

INFORMATION

International workshop on: “Avoiding the middle income trap: opportunities and challenges for Vietnam”

On 18 March 2010, in Hanoi, Vietnam Development Forum (VDF) – a research cooperation project of the National Economics University and the National Graduate Institute for Policy Studies (GRIPS), co-organized the International workshop on “Avoiding the middle income trap: Opportunities and challenges for Vietnam”. Nearly 100 participants in the Workshop are from the state management agencies, research institutes, universities, international organizations and news agencies, press agencies.

The term “middle income trap” is used to indicate the situation of some countries after escaping from the threshold of the developing countries with low income, become the middle income countries, but stop there for a long time, can not rise to the threshold of the countries with high income. Therefore, according to the present common interpretation, one country which is caught in the middle income trap means such country after reaching the average per capita income of 1,000 USD/year, it can not reach the average per capita income level of 10,000 USD/year for many decades, but only around below such level.

At the Workshop, the attendees heard the presentation of the speeches, in which emerging three key issues: *firstly*, if the method of policy-making is not

renovated as under implementation, soon or later Vietnam shall fall in the middle income trap; *secondly*, a new challenge to the population which Vietnam started to meet with from 2010, such as aged population; *thirdly*, challenge to the environment which is more and more polluted.

The attendees agreed that, in 2009, Vietnam officially avoided the low income threshold, became the nation with middle income according to the classification of the World Bank (WB). Vietnam has had its vision and built the 10-year strategies and the 5-year plan, as well as the branch planning to implement this vision. According to the general evaluation of many economic researchers, the growth obtained by Vietnam in the past time in addition to the reason of effective renovation policy in the right direction, the clear-headed and appropriate macroeconomic operation, the important part is due to the impact of liberalization in time, at the same time take advantage of geographical position, diversified natural resources, plentiful sources of young laborers.... However, the present policy of Vietnam is still surrounded by several interest groups, it has not really encouraged the dynamics of the private section – an important factor in order to avoid the middle income trap; some present policies of Vietnam, in which the social insurance and social benefit policy is not really adaptable to the population change in the aging direction;

the labor sources of Vietnam is plentiful but the labor quality is still low, so the key issue of the sustainable development is to invest in improvement of quality, awareness for the people.

The Workshop agreed that, the research agencies shall play the role as bridge to reflect the research results on the development policies; the competition in the world market is more and more fierce, it demands to connect the growth and equality, improve the state management quality, and fulfill the law system to ensure the publicity, obviousness. Besides, it is necessary to control, prevent new crises, at the same time speed up the diversification of capital markets, liberalization of trade, service, and expand the education and training systems in order to further improve the quality of human resources. Vietnam also need to study and learn selectively the development experiences of the high-income countries in the region such as Korea and Taiwan, while learning from experience of Malaysia and Thailand which are falling in the middle income trap. And right from now, Vietnam needs to give the specific strategic and action orientations to maintain the growth speed sustainably.

For the environment, the attenders agreed that it is necessary to have the increasing fee collection route and apply for all objects, must not stipulate at a fixed level and only concentrate on some objects with high exhaust level.

VÂN HÀ

Scientific seminar: Some basic issues on labor law of Vietnam and Federal Republic of Germany

In the past time, the scientific seminar “*Some basic matter on labor law of Vietnam and Federal Republic of Germany*” took place in Hanoi presided by Hanoi University of Law and FES Institute (Fiedrich Ebert Stiftung), Federal Republic of Germany. The seminar has the participation of delegated presented for Ministry of Labor - Invalids and Social Affairs, Vietnam Labor Confederation, lecturers coming from universities, researchers and crowded representatives coming from two governing bodies.

Apart from highlighting the necessity of supplementing, amending Labor Code of Vietnam, analyzing the capacities as well as limit, comparing law and situation of consulting labor law in some countries, in which there is Federal Republic of Germany; the Seminar also concentrates in discussing surrounding 3 main subjects relating to labor law, namely: Trade Union, labor representative, collective negotiation; and sublease labor.

On Trade Union, labor representative, the delegates admit that trade union has a special position in labor law because it is not a pure social organization. The system of legal documents adjusting the operation of Trade Union and labor representative include constitution, Trade Union law, labor code and internal documents of Trade Union organizations. The regulations of law as well as Trade Union regulations show that Trade Union is recognized to be the

sole organization representing for the laborers in labor relation. Therefore, the delegated discussed some contents about law on adjusting Trade Union operations and labor representative, establishing legal status of Trade Union and guarantee of Trade Union operation in Vietnam in current condition.

On collective negotiation, the Seminar presented the contents of law on collective negotiation in Vietnam and Federal Republic of Germany. In which, raising some contents about negotiation subject and agreement signing, putting the matter of discussing solutions for ensuring the agreement signing right at enterprises without Trade Union.

On sublease labor, the delegates analyzed the real situation of labor sublease in Vietnam and put forth several initial proposals for the adjustment of Vietnam law for sublease labor. According to that, the delegates mentioned the regulations on sublease labor matter such as: labor sublease contract, implementation, change, and termination of interest contract on salary, social insurance and other interests of laborers; responsibilities of labor sub-lessor and labor sub-lessee toward laborers, responsibilities of the State management authority toward labor sublease activity.

Vietnam economy more and more integrates deeply into the world economy, especially since Vietnam has officially become the member of WTO. Labor situation and labor relation are more and more widened and developed diversified. Therefore, the delegates agreed that legal institution in general, in

which there are labor law field must be considered, adjusted in order to be suitable with real requirement of social life and the development of the economy. That is also the reason of the necessity to amend, supplement labor law in order to suitable with the real requirement being set up.

PV

Seminar: Impact evaluation after 3 years as from Vietnam integrated into WTO

In the past time, in Hanoi, the Seminar "Impact evaluation after 3 years as from Vietnam joined into WTO" was organized, presided by the Government Office. The Seminar had the participation of nearly 300 delegates presenting for Ministries, divisions, industries and economic experts... inside and outside the country.

Addressing at the opening, the Minister, Chairman of the Government Office Nguyen Xuân Phúc stated clearly that together the active impacts after 3 years as from Vietnam integrating into WTO, there appeared the reality matters, challenges for the economic development of our country. This Seminar was the opportunity to acknowledging the multi-aspect impacts to Vietnam after 3 years as from joining into WTO.

At the Seminar, most of the delegates believed that, three years of joining into WTO is period of time not being long enough, furthermore, there were fluctuations which were difficult to estimate of the global economy..., therefore, it was difficult to evaluate and

acknowledge, separate clearly, fully the impacts of the joining into WTO for Vietnam economy. However, the Seminar affirmed that integration into the international economy and especially the integration into WTO had active impacts to economic growth of our country. Those impacts proved for the soundness in general of the judgments, conclusions in the Resolution No. 08.NQ/TU. Joining into WTO increased the belief into the development prospect of Vietnam economy; promoted economic development and growth; widened the market; pushed up export; strengthened FDI attraction... however, it showed shortcomings and weakness, that was low growth quality; weakness in institution, infrastructure and human resources; weak competitive ability...

The Seminar unified that although to this point of time, the joining into WTO has not had much clear impact but it is possible to realize 2 types of impact: on *tangible impact*, there are 2 main expressions, namely export increased considerably, in 2007, export value increased 21.3%, in 2008, increased 29.5%. In 2009, we were impacted strongly by crisis due to export value decreased 9%; and the situation of foreign direct investment (FDI) was improved considerably, it expressed the care of international business community toward our country. If in 2006, FDI attained the level of 12 billion USD, in 2007, it increased to 21 billion USD, then in 2008, FDI attained the record figure, over 60 billion USD. On *intangible impact*, it is possible to see that: firstly, the awareness of the society

for social demand increased highly. Secondly, it was considered to be the most important, the position of Vietnam was changed considerably compared to the time before joining WTO, it brought about the stronger renovation on the State institution. The legal document system was more and more comprehensive and Project 30 was the clear proof for the determination of reforming the administrative procedure in Vietnam. The settlement way of the Government was also more flexible, effective and the reduction of 30% administrative procedures which we had done was the pressure of integration leading to. Thirdly, we realized more clearly about the "sourness and scorn" of the international market, work economic integration, thence, finding out the flexible, active way of scoping with. Fourthly, agriculture expressed its role in the integration process, became "supporting column" in confronting to the impacts of economic crisis. Fifthly, through WTO, we acknowledged better about opportunities and challenges during the integration, and exposed the weak points of the economy, they were the things not passing challenges, we could not know. The crisis showed that domestic market is the support for maintaining the goods consumption, from that point, we has reasonable policies for this fully potential market.

Although attaining many satisfactory results, delegates were straight to acknowledge the challenges of integration (such as more severe competition, increase of trade deficit, fluctuation of the world market impacts

quickly and strongly to domestic market...), and withdrew many important experience lessons after three years of joining WTO. To bring into play the advantages, limit the disadvantages and challenges, the experts think that it is necessary to speed up reform, increase the growth quality and competition capacity of industries, enterprises.

At the Seminar, many economic experts specified that 2010 was the year for world economy to enter the recovery stage, although it was still hard, difficult, it would be better than 2009. The important thing was how the Government and Vietnam enterprises would treat.

The delegates taking part in the Seminar emphasized that State, Government and enterprises would have to identify, forecast very well the changes of world market which was naturally very sour and scornful, thence, there were reasonable behave way, avoided from falling into trouble, inactiveness. Besides, our policy system could not be unchanged but more mobile, flexible, in order to be so, no solution was better than public, explicit implementation, issuance of clear policy for enterprises to recognize, deal timely with the situations.

KHÁNH VÂN

Anthropology knowledge exchange program with journalists

Duration from 4 to 7 March 2010, in Lào Cai, the Institute for Studies of Society, Economy and Environment (ISEE) had coordinated with Lào Cai

Department of Culture, Sports and Tourism to hold “*Anthropology knowledge exchange program with journalists*”. The Program was held to provide, equip basic approach knowledge and methods on culture, ethnology and anthropology to journalists, guide them to discover various aspects of ethnic minority groups interested by them, at the same time build a network of journalists interesting in ethnic group subject and build professional relations between journalists with anthropologists/ethnologists as well as provide information for journalists to write articles on non-preconception about ethnic minority people to build a consolidated, equal and harmonious society.

The Program was attended by over 40 journalists from news, press agencies in the whole country; anthropologists of some research institutes under Vietnam Academy of Social Sciences, University of Social Sciences and Humanities (Vietnam National University, Hanoi), leadership representatives and officers of Lào Cai Department of Culture, Sports and Tourism.

Attendees of the Program have been aware that Vietnam is a multi-national country, ethnic group issue is considered as important significance in the country defending and building strategy... although it represents 13% total population of the whole country, but almost of ethnic minority groups of Vietnam reside at mountainous areas, on expanded space about 2/3 territory as areas with economic and defensive

strategy importance. In the fact, life of ethnic minority people has still many difficult troubles while their age-old, unique but unstable cultures face on dangers being faded away quickly due to violent emigrant waves to mountainous areas, rapid penetration of market economic forces and unrestricted strong globalization process. An issue is set forth that in such condition, how is the press interested and what does it reflect on ethnic minority groups in Vietnam? How to further improve the role of the press in the national united great block building cause, toward humanity and harmonious values in the multi-national country?

The program included a seminar, a workshop and a field visit for studying cultural, economic and social life of some ethnic minority communities.

In the field visit, the journalists were divided into 4 groups to visit 4 field sites (Sapa, Bắc Hà, Mường Khương and Lào Cai City), each accompanying with 2 or more anthropologists. Anthropologists guided them to study and discuss aspects relating to ethnic minority people on the field, thereby help the journalists have more objective, equal and deep visions to the cultures, challenges, development of ethnic minority communities ... at the same time the journalists also exchanged their writings with the anthropologists and colleagues at other newspapers.

In the exchange on field results between groups, it was shown that the journalists approached many issues from medium visions of the anthropologists and ethnic minority communities, such as: cultural conservation, resettlement, poverty,

environment protection, tourism, job... The journalists partially understood the people and sympathized with them through this field trip.

HƯƠNG MÙI

Mid-year Consultative Group Meeting for Vietnam 2010

The one-day mid-year informal Consultative Group (CG) meeting for Vietnam was held on June 9, 2010, with the participation of Vietnam's Prime Minister Nguyễn Tấn Dũng.

At the meeting, Development Partners provided inputs to Vietnam's 2011-2020 Social Economic Development Strategy (SEDS) and the 2011-2015 Socio-Economic Development Plan (SEDP). Development Partners expressed their continued support to Vietnam and their expectation that the country will deepen its ongoing reforms to ensure that Vietnam completes the unfinished low-income country agenda, and moves firmly into middle-income status.

At the meeting, the Government and Development Partners also reviewed Vietnam's recent macroeconomic developments. They agreed that progress had been made in terms of supporting growth and ensuring stability. They also stressed the importance of timely disclosure of key economic data and clearly explaining policy orientations to build market confidence.

The seds and sedp

H.E. Prime Minister Nguyễn Tấn Dũng attended the morning session and briefed Development Partners about the recent socio-economic performance of Vietnam. He took note of the

Development Partners' suggestions on the NDS and the SEDP and proposed further discussion. He informed the Development Partners about the guiding principles for the NDS and the SEDP, including *“(i) rapid development in close combination with sustainable development, with the latter being a cross-cutting requirement for the entire strategy, (ii) synchronous and appropriate economic and political innovation aiming at building a Socialist Vietnam with a prosperous people and strong, democratic, equitable and civilized nation, (iii) exercise of democracy and maximal promotion of the human factor, regarding it as the subject, main resource, and objective of development, (iv) vigorous development of productive forces at increasingly higher scientific and technological levels while improving production relations and the socialist oriented market economy institutions, and (v) shaping of an increasingly independent and autonomous economy in the context of ever far reaching international integration.”*

The Prime Minister also highlighted the three main strategy breakthroughs, namely improving the socialist oriented market economy institution to create an environment for equal competition and administrative reforms, developing high quality human resources, and developing a synchronous infrastructure system with modern facilities.

Development Partners expressed appreciation of the opportunity to comment on the NDS and the SEDP, and urged the government to expand the

consultation process to gather more inputs into the two important documents. On behalf of the donor community, **the EU Ambassador, Mr. Sean Doyle** noted that the Development Partners *“are interested to know more about how the government will accelerate the fight to eliminate poverty, deal with environmental pollution and manage the proposed state-owned Economic Groups transparently, fairly and efficiently in the interest of the Vietnamese people.”*

Macro economic management

Minister of Planning and Investment Võ Hồng Phúc, in his opening remarks, reviewed the macroeconomic situation and recent government actions. He highlighted the many challenges Vietnam has faced lately. He explained that *“to cope with these challenges, the Vietnam Government adopted various specific policies to prevent slowdown, maintain economic growth and guarantee social welfare, including: credit interest support, tax reduction and exemption, export encouragement, investment and consumption stimulus, social welfare policy measures, job creation, poverty reduction, life stabilization, etc.”*

“The IMF welcomes the recent restoration of more stable macroeconomic conditions, but notes that the situation is still fragile and urges the government to focus on consolidating macroeconomic stability to secure the continued recovery of the economy,” said **Mr. Ben Bingham, the IMF Senior Resident Representative.**

Commenting on recent macroeconomic developments, **Mr. Ayumi Konishi, ADB Country Director**, said: *“One thing I would like the government to recognize is that in a market economy, ‘perception’ is as important as the reality of the economy”* and urged the government to provide economic data and explain its policies.

Economic restructuring

Development partners and government discussed three key issues in relation to the economic restructuring expected as Vietnam moves into the middle-income groups of countries. A first issue is *“enhancing the role of the private sector, with more involvement in global value chains, the development of supporting industries, and a level playing field for all businesses,”* according to the **Chief Representative of JICA to Vietnam, Mr. Motonori Tsuno**. In this connection, the Development Partners stressed the need to further reform state-owned enterprises in general, and Economic Groups in particular *“the separation of the ownership and the regulatory functions of the state, and the strengthening of corporate governance in these entities, were mentioned as priorities in this respect,”* Mr. Tsuno added. The third issue emphasized by Development Partners was the need for sustainable financing for infrastructure. Proper resource mobilization mechanisms include a more efficient banking sector, the development of capital markets and the adoption of a framework for Public-Private Partnerships (PPPs).

Inclusive growth

Development Partners welcomed the attention the Government is giving to ensuring that growth in Vietnam remains inclusive. *“Vietnam has had a long history of impressive poverty reduction,”* said **Mr. John Hendra, UN Resident Representative**. *“However, different and innovative approaches are needed to reach the last 15 percent of the population in poverty. What is more, economic and social policy needs to be seen as two sides of the same coin, particularly to ensure that inequality of opportunity does not undermine Vietnam’s progress.”* Development Partners commended the government for its recent social protection strategy, but noted the challenge of further reducing poverty among ethnic minorities. The meeting also agreed on the importance of using reliable poverty data and reliable poverty assessments as the basis to adopt effective policies for social inclusion.

Climate change

The government and Development Partners agreed that climate change, which is expected to lead to more extreme weather and sea-level rise, will pose new challenges to Vietnam. Sea-level rise is a serious concern for the Mekong River Delta where the meeting was held. **Mr. Peter Lysholt Hansen, Ambassador of Denmark** stressed *“the importance of mainstreaming climate change in overall strategies and including low carbon development opportunities in the SEDP and the NDS as an option for sustainable development.”*

Education and skills

Ms. Deanna Horton, the Canadian Ambassador summarized the Development Partners' views, stating that *"a sustainable, high-quality economic growth model for Vietnam requires that the skill gap be overcome through improved higher education, including demand-driven training, better management of educational institutions, and a more flexible system with updated teaching methodologies."*

As reform of higher education and vocational stalls, partners stressed the importance of (i) building management and institution capacity, (ii) demand driven training, (iii) more flexible student-centered system, (iv) teacher qualification and modern teaching methodologies, and (v) the legal framework.

Anti – corruption

At the meeting, Mr. Rolf Bergman, Ambassador of Sweden emphasized that at the Anti-Corruption Dialogue, the

Government and Development Partners have talked about the importance and necessary the laws, decrees and regulations are. However *"I would like to confirm our concern that it is now more important than ever to ensure that these laws and decrees are enforced, implemented and reviewed in all aspects of anti-corruption work, from investigation, prosecution to sanctions. Otherwise, corruption will deteriorate even more."*

In the concluding speech, **Ms. Victoria Kwakwa, Country Director of the World Bank in Vietnam** highlighted the importance of tackling key risks to Vietnam's development success, in particular, SOE sector reforms and emerging large economic groups. She appreciated the sincere, frank and open dialogue between the donor community and the government and looked forward to deepening this dialogue.

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