
Socialist-Oriented Market Economy and the Management of the State in Vietnam During the Era of Industrial Revolution 4.0

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Abstract – The socialist-oriented market economy is a special market economy model, the creativity of Vietnam in the process of building socialism under the leadership of the Communist Party of Vietnam. This is an economic model operating under the market mechanism in which the state sector plays a key role, especially in aiming at the development of socialism. With the development of science and technology during the fourth industrial revolution plus the process of globalization and international integration, the socialist-oriented market economy in Vietnam not only precedes opportunities but also face many challenges. In order to overcome these challenges and turn opportunities into development results, state management activities need to have positive and significant adjustments.

Keywords – Socialist-Oriented Market Economy, The State’s Management, Industrial Revolution, Socialism.

I. CRITERIA OF THE SOCIALIST-ORIENTED MARKET ECONOMY IN VIETNAM

The development of the fourth industrial revolution and the process of globalization and international integration have radically changed the economy of nations all over the world. The market economy in general and the socialist-oriented market economy in Vietnam have had changes in terms of motivation, operating mechanism, subjects, production methods, capital flows and the value chains. The socialist-oriented market economy of Vietnam needs to ensure the criteria of a modern market economy as well as the goal of socialist orientation at the same time.

The criteria of Vietnam's socialist-oriented market economy in the context of the fourth public revolution can be listed as follow:

First, the socialist-oriented market economy has a harmonious development of growth motivation between the core role of the state economy, collective economy and the private economy (Fforde, 2019). The Resolution of the Central Conference 5 (term XII) in Vietnam on improving the institution of the socialist-oriented market economy has affirmed: "The state economy, collective economy together with the private economy are the core to developing an independent, autonomous economy".

Second, the socialist-oriented market economy is a modern market economy that complies with market rules with the regulating role of the State, overcoming the market’s defects and ensuring social security. In addition, compliance with traditional market rules is an indispensable requirement in the operating mechanism of a socialist-oriented market economy. However, market imperfections should be resolved by the active hands of the State. Instead of overcoming and repairing market failures, the State needs to have forecasting capability, preparing shock reduction scenarios and plans to minimize negative impacts from inherent limitations of the market economy (Cling, Razafindrakoto, & Roubaud, 2013).

Third, the socialist-oriented market economy has to be a modern market economy that can effectively integrate internationally (Fforde, 2019). This feature suggests that the market economy that Vietnam has built is not

different from the market economy in other countries, which is also an organic part of the world market economy. Central Resolution 5 of the 12th Party of the Communist Party of Vietnam stated the guidance for the socialist-oriented market that it needs to “inherit achievements in the development of market economy in the world” while ensures the legal system, mechanisms, policies and market elements can synchronize and closely link to other economies.

Fourthly, the socialist-oriented market economy led by the Communist Party of Vietnam aims to reach rich, strong, democratic, fair and civilized society. In the socialist-oriented market economy, the State takes the initiative from the beginning to ensure the balance between economic growth and social justice. The issue of social justice is not only a base for a developed market economy but also a target of the new social regime (Vu, 2017).

In short, the socialist-oriented market economy aims at harmonious economic, social, cultural and environmental development, which means that the market economy does not accept the trade-off between growth and the degradation of environmental, cultural and social morality. Socialist-oriented market economy focuses at balanced development, ensuring the development of the economy along with the development of society, environmental protection while protecting cultural values. This model not only cares about high growth rates but also pays attention to the actual living standards of all strata of the population.

The State of Vietnam stated that the national economic growth must be associated with social justice in any policies. Social equality cannot not only be expressed by fair distribution of social benefits but it must be equality in development opportunities - ensuring that all members of the community have the same opportunities to develop. Moreover, all people should be benefited legitimately from their labor results and dedication to society. This can be considered as the unique humanity and superiority of the Vietnamese socialist-oriented market economy compared to other economic models.

II. STATE MANAGEMENT OF THE SOCIALIST-ORIENTED MARKET ECONOMY IN VIETNAM IN THE PERIOD OF 2011-2019

State management for the socialist-oriented market economy is particularly important. The State is the subject to orient, regulate and promote the development of the economy (Nguyen, 2014). Under this economic model, the State manages the market economy by establishing institutions for development; planning overall development strategies; building infrastructure and ensuring social security; promulgating policy mechanisms on resource allocation; ensuring economic growth associated with social progress and justice; protecting environment; creating a balance in the market economy.

Over the last few years, Vietnam have effectively balanced the relationship of the State, society and the market. This led to substantial and well-developed national economic growth. Averagely, in the period of 2006 - 2017, GDP growth rate of Vietnam grew at 6.19% which was higher than the international average level.

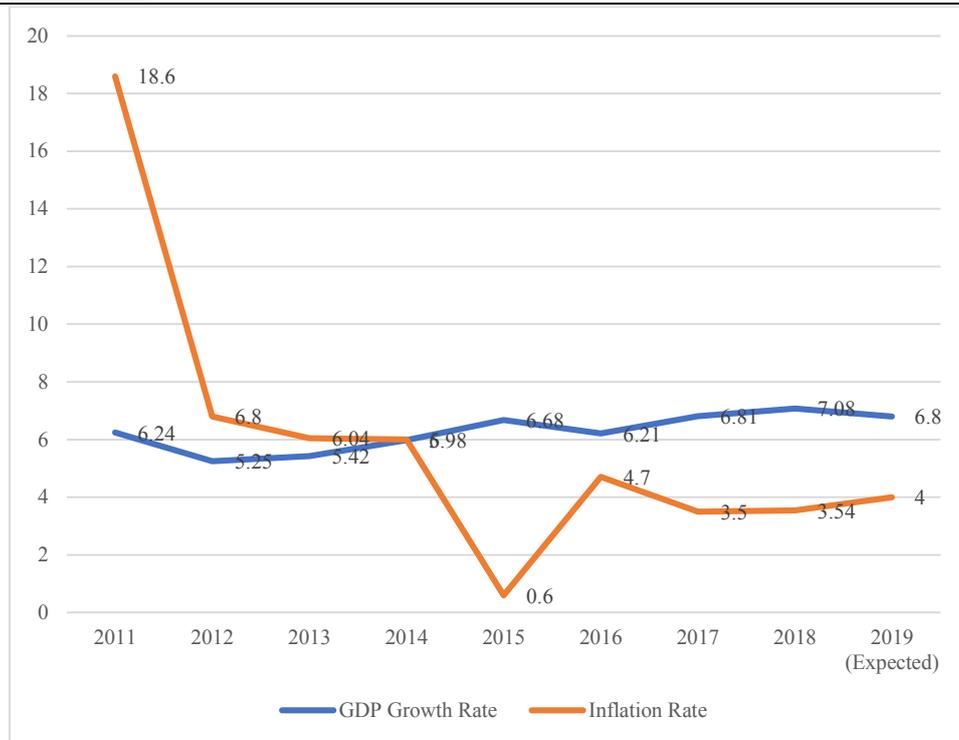


Fig. 1. GDP growth and Inflation rate of Vietnam (2011-2019).

Source: General Statistics Office of Vietnam (2018).

Vietnam's labor productivity has improved significantly over the years and Vietnam is considered as one of the countries with a high rate of labor productivity growth in the ASEAN region. Labor productivity of the whole economy at current prices in 2018 reached 102 million VND per employee (equivalent to 4,512 USD), an increase of 346 USD compared to 2017. The efficiency of using investment capital is reflected in the ICOR (Incremental Capital Output Ratio) index, from 6.42 in 2016 to 6.11 in 2017 and 5.97 in 2018 (PWC, 2018).

By the end of 2018, Vietnam currently has about 3,000 start-up businesses, nearly doubling that of 2015. With the strong development of innovative innovation ecosystems, up to 2020 Vietnam will have 1 million businesses. The 2018 global innovation index shows that Vietnam continues to improve its position, ranking 45/126 countries and the economy is ranked, up 2 places compared to 2017, 14 levels higher than 2016 (PWC, 2018).

However, state management activities in the context of market economy still have some shortcomings and limitations. The Resolution of the 5th Central Committee of the 12th National Assembly has indicated: State management has not met the requirements of market economy development and international integration; effect, efficiency is not high; discipline and discipline are not strict.

Firstly, the state management institution in the market economy conditions still needs to be completed. Many new problems arise that state management activities have not yet envisaged, have not created the necessary legal corridor to manage. The problems arising in the management of FDI enterprises, the weaknesses of state-owned economic groups and other issues showed that the institutional framework for market economy has not really met the practical requirements. The limitations of the institutional framework in Vietnam can be seen in terms of specificity, predictability in policy provisions that need to be further improved, the capacity to build laws of functional agencies have not fully met the requirements of the development of social life; the need to adjust by law is increasing of society; the need to build a market economy and international integration, the feasibility and

effectiveness of the law is still low, the status of documents promulgated but unable to be applied in practice still exists. The quality of the legal regulations is still limited, so many new documents have been issued and implemented in a short time, not even effective as in the case of Article 60 of the Law on Social Insurance or the Criminal Code 2015. Must modify or reverse the effective time to reduce the confidence of the people and businesses in the severity and legality of the law. Guidance documents have been issued slowly, delaying the implementation of new regulations,

Secondly, the growth rate of Vietnam is relatively high but not really commensurate with the potential and current capacity of the nation. State management activities have not created a real institution that is enough to attract investment resources for development. Collection policy has not yet covered all revenues such as revenue from commercial activities, such as online trading, management of natural resources, environment and assets. Meanwhile, harvesting resources from land and resources natural and state assets are not highly effective and failing to meet the requirements for socio-economic development. Moreover, there is still a State budget revenue loss due to fraud and transfer pricing. Large amounts of tax arrears affect the mobilization of state budget revenue.

Thirdly, the problems of budget allocation for development still exists. In the period 2011-2018, resources for state investment are short-term and passive. In recent years, state resources for development investment tend to increase but on average, in the period 2011 - 2018, the proportion of investment and development spending is only about 20% and tends to decrease compared to the previous period (2006-2010 period with 28%) (General Statistics Office of Vietnam, 2018). The efficiency of state capital investment is not sufficient while it overwhelms private investment, which means an increase in public investment makes private investment shrink. The proportion of public investment in social sectors such as education, health care or agriculture, forestry and fishery are still low and tends to decrease.

Fourthly, growth in Vietnam is now mainly in width, on the basis of increasing inputs such as increasing capital investment and labor use, while technological innovation and improvement. Production, management, and improvement of workers' qualifications (collectively, synthetic factors - TFP) are still very limited despite positive improvements over the years. The contribution of TFP in Vietnam is currently only about 40% and the capital is still a factor contributing approximately 50% to the percentage point of growth in 2016, leading to the growth model still bearing capital-intensive characteristics. Meanwhile, many countries in the region have a TFP factor contribution of about 50% to economic growth, such as Korea 51.5%, China 52%, and Thailand 53%; Indonesia and Malaysia are both at 49% (International Monetary Fund, 2018).

Fifthly, internal economy still has many "bottlenecks" in the process of equitization and state capital withdrawal in state-owned enterprises, slow implementation of national key projects and projects, enterprises have Thin capital, "black credit" is still raging, improving the business environment has not kept pace with the reality of economic life and is still at risk in coping with external challenges.

Sixthly, many issues of the market economy have not been interpreted and managed effectively. Measures to handle the transfer pricing activities of some FDI enterprises, taking advantage of loopholes in the provisions of the law relating to the origin and exerting Made in Vietnam goods are damaging the beliefs of people on domestic goods, affecting the state budget revenue.

The cause of this situation, the 5th Central Conference of the 12 th Communist Party of Vietnam has pointed

out: "The awareness of the socialist-oriented market economy is not clear enough. Subsidized thinking is also heavily influenced. The capacity to build and enforce institutions is still inadequate, not yet keeping up with the development of the market economy. Thoroughly grasping and organizing the implementation of the Party's guidelines, policies and laws of the State at all levels and branches, especially the leaders of the lack of determination, low efficiency and seriousness. The roles, functions and modes of operation of agencies in the political system are slow to innovate in accordance with the requirements of market economy development in the context of international integration. The degradation of political, moral, lifestyle, bureaucratic ideology and corruption in a large part of cadres and party members reduces the effectiveness and efficiency in implementing the Party's policy and policies, laws of the State. From state management practices over the years, existences can be pointed out from different perspectives". These require the renovation of state management in the context of market economy.

III. ELEMENTS OF THE FOURTH INDUSTRIAL REVOLUTION AFFECT STATE MANAGEMENT

First, the characteristic of the fourth industrial revolution.

The concept of the "Fourth Industrial Revolution" is first mentioned in the High-Tech Strategic Action Plan adopted by the German Government in 2012. Four years later, the content "Mastering the fourth industrial revolution" has been chosen by the World Economic Forum as the topic for analysis. If taking the fourth industrial revolution as a milestone, looking back on the development history of mankind from the perspective of production mode, the world has undergone four industrial revolutions.

The fourth industrial revolution with the characteristics of physical technology, digital technology, biotechnology brought together, linked, interfered, formed new technologies to improve labor productivity, human performance increased rapidly. The existence of all things connected, virtual reality, cloud computing, chain links, artificial intelligence laid the foundation for movement and developing economic relations, social relations, international relations towards smart, high speed, high labor productivity.

The fourth industrial revolution also brought about a change in the mode of communication, the ability to check and confine the subjects in modern society at the levels of people - businesses - government - the political organizations, social organizations, careers, between countries.

In the fourth industrial revolution, the advantage in economic and social life belongs to individuals, organizations and countries with knowledge and creative capacities on the application of new technologies and at the same time risks. The higher is "abandoned", "left behind" for the other group. Differentiating society in economics, the difference in the development level of regions and regions of a country and between countries is gradually derived from the difference in knowledge, creativity and ability to adapt to public modern technology (instead of traditional advantages of capital, resources, geographical location, cheap labor).

The first industrial revolution brought about development opportunities but also set new issues on security and defense, especially non-traditional security issues. Many new achievements in scientific research and development technology is widely applied; create new generation weapons and technical equipment systems, such as: energy weapons, biological genes, combat robots, with outstanding features, high quality leaps and bounds; from there, the appearance of war forms and new combat methods. New forms of crime are also formed and developed. This requires the renovation of strategic thinking on security and defense, and it is necessary to focus on developing

high quality security, defense, defense industry development, military science and technology development. The ability to deploy strategic types of combat, especially in the environment of no, ministry, sea and cyberspace.

Second, the effects of the fourth industrial revolution on state management.

The fourth industrial revolution strongly affected the economic and social life of each country, including the state management field. The change in management object, management object, required management scope, state management need to be really adaptive, even one step ahead in activities.

State management institutions need to be renewed to create a legal framework to promote innovation, creativity, development of digital products, artificial intelligence, management of transactions on digital environments, management Smart, electronic management.

The fourth industrial revolution requires the state management apparatus to be really streamlined, with the ability to make timely decisions on a strong and shared data base. It is a real-time electromagnetic administration whose policy delay is minimized.

State management personnel also face challenges in capacity. State management cannot be a creative management process if officials, public servants and management subjects are not creative, dynamic, visionary, recognizable and knowledgeable subjects. Challenges to be able to participate effectively in the governance process.

The fourth industrial revolution gave rise to new problems and changed the nature of old problems that required state management to raise the level to carry out administrative functions. The problem of rich and poor disparity in the fourth industrial revolution is associated with the difference in knowledge and creativity. Those with lower levels of knowledge and skills tend to be further abandoned in the fourth industrial revolution, while those with knowledge and creativity will be able to make further breakthroughs. Not arithmetic, but soon becomes exponential. Governance must anticipate this to come up with solutions, so that those who do not have enough knowledge and skills are not left on the sidelines of the development process, creating the ability to adapt to careers. New when old occupations in the fourth industrial revolution will soon disappear.

IV. THE REQUIREMENTS SET AND RECOMMENDATIONS FOR STATE MANAGEMENT IN THE CURRENT PERIOD

Government agencies need to actively find bottlenecks in the development process through listening to ideas from society, the business community, from exchange forums, from advice and key suggestions. Books, Institutions need to ensure the mobilization and effective management of resources for development, especially natural resources, financial investment resources, state budget. Need to have a adding investment resources for really effective development, overcoming the scattered investment, the investment that the establishment determines efficiency is not really clear. The allocation of resources for development needs to be based on market signals, need to improve the ability of small and medium enterprises to access credit, access to farmers' capital and minority groups in society.

The State should have a proactive and active roadmap to address specific objectives. In terms of institutions, the State needs to improve the business environment, diversify channels of direct interaction between people and authorities, and build a mechanism that social actors can effectively participate in., more directly into the policy-

making process and the law so that the policy-making process can be linked to reality, getting consensus for the planning process to the policy implementation process.

The state needs to establish institutions that promote creativity, need to improve the business environment, create favorable conditions to promote entrepreneurial spirit, creativity, nurturing innovations in all areas of social and economic life. The State should focus on promoting the ecosystem of start-up innovation in the country towards building specific and appropriate mechanisms and policies to strongly develop creative start-up enterprises such as: There are mechanisms finance to promote scientific research and technological development activities of enterprises with the business principle being the center; renew investment mechanism, sponsor scientific research and technological development; have policies to strongly develop innovative startups; connecting Vietnamese science and technology communities overseas and domestic communities. Developing mechanisms and policies on tax and finance to encourage enterprises to invest in technological innovation, research and development and business investment activities in the field of information technology and advanced technologies. another advance.

The state needs to resolve the conflicts of development that the socialist-oriented market economy needs to solve. It is a conflict between rapid and sustainable development, between globalization, international integration and protectionism, between cutting tariff barriers and increasing non-tariff barriers, between trade agreements. Bilateral trade with an agreement between a country and a regional organization. These conflicts require state management to be adjusted, adapted, and specific solutions are required. It is an objective practice that the State needs to set up development scenarios, so as not to be passive to the developments of reality.

The State should ensure the synchronous development of markets, boosting the capital and monetary market with a clear, transparent legal framework, speeding up the process of appraisal and valuation of state enterprises; building a legal framework for models of digital economy, shared economy, new forms of payment, peer lending, limiting the situation of "black credit"; pay more attention to the control of the budget overspending, foreign debt of the country, reform of the budget revenue and expenditure mechanism, including the mechanism of decentralization of budget revenues and expenditures of localities to create conditions for strong development more.

Effectively addressing bottlenecks on infrastructure and quality of human resources is a requirement for sustainable development of Vietnam. The demand for infrastructure investment in Vietnam increases every year. Investment in infrastructure contributes to medium and long-term growth, so the state needs to plan and prioritize national backbone infrastructure projects. In addition, the state needs to build an effective legal environment to attract private sector participation. These activities include developing a comprehensive legal framework for public-private partnerships and promoting the development of the domestic financial sector, while ensuring effective operation of state-owned enterprises as a content. Important in the infrastructure program. Developing infrastructure in the form of public-private partnerships needs to be approached in the direction that activities to attract investment resources for social development, need to select partners with sufficient financial capacity and ability technical force. Partners lack the financial capacity that may affect the progress of construction, the quality of construction and the stability of the financial market. But most importantly, the partners have projects based on modern technology, extensive application of information technology, biotechnology on the digital industry, artificial intelligence.

The state needs to improve the forecasting capacity of the socio-economic life in the region and the world, and be able to provide suggestions and orientations to reduce the shock from adverse fluctuations of regional and international markets. The state should also be the subject to provide timely market information and market signals to guide the activities of enterprises to catch up with actual developments. Governance should have regional and global thinking, find Vietnam's value in production chains, value chains to really keep pace with the general flow of mankind.

Building digital government, intelligent government with the ability to share state management data should be set and implemented effectively, creating interdisciplinary, inter-regional coordination, exploiting advantages comparison of each region, each locality, each sector and field, creating connection for development. Each ministry, branch and locality need to proactively reduce administrative procedures, procedures can become barriers to socio-economic activities for administrative procedures to ensure the necessary and moderate rigor truly creating favorable conditions for production and business activities, ensuring flexibility and quick adaptation to the change and fast of modern technology and digital technology of enterprises. The state management method needs to be renewed, compatible with the application of the achievements of the fourth industrial revolution in all aspects of economic, social, security, defense and international integration in the digital age and artificial intelligence.

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