

Renovating the economic growth model, restructuring the economy towards improving productivity, innovation, reducing emissions, being green and smart

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● **Abstract:** Renovating the economic growth model, restructuring the economy towards improving productivity, innovation, reducing emissions, being green and smart is a step to renovate the economic growth model in depth, focusing on quality and efficiency based on the foundation of science and technology, innovation and digital transformation. It is closely linked with the process of restructuring the economy towards being green and smart to fulfill the commitment to bring net emissions to zero by 2050, linking economic growth with environmental sustainability.

This article focuses on analyzing the need to continue renovating the economic growth model towards improving productivity, innovation, being green, and smart associated with economic restructuring in the 2026-2030 period and recommends solutions to renovate the economic growth model.

● **Keywords:** growth model; economic restructuring; emission reduction; green transformation; digital transformation.

1. Introduction

Renovating the economic growth model means establishing a common framework or common model to guide economic operations on the basis of optimizing national resources with a reasonable, effective, and modern economic structure, aiming to achieve a high economic growth rate in the direction of sustainable development.

Renovation of the growth model and restructuring of the economy in Vietnam has been implemented since 2011, with a roadmap gradually shifting from an economic growth model mainly based on extensive development to a reasonable and effective combination of both extensive and intensive growth, toward establishing a growth model based on productivity, quality, efficiency, and enhancing the competitiveness of the economy. This is founded on the mobilization, allocation,

and efficient use of resources, especially science and technology, innovation, and digital transformation. Since 2011, innovation of the growth model and economic restructuring has achieved many accomplishments, but also still faces numerous difficulties and challenges, posing new requirements that need continued theoretical and practical research and supplementation.

2. Content

2.1. Renovating the growth model, restructuring the economy towards improving productivity, renovation, being green, and smart

Based on the advantages of the new growth model, overcoming the limitations of the current economic growth model, while exploiting and promoting the country's comparative advantages, in accordance with the new development context, is an inevitable transformation trend.

From the perspective of inputs: the growth model mainly relies on science and technology resources, and innovation will contribute to reducing consumption, preserving and developing resources, maintaining ecological balance, while improving labour productivity, efficiency of using other resources such as capital and labor, thereby ensuring fast, stable, and sustainable growth in the long term. This is an in depth economic growth model, based on modern science and technology, improving the efficiency and quality of growth, such as: improving the efficiency of capital use, increasing labor productivity, improving the contribution of total factor productivity (TFP), directing economic activities to industries and fields with high added value, reducing production costs, proactively producing and exporting goods with high technology goods, through fully exploiting the country's advantages.

From the perspective of economic structure: this economic growth model will promote creative startups, enhance design and creative capacity, encourage enterprises to invest in innovation, absorb and master technology, especially core technology and source technology. Develop industries and fields, especially technology-intensive industries with high added value and low carbon emission industries; develop enterprises on the basis of strong application of science and technology, develop products with competitive advantages, high-tech products with added value and eco-friendliness, and promote participation in the global value chain.

Renovating the economic growth model towards improving labour productivity, innovation, being green, and smart, restructuring the economy in the context of digital transformation will contribute to effectively exploiting the potential and advantages of the country and each locality, creating major changes in labor structure, industry structure, as well as in regional and territorial structure. At the same time, improving the country's endogenous science and technology capacity - the leading important factor in implementing the orientation of strongly shifting the economy to a growth model based on productivity, scientific and technological progress, innovation, high-

quality human resources, efficiency, and competitiveness of the economy - determines sustainable growth in the long term.

Renovating the economic growth model, restructuring the economy towards improving productivity, innovation, being green, and smart, and emission reduction is an inevitable step. This is an in-depth economic growth model, focusing on quality and efficiency based on the foundation of science and technology, innovation, and digital transformation, associated with the process of restructuring the economy towards being green and smart to fulfill the commitment to bring net emissions to zero by 2050, linking economic growth with environmental sustainability.

2.2. The current situation of growth model renovation associated with economic restructuring in Vietnam

From 1986 to 2010, Vietnam applied an extensive economic growth model based on expanding investment, exploiting natural resources, and low-skilled labour. Compared to the period before 1986, the economic growth model has been fundamentally renovated with new operating methods, driving forces, and structures. This economic growth model achieved a continuously high economic growth rate for many years, contributing to creating jobs, increasing income for workers, reducing poverty, and narrowing the development gap between regions and population classes. However, the economic growth model still relies too much on investment, resource exploitation, and low-skilled labour, and does not pay due attention to other driving forces of the economy such as science and technology, leading to resource depletion, environmental pollution, low labour productivity, low competitiveness in the international market, etc. In addition, the impact of the financial crisis originating from the US, the public debt crisis in Europe, the unpredictable developments of climate change, the restructuring trend of economies around the world directly impact Vietnam, posing the need to find a new growth model that can both anticipate new trends and overcome bottlenecks in the old model of economic growth.

The renovation of the economic growth model has been taking place since 2011, through three stages, with quite clear changes in theoretical thinking, goals, operating methods, growth dynamics as well as economic structure. This is the transition from the economic growth model viewpoint of the 11th National Party Congress: “from mainly developing in breadth to developing reasonably between breadth and depth, both expanding the scale and focusing on improving quality, efficiency and sustainability”⁽¹⁾ to “The growth model in the coming time effectively combines breadth and depth development, focusing on

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depth development, improving growth quality and competitiveness on the basis of improving labour productivity, applying scientific and technological advances, innovation and creativity, improving the quality of human resources, promoting comparative advantages and proactively performing international integration, developing rapidly and sustainably”⁽²⁾, determined in the resolution of the 12th Congress. At the 13th Congress, the Party affirmed: “Continue to strongly promote innovation of the growth model, shift the economy toward a growth model based on productivity gains, scientific and technological progress, innovation, high-quality human resources, and efficient use of resources in order to improve the quality, efficiency, and competitiveness of the economy. Improve the investment and business environment, promote innovative startups, develop sectors, fields, and enterprises on the basis of strongly applying the achievements of science and technology, especially the Fourth Industrial revolution; develop competitive products, high-tech, high value-added, environmentally friendly products, and effectively participate in global production networks and value chains”⁽³⁾.

With the correct policies of the 11th, 12th, and 13th National Party Congresses, the process of renewing the economic growth model associated with economic restructuring has achieved remarkable results. The average growth rate for the 2011-2015 period reached 6.17%; in 2016-2020 was 6.25%; in 2021-2023 was 5.21%. In the fourth quarter of 2023, growth reached 6.72%, ranking among the Top 10 economies with the highest growth rate in the world. This rate was especially meaningful given the lingering impact of Covid-19 and monetary tightening to curb inflation. Growth was achieved in all three industry groups, of which services increased the highest at 6.82%⁽⁴⁾. Vietnam’s per capita GDP steadily increased from 2010 to 2023: in 2010 only 1,614 USD, in 2020 it reached 2,779 USD (lower middle income), in 2022 more than 4,124 USD, and by 2023 it reached 4,287 USD, placing Vietnam at the upper threshold of lower middle income, 60 times higher than in 1986, ranking 6th in Southeast Asia and 25th in Asia, laying the foundation for raising the human development index and implementing social welfare policies.

However, the renovation of the growth model has not yet led to qualitative changes, as it is not truly based on the foundation of science, technology, and innovation, the contribution of total factor productivity (TFP) remains low, labor productivity is still low, and the business and investment environment still faces many obstacles.

Firstly, the economic growth model relies mainly on exports from the FDI sector

Vietnam’s growth from 2021 to present mainly depends on exports, in which the FDI sector accounts for over 70% (equivalent to 60% of GDP); these enterprises import over 80% of components and equipment, only using simple production materials from Vietnam such as land and basic raw materials; they do not help Vietnam build supporting industries and domestic enterprises with high competitiveness in the global value chain (Vietnamese enterprises participation in the supply chain remains limited with only simple products)⁽⁵⁾.

Secondly, labor productivity in Vietnam is still low, and productivity growth contributing to economic growth mainly depends on structural shifts from low-productivity sectors to higher-productivity ones, rather than stemming from increases driven by investment in technological innovation, human resource quality improvement, science and technology application, and innovation.

Vietnam's labor productivity growth rate has gradually decreased, lower than many countries in the region. The average increase in the 2011-2015 period was 4.53%; the 2016-2020 period was 6.05%, but the 2021-2023 period increased by only 4.6%⁽⁶⁾. While starting from the same point as Vietnam, China in the early 1990s increased continuously by 9% each year. According to PPP in 2011, Vietnam's labour productivity in 2023 was only 7.6% of Singapore's productivity (Singapore is 13.2 times higher); 19.5% of Malaysia (Malaysia is 5.1 times higher); 37.9% of Thailand (Thailand is 2.4 times higher); 45.6% of Indonesia (Indonesia is 1.8 times higher) and 56.9% of the Philippines; only higher than Cambodia's labor productivity (1.6 times higher)⁽⁷⁾.

Low labor productivity results from slow structural transformation, with agricultural employment still high, and limited application of science and technology in enterprises. Moreover the economy has not seen significant changes in the growth nature of individual sectors; growth still largely depends on expanding labor-intensive, low-tech industries, preventing rapid increases in product value-added. In particular, the processing and manufacturing industries play a driving role in development, while leading the increase in labor productivity of the economy, but is highly concentrated in sectors that create export products based on low and medium-technology. High-quality human resources in most sectors are still poor and lacking; the capacity of linkage between domestic enterprises and FDI enterprises is still low.

Thirdly, science, technology, and innovation have not yet truly become the driving forces for economic growth in Vietnam. Innovation activities are not sufficiently diverse, scientists' participation across fields is limited, and support from the state and local governments has not yet created strong incentives for research and innovation.

The economic growth model has shifted from breadth to depth in a number of sectors and fields, but the pace of the shift is slow. The driving forces for depth growth are low labour productivity and TFP. The level of productivity and quality improvement has not met expectations, and the resilience of the economy is still weak. The current economic growth model still relies heavily on increased investment and labor, accounting for over 55% of GDP. The output factors of innovation is not yet the driving force for promoting productivity. Enterprises and production establishments have limited capacity to absorb technology. Technology transfer through FDI is weak due to insufficient linkages between FDI firms and domestic firms, especially in high-tech fields. Investment in science, technology, and innovation to drive productivity growth remains low.

Fourthly, green growth and restructuring of economic sectors toward sustainability, green, and smart development remain slow and ineffective.

The viewpoint of rapid and sustainable development based on science, technology, innovation and digital transformation has been identified in the Socio-Economic Development Strategy; the National Strategy on Green Growth for the 2011-2020 and 2021-2030 periods; a number of legal documents related to the circular economy, the National Energy Transition Master Plan... creating a legal basis for green development, economic restructuring towards sustainability, greenness and smart development. However, attracting capital, human resources, and technology for green growth and green transformation remains limited; the contribution of green economic sectors and the digital economy to GDP is also low.

The level of energy restructuring towards a low-emission economy (net-zero) by 2050 is still slow, and resource efficiency is lower than that in many countries in the region.

By the end of 2023, according to data from the Ministry of Industry and Trade, Vietnam's primary energy consumption will reach around 100 million tons of oil equivalent. If calculating energy consumption and electricity consumption per capita, each Vietnamese person consumes an average of about 2,500 kWh of power per year⁽⁸⁾.

The renewable energy sector has seen a strong change in installed capacity, but the shift to a green economy and a circular economy towards green growth is still slow. Wasteful and inefficient resource use is still widespread. Many businesses use old technology, consuming a lot of resources and energy, causing environmental pollution. The shift in production and consumption towards green and clean approach is still slow and lacks strong breakthroughs.

Fifthly, economic restructuring is still slow, and the effectiveness is not clear, reflected in all pillars: restructuring of public investment, enterprises, state economic groups, state commercial banks, and credit institutions; restructuring of the state budget, and restructuring of economic sectors and fields

Public investment restructuring, though improved, still faces implementation and disbursement bottlenecks. The banking system, after more than 10 years of restructuring, still has many potential risks, and cross-ownership is still common. Some weak banks are at risk of collapse, threatening financial and monetary security. Restructuring the state-owned enterprise system has not produced breakthroughs in handling weak enterprises. Many state-owned enterprises are not operating effectively, failing to achieve significant changes in management and governance.

The economic structure still relies mainly on labour-intensive and

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capital-intensive sectors and fields. Manufacturing and processing remains largely confined to raw processing or simple assembly, with low technology and value-added. The technological level of the economy remains low, with many FDI-led enterprises. Domestic firms are mostly small and medium-sized, with weak competitiveness, management capacity, and technological capability. High-tech manufacturing and processing sectors are still dominated by FDI enterprises.

2. 3. Some recommendations

Firstly, to the Party Central Committee

There needs to be a resolution on renovating the economic growth model in connection with restructuring the economy toward higher labor productivity, quality, innovation, green and smart development. In particular, clarifying the concept of an economic growth model based on productivity, innovation, being green and smart; paying attention to the requirement of full employment of human resources and having a system of solutions to promote full employment; ensuring employment for workers as Vietnam is in the golden population structure period; combining full employment with the development of high-quality human resources to ensure increased labor productivity.

Secondly, to the National Assembly, on completing the institutional framework to promote the green economy and digital economy

The first, complete the law on circular economy

Currently, the circular economy is mentioned in a number of legal documents. However, the law on the circular economy is still quite fragmented, without creating a solid legal basis for practical application, especially as Vietnam participates in bilateral trade agreements such as EVFTA. Meanwhile, many countries in the world have issued circular economy laws such as Germany and China. Therefore, it is necessary to complete the law on the circular economy.

The second, complete the law on the digital economy

Early establishment of a legal corridor on data protection and protection of user data privacy to create a secure and safe digital transaction environment, protect consumers, promote public trust in performing digital transactions and using digital services. Continue to improve the decree on electronic identification and authentication to further facilitate electronic transactions and digital services, thereby enhancing support for digital economic activities.

The third, review Resolution No. 31/2021/QH15 dated November 12, 2021, on the Economic Restructuring Plan for the 2021-2025 period, issue a new resolution on economic restructuring in line with the trend of the world economy; restructure each industry towards promoting comparative advantages and participating in the global value chain; develop products with comparative advantages, competitiveness and high added value. Restructuring is needed for the public investment sector, the state budget, and the system of credit institutions.

Restructuring the manufacturing and service sectors on the basis of science, technology, and innovation, focusing on developing information technology,

telecommunications, smart manufacturing, digital trade and services, digital banking and finance; and supporting industries. The orientation of economic restructuring also needs to properly take into account the development and conversion of labor-intensive sectors (such as textiles, footwear, mechanical assembly, telecommunications, etc.) toward science and technology-intensive sectors, with attention paid to human resource training, participation in value chains, and market penetration.

Restructuring economic regions towards leveraging the comparative advantages of each region, strengthening linkages, cooperation, and promoting enterprises in the regions to participate in linkages to supply products to the global value-added chain. Continuing to study appropriate zoning criteria, improving the quality of regional planning toward multi-sector integration, exploiting and promoting the comparative advantages of each region in terms of infrastructure, natural conditions, political and economic position, human resources, and increasing intra-regional and inter-regional connectivity to create new development space. In addition to geographical zoning, it is necessary to calculate the zoning of digital space according to the value chain and according to production linkages by industry.

Thirdly, to the Government

The first, build and promulgate a strategy to develop high-quality human resources, improve labor productivity associated with innovation, application, and strong development of science and technology

This strategy will create a strong shift in implementing 3 breakthroughs (along with institutions and infrastructure improvement), which are conditions for implementing in-depth growth model renovation.

Along with the promulgation of the strategy, the Government needs to complete the synchronous and unified institutions and policies to create and improve the efficiency of the operation of a flexible, integrated and sustainable labor market, meeting the labor needs of enterprises, the trend of transforming global and regional supply chains, ensuring the ability to supply labor for foreign investment shifting into Vietnam. Develop and implement active labor market policies, proactively implement the motto of training, retraining, and adaptive training for the working workforce.

The second, promote effective implementation of the national program on increasing labor productivity by 2030

The third, develop the carbon credit market

Complete a comprehensive legal environment for all types of markets to develop and compete fairly, especially the carbon emissions trading market.

The fourth, complete financial and environmental policies

It is necessary to further accelerate the carbon tax policy in the trend of green economic development. In Vietnam, carbon taxation is a relatively new term, but is an important tool of the circular economy. Carbon taxation is an effective solution to reduce CO₂ emissions in each country. Along with that, carbon tax collection

contributes to increasing state budget revenue. The government can use this revenue to reinvest in protecting and improving environmental quality, ensuring green growth goals, reducing greenhouse effects and CO2 emissions.

3. Conclusion

Renovating the economic growth model in connection with restructuring the economy towards improving productivity, innovation, being green and smart is an inevitable transformation trend, a mandatory requirement stemming from the advantages of the new growth model, overcoming the limitations of the current economic growth model, while exploiting and promoting the country's comparative advantages in the digital age, creating the basis for achieving the double-digit growth target.

Innovation in the green and smart economic growth model requires completion of institutions and policies for developing the circular economy and the digital economy; mobilizing, allocating and effectively using resources, promoting the role of key growth drivers, namely high-quality human resources, science, technology, innovation and digital transformation on the basis completing a synchronous framework for labor markets, science and technology, and carbon credit markets; accelerating the energy transition from fossil energy to renewable energy, green energy, and so on ■

Received: February 07, 2025; Revised: March 18, 2025; Approved for publication: April 24, 2025.

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