government retained a controlling share in 36 per cent of equitized state-owned enterprises over the period 2001–11, and ownership of 57 per cent of all shares sold over the same period.⁵ In Gainsborough's formulation, equitization did not represent a retreat of the government from the economic sphere but rather "state advance".⁶ The fact was that no other group of people existed that had access to the capital, knowledge and connections to take control over the new joint-stock companies formed by equitization.

State domination of the commanding heights of the economy left little room for private firms to expand without the support of government agencies or people connected to state decision-making in some way. Private companies find it difficult to get the permits or access to land and bank credit that they need to mount a serious challenge to incumbents from the state sector.⁷ Constraints on private activity are closely associated with the presence of state companies in the same sector or location. For example, Nguyen and Freeman report that provinces with a high density of state-owned enterprises provide less credit to private firms and require more time to issue Land Use Rights Certificates (LURC) than other provinces. Malesky and Taussig find that the allocation of bank credit is related to the presence or absence of political connections, and that the most profitable private firms do not even attempt to get bank loans.⁸ Nguyen and Le show how state enterprises' easier access to land, credit and export quotas in the textile and garment sector reduces the profitability and viability of private firms.⁹ Nguyen and Van Dijk find that corruption disproportionately harms private firms.¹⁰

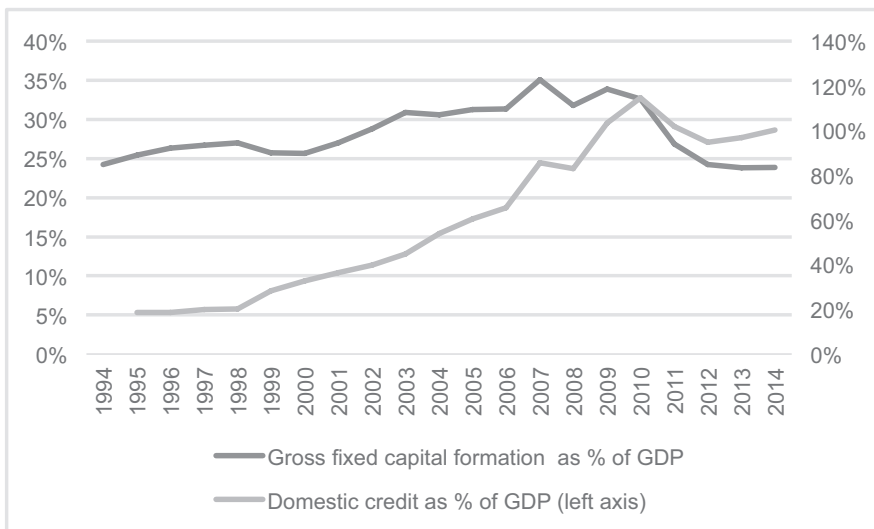
State companies themselves are fragmented geographically, oriented to local markets and technologically unsophisticated. The government has made several attempts to construct national champions from these firms, combining local and regional entities into General Corporations and later Economic Groups in mining, energy, transportation, telecommunications, manufacturing and utilities. Inspired by Korea's chaebol and large Chinese state business groups, the government sought to concentrate its resources and scarce managerial capacity on a limited number of firms that it hoped would develop technological capabilities and realize economies of scale. However, the state proved unable or unwilling to impose discipline on these companies, which set about capitalizing on their easy access to state credit and land to speculate in Vietnam's booming property and financial markets.¹¹ For the most part, these business groups did not consolidate or rationalize their operations, but instead added new subsidiaries in a wide range of activities,

often unrelated to the core business of the group. Vinashin, the state shipbuilder, controlled 445 subsidiaries and twenty joint venture companies and had taken on \$4.5 billion in debt by the time of its collapse in 2010. But much the same could be said for other groups, including Vinatex (textiles and garments), PetroVietnam (energy), Vinacomin (mining) and Vietnam Airlines (aviation).

Diversification of state economic groups was financed by rapid growth of the banking system and in particular the rise of the joint-stock banks. Domestic credit rose from 5 per cent of GDP in 1995 to a peak of 115 per cent in 2010. Investment as a share of GDP rose from less than one-quarter in 1994 to a high of 35 per cent in 2007 (Figure 2). High rates of investment without a corresponding acceleration in growth resulted in falling levels of capital efficiency. Vu Minh Khuong points out that total factor productivity growth, which was high in the 1990s, came to a virtual standstill after 2000 as state companies borrowed heavily to invest in speculative activities.¹²

Thus, on the eve of the first domestic crisis, the *doi moi* model was still intact, although fault lines had begun to emerge. Rapid growth of exports from the vent-for-surplus production created millions of jobs and generated billions of dollars in foreign exchange, and in doing so had supported the growth of

FIGURE 2
Gross Fixed Capital Formation and Domestic Credit
as Percentage of GDP



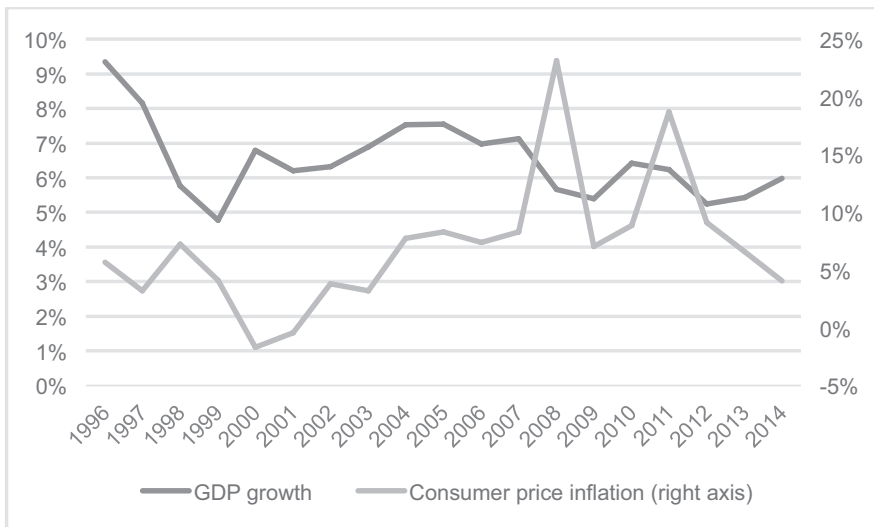
Source: World Development Indicators.

domestic demand. These activities were largely carried out by small farms and workshops and by foreign-invested enterprises. The commanding heights of the economy remained in the state sector, but failure to impose discipline on these groups opened the way for them to invest heavily in speculative, non-core activities. Financial liberalization, including the rapid growth of joint-stock banks, provided the finance for these ventures. The absence of large-scale, genuinely private firms, and a politically important domestic commercial class, meant that there was little pressure on government to curtail the power of state groups and companies. Although vulnerabilities were increasingly apparent, the model did succeed in delivering relatively high rates of growth with modest price inflation, until the first crisis hit in 2008 (Figure 3).

Three Crises

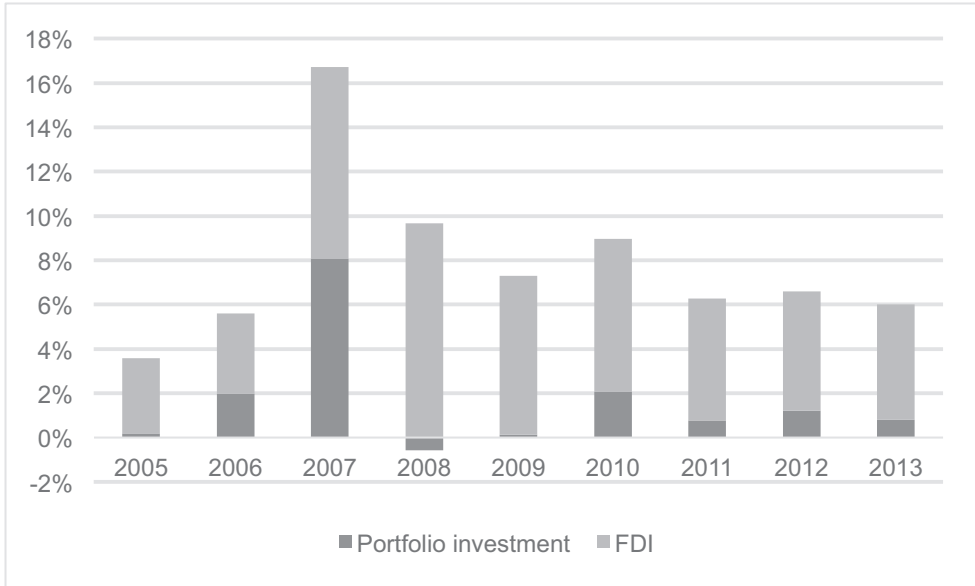
The reaction of global and domestic financial markets to Vietnam’s accession to the World Trade Organization in 2007 was nothing short of euphoric. Inward portfolio investment in bonds, equities and other financial instruments, which amounted to about 2 per cent of GDP in 2006, spiked to 8 per cent the following year. Foreign direct investment also rose sharply (Figure 4). The result was a

FIGURE 3
GDP Growth and Consumer Price Inflation



Source: World Development Indicators.

FIGURE 4
Foreign Direct and Portfolio Investment, Net as Percentage of GDP



Source: World Development Indicators.

classic emerging-market crisis driven by a sudden flood of foreign capital. The State Bank of Vietnam (SBV) lacked the policy instruments to sterilize an inflow of dollars on this scale, or in other words to avoid a situation in which the flood of dollars fed directly into the domestic money supply. Short of capital controls, it is difficult to see what SBV could have done given the instruments available to it. The resulting monetary shock drove up asset and consumer prices and the real value of the Vietnamese dong, which encouraged imports and threatened to choke off export growth.

The government’s response was to slam on the brakes, raising interest rates and reserve requirements, and tightening control over the foreign exchange market. The tight money policy worked, with inflation subsiding by the third quarter. But just as Vietnam was coming to grips with this first domestic crisis, a far more severe global shock was emerging on the horizon. As the gravity of America’s sub-prime mortgage crisis became apparent, the government was forced to execute a 180-degree turn to stimulate domestic demand as global trade contracted and exports fell.

Like other export-oriented countries in the region, the main policy question facing the government in 2008–9 was not whether a domestic stimulus package was

required, but what form the stimulus should take. Given Vietnam's infrastructure backlog, the most sensible option was to boost public investment in roads, railways, irrigation, drainage, water supply, sanitation and other projects that would support productivity growth and improve quality of life over the medium term, and would create jobs for thousands of low- or semi-skilled workers in the short term. This was the path taken by China, which financed infrastructure investment on a scale that not only sustained domestic growth but also global commodity prices as demand for steel and other inputs soared.

For various reasons the Vietnamese government decided that infrastructure investment would not deliver jobs in sufficient numbers within the timeframe required. The leadership opted instead to undertake a massive monetary stimulus conducted through the banking sector. The government subsidized borrowing undertaken by state and private enterprises in labour-intensive industries and provided additional loans to state enterprises through the state-owned commercial banks. Credit growth accelerated again, with the credit-to-GDP ratio reaching a new peak in 2010 (Figure 2). Lending was supported through 2010, but the government, eager to sustain growth through the Party Congress in January 2011, left the stimulus in place for too long. Inflation once again accelerated in 2011, forcing the government into another retreat and precipitating the third crisis in the series — this time a home-grown crash originating in the domestic banking sector.

Sharply falling asset prices and weak domestic demand triggered a rise in non-performing loans (NPLs). Major state economic groups collapsed and had to be bailed out by government injections of cash and loan forgiveness. The largest state lender, Agribank, was hit by a series of scandals and according to SBV accounted for a quarter of all NPLs in the system. Although official NPL rates did not rise much, bank officials and independent experts estimated that they were in fact as high as 15 per cent in some state-owned commercial and joint-stock banks. Connected ownership, connected lending and cross-shareholdings in the banking sector were rife, complicating efforts to isolate bad debt and failing financial institutions. The government was reluctant to take decisive action against undercapitalized banks, preferring instead to encourage mergers and restructuring with state assistance. Several small joint-stock banks were effectively insolvent by 2013, and three were eventually taken over by SBV. Credit became difficult to obtain as banks moved to strengthen their balance sheets, with the loan-to-GDP ratio actually falling in 2011 and 2012 (Figure 2).

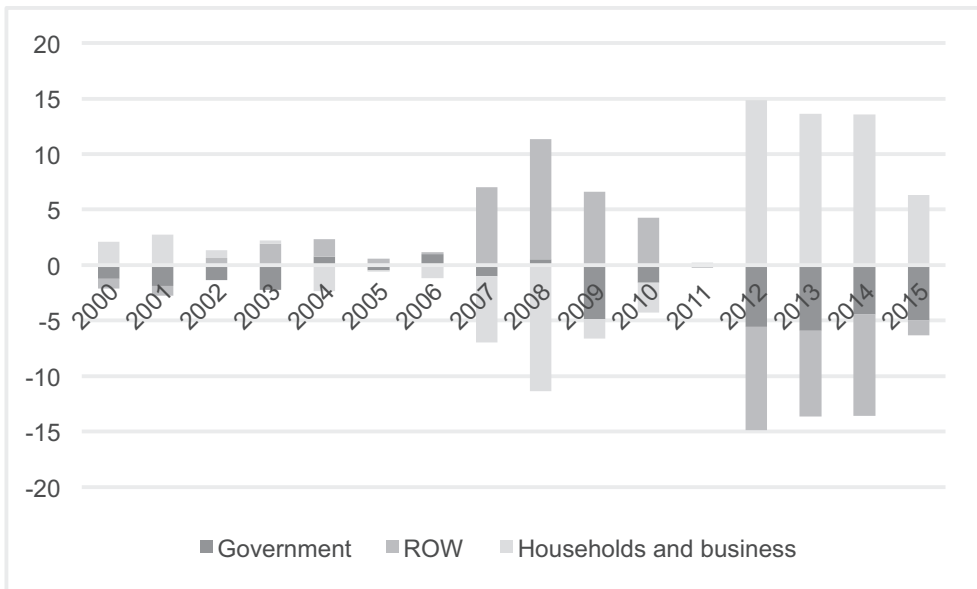
High levels of debt and credit contraction forced the state and private business sectors and households to focus on deleveraging since 2011. This is apparent in

Figure 5, which presents net lending for three sectors: the government, households and businesses, and the rest of the world (as reflected in the current account balance). By definition, net lending across these sectors must sum to zero, since all borrowing is balanced by an equal amount of lending. Unfortunately, flow-of-funds statistics from Vietnam do not yet permit us to separate the domestic corporate and household sectors.

Nevertheless, the results reveal the impact of the long crisis on Vietnam’s growth model. Prior to 2007 the household/business sector was either a marginal net borrower or net lender, depending on the year. It is probably fair to conclude that households were net lenders and corporations net borrowers in most years, with the difference in demand for credit met by some combination of borrowing from abroad and government fiscal deficits. In any case, net borrowing was small relative to GDP, and no single sector sustained high levels of borrowing over consecutive years.

The big changes arrived in 2007 with WTO accession and the large capital inflows of 2007 and 2008. Suddenly the rest of the world was a large net lender to Vietnamese households and businesses, which borrowed massively over the period

FIGURE 5
Net Lending as Percentage of GDP



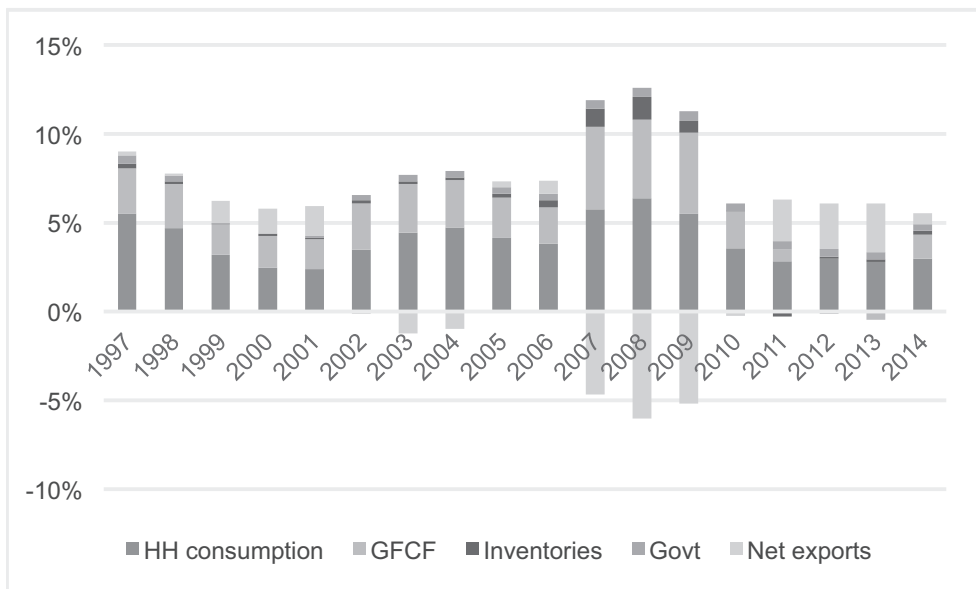
Source: IMF International Financial Statistics.

2007 to 2010. This also covers the period of the monetary stimulus of 2009 to 2010, when both households and businesses acquired liabilities at historic rates. Borrowing on this scale fed asset bubbles that encouraged even more speculation, more borrowing and ultimately more non-performing loans in the banking system. The household and business sectors accumulated debt at an unsustainable rate, setting the scene for the lean years that followed.

By 2012 the process of deleveraging was in full swing, with households and businesses emerging as net lenders on a large scale to both government — which is running large fiscal deficits — and the rest of the world. Essentially the Vietnamese economy has been exporting its way out of its domestic debt overhang, suppressing domestic consumption, increasing exports and saving the surplus.

Domestic deleveraging has taken a large toll on economic growth by suppressing both domestic investment and consumption. This comes out clearly in Figure 6, which decomposes GDP growth since 1997. During the heyday of the *doi moi* model, growth was largely driven by domestic consumption. Exports grew rapidly in tandem with imports, but the main positive effect of vent-for-surplus growth was the creation of millions of jobs and other income-earning opportunities.

FIGURE 6
Decomposition of GDP Growth



Source: World Development Indicators.

Rising incomes in both cities and villages fuelled domestic consumption and investment. As noted earlier, investment assumes a greater role after 2000 with the increase in credit growth and diversification among state-owned enterprises. Investment and consumption soar during the triple crisis, first driven by capital inflows and then by the government's monetary stimulus. However, net exports become a drag on growth as the country records large trade deficits, which are merely the flipside of massive capital inflows.

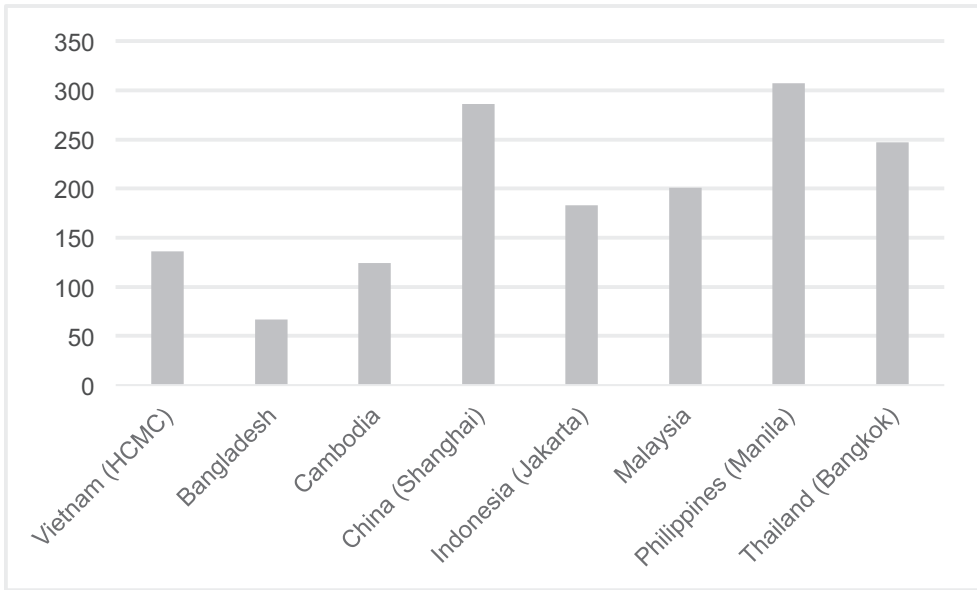
Figure 6 also illustrates the impact of deleveraging on economic growth. Domestic consumption fell sharply after 2009 and did not recover even in 2014. This conclusion is supported by anecdotal evidence of continuing distress in the retail sector as consumers tighten their belts. Meanwhile, investment collapsed from 2011 to 2014 (see also Figure 2) as both non-state and private firms struggled with falling asset prices, high levels of debt and tight credit conditions. The only bright spot is net exports, which sustained growth from 2011 to 2013 and probably once again in 2015.

The Search for a New Growth Model

Donor reports and academic studies routinely urge the government to take steps to avoid the “middle-income trap”, a problem that is thought to afflict countries that have exhausted opportunities for labour-intensive growth but are not yet able to move into higher value-added industries.¹³ Because success in these industries requires educational, judicial and regulatory institutions that develop slowly over many decades, growth rates could decline as the country loses its comparative advantage in cheap and plentiful labour, but still lacks the institutional infrastructure to support capital and technology-intensive industries such as machinery, electronics and chemicals.

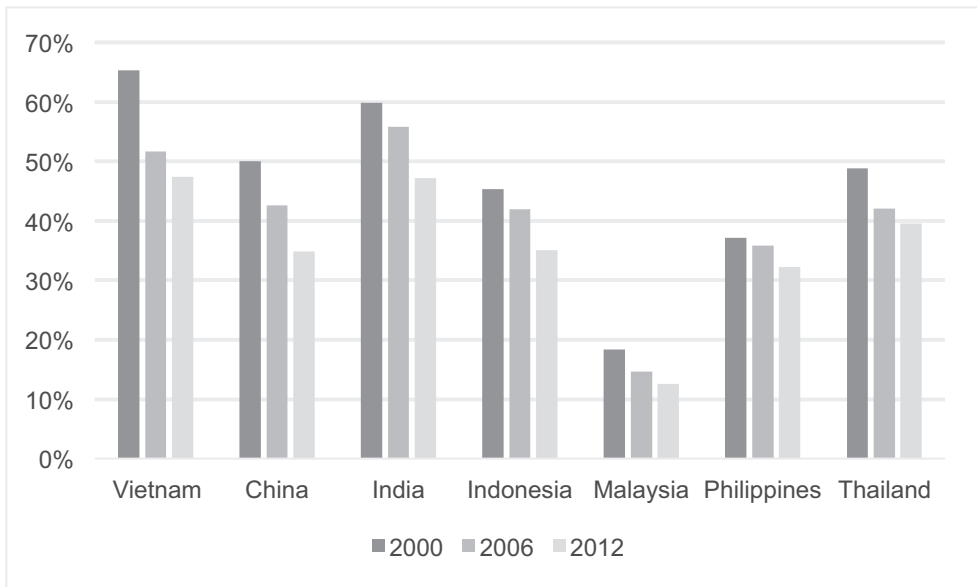
While building the institutions required to support a modern economy is important, we should not lose sight of the fact that Vietnam is still a relatively poor country, where wages are low and underemployment still widespread. Measured in U.S. dollar terms, minimum wages are still low relative to most competitors (Figure 7). In international dollars (purchasing power parity dollars calculated by the World Bank), income per capita in Vietnam is still one half of that in China and Indonesia and one-fifth of Malaysia's level. According to official statistics, two-thirds of the population live in rural areas and about half of the labour force is employed in agriculture (Figure 8). These indicators suggest that in Vietnam there is still plenty of scope for vent-for-surplus growth, boosting exports to create demand for labour and hence raise domestic incomes.

FIGURE 7
Minimum Wages in Selected Asian Countries and Cities, November 2015



Source: Philippine National Wages and Productivity Commission.

FIGURE 8
Agriculture as a Percentage of Total Employment

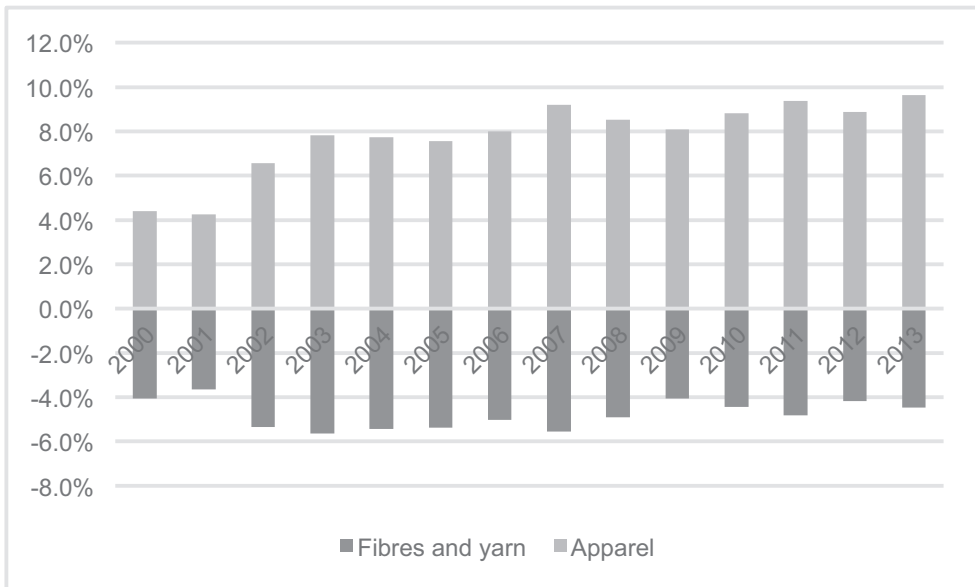


Source: World Development Indicators.

As wages have risen in China, labour-intensive industries have relocated to Vietnam. Garment exports as a share of GDP have risen consistently over the past decade, creating thousands of jobs and generating billions of dollars in foreign exchange (Figure 9). Given a realistic exchange rate, it is unlikely that Vietnamese labour will be priced out of these markets very soon. There are certainly countries with lower average wages, like Bangladesh and Cambodia, but other costs in these locations are higher. For example, the large number of strikes in Bangladesh effectively increases the cost of labour by increasing the number of workdays in which machines are left idle.

The challenge facing Vietnam is not necessarily moving out of garments and footwear, but instead moving backwards up the supply chain to capture a larger share of value added from exports. For example, Figure 9 compares net exports of garments to net inputs of fibre and yarn — inputs into garment and textile making that are largely imported from China. Vietnam consistently runs deficits in these inputs despite the country’s growing importance to the world garment industry. Production of textiles, yarn and fibre are more technologically sophisticated industries in which economies of scale and scope play an important

FIGURE 9
Net Exports of Garments and Inputs in Garment Manufacturing



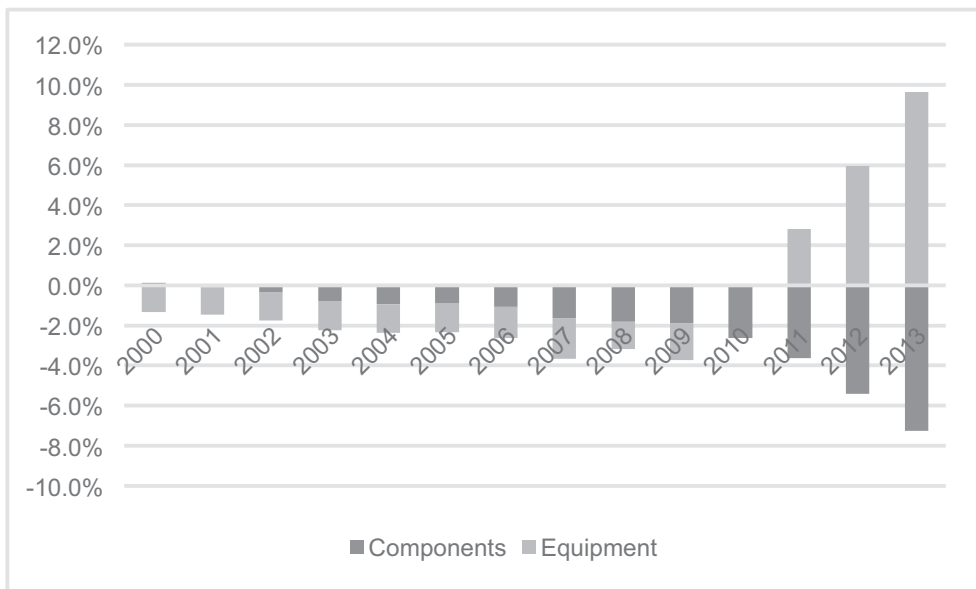
Source: UN Comtrade.

role. Vinatex, the state-owned garment and textile group, does produce inputs, but not of a quality and at a price that can compete with Chinese imports. Domestic private firms are still too small and financially weak to invest in and operate state-of-the-art dyeing and weaving facilities.

Even more impressive in recent years has been the growth of electronic equipment, particularly in telecommunications and related goods (Figure 10). While as recently as 2009 Vietnam was a net importer of electronic goods, by 2014 the country had recorded a net surplus equal to nearly 10 per cent of GDP. Major global producers, like Samsung, Microsoft and Intel, have built production facilities in Vietnam, and the trend looks set to continue. These are largely assemblers, importing components from around the region and exporting finished goods. Component imports were equal to about 7 per cent of GDP in 2014.

As in the case of garments and textiles, breaking into the supply chain for electronic goods is not a simple matter. Competition among the supplier industries is intense as global producers are effectively monopsony buyers and can apply massive pressure to reduce costs and demand constant product innovation. Nevertheless, the experience of China suggests that as the number and density of assemblers

FIGURE 10
Net Exports of Electronics and Electronic Components



Source: UN Comtrade.

increases there are tremendous cost advantages to developing local industries to supply hardware and software needed for the manufacture of these devices. Component suppliers have a strong incentive to follow assemblers to reduce logistics costs and facilitate the flow of information from assembly operations to suppliers. An increasing proportion of the “inputs” into the production of electronic goods consists of the development, improvement, testing and application of software.

Vietnam’s participation in the Trans-Pacific Partnership (TPP), a twelve-country trade deal that includes the United States, Australia and Japan but excludes China, Thailand and Cambodia, could help exports and also promote backward linkages, as supplier firms relocate to Vietnam to comply with the rules of origin provisions of the treaty. The experience of Mexico’s automobile industry under the North American Free Trade Agreement suggests that access to the U.S. market can attract significant investment in upstream suppliers in the presence of other supporting factors. Moreover, the TPP, along with a new trade deal with the European Union, would require the government to rein in preferential treatment for state-owned companies. Much will depend on how these provisions are monitored and enforced. Ratification of the treaty, which is expected to take as long as two years, depends largely on the ability of the Obama administration to steer the deal through Congress with support of the Republicans and against the objections of many members of the president’s own party.

With or without the TPP, creating the space for the development of supplier industries will require breaking the grip of the state on domestic markets. The government will need to transform itself from a gatekeeper, channelling lucrative domestic market opportunities to state and state-related companies, into a facilitator for domestic and foreign investment. Rather than restrict private firms’ access to land, credit and permits, government agencies at all levels will need to work with assemblers to identify domestic and foreign supplier firms and formulate policies to reduce obstacles to investment. Beyond permits, credit and access to land, the government will need to focus on education and training, which has emerged as a key bottleneck in technology-related industries. Partnerships involving government, industry, local and foreign universities and colleges are needed to establish degree and diploma courses in relevant fields that can offer a level of quality that is still missing from most domestic institutions.

Conclusion

The *doi moi* growth model served Vietnam reasonably well for more than two decades. Vent-for-surplus growth created millions of jobs in agriculture and light

manufacturing and generated billions of dollars in foreign exchange. Agricultural and manufactured exports were for the most part produced by small farms and workshops and foreign-invested enterprises. Export success produced the jobs and incomes needed to boost domestic consumption, which was the motor of the domestic economy. The state retained control over the commanding heights of the economy, including natural resources, distribution, finance, telecommunications and utilities. State and state-related companies benefited from close relationships to powerful government agencies and in addition enjoyed privileged access to land and capital. The absence of a genuinely independent commercial class reduced pressure on government to impose discipline on state firms. Over time these firms diversified into lucrative side businesses and became increasingly dependent on credit from the banking sector.

Three successive crises have brought the *doi moi* era to an end. While labour-intensive exports continue to expand, domestic consumption and investment are held back by tight monetary conditions and a heavy debt burden on households and businesses. The essential weakness of the *doi moi* growth model was the inability of the government to impose discipline on state-owned and state-related firms. Rather than compete on export markets or work to integrate into global supply chains, these firms used their privileged access to permits, land and credit to diversify into speculative ventures that promised higher returns but imposed huge risks on the economy. When the collapse came, the government lacked the capacity or political will to engineer a timely resolution of the bad debt problem weighing down the banking sector. As a result, domestic investment and consumption have remained depressed as businesses and households attempt to crawl out from under the wreckage of the crisis years.

Vietnam needs a new growth model, one that achieves closer integration between the successful export sector and the state-led domestic economy. In place of the “weird dualism” described by David Dapice more than a decade ago, Vietnam must find ways to capitalize on the presence of foreign firms to develop competitive domestic supplier industries and other firms servicing exporters.¹⁴ Greater competition in domestic markets would favour more efficient firms and generate higher income and employment multiplier effects from investment and consumption. At the same time, long overdue banking reforms are needed to increase transparency and accountability among financial institutions, reduce connected lending, and channel credit to more efficient firms.

Building a political coalition in support of a new growth model will not be easy. The absence of established commercial groups that are independent from the state has left the country without an organized interest group pressing for

deeper reforms. External pressure, for example from the partner countries of the TPP, while helpful, is not a replacement for a domestic constituency committed to change. As long as commercial advantage comes from relationships with government agencies and individuals, it is difficult to see how these groups will emerge. That the prolonged crisis from 2008 to the present had not generated more pressure for reform is a cause for concern.

Notes

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