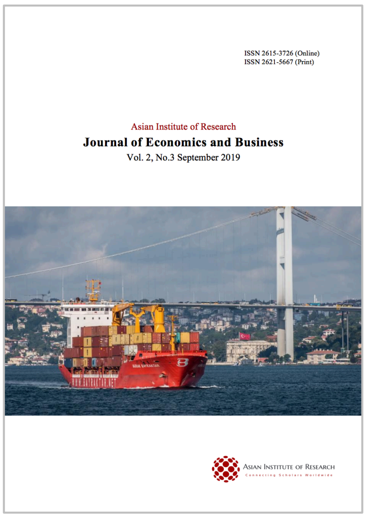

Journal of Economics and Business

Thái, Nguyên Quang, Trinh, Bùi, Anh, Vu Tuan, and Nhung, Nguyen Hong. (2019), Some Issues on Vietnam Economy. In: *Journal of Economics and Business*, Vol.2, No.3, 739-748.

ISSN 2615-3726

DOI: 10.31014/aior.1992.02.03.123

Published by:
The Asian Institute of Research

The Asian Institute of Research
Journal of Economics and Business
Vol.2, No.3, 2019: 739-748
ISSN 2615-3726

DOI: 10.31014/aior.1992.02.03.123

Some Issues on Vietnam Economy

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Abstract
Vietnam's economy in innovation has experienced many great achievements. The distance calculated according to the ratio of economic scale, export promotion, attraction of foreign direct investment capital, job creation for young workers, accelerating urbanization. However, looking inside the economy, we can see that productivity, quality, efficiency and competitiveness are not high, because of using the old growth model, with inputs with increasing material consumption. In addition, large budget spending is caused by a bureaucratic bureaucracy, with little resources available for development investment.Taxes and fees are still unreasonable. The lack of capital mobilization of FDI has resulted in a widening gap between GDP and GNI. Human resources lack intensive training so productivity is not high. The risk of inflation is still lurking. The economy needs to continue going strong reforms

Keywords: Vietnam Economy, State Budget, FDI, Inflation

Introduction

Vietnam has a ritual culture that values form more than content, even covering content, this research tries to describe a part of Vietnam's economy through some indicators of total domestic products (GDP), GNI-gross national income, property income, about the current operational status of the enterprise through the annual enterprise survey of the General Department of Statistics, on inflation risks, on budget revenue and expenditure and some recommendations to overcome these limitations.

There are many articles about the Vietnamese economy, but most are reporting achievements, but there are also articles that are well-researched such as Pham Quang Ngoc el al (2007), Nguyen Quang Thai and Bui Trinh (2010) on analysis of the components contributing to economic growth, Nguyen and Bui (2011) on Vietnam Public Debt in the safe limitation, Hoa.P.L(2010), T. Bui el al (2012), T.Bui, Bui Quoc (2017), Bui KieuAnh el al (2019)
This research is using available data of the General Statistics Office, the Ministry of Finance, and the State Bank.

GDP and net property income

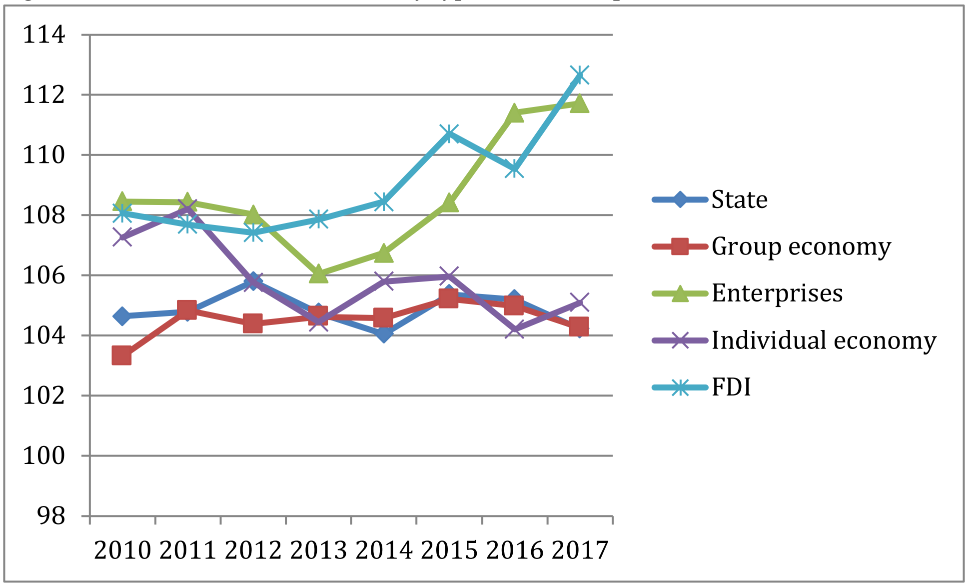
The average GDP growth of Vietnam in the period of 2010 - 2017 is about 6%, the growth rate is relatively high compared to other countries in the region. In terms of ownership structure in GDP, contribution to GDP is basically from the individual sector. In the period from 2010 to 2017, this rate decreased by 2.7%. The share of the state economy also decreased slightly from 29.34% in 2010 to 28.63% in 2017 (down about 0.7%). Meanwhile, the non-state sector has increased by less than 1%; The area of enterprises with foreign direct investment (FDI) increased by about 3%. Ownership structure shows that the Vietnamese economy is very fragmented, and there is almost no significant structural change. Small and medium-sized enterprises are still unable to grow, the share of value-added of this sector in GDP is very low (less than 10%) and almost unchanged during the 8 years (2010 - 2017). This shows that when the number of domestic enterprises increases or loses, it is only a change in quantity, while the value does not seem to change. The contribution of the foreign-invested sector increased from 15.2 in 2010 to 19.6 in 2017. The largest contribution to GDP is still the individual economic sector! However, the growths of the foreign-invested sector and the private sector (enterprises) have the most stable growth (table 1 and figure 1).

Table 1. Structure of GDP at current price by type of ownership (%)

	2010	2011	2012	2013	2014	2015	2016	Sơbộ 2017
GDP	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00
State	29,34	29,01	29,39	29,01	28,73	28,69	28,81	28,63
Non-State	42,96	43,87	44,62	43,52	43,33	43,22	42,56	41,74
Collection	3,99	3,98	4,00	4,03	4,04	4,01	3,92	3,76
Enterprises	6,90	7,34	7,97	7,78	7,79	7,88	8,21	8,64
Household	**32,07**	**32,55**	**32,65**	**31,71**	**31,50**	**31,33**	**30,43**	**29,34**
FDI	15,15	15,66	16,04	17,36	17,89	18,07	18,59	19,63
Tax on products less subsidies.	12,55	11,46	9,95	10,11	10,05	10,02	10,04	10,00

Source: General Statistics Ofice. Gso.gov.vn

Figure 1. Growth rate of value added by type of ownership



Source: VietnamGeneral Statistics Ofice. Gso.gov.vn

According to the principle of the System of National Account (SNA) permanent resident, the value-added of the foreign capital sector is accounted for GDP, then businesses in this region can keep the profit re-invested and can also transfer money to the "mother" country. Thus, although the foreign-invested sector contributes significantly to GDP growth, it also contributes significantly to flow cash go out to foreign faster than GDP growth, average GDP growth by the current price. In during the period of 2007 - 2017 is 22%, while the growth of the net, property payment is 32%, thereby making the ratio of Gross National Income (GNI) to GDP decreased from 97.2% in 2000 to 95.2% in 2017. This is the reason that some experts believe that the more growth of GDP, the more resources of the country will be reduced when growth is based on the foreign-invested sector. The real resource of the economy is saving, savings begin to form from the GDP plus property income minus property payment (net, property income) plus pure transfer except for final consumption; If net, property income is a negative number and this negative number is increasing leading to smaller and smaller savings. Savings are the basic source of investment, if savings are always smaller than the amount needed to invest, the demand for loans will be greater (table 2). Is that the reason why GDP is so high that debt must pay more and more? So, the rise of GDP is like a serious patient who adorns his face to hide his illness? Reasonable, is Vietnam's economy in this situation?

Table 2. GNI, GDP and net, property income

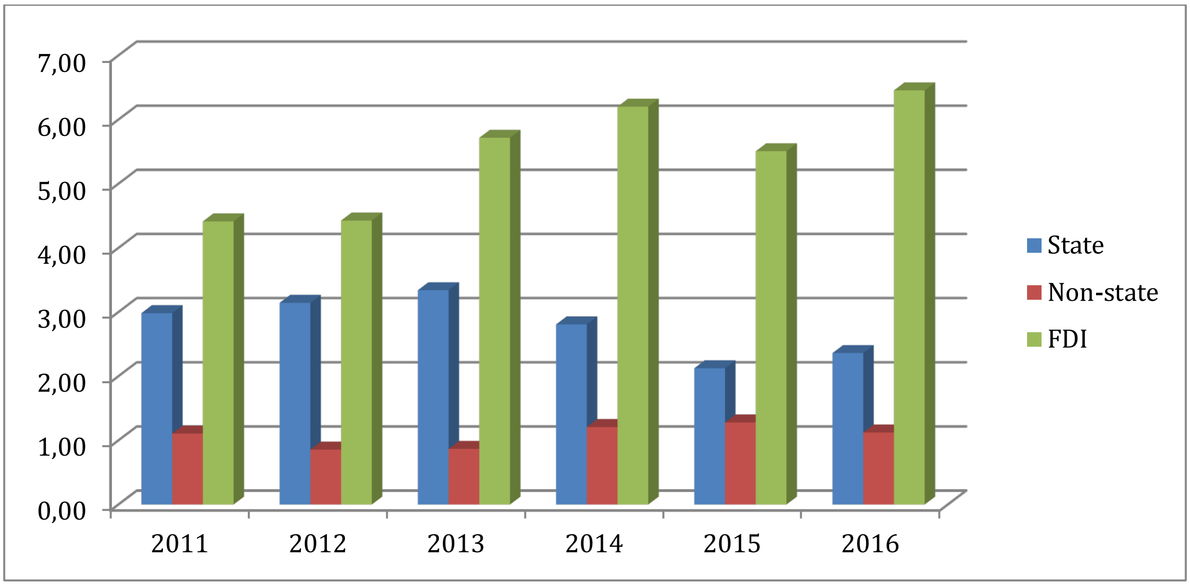
	GNI (Billion Vietnamese dong)	GDP (Billion Vietnamese dong)	Net, property income (Billion Vietnamese dong)	GNI/GDP)%)
2007	1,211,806	1,246,769	-34963	97.2
2008	1,567,964	1,616,047	-48083	97.02
2009	1,731,221	1,809,149	-77928	95.69
2010	2,075,578	2,157,828	-82250	96.19
2011	2,660,076	2,779,880	-119804	95.69
2012	3,115,227	3,245,419	-130192	95.99
2013	3,430,668	3,584,262	-153594	95.71
2014	3,750,823	3,937,856	-187033	95.25
2015	3,977,609	4,192,862	-215253	94.87
2016	4,314,321	4,502,733	-188412	95.82
2017	4,764,958	5,005,975	-241017	95.19
Average growth during 2007-2017 (%)	21.60	21.97	31.76	

Source: Vietnam GSO. www.gso.gov.vn

Eenterprisessituarionin Vietnam

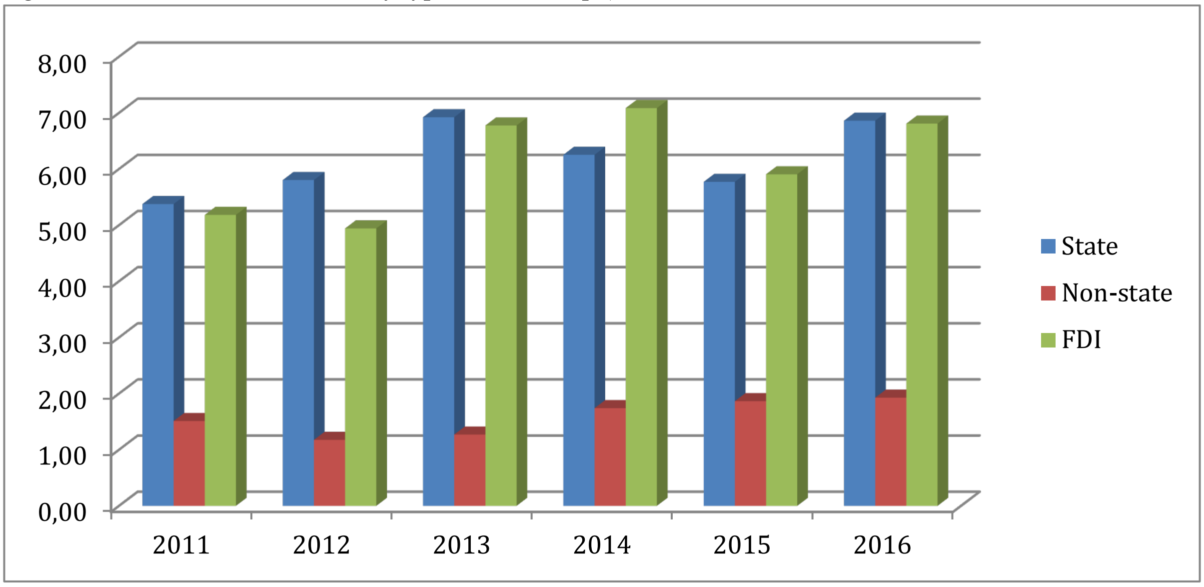
According to the enterprise survey data, the number of non-state enterprises by the end of 2016 accounted for about 97% of the total number of enterprises (including State-owned enterprises, non-state enterprises, and foreign-invested enterprises). The Government has also issued a number of policies to support small and medium enterprises such as: Information, consultancy, human resource development, the transformation from business households, a creative start-up, participation in an industry association, value chain ... These policies are what small and medium enterprises need but not enough, the most important policy that small and medium enterprises really need is policies on taxes, customs, access to capital, and land. A fair and transparent way to avoid small and medium enterprises legal risks. In many countries around the world, small and medium enterprises always play an important role and position in socio-economic development. In order for small and medium enterprises to develop, contributing positively to economic development. - National society, each country has its own development policies, in which financial mechanisms and policies are the most important factor. Comparison of small and medium-sized enterprises for state-owned enterprises and foreign-invested enterprises showed that the number of small and medium enterprises accounted for the highest proportion in the period of 2011 - 2016, State enterprises in 2016 only accounting for 0.6% and foreign-invested enterprises about 2.8%. But the small and medium-sized enterprises have very low-profit margins per capital, in 2016 this ratio of the non-state economic sector was only half of the state sector and one-sixth of the area with foreign capital investment (figure 2). The net profit-to-revenue ratio of the non-state sector is also the lowest, less than one-third of that of the State and FDI sectors (figure 3)

Figure 2. Profit margins per capital by type of ownership (%)



Source: Vietnam GSO. www.gso.gov.vn

Figure 3. Return on a net turnover by type of ownership (%0

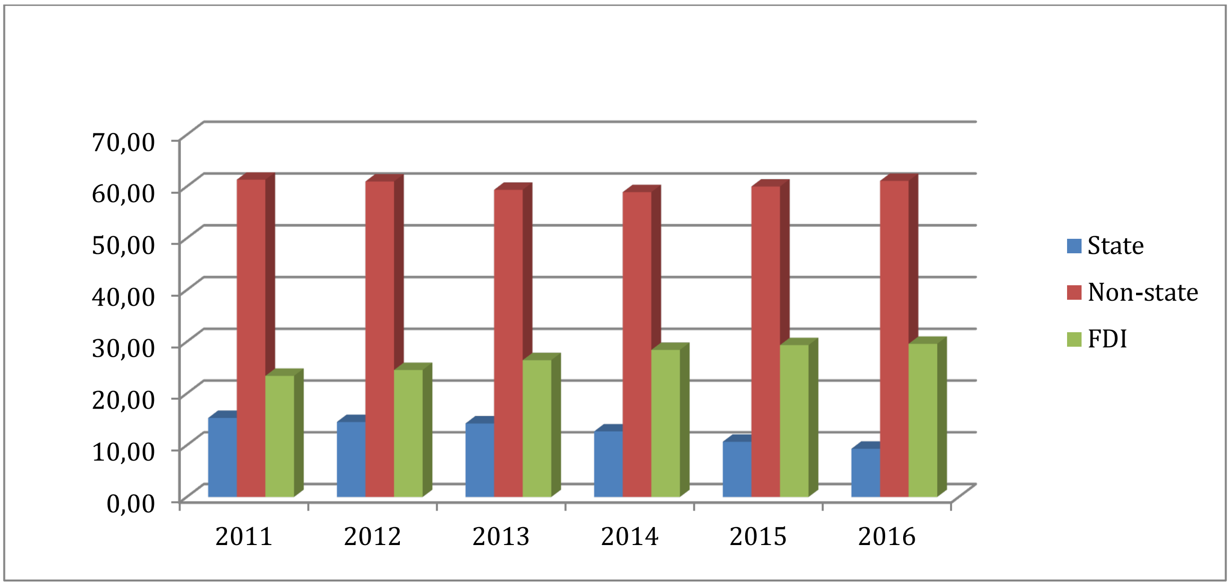


Source: Vietnam GSO. www.gso.gov.vn

Although the non-state area is the area that attracts the most workers, the labor force in this area accounts for over 60% of the total labor force, while the labor in the state sector is only about 10%, and the labor force in the Foreign investment sector is about 30% of the total labor force. The demand for labor and capital of the non-state business sector is very high, but it generates the lowest revenue and profit, but the irony is that non - state area has contributed the highest on tax. Taxes charged by non-state enterprises accounted for nearly 50% of the total tax collected from the business sector, while the State sector paid about 28% of the budget revenue in 2016 and the foreign investment sector paid only 26% of the budget revenue. The direct tax on foreign investment sector only paid to the budget 24.5% while the non-state sector paid the budget of 48%. The data show that from 2011 to 2016, the proportion of contribution to the budget of the foreign investment sector is decreasing, in 2011 the proportion of contribution to the budget of the foreign investment sector decreased from 32.5% down. 24.5% in 2016, while the budget remittance rate of the non-state sector increased from 35% in 2011 to 48% in 2016.

From this data shows the tax policy has no incentives for the non-state economic sector. All incentives are almost exclusively for State-owned enterprises and foreign investment sectors. The non-state business sector does not need slogans, support on paper, non-state business sector needs specific tax and capital support policies, People have the right to question who benefits from foreign investment areas.

Figure 4. Labor rate of ownership components



Source: Vietnam GSO. www.gso.gov.vn

Since joining WTO (2007) until now, the openness of the Vietnamese economy is very large, the export of goods in the period of 2007 - 2016 increased by 364%, the import of goods increased by 279%. However, if considering carefully the ownership can see that the FDI sector increased much faster than the domestic sector, the export of goods of the FDI sector in this period increased by 454% and the import of goods of the FDI sector increased by 472 %, the average export growth of the FDI sector in the period of 2007 - 2016 is about 21% per year and the average growth of import of the FDI sector is about 22% per year, while the export and import growth of the region The domestic sector in this period is 11% and 7% per year respectively. The import and export structure also shows that the FDI sector is rapidly taking up the export market share and also the import, in 2005 the export of the FDI sector accounted for 57% of the export value, in 2016 the region's exports this sector accounts for 72% of the total export value; Similarly, the import structure of the FDI sector also increased from 35% in 2005 to 59% in 2016.

Statistics data show that the trade deficit or trade surplus depends on the FDI sector, because the domestic economic sector is always in trade deficit and the FDI sector has always had trade surplus since 2000 up to now. from net foreign ownership payments estimated in 2018 it is possible to pay net foreign ownership of over $ 20 billion, of which more than $ 10 billion is for debt repayment and over $ 10 billion It is a legally transferred FDI capital to foreign countries and the average FDI tax is about 7.5 billion dollars, of which VAT is not the money of the FDI sector but the money of Vietnamese consumers contribute to the budget through the use of this region's products. This is not to mention how it is difficult for enterprises to bring products into and out of Vietnam, which is very difficult to grasp. So the real profit part may have been located in foreign countries that Vietnam cannot know and cannot tax. This part of the tax may be enjoyed by the government.

Based on the principle of permanent residence, the growth of the FDI sector can increase GDP but make the economy's resources increasingly narrowed through the indicators such as GNI, NDI, and saving of the economy while these indicators of the subjective countries of FDI enterprises increased. One problem is that in addition to the well-managed FDI sector, strong capital sources of Vietnam's policies benefit this region too much, while non-state-owned enterprises are not entitled to incentives. It is impossible to understand what people think when exempting processing enterprises from taxes (which are basically outsourced to produce outsourcing), if the domestic enterprises also import those goods for domestic production, they must pay import tax. , VAT on imported goods, but those that do processing are exempted from tax. So how can the manufacturing industry of auxiliary products be developed? In addition, FDI enterprises are entitled to corporate income tax incentives "newly established enterprises from investment projects in the economic zone are entitled to a 10% tax rate for 15 consecutive years from the first year. Enterprise first has revenue "and then gets preferential treatment again" In addition, businesses operating in the economic zone will be exempted from corporate income tax for 4 years from the time of business with taxable income and 50% reduction in the next 9 years."

The tax policy of Việt Nam is the barrier that makes the value-added of the domestic private sector impossible to exceed 8% in GDP during the past 15 years, the transformation of ownership structure in GDP is only a transfer between the two favored areas is the State-owned enterprises and the FDI sector. If nothing changes or only changes in words, then the individual economic sector will remain dominant for many years (contributing over 30% of GDP) while the FDI sector is not managed and tightly bound. Thus, the join integration on of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will be the playground of FDI enterprises and other countries only.

About inflation risks in 2020

Another issue should be warned that credit growth and money supply growth from 2013 to 2017 are always higher than GDP growth at current prices. The ratio of M2 to GDP is getting higher and higher, according to IMF data in 2017, this rate is about 104% in 2013, increasing by 165% in 2018 and 2018 is estimated at 170% of GDP. Looking at history, we can see that this situation is similar to the period of 2011-2011 and 2011 with great inflation. Increasing money supply plus increasing the price of a series of state-controlled products such as electricity, petroleum, health, or education[1]. It should be warned that the risk of inflation may take place in 2020, or the underground and illegal economy in Vietnam is developing very strongly, is it that these activities themselves are helping Vietnam curb the increase of price?

Table 3. Some macro indicators in Vietnam

	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Growth on money supply increase (M2) (%)	22.38	18.50	15.65	22.00	22.06	22.00
Credit growth (%)	8.91	12.51	11.80	18.24	18.25	17.26
Consumption price index (CPI) (Last year = 100)	9.21	6.60	4.09	0.63	2.66	3.53
M2/GDP (%)	96.36	103.70	114.07	130.70	149.21	165.08

[1] https://tuoitre.vn/he-qua-cua-tang-gia-dien-xang-dau-dich-vu-y-te-don-dap-20190505221413422.htm

GDP/M2 (times)	1.04	0.96	0.88	0.77	0.67	0.61
GDP Growth at current price (%)	16.75	10.44	9.87	6.48	7.39	11.18
GDP Growth at constand price (%)	5.25	5.42	5.98	6.68	6.21	6.81

Source: IMF and GSO

Structure of budget revenue and expenditure

+ Budget revenue

The structure of revenue collection shows that the basic source of income is from taxes and fees; this rate has been little changed from 2011 to 2017, although the structure of tax and fee changes reversed for each other, tax collection decreased from 86% in 2011 down to 72% in 2017, but fee collection increased from 5%. In 2011, up to 17.4% in 2017. The structural shift between taxes and fees is partly due to the hustle and bustle of Vietnam's integration, leading to lower import tariffs. The decree promulgating the ASEAN-China Tariff (ACFTA), 588 tariff lines will be cut from 5% in 2017 to 0%, mainly in key items such as iron and steel and iron and steel products. , electrical and electronic machinery and equipment, textile materials, garment fabrics, clothing, coffee, raw tea, food processing, partly due to excessive incentives for FDI enterprises, while the Foreign region investment has the highest growth rate of profit in the period of 2011 - 2016 (25.5%) compared to 2 domestic economic sectors, which are State-owned enterprises (21%) and non-Home sector. water (17.4%). Meanwhile, the average growth rate of total foreign investment tax is only 8.6% (compared to 21% of the non-state economic sector), especially the average growth of income tax. Foreign-invested enterprises are even lower, only 7.5% (compared to 21% of non-state economic sectors). In order to compensate for the tax revenue deficit, the Ministry of Finance collected fees such as tolls; This clause is essentially the same as indirect tax, but the budget is easily collected directly by the people

Revenues from capital also increased sharply from 7.5 in 2011 to 10% in 2017. Is the Government of Vietnam selling State assets to offset revenue?

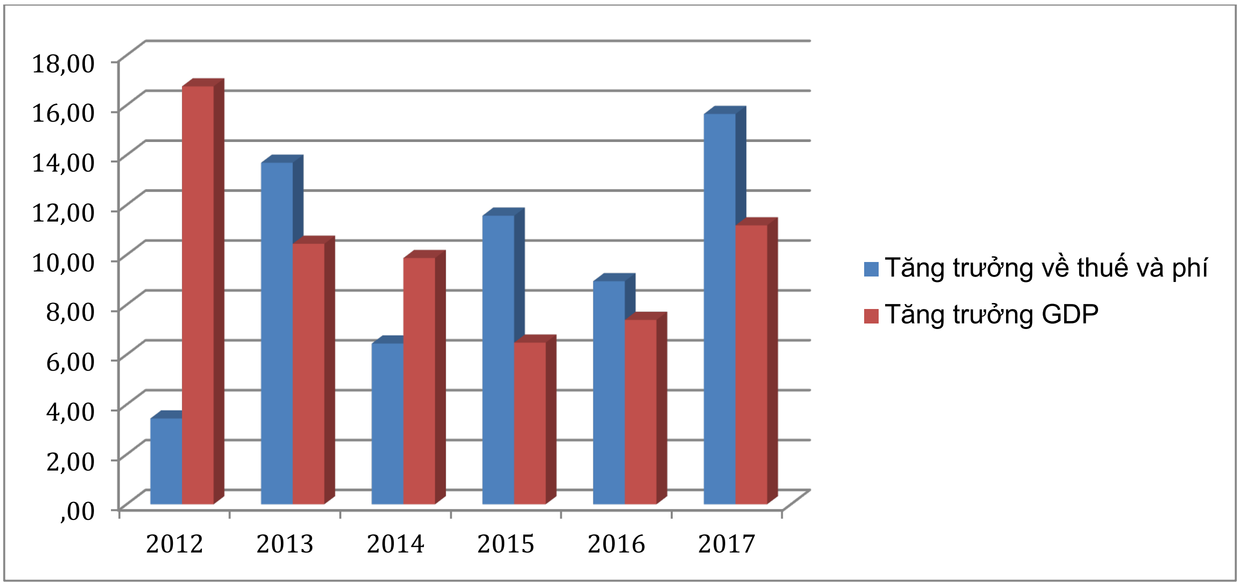
Table 4. STRUCTURE OF STATE BUDGET REVENUES

TT	Items	2017	2016	2015	2014	2013	2012	2011
-	State budget revenues and grants (I+II+III)	100%	100%	100%	100%	100%	100%	100%
I	Current revenues	89.5%	90.1%	91.7%	93.5%	93.1%	92.2%	90.8%
I.1	Taxes	72.1%	72.9%	75.8%	81.7%	82.7%	84.0%	85.7%
I.2	Fees, charges and non-tax	17.4%	17.2%	15.9%	11.7%	10.3%	8.2%	5.1%
II	Capital revenues (revenues from the sale of State-owned houses, land user right assignment)	9.9%	9.2%	7.1%	5.3%	5.6%	6.4%	7.5%
III	Grants	0.6%	0.8%	1.2%	1.3%	1.3%	1.4%	1.7%

Source: Mof.gov.vn

Figure 5 shows that only in 2012 and 2014 the growth rate of taxes and fees was lower than the GDP growth rate (at current price), the remaining years of growth rates of taxes and fees were much higher than GDP growth, especially in Three consecutive years from 2015 to 2017, the growth rate of taxes and fees compared to GDP growth is relatively large, this shows that the collection of taxes and fees exceeds the resources of the economy, if this situation is last long. Real resources of the economy through savings indicator will be smaller in subsequent cycles.

Figure 5. Growth of tax and fees and GDP at the current price



+ ***Budget expenditure***

Table 6 shows that the ratio of recurrent expenditure in total expenditure is always high, at 66% of total budget expenditure; Interest payment rate increased from 4.2% in 2011 to 7.2% in 2017. This shows that public debt is on the rise or debt with higher interest rates. The investment expenditure ratio tends to decrease.

Table 6. Structure of budget expenditure

	2011	2012	2013	2014	2015	2016	2nd est.2017
Total state budget expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**
In Which:							
Current expenditures	**66.3**	**66.2**	**69.3**	**69.7**	**66.9**	**68.3**	**66**
Interest payment	**4.2**	**4.4**	**4.4**	**6.4**	**6.9**	**7.2**	**7**
Capital expenditures	**29.5**	**29.4**	**26.3**	**23.9**	**26.1**	**24.6**	**27**

Source:mof.gov.vn

Table 7 shows that in most years (except 2014 and 2016) the growth rate of budget expenditures and recurrent expenditures is higher than GDP growth rates (at current prices). The growth rate of interest payment is much higher than the GDP growth rate. This shows that if continued high recurrent spending and inefficient investment will make the Vietnamese economy plunge deeper into debt. This situation shows that the Vietnamese economy is very vulnerable. Flexible policies and coordination between fiscal and monetary policies are needed

Table 7. Growth of budget expenditure and GDP at the current price

Unit: Times

	2012	2013	2014	2015	2016	2nd est.2017
Total state budget expenditures	**29.3**	**12.9**	**0.8**	**13.6**	**2.2**	**14.4**
In Which:						
Current expenditures	**29.2**	**18.2**	**1.3**	**9.1**	**4.3**	**11.3**
Interest payment	**33.9**	**12.8**	**48.3**	**22.9**	**5.8**	**14.0**
Capital expenditures	**29.0**	**1.1**	**-8.5**	**24.3**	**-4.0**	**23.3**
GDP Growth	16.75	10.44	9.87	6.48	7.39	11.18

Source: mof.gov.vn

Conclusion and solution

First, do not consider GDP growth as the only indicator to assess the economy. GDP is a short-term and temporary indicator, because the corruption of inefficient investment also increases GDP at that time but may lead to macro instability, credit growth may also increase GDP but also lead to risks of bad debt and weak resources through savings targets

Second, Vietnam has participated in signing many multilateral and bilateral trade agreements, in an open and integrated world, the flow of foreign direct investment or indirectly flowing into Vietnam is inevitable. What do the government and people expect from this capital inflow into Vietnam: They expect to attract the labor force and technology transfer, but perhaps the most likely is the achievement disease from the central to Localities, when capital flows into any province that GRDP province increases and national GDP increases despite the fact that the Vietnamese people do not benefit much from this, but some people benefit from this growth achievement. Basic FDI attraction must see the added value that the Vietnamese side enjoys and does not affect the environment.

Third, Monetary policy depends on the evolution of the real economy, so it should be flexible in managing exchange rates and interest rates. Reduce the level of recurrent expenditures from the budget. One of the important questions in macroeconomics and public finance is how changes in tax policy to affect economic activity and social welfare well. Harmonizing interests between people, the State, and businesses? In theory, it is often assumed that taxes have a negative correlation with growth - higher taxes mean lower economic growth rates. This is explained by the fact that taxes create distortions to the economy, meaning that they are not neutral, as the higher tax the distortion of the economy increases.

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TCTK gso.gov.vn

BTC mof.gov.vn

WB www.worldbank.org