

Perspectives and solutions for developing the private economic sector in the new era

Vu Hung Cuong

Assoc.Prof.Dr., Institute of Social Sciences Information, Vietnam Academy of Social Sciences

Email: vuhungcuong07@gmail.com

Received: 29 April 2025; published: 01 December 2025

Abstract: *Since the 12th Central Executive Committee issued Resolution No. 10-NQ/TW on developing the private economy into an important driving force of the socialist-oriented market economy (in 2017), the private sector has increasingly contributed to the growth and development of the Vietnamese economy in terms of GDP growth, social investment, and job creation. However, barriers from policy mechanisms and internal weaknesses have hindered the development of the private sector. The article outlines the roles and contributions of the private economic sector, the barriers, shortcomings and limitations that have hindered its development in recent times, thereby proposing key viewpoints and solutions to foster the private sector, implement the Resolution No. 68-NQ/TW dated May 4, 2025 of the Politburo on private economic development, so that it can be truly promoted as the most important driving force for national economic growth and development in the new era.*

Keywords: Private Economy, Private Sector, Resolution No.68, Driving Force, Vietnam

1. Introduction

The forty years of Doi Moi (Reform) has been closely associated with the evolution of the Communist Party's perception and thinking on the role of the private economic sector (PES), as clearly reflected in the Party's National Congress documents and the Politburo's resolutions on private-sector development. This transformation has shifted from initial hesitation and caution (at the 6th National Congress in 1986), to a broader recognition of the sector's operational scope (the 7th Congress in 1991), to gradually stronger encouragement for its growth (the 8th Congress in 1996 and the 9th Congress in 2001), to substantial progress in

creating more favorable conditions for its development (the 10th Congress in 2006), and subsequently, a gradual enhancement of its status and role, recognizing it as "one of the driving forces of the economy" (the 11th Congress in 2011), and later as "an important driver of the economy" (the 12th Congress in 2016, the 13th Congress in 2021, and Resolution No. 10-NQ/TW dated June 3, 2017, adopted at the Fifth Plenum of the 12th Central Committee on developing the private economic sector into an important driver of the socialist-oriented market economy) (see also Vu Hung Cuong, 2016: 185-187), and most recently, defining it as "the most important driver of the national economy and a

pioneering force in promoting growth” (Resolution No. 68-NQ/TW dated May 4, 2025, issued by the Politburo on private-sector development). This gradual transformation in the Party’s perspective and thinking regarding the role of the private economic sector has contributed to changing how the political system and society perceive this sector. Step by step, institutional and policy constraints have been loosened, and barriers restricting business operations have been gradually removed, allowing private enterprises to flourish and expand across nearly all areas of the economy. Consequently, many private economic groups have emerged with sufficient capacity to compete in international markets. However, to enable the private sector to truly fulfill its role as “the most important driver of the national economy,” as emphasized in Resolution No. 68-NQ/TW dated May 4, 2025 of the Politburo on private-sector development, and to contribute effectively to building a prosperous Vietnamese economy in the era of national rise, many challenges remain to be addressed.

2. Overview of the development of the private economic sector in recent years

2.1. The role and key contributions of the private economic sector to Vietnam’s economic growth and development

Most enterprises in the private economic sector (PES) are small, medium-sized, or micro enterprises, accounting for a dominant proportion of the national economy - with around 940,000 active businesses (representing 98% of the total) and more than 5 million individual household businesses (To Lam, 2025). These enterprises/businesses operate across almost all industries and areas of the economy, initially fulfilling its role

as a driving force and foundational pillar supporting national economic growth. At present, the private sector contributes approximately 51% of GDP, over 30% of total state budget revenue, nearly 60% of total social investment capital, and generates more than 40 million jobs, making up over 82% of the national workforce (To Lam, 2025).

The sector has also built up a dynamic force large private groups such as Vingroup, Sun Group, Massan, Hoa Phat, Vietjet, TH, T&T, and Thaco. These groups possess substantial capital accumulation, advanced technological and managerial capabilities, and a regional-level strategic vision. They have established strong brand recognition and reputation both domestically and internationally and are capable of serving as a driving force and leading growth poles that propel and diffuse development across localities, regions, and economic sectors.

With their dynamism in market participation, broad engagement across economic sectors, and increasing contributions to national development and economic integration, the private sector has become a catalyst for administrative reform, the improvement of the business and investment environment, and a force that creates pressure to enhance competitiveness among state-owned enterprises.

2.2. Main constraints hindering the development of the private economic sector

(i) Institutional and policy constraints

Constraints of perceptions and thinking of the role of the private economic sector (PES) in the socialist-oriented market economy have resulted in inequalities in policy formulation and implementation that are somewhat biased toward state-owned enterprises (SOEs) in accessing

development resources such as credit, land, natural resources, and information. Moreover, there are notable differences from the policies applied to FDI enterprises regarding taxation and customs procedures. The legal framework governing investment and business activities remains inconsistent and overlapping. Administrative procedures remain cumbersome and time-consuming, often posing risks and unofficial costs due to the abuse of authority by certain public officials that hinder business registration, production and operational activities, as well as private enterprises' aspiration to scale up their operations.

Besides, credit policies and the establishment of credit funds to provide capital support for small and medium-sized enterprises (SMEs), which are designed to expand their scale, encourage investment along certain sectoral orientations, and promote technological upgrading and innovation are often constrained by additional sub-regulations or "unwritten rules" that impede their practical implementation. As a result, SMEs encounter significant challenges in accessing credit that meets their actual needs. Meanwhile, some private enterprises find it easier to secure loans from international banks operating in Vietnam, both in terms of procedures and loan amounts.

In public investment projects, the design of bidding packages still includes technical barriers such as requirements for enterprise capacity and operational experience that make it difficult for private enterprises to bid on major public works and infrastructure projects.

(ii) Internal limitations

Many enterprises in the private economic sector still fall short of long-term investment and business strategies, as well as sufficient

motivation for development. A short-term, opportunistic business mindset and unfair competition practices remain common among considerable number of small and medium-sized enterprises (SMEs).

Most private enterprises are small or micro-sized, with a tendency toward further contraction, which limits their ability to upgrade technology, implement digital transformation, reform governance and business models, and enhance competitiveness.

Moreover, corporate governance and linkage capacities remain weak in much of the private sector. Many of them also show a lack of confidence in engaging with FDI enterprises owing to technological limitations.

In addition, most household businesses display little motivation to transform into enterprises due to concerns over complicated administrative and financial procedures.

3. Perspectives and key policy recommendations for enabling the private sector to serve as the principal driver towards a prosperous Vietnam in the new era

3.1. Perspectives

i) The private sector should be regarded as a pioneering force that cooperates effectively with the state-owned and FDI sectors to advance national goals of industrialization, modernization, enhancement of national competitiveness, fulfillment of social and environmental responsibilities, thereby contributing to the improvement of people's living standards and happiness, and to the development of a modern and civilized society.

ii) The private sector is the most important driver of high and sustained economic growth rates. Together with the state and

collective sectors, it plays a crucial role in building a dynamic, independent, self-reliant, and prosperous economy in the new era.

iii) The development of private enterprises reflects the maturity of the market economy, the extent of administrative reform, technological application and innovation, and hence the overall competitiveness and international integration of the national economy.

iv) A fundamental transformation in perception, thinking, and actions across the entire political system and society toward the private sector is necessary. Efforts should focus on removing institutional and policy barriers and addressing internal weaknesses, thereby fostering the formation of more large-scale private corporations, facilitating business expansion, unleashing the sector's full productive capacity, and enabling it to fulfill its role as the most important driver of the national economy.

v) Digital transformation, science and technology, and innovation are determinants of the competitiveness and capacity of private enterprises to act as the principal driver of the economy in the new era.

3.2. Policy recommendations for the Party, the Government, relevant ministries, local authorities, and industry associations

i) Strengthening advocacy and communication, and ensuring consistency in thinking, perception, and actions across the entire political system and society so that the private sector can fully realize its role as the foremost driving force of the national economy

To genuinely “liberate” entrenched perceptions within the political system and across society toward the private sector, documents of the 14th National Congress

of the Communist Party of Vietnam should explicitly emphasize its role as the principal driving force of the national economy; the Government, ministries, and local authorities should formulate and implement action plans for the realization of Resolution No. 68, while Party Committees at all levels should organize study sessions on the Resolution to achieve consensus in perspectives, understanding, and actions.

In practice, following the issuance of Resolution No. 10-NQ/TW on June 3, 2017, by the 12th Party Central Committee on developing the private economy into an important driving force of a socialist-oriented market economy, the sector achieved significant advances in both scale and depth, contributing more substantially and effectively to national development indicators. Recognizing the private sector as the most important driving force of the economy represents a timely and transformative breakthrough in the Party's thinking, aligning with global development trends in the new era. Resolution No. 68 provides a foundation for the Government to formulate a comprehensive program for fostering the private sector in the new era, while guiding ministries and local authorities to revise and promulgate legal frameworks and establish enabling policy mechanisms for the sector.

ii) Furthering the review and refinement of an investment and business environment that is equitable, fair, and favorable; the decisive and thorough elimination of all forms of “sub-licenses”; and the removal of overlaps, inconsistencies, and contradictions across regulations in different sectors, thereby facilitating the smooth development, expansion in scale, and establishment of large economic

groups and enterprises in the private economic sector, as well as allowing small and medium-sized enterprises to fully unleash the productive capacity, access and participate in all sectors not restricted by the State.

Recent experience indicates that regulations governing investment and business environment, including sector-specific sub-licenses, continue to exhibit overlaps, inadequacies, and contradictions, which hinder the expansion of business scale and the scope of operations in the private economic sector. To address this, the Government should establish an inter-ministerial task force, comprising relevant ministries and agencies, to review legal documents containing provisions pertaining to the PES and subsequently implement coordinated, consistent, and harmonized amendments in line with the guiding principles of Resolution No. 68. Within the action plans for implementing Resolution No. 68, ministries, agencies, and local authorities should prioritize the review and refinement of legal documents related to the PES as a top-priority task.

Private enterprises should be treated equitably and supported in accessing key development resources, including land, natural resources, credit, and information on technology, partners, and markets (see Vu Hung Cuong, 2021: 296-303). Prime land plots should attract leading investors (“eagle investors”) to develop economic projects that serve as growth poles and generate strong spillover effects for broader development. Redundant office premises of state management agencies and public authorities resulting from administrative mergers should have their land-use rights auctioned to enable more efficient utilization by the private economic

sector. Loan procedures and credit limits should be streamlined, facilitative, and applied equitably between private and state-owned enterprises. Regulations of domestic commercial banks should align with the global trends, avoiding excessive stringency and complexity compared with international commercial banks. As a result, capable private enterprises often find it more favorable to access loans from international commercial banks that better meet their capital needs. Collectively, these measures will create a favorable environment for the private enterprises to expand in scale, form additional large economic groups, elevate small and micro enterprises to medium-sized status, invest in technological innovation, managerial improvement, and digital transformation, and enhance their capacity for linkage, competitiveness, and integration. Ministries and local authorities should promote digital transformation and develop extensive, open-access digital databases to ensure transparency and facilitate access to information, thereby reducing the risk of unfair competition driven by information asymmetry. Information on bid packages under public investment projects must be fully disclosed, and technical barriers embedded in the design of these packages which cause unfair competition should be removed, enabling the private economic sector to access and participate more easily and effectively.

iii) Promulgating feasible and effective policies to support SMEs; issuing immediate-impact policies in each stage to promote the growth of private enterprises

The Government should direct ministries, sectors, and local authorities to review, revise, and promulgate feasible and effective policies to support the development of small

and medium-sized enterprises (SMEs). It is essential to avoid a situation in which each administrative level or governing body issues additional regulations or “sub-licenses” that hinder the implementation of policies and make it difficult for SMEs to access and benefit from support policies. Those policies should focus on technology, finance, human resource training and administration, and information on markets, partners, and technologies. It is advisable to draw lessons from Taiwan’s experience in issuing coherent and detailed policies for SMEs, emphasizing start-up promotion, capital assistance, credit guarantees, technical aid for business expansion, and facilitation of access to partners, technologies, and markets (see Vu Hung Cuong, 2016: 333-334).

Alongside efforts to build a stable, long-term, and predictable investment and institutional environment, the Government should direct ministries, sectors, and local authorities to formulate and implement short-term policies with immediate effect that align with the development goals of each period, thereby enabling the private economic sector to swiftly capitalize on its inherent flexibility and adaptability. Lessons can be drawn from Japan’s experience in developing specialized institutional and policy frameworks tailored to key industries and sectors prioritized in each period, as well as from South Korea and Taiwan’s practices in designing institutional and policy mechanisms that restrict large conglomerates from operating in closed parent-subsidiary systems or limiting large conglomerates from engaging in sectors and stages where SMEs are capable of performing effectively, thereby creating development space for SMEs and providing them with

opportunities to participate in production networks and supply chains (see Vu Hung Cuong, 2016: 328).

iv) Promoting administrative reform and simplifying business financial regulations to encourage household businesses to transition to formal enterprises

The Ministry of Finance and local authorities should abolish the lump-sum tax regime applied to individual household businesses, thereby creating pressure for them to scale up and transition to formal enterprises. Such transformation would help broaden their business vision, improve business culture, and enhance transparency in fulfilling tax obligations. Reforming and simplifying administrative and financial procedures for small and micro-sized enterprises, together with abolishing the lump-sum tax regime for household businesses, would serve as a strong boost to their growth. This, in turn, would lead to the formalization of more enterprises operating across diverse sectors of the economy, expand and strengthen the private enterprises.

v) Establishing an enabling environment and space for economic connectivity to strengthen the role and position of industry associations, guided by leading corporations, in enhancing the linkage capacity of SMEs

To promote linkages between small and medium-sized enterprises (SMEs) and large corporations, particularly state-owned and FDI enterprises, it is necessary to invest in the establishment and development of industrial parks and clusters with a high degree of specialization, adapted to the circular economy model. These initiatives would help create an enabling environment and space for economic connectivity, facilitating SMEs’ participation in both

vertical and horizontal linkages (see Vu Hung Cuong, 2016: 338).

Besides, state capital should be used as “seed funding” to attract private sector’s participation through public - private partnerships in developing infrastructure for industrial parks and clusters for transforming and re-developing them toward deep sectoral specialization aligned with the circular economy model. This would help reduce infrastructure costs for wastewater and waste treatment in manufacturing enterprises while promoting circularity in intra-industry vertical linkages, especially in wood processing, plastics, and agro-fishery sectors.

Additionally, industry associations should be enhanced, with greater participation of large corporations and “leading enterprises” in technological leadership and the diffusion of development, thereby creating a collaborative environment among SMEs within the same industries or sectors, strengthening their linkages with large corporations to expand production networks and value chains. In parallel, industry associations should also capitalize on their legal status to broaden international partnerships, provide credit guarantees for SMEs’ loan packages, and organize partner conferences, market and technology forums, and capacity-building programs in enterprise management.

3.3. Policy recommendations for private enterprises and individual household businesses

i) Private enterprises should formulate long-term investment and business strategies. Besides, they need to proactively foster linkages and integration through technological adoption and innovation, with particular emphasis on building partnerships with FDI enterprises, state-

owned enterprises, major economic conglomerates, and large corporations to strengthen their participation in production networks and supply chains.

(ii) Private enterprises should reform their business culture by decisively abandoning opportunistic, short-term, and unfair competitive mindset to enhance their credibility within the business community and strengthen public trust. In addition, these enterprises should prioritize digital transformation and invest in modernizing corporate governance through digitalization, thereby fostering a civilized and modern business relations.

(iii) Small and medium-sized enterprises (SMEs) should conduct research to identify niche markets in which to invest in technology and establish their position in specific stages of supply chains and production networks. By doing so, they can gradually deepen their participation in these systems, thereby enhancing their capacity for competitiveness, connectivity, and integration. The development experience of Taiwanese SMEs provides valuable lessons in this regard (see Vu Hung Cuong, 2016: 97-102; Vu Hung Cuong, 2021: 303-304).

(iv) Private enterprises should develop strategies to attract high-quality human resources while improving managerial and professional personnel. In particular, efforts should focus on formulating strategies to recruit talented individuals from civil servants and public employees with professional qualifications and management experience who choose early retirement under Decree No. 178/2024/NĐ-CP, dated December 31, 2024, issued by the Government as part of its administrative mergers and organizational streamlining.

v) Individual business households should take bold steps to transform into enterprise models to broaden their vision in production and business activities, benefit from the positive effects of the overall investment and business environment and take advantage of policies and mechanisms designed to support private enterprises, thereby reducing informal costs. With a more stable and long-term business position, these newly established enterprises can reform their business vision and culture, contributing more effectively to the private sector's growth and its role as the most important driver.

4. Conclusion

Over the past four decades of the Doi Moi period, the private sector has increasingly affirmed its role as one of the key drivers of Vietnam's economy. However, to advance toward an independent, self-reliant, resilient, and dynamic economy with high competitiveness and proactive international integration, the private sector must undergo a profound transformation to elevate its position and enhance the quality of its contribution to economic growth and global engagement. In addition, addressing the internal weaknesses of private enterprises is regarded as a necessary condition, while improving the effectiveness of state involvement, particularly in creating a fair and enabling business environment and providing supportive policies for SMEs constitutes a sufficient condition for strengthening the overall capacity of the private enterprises. Only through the synchronized and harmonious implementation of solutions

that resolve these necessary and sufficient conditions, especially the comprehensive measures outlined in Resolution No. 68, can the private sector truly fulfill its role as the principal driving force and a pioneering agent in leading Vietnam toward prosperity in the era of national rise □

References

1. Central Committee of the Communist Party of Vietnam (2025), *Resolution No. 68-NQ/TW dated May 4, 2025 of the Politburo on the development of the private economy*.
2. Vu Hung Cuong (2016), *The private economy - A fundamental driver of development* (Monograph). Social Sciences Publishing House, Hanoi.
3. Vu Hung Cuong (2021), *Developing private enterprises in Southwest Vietnam in the new context* (Monograph), Social Sciences Publishing House, Hanoi.
4. Communist Party of Vietnam, *Documents of the National Congresses of the Communist Party of Vietnam: 6th (1986), 7th (1991), 8th (1996), 9th (2001), 10th (2006), 11th (2011), 12th (2016), and 13th (2021)*.
5. To Lam (2025), "Developing the private economy - A lever for a prosperous Vietnam", *Policy & Life - Vietnam News Agency Information Portal* dated 17 March, <https://chinhsachcuocsong.vn/vn/vnnet.vn/bai-viet-cua-tong-bi-thu-to-lam-phat-trien-kinh-te-tu-nhan-don-bay-cho-mot-viet-nam-thinh-vuong-phan-i/57473.html>