Article

Vietnam's Economic Transformation: Institutional Opportunities and Challenges Toward the 2045 Vision

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Abstract

Vietnam's four-decade development trajectory from under $100 per capita in 1986 to the upper-middle-income threshold of $5,026 per capita in 2025, with gross domestic product (GDP) reaching $514 billion and growth of 8.02% (General Statistics Office of Vietnam [GSO], 2026, *Socio-economic Situation in the Fourth Quarter and Full Year 2025*), is one of the most compelling in post-war economic history. The 14th National Party Congress (19–23 January 2026) escalated ambitions dramatically, targeting annual GDP growth of at least 10% for 2026–2030 and achieving high-income status by 2045. However, the relationship between reform declarations and institutional outcomes in Vietnam is historically tenuous: only 25% of the Vietnam 2035 recommendations were reflected in policy documents by 2023 (World Bank, 2025a, *Vietnam 2045: Breaking Through: Institutions for a High-income Future*). This article employs a qualitative research design with systematic secondary data analysis to critically examine the institutional dimensions of Vietnam's economic transformation, giving explicit attention to tensions and contradictions that official narratives understate. The article proposes two hypotheses: H_1—institutional quality, measured through the Provincial Competitiveness Index (PCI), Worldwide Governance Indicators and Corruption Perceptions Index, mediates the translation of policy ambition into long-run growth outcomes; and H_2—the Four Pillar Resolutions (57, 59, 66, 68) represent a structurally coherent reform package that is nonetheless

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vulnerable to the same state capture risks and implementation fragmentation that constrained earlier reform cycles. Synthesising evidence from World Bank (2025a, *Vietnam 2045: Breaking Through: Institutions for a High-income Future*, 2025b, *Vietnam 2045: Growing Greener: Pathways to a Resilient and Sustainable Future*), Economic Research Institute for ASEAN and East Asia (ERIA) (2024, *Vietnam 2045: Pathways to a High-income Future*), GSO (2026, *Socio-economic Situation in the Fourth Quarter and Full Year 2025*), PCI 2024 (Malesky et al., 2025, *The Vietnam Provincial Competitiveness Index and Provincial Green Index Report 2024: Promoting a Business-enabling and Environmentally Friendly Investment Climate*), ISEAS (2025, *To Lam Prepares for Private Sector-led Growth in Vietnam*) and CECODES, RTA, & UNDP (2025), the article identifies both genuine institutional opportunities and structural risks that require sober assessment. The study contributes an analytically balanced perspective to the India–Vietnam comparative literature.

Keywords

Vietnam, institutional reform, Vision 2045, 14th National Party Congress, middle-income trap, Provincial Competitiveness Index, governance indicators, socialist-oriented market economy, rent-seeking, implementation gap

Introduction

Vietnam's transition from a centrally planned, war-ravaged economy to a dynamic lower-middle-income nation is empirically well-documented. From average annual gross domestic product (GDP) growth of 6.67% over 1990–2024 to poverty reduction from over 60% in the early 1990s to approximately 6% by 2020 (International Monetary Fund [IMF], 2020; Pham, 2025), the Đổi Mới era generated extraordinary welfare improvements. In 2025, the General Statistics Office (GSO, 2026) confirmed GDP growth of 8.02%, the second-highest annual rate in the 2011–2025 period, with GDP reaching $514 billion, per capita income rising to $5,026, exports totalling $475.04 billion (up 17.0% year-on-year), disbursed Foreign Direct Investment (FDI) of $27.62 billion, and average consumer price inflation of 3.31%. (3.31% is inflation, not the Corruption Perceptions Index; $27.62 billion is the official 2025 GSO figure). These figures place Vietnam, for the first time, within the upper-middle-income group by the per capita income threshold.

Yet the ambitions declared at the 14th National Party Congress (19–23 January 2026) raise the stakes considerably: average annual GDP growth of at least 10% for 2026–2030, per capita GDP of approximately $8,500 by 2030, total factor productivity (TFP) exceeding 55% of growth (vs approximately 40% historically), labour productivity growth of 8.5% per annum, and developed high-income status by 2045 (CPV, 2026; Stimson Center, 2026; VietnamNews, 2026; *VietnamPlus*, 2026). Historical comparisons reveal why skepticism is warranted: in the last 15 years, Vietnam's per capita GDP increased by approximately $1,600, while Thailand increased by $3,600, Malaysia by $6,500 and South Korea by $16,000 (*VietnamNet*, 2024). The 10% growth target requires almost doubling the 2021–2025 average of 6.3% per year, a feat achieved only by economies in early-stage industrialisation or exceptional post-disruption rebounds.

The institutional dimension of this challenge is the central concern of this article. As North (1990, p. 3) observes, 'Institutions are the rules of the game in a society', and Vietnam's institutional architecture, despite progressive reform, retains structural features that systematically impede the translation of policy ambition into economic outcomes. The Provincial Competitiveness Index (PCI) 2024 (Malesky et al., 2025) identifies persistent challenges, including land access as a major obstacle, high compliance costs, and 'signs of declining dynamism among local governments in certain areas'. ISEAS (2025) warns that Resolution 68's private sector empowerment, if poorly executed, risks replacing state-owned enterprise (SOE) rent-seeking with politically connected private conglomerate rent-seeking, replicating South Korea's chaebol problem without Korean technological sophistication. These critical perspectives demand rigorous engagement alongside the official reform narrative.

This article aims to provide an analytically balanced assessment, explicitly engaging with the tensions and contradictions in Vietnam's institutional reform process alongside the genuine opportunities. The second section reviews the literature and develops two research hypotheses. Third section presents the research methodology. Fourth section reports results across macro performance, institutional architecture, opportunities and challenges. Fifth section discusses the findings critically. Sixth section identifies implications. Seventh section acknowledges limitations and proposes directions for future research. Eighth section concludes.

Literature Review and Hypotheses

Institutional Economics: Theory and Its Application to Transitional Economies

The new institutional economics, pioneered by North (1990), provides the theoretical foundation for understanding the role of institutions in long-run economic performance. Formal institutions, laws, regulations and property rights regimes shape investment incentives directly. Informal institutions, cultural norms, practices of reciprocity and attitudes toward the state shape compliance behaviour and thereby determine the effectiveness of formal rules. North's fundamental insight that 'it is the interaction between institutions and organisations that shapes the institutional evolution of an economy' (1990, p. 5) captures the core analytical challenge facing Vietnam: formal rules have been progressively reformed, but organisational behaviours of state officials, of enterprises and of SOEs frequently diverge from what formal rules prescribe.

Acemoglu and Robinson (2012) extend this framework by distinguishing between inclusive and extractive institutions. Their analysis of historical cases demonstrates that economic stagnation is typically associated not with the absence of policy ambition but with institutions that preserve elite rents at the expense of broad-based productive investment. The diagnostic question for Vietnam is whether the 14th Congress's reforms represent a genuine shift toward inclusive institutions or whether, as Gainsborough (2010) argues, it is a persistent pattern in

Vietnamese governance, 'changes happen, but the powerful remain in place'. Malesky (2022) demonstrates, using PCI data, that provincial governance quality significantly influences private sector dynamism, FDI attraction and growth, but that governance improvements are uneven, reversible and sensitive to leadership changes.

The middle-income trap literature (East Asia Forum, 2025; Eichengreen et al., 2013; Gill & Kharas, 2007, 2015; N. S. Nguyen, 2025) identifies that growth slowdowns typically occur when per capita income reaches approximately $10,000–$11,000 (2005 prices) roughly where Vietnam will be by 2030 if growth targets are met. Eichengreen et al. (2013) find that sustained growth through this transition requires a well-educated workforce, a diversified export structure, and high-technology export conditions that themselves depend critically on institutional quality. Critically, they find that countries with 'undervalued exchange rates, high investment rates, and open economies', a description that fits Vietnam's current profile, are especially vulnerable to growth deceleration, since the easy gains from these factors are exhausted at the middle-income stage. The historical precedents of Thailand and the Philippines, both of which showed Vietnam-like performance in earlier decades before stagnating, serve as cautionary benchmarks (ERIA, 2024).

Vietnam's Institutional Reform: From Đổi Mới to the 14th Congress

Vietnam's institutional history since 1986 exhibits a pattern that scholars characterise as 'gradualism with embedded contradictions' (Tran & Heo, 2008). Four structural weaknesses identified by Tran and Heo (2008) in their foundational analysis, an underdeveloped financial sector, SOE dominance, insufficient transparency generating corruption, and the urban–rural divide, remain substantially unresolved 17 years later. The World Bank (2025a) documents that laws and regulations are applied 'less consistently in Vietnam than in comparator economies', with 38% of firms making unofficial payments (Malesky et al., 2025). PCI data over two decades consistently show that land access, regulatory compliance costs, and informal charges remain the top private sector complaints (Malesky et al., 2025).

The 13th Congress (2021) Socio-economic Development Strategy 2021–2030 (SEDS) identified three 'strategic breakthroughs': institutional reform, modern infrastructure and high-quality human resources. It designated the private sector as 'an important engine of the economy', a significant but qualified formulation that preserved the state economy's constitutionally mandated 'key role'. The 14th Congress (January 2026) escalated this with Resolution 68's declaration of the private sector as 'the most important driving force of the national economy'. However, the practical implementation of Resolution 68 has already revealed tensions: the resolution's mandate to reduce administrative procedures by 30% by the end of 2025 was partially completed; SOE structural reform targets remain behind schedule, and the procedural anomaly of a major economic reform being adopted by the Politburo rather than the Central Committee 'breaks with precedent' (ISEAS, 2025) and suggests potential intra-party resistance.

Existing scholarly literature provides important critical perspectives on Vietnam's institutional reform. Perkins (2013) argues that Vietnam's economic success has been achieved 'despite the institutions' rather than because of them, since market incentives were sufficiently strong to generate growth even within an imperfect institutional environment. London (2014) documents how the health sector's institutional failures, underpayment of public health workers, and informal payment norms reflect systemic rather than sector-specific governance problems. Gainsborough (2010) demonstrates that Vietnamese reforms consistently produce 'winners' who use their positions to capture subsequent reform dividends. These perspectives provide essential counterweights to the optimism of official Party documents.

Research Hypotheses

Drawing on the theoretical framework and literature review, this article advances two research hypotheses:

Hypothesis 1 (H_1): Institutional quality, measurable through the PCI, Worldwide Governance Indicators (WGI Rule of Law and Control of Corruption sub-indices), and Transparency International's CPI, constitutes the decisive mediating variable between macroeconomic policy ambition and long-run growth outcomes in Vietnam. Countries at comparable income levels that successfully escaped the middle-income trap achieved systematic institutional quality improvements, not merely higher investment rates or more free trade agreements (FTAs), as the distinguishing factor. Conversely, countries that stagnated despite ambitious policy frameworks (Thailand, the Philippines and Brazil) failed primarily at the institutional implementation stage.

Hypothesis 2 (H_2): The Four Pillar Resolutions (57, 59, 66, 68) of the 14th Congress era represent a more structurally coherent and explicitly interdependent institutional reform package than previous fragmented reform cycles. However, this structural coherence is necessary but not sufficient for sustained institutional improvement; the same political economy dynamics, SOE interest group resistance, state-capture risks in the private sector transition, implementation fragmentation across 34 provinces, and intra-party factional tensions—that constrained previous reform cycles remain operative and pose material risks to the realisation of the 14th Congress's institutional ambitions.

Research Methodology

Research Design and Epistemological Position

This study adopts a qualitative research design rooted in a critical interpretivist tradition. While interpretivism acknowledges that social reality is constructed through human meaning-making, the critical dimension requires the researcher to interrogate power relations, vested interests and contradictions within the phenomena studied not merely to describe or interpret institutional reform processes but to assess their coherence, internal tensions and

structural risks. This stance is particularly important when studying political economy in one-party state contexts, where official documents and government-affiliated publications risk conflating aspirational policy with analytical description. The study employs process tracing (George & Bennett, 2005; Yin, 2018) to identify causal mechanisms linking institutional reform design to outcomes and an analytic narrative to situate Vietnam's trajectory within a comparative historical perspective.

Secondary Data Sources and Critical Source Evaluation

The study draws on a purposive, multi-source secondary data collection strategy with explicit attention to source type and potential bias. Four categories of sources are distinguished: (a) official statistics GSO (2026) for 2025 macro data; all 2025 figures cited are official GSO estimates from the January 2026 press release, not model projections. (b) Independent institutional assessments PCI 2024 (Malesky et al., 2025), which is explicitly independent of Vietnamese government control and based on nearly 11,000 enterprise surveys; Provincial Governance and Public Administration Performance Index (PAPI) (CECODES, RTA, & UNDP, 2025), which captures citizen experiences of governance; the Transparency International CPI; the World Justice Project Rule of Law Index; and the WGI. (c) Major research institutions—World Bank (2025a, 2025b), ERIA (2024), ISEAS (2025) and IMF (2020), which engaged with the Vietnamese government, have independent analytical mandates. (d) Critical scholarly literature—Malesky (2022), Gainsborough (2010), London (2014), Perkins (2013) and Tran and Heo (2008)—provides independent academic perspectives on Vietnamese institutional dynamics. Party Congress documents (CPV, 2021, 2026) are analysed as primary political texts with explicit recognition that they represent the Party's aspirational self-presentation rather than independent empirical assessments.

Analytical Framework: Triangulation and Process Tracing

Data triangulation is applied systematically across source categories. For example, the 14th Congress's claim of the private sector becoming 'the most important driving force' is triangulated against: (a) PCI 2024 enterprise data showing persistent land access obstacles and informal charges; (b) ISEAS (2025) analysis of state-capture risks; and (c) historical PCI trend data showing that informal charges declined from 58% of firms in 2006 to 38% in 2024 (Malesky et al., 2025) but remain substantial. This triangulation yields a more analytically nuanced picture than either the official narrative or purely critical accounts would produce. Process tracing examines the causal chain from the Congress resolution to regulatory implementation to firm-level behaviour, identifying the specific points where the chain has historically broken and assessing whether the 14th Congress's institutional innovations address those specific failure points. The study explicitly acknowledges the limitation that the 14th Congress

was adopted in January 2026 and that its implementation outcomes cannot yet be empirically assessed.

Results

Vietnam's Official 2025 Macroeconomic Performance

The GSO (2026) official press release provides the empirical baseline. GDP grew by 8.02% in 2025 (Q4: 8.46%, the highest fourth-quarter rate in the 2011–2025 period), driven by industry and construction (+9.73%; 45.80% of total growth) and services (+8.82%; 49.07% of growth). GDP at current prices reached $514 billion (VND 12,847.6 trillion), up $38 billion from 2024. Per capita GDP rose to $5,026 (VND 125.5 million), up $326 from $4,700 in 2024, placing Vietnam at the lower threshold of the upper-middle-income group. Exports totalled $475.04 billion (+17.0% year-on-year); imports totalled $455.01 billion (+19.4%); total goods trade exceeded $930 billion (+18.2%) for the first time; and the trade surplus was $20.03 billion. Disbursed FDI reached $27.62 billion (+9.0%). Consumer price inflation averaged 3.31% within the National Assembly's target. Average GDP growth for 2021–2025 reached 6.3% per year, above the 6.2% of 2016–2020 (GSO, 2026). Table 1 summarises the key indicators for 2023–2025.

A critical reading of these figures reveals important structural caveats. The trade surplus structure reflects the economy's FDI dependency: the domestic sector ran a trade deficit of $29.43 billion, while the FDI sector (including crude oil) recorded a surplus of $49.46 billion (GSO, 2026). FDI enterprises accounted for 77.3% of total exports, a ratio that, as Can and Dang (2024) observe, indicates limited integration of domestic firms into export supply chains and a persistent

Table 1. Vietnam: Key Official Macroeconomic Indicators, 2023–2025.

Indicator	2023	2024	2025 (GSO Official)
GDP growth rate	5.05%	7.09%	8.02% (Q4: 8.46%)
GDP at current prices	~$430bn	~$476bn	$514bn (+$38bn YoY)
GDP per capita	~$4,284	$4,700	$5,026 (upper-middle threshold)
Exports of goods	~$354.7bn	~$405.5bn	$475.04bn (+17.0% YoY)
Total trade value	~$682bn	~$787bn	$930+bn (+18.2% YoY)
Trade surplus (goods)	~$26.8bn	~$24.9bn	$20.03bn
FDI disbursed	~$23.2bn	~$25.35bn	$27.62bn (+9.0% YoY)
Inflation (average CPI)	3.25%	3.63%	3.31% (met NA target)
FDI share of exports	~74%	~76%	77.3% (structural risk)
Average GDP growth 2021–2025	–	–	6.3% p.a. (above 2016–2020: 6.2%)

Source: GSO (2026).

Note: CPI: Consumer price index; FDI: Foreign Direct Investment; GDP: Gross domestic product; GSO: General Statistics Office.

Table 2. Vietnam Institutional Quality: Multi-source Assessment.

Indicator/Source	Vietnam	Malaysia	Thailand	Indonesia	Philippines
WGI Rule of Law (0–1 scale) (World Bank, 2024)	0.36	0.60	0.52	0.48	0.45
WGI Control of Corruption (0–1) (World Bank, 2024)	0.31	0.58	0.41	0.28	0.35
Corruption Perceptions Index (0–100) (Transparency International, 2024)	40/100	50/100	34/100	37/100	33/100
PCI 2024—Overall score (Malesky et al., 2025)	Nationwide avg ~66 (0–100 scale)	N/A	N/A	N/A	N/A
Informal charges (% firms paying) (Malesky et al., 2025)	~38	~15	~20	~35	~40
WEF Global Compet.—Institutions rank (World Economic Forum [WEF], 2019)	89th	25th	67th	51st	87th
GII Innovation Index rank (World Intellectual Property Organization, 2023)	46th	36th	43rd	61st	56th
TFP contribution to growth (2016–2023) (Vietnam Productivity Institute)	~44%	>50%	>50%	>45%	>40%

Source: Compiled by the author from the sources indicated.

Note: PCI: Provincial Competitiveness Index; TFP: Total factor productivity; WGI: Worldwide Governance Indicators.

'processing trap' in which Vietnam captures assembly-stage value while upstream inputs are imported primarily from China ($186 billion) and South Korea (trade deficit of $31.6 billion). Vietnam's domestic value addition from exports stands at approximately 56%, below Malaysia and Thailand, and has been declining, with over 88% of exports in manufacturing or processed product categories (Can & Dang, 2024; GSO, 2026). This structural dependence means that the 10% growth target cannot be achieved by continuing the existing export model; it requires the institutional transformation that is simultaneously the most challenging and least certain element of the 14th Congress's agenda.

Institutional Architecture: Party Congress Documents and Independent Assessment

The 13th Congress (2021) SEDS designated three strategic breakthroughs: institutional reform, infrastructure and human capital. It acknowledged that the private sector was 'an important engine of the economy' while maintaining the state economy's constitutionally mandated 'key role'. The 14th Congress (January 2026) adopted a Resolution setting the most ambitious economic targets in the Party's history and ratified four 'Pillar Resolutions' 57 (science, technology, innovation), 59 (international integration), 66 (legal framework reform), and 68 (private sector development), alongside Resolution 79 on the state-owned economy (CPV, 2026). General Secretary Tô Lâm articulated these as organically interdependent (*Vietnam Law Magazine*, 2026).

However, independent institutional data present a more qualified picture. The PCI 2025 (Malesky et al., 2025), is the first edition under the 34-province structure and the landmark 'PCI 2.0' upgrade covering nine component indices and 98 indicators, records continued progress in information transparency and online administrative reforms but persistent concerns: land access remains a 'major obstacle', high compliance costs endure, and signs of 'declining dynamism among local governments in certain areas' are noted. PCI data (Malesky et al., 2025) also show that while informal payments have declined from 58% of firms in 2006 to 38% in 2024, they remain substantial and represent a structural rather than marginal governance challenge. On the WGI, Vietnam's Rule of Law score stands at 0.36 on a normalised scale (0–1), well below upper-middle-income comparators (Malaysia: 0.60; Thailand: 0.52; Indonesia: 0.48) (World Bank, 2025a). Table 2 compares Vietnam's institutional quality indicators with regional peers.

Genuine Institutional Opportunities

Trade and Integration Architecture

Vietnam's trade openness is structurally among the highest in the world (Silajdzic & Mehic, 2018): a trade-to-GDP ratio of approximately 182% in 2025 (calculated from GSO, 2026: total trade of $930 billion against GDP of $514 billion). The country holds 16 active FTAs providing preferential access to markets representing over 60% of global GDP. US–China trade tensions have accelerated investment diversion: Samsung, Intel, LG and Foxconn expansions in Vietnam are

direct beneficiaries of supply chain reconfiguration. The 14th Congress's Resolution 59 and Comprehensive Strategic Partnerships with the USA (2023) and the European Union (EU) (2024) provide the diplomatic architecture for this opportunity. Critically, however, Vietnamese enterprises have captured only 32% of FTA preferential benefits (Vietnam Chamber of Commerce and Industry, 2022), underscoring that the opportunity requires institutional reform of customs, compliance and business access, not merely treaty signing.

Labour Productivity: Relative Strength and Structural Challenge

Vietnam's average annual labour productivity growth of 5.6% per year for 2016–2023 placed it ahead of Singapore (3.3%), Malaysia (2.6%), Thailand (2.6%), Indonesia (2.4%) and the Philippines (2.8%) in the Association of Southeast Asian Nations (ASEAN) region (*VietnamPlus*, 2025). This is a genuine comparative strength. However, the 14th Congress's target of 8.5% annual labour productivity growth by 2030 requires an acceleration to a level that only South Korea (3.8%), among mature comparators, approaches, and Vietnam's productivity base is substantially lower. The TFP contribution to growth reached approximately 44% in the 2016–2023 period (Vietnam Productivity Institute, as cited in *VietnamPlus*, 2025), below the 55% Congress target. Raising TFP contribution requires precisely the institutional improvements in property rights, contract enforcement and innovation ecosystem governance that PCI and WGI data indicate remain incomplete.

Private Sector Reform Signal

Resolution 68's declaration of the private sector as 'the most important driving force of the national economy' represents a significant ideological evolution in the socialist-oriented market economy (SOME) framework. Resolution 68 mandates a shift from 'management' to 'partnership' between government and enterprise, a target of a 30% reduction in administrative procedures and compliance costs by the end of 2025, a shift from pre-approval to post-audit supervision, and a target of 2 million operating enterprises by 2030 (Tran, 2023; *Vietnam Briefing*, 2026; *VietnamPlus*, 2025). Early 2025 data showed over 300,000 enterprises newly established or reactivated (*VietnamPlus*, 2025). The PCI 2025 (Malesky et al., as cited in *VietnamNet*, 2026), the first edition under the 34-province structure, introduced the Private Business Performance Index, a new metric specifically designed to assess whether the institutional signal of Resolution 68 is translating into actual private-sector vitality.

Green Growth: Genuine Transition Momentum

Vietnam's installed solar power capacity surged from 4.5 GW in 2019 to over 17 GW by 2023, driven by policy incentives and private investment (World Bank, 2025b). The revised Power Development Plan 8 targets 73 GW of solar and 38 GW of wind by 2030. An emissions trading system (ETS) is scheduled for a pilot in 2025, with full implementation by 2028. The 14th Congress's elevation of environmental protection to a first-order guiding development viewpoint, coequal with economic and social development, creates formal institutional grounding for

green investment. The EU's Carbon Border Adjustment Mechanism (CBAM) provides an external incentive for accelerating environmental governance reform. However, World Bank (2025b) climate modelling projects that without adaptation, climate impacts will reduce Vietnam's real GDP by at least 12.5% relative to the baseline by 2050, with the Mekong Delta—Vietnam's agricultural heartland—facing severe disruption from sea-level rise (a 75–100 cm rise could flood 47.3% of the delta).

Critical Institutional Challenges and Structural Risks

The Implementation Gap: A Structural Constraint, Not an Aberration

The gap between policy declaration and regulatory practice in Vietnam is well-documented, structural and historically persistent. By 2023, only 25% of the Vietnam 2035 recommendations had been reflected in policy documents (World Bank, 2025a). Informal payments, while declining from 58% to 38% of firms over two decades of PCI measurement (Malesky et al., 2025), remain substantially above comparator levels. The PCI 2024 identifies 'signs of declining dynamism among local governments' as a direct consequence of the anti-corruption campaign's chilling effect on administrative initiative (Malesky et al., 2025). The World Bank (2025a) characterises Vietnam's decision-making as subject to 'dual subordination' requiring simultaneous approval from central and local authorities, which, while preventing hasty mistakes, also systematically impedes adaptive reform. Gainsborough (2010) argues that this is not a transitional feature to be overcome but a structural characteristic of Vietnamese governance: powerful interests adapt to reform announcements rather than being displaced by them.

State Capture Risks in the Private Sector Transition

The most analytically significant structural risk identified in the literature concerns the nature of the private sector empowerment under Resolution 68. ISEAS (2025, p. 7) warns that

> To Lam's approach risks replacing one form of rent-seeking with another. If poorly executed, Vietnam could transition from inefficient SOEs extracting resources through monopoly positions to private conglomerates doing the same through political connections. This would crowd out the SMEs that generate most employment and innovation, replicating South Korea's current struggles with chaebol dominance but without having first achieved Korean levels of technological sophistication.

Resolution 68's target of 'at least 20 large businesses participating in global value chains' by 2030 is consistent with a national champion strategy that, historically, has often captured policy benefits disproportionately (ISEAS, 2025). The procedural anomaly of Resolution 68 being adopted by the Politburo rather than the Central Committee also 'hints at deeper challenges' and 'suggests either To Lam's concern about opposition within the party or his desire to move faster than usual consensus-building allows' (ISEAS, 2025, p. 8).

State-owned Enterprise Reform Deficit and the Social Market Economy Model's Internal Contradiction

The SOME model's assertion in Resolution 79 that SOEs should play a 'leading, pioneering and strategic role' in key sectors sits in tension with Resolution 68's declaration that the private sector is 'the most important driving force'. This is not merely a rhetorical paradox; it reflects a genuine political economy conflict. SOEs continue to hold privileged access to land, credit and state contracts; their share of fixed assets fell from 51% to 14% over two decades, but they retain disproportionate influence over regulatory processes in sectors they dominate (Vo, 2024; World Bank, 2025a). The 14th Congress Resolution states that SOEs should not 'crowd out' private sector investment, but the institutional mechanisms for enforcing this commitment (independent competition authorities, judicial review of state contract allocation, and transparent land allocation) are precisely the institutions that WGI and PCI data indicate remain weakest. Perkins (2013) argues that Vietnam's reforms have consistently been more successful in liberalising entry for new private firms than in disciplining incumbent SOEs—and nothing in the 14th Congress documents substantively changes this structural asymmetry.

The 10% Growth Target: External Risks

The 14th Congress's 10% annual GDP growth target for 2026–2030 faces multiple external headwinds that the official documents understate. Vietnam's export dependence on the USA ($153.2 billion in 2025, with a $134 billion surplus) makes it uniquely vulnerable to the Trump administration's tariff policies—a risk that materialised in the form of a 46% reciprocal tariff announcement in April 2025. World trade volume growth is forecast at only 2.6% per year for 2020–2030 versus 4.5% for 2010–2019 (Oxford Economics, as cited in Can & Dang, 2024). Climate impacts could reduce annual GDP growth by 0.33 percentage points per year (World Bank, 2025b). Vietnam's population ageing—accelerating from 2026—will raise the old-age dependency ratio and increase social expenditure pressures. These structural headwinds mean the 10% target is achievable only through TFP and innovation acceleration that depend on precisely the institutional transformation that remains the most uncertain element of the reform agenda.

Discussion

Evaluating H_1: Evidence for Institutions as the Mediating Variable

The evidence assembled across results domains provides substantial support for H_1. The comparative institutional analysis reveals a consistent pattern: Vietnam's Rule of Law score of 0.36 (WGI), Control of Corruption score of 0.31, and CPI score of 40/100 all track well below the levels associated with countries that successfully graduated to high-income status within approximately 20 years, such as South Korea, Taiwan and Estonia (World Bank, 2025a). The PCI data over two decades demonstrate that provinces with higher governance quality consistently attract more investment, create more employment, and generate higher growth, providing sub-national empirical support for H_1 within Vietnam

itself (Malesky, 2022; Malesky et al., 2025). Critically, the implementation gap, the consistent divergence between policy declaration and regulatory reality, is itself evidence for H_1: it demonstrates that growth outcomes are not determined by policy ambition alone but by the institutional capacity to translate policy into consistent practice.

The TFP decomposition is particularly instructive. Vietnam's TFP contribution to growth reached approximately 44% in 2016–2023, placing it above the historical average but below the 55% Congress target and well below the 60%–70% observed in South Korea and Taiwan during their comparable development phases (ASEAN+3 Macroeconomic Research Office, 2025). Since TFP growth is itself a function of innovation activity, efficient resource allocation, and the quality of the business environment (Barro & Sala-i-Martin, 2003), all institutionally conditioned, the TFP gap directly substantiates H_1: Vietnam's institutions, as currently configured, cannot sustain the productivity-driven growth that Vision 2045 requires. Raising TFP contribution from 44% to 55% requires not incremental improvements in specific regulatory sub-indices but a systemic institutional transformation that the Four Pillar Resolutions aspire to, but whose delivery record, as documented by PCI and WGI data, must be regarded with analytical caution.

Evaluating H_2: Structural Coherence and Implementation Risks

H_2 receives qualified support. The structural coherence of the Four Pillar Resolutions is analytically evident: General Secretary Tô Lâm's articulation of their interdependence 'without transparency in legal frameworks (Resolution 66), the private sector cannot develop (Resolution 68); without private sector dynamism, science and technology cannot generate productive growth (Resolution 57); without open integration (Resolution 59), innovation lacks the scale and competition to deliver productivity gains' (*Vietnam Law Magazine*, 2026) reflects a systems-level institutional logic absent from previous fragmented reform cycles. This represents a genuine qualitative advance in reform design.

However, the second component of H_2, that implementation risks remain material, also receives strong evidential support. Three specific risks are identified. First, the state-capture risk documented by ISEAS (2025): if Resolution 68 primarily benefits politically connected large private conglomerates rather than the small and medium-sized enterprise (SME) ecosystem that drives employment and innovation, the reform will redistribute rents without improving productive efficiency. Second, the anti-corruption paralysis risk: the same PCI evidence that shows declining informal payments also shows 'declining dynamism among local governments' (Malesky et al., 2025). Officials are increasingly unwilling to make discretionary decisions, resulting in administrative paralysis that impedes both public investment and private-sector support. Third, the provincial heterogeneity risk: PCI 2025 data across the new 34-province structure reveal substantial governance variation, with land access and compliance costs remaining severe constraints in several merged provinces. The 14th Congress's administrative restructuring creates new opportunities but also new coordination challenges.

The Social Market Economy Model's Tensions: A Critical Assessment

A recurring weakness in both official Vietnamese development documents and sympathetic external analyses is the tendency to present the SOME model as a coherently resolved theoretical framework rather than a political compromise between market reformers and state economy defenders (P. T. Nguyen, 2021). The coexistence of Resolution 68 ('private sector as the most important driver') and Resolution 79 ('SOEs play leading, pioneering, and strategic role') within the same Congress document reflects not theoretical synthesis but negotiated ambiguity. As Vo (2024, p. 118) honestly acknowledges, 'the SOME itself may have some certain incompatible aspects'. This incompatibility has concrete distributional consequences: as long as SOEs retain privileged access to land, credit and state procurement, Resolution 68's equal treatment commitment will remain partially aspirational.

The comparative evidence is sobering. South Korea and Taiwan's successful escapes from the middle-income trap were predicated on, among other things, the progressive dismantling of state enterprise privileges, a process Vietnam has undertaken partially (SOE fixed assets fell from 51% to 14% of the total) but incompletely (SOE credit access, land allocation and regulatory influence remain above their economic weight). The 14th Congress's explicit statement that SOEs should not 'crowd out' private investment is a necessary but not sufficient condition for the SOME model to resolve its internal contradiction. Sufficient conditions require institutional enforcement mechanisms, independent competition authorities, judicial review and transparent procurement, which WGI data indicate remain structurally weak.

Comparative Reflection: Vietnam and India at Centennial Milestones

The India–Vietnam comparison at their respective 2045/2047 centennial milestones reveals instructive institutional contrasts. Both face the middle-income trap, both have ambitious long-run growth visions, and both have made institutional reform a stated priority. The most analytically productive differentiation concerns the relationship between political system type and institutional reform effectiveness.

India's federal democratic system provides independent accountability mechanisms—judicial review of state policy, competitive electoral accountability at the state level, independent media and civil society organisations that are structurally absent in Vietnam's single-party system. As Acemoglu and Robinson (2012) demonstrate, independent constraints on the executive tend to prevent the most extreme forms of extractive institution persistence. Vietnam's PCI data show that provincial governance quality is highly sensitive to individual leadership, improving significantly under reform-minded officials and deteriorating under rent-seeking ones (Malesky, 2022), precisely because there are no durable institutional counterweights to leadership discretion. India's 'cacophony' of competing

interests and slow decision-making process is a liability for rapid reform implementation; Vietnam's centralised authority is an asset for speed but a risk for accountability.

Conversely, Vietnam's track record of sustained macroeconomic stability, as the World Bank (2025a) documents, shows that Vietnam achieved relatively high growth with low inflation consistently from 2013 to 2024, with modest and declining public debt, which reflects a capacity for macroeconomic discipline that India, with its historically higher fiscal deficits, has found more difficult. Vietnam's manufacturing export trajectory also has no Indian equivalent: India's services-led growth model faces different institutional constraints (infrastructure quality, skilled labour supply, regulatory complexity) that are not directly transferable as lessons for Vietnam, though the India–Vietnam comparison illuminates the institutional trade-offs between political accountability and implementation speed that both countries navigate (Nayyar et al., 2021).

Implications

Policy Implications: A Critical Multi-pillar Framework

The evidence synthesised above supports the following policy implications, organised by urgency and analytical grounding rather than the official resolution hierarchy, as summarised in Table 3.

Theoretical Implications

This study contributes three theoretical implications to the institutional economics and development literature. First, it extends North's (1990) framework to a socialist-oriented market economy, demonstrating that the theory's core propositions institutions as determinants of transaction costs and investment incentives hold across political-economic system types, but with important modifications: in one-party states, the informal institutions of intra-party factional competition and leadership discretion play a larger role in institutional evolution than formal constitutional mechanisms, creating both greater reform speed potential and greater reversal risk than in pluralist systems. Second, the analysis of Resolution 68 and ISEAS's (2025) state-capture warning illustrates that institutional reform in transitional economies does not automatically improve productive efficiency; it can reallocate rent-seeking opportunities while leaving aggregate rent-seeking levels unchanged. This finding extends Acemoglu and Robinson's (2012) framework by showing that the transition from extractive to inclusive institutions is not monotonic and can have rent-redistributing intermediate stages. Third, the PCI data provide the most rigorous subnational institutional quality measurement available in the developing world, and this study's use of PCI trend data to triangulate official reform claims demonstrates the value of independent subnational governance measurement as a tool for research triangulation.

Table 3. Critical Policy Framework: Priorities, Tensions and Preconditions for Vietnam's Vision 2045.

Priority Area	Opportunity	Structural Risk/Contradiction	Critical Precondition	Evidence Base
Market institutions (Res. 66 and 68) (OECD, 2022)	Private sector as economy's primary driver; 30% compliance cost reduction; FDI quality targeting	State-capture risk: large conglomerates may capture reform benefits; SOE interest-group resistance undermines equal treatment	Independent competition authority; judicial enforcement of equal treatment; SOE competitive neutrality	ISEAS (2025), Malesky et al. (2025), World Bank (2025a)
Public investment management (Government of Vietnam, 2022a)	Infrastructure spending +34% (2026); province mergers create coordination gains	Absorption capacity constraints; overlapping approval processes; time overruns affect majority of projects	Single legal instrument replacing eight laws; professional appraisal independent from political approval chains	Council on Foreign Relations (2026), GSO (2026), World Bank (2025a)
Civil service and accountability	Administrative restructuring (63 → 34 provinces) reduces localism; non-local leadership requirement	Anti-corruption campaign creates administrative paralysis ('declining local dynamism'—PCI 2024)	Compensation reform bridging public-private salary gap; due process protections for officials acting in public interest	Malesky et al. (2025), CECODES, RTA, & UNDP (2025), World Bank (2025a)
Human capital and innovation (Res. 57) (Ali et al., 2021; Cirera et al., 2022; Columbia Emerging Markets Review, 2025; Government of Vietnam (2020, 2022b))	Labour productivity growth 5.6% p.a. (2016–2023)—ASEAN-leading; R&D target 2% GDP; digital economy expansion	Technology adoption far below frontier (Cirera et al., 2021); digital skills rank 97th globally; skills-market mismatch persists	Res. 71-NQ/TW operationalisation; university autonomy with accountability; State-Enterprise-University co-investment	Do and Pham (2026), Can and Dang (2024), WEF (2019)
Macroeconomic resilience Bank for International Settlements (2023)	Stable growth-inflation record (2013–2024); modest public debt; growing SBV institutional capacity	Trade tariff vulnerability (US reciprocal tariff risk); credit growth 18%—NPL risk rising to 5.3%	Fiscal-monetary coordination; capital market deepening; FTA utilisation improvement (from 32% to >60%)	Bank for Investment and Development of Vietnam (2023), GSO (2026), World Bank (2025a)
Green growth and climate adaptation	Solar 4.5 → 17GW (2019 → 2023); PDP8 targets; ETS by 2028; environmental viewpoint elevated in Congress	GDP impact of inaction: −12.5% by 2050; Mekong Delta flooding risk; just transition for coal workers	ETS robust design preventing carbon market manipulation; CBAM compliance framework; climate-proofed public investment criteria	V. H. (2022), Electricity and Renewable Energy Authority and Danish Energy Agency (2022), World Bank (2025b)

Note: ASEAN: Association of Southeast Asian Nations; CBAM: Carbon Border Adjustment Mechanism; ETS: Emissions trading system; FDI: Foreign Direct Investment; FTA: Free trade agreement; GDP: Gross domestic product; NPL: Non-performing loan; PCI: Provincial Competitiveness Index; R&D: Research and development; SBV: State Bank of Vietnam; SOE: State-owned enterprise.

Implications for India–Vietnam Comparative Research

For the India–Vietnam comparative research agenda, this article's critical analytical approach suggests that the most productive comparative question is not 'which country has more ambitious policies?' but 'which country's institutional architecture is more likely to translate policy ambition into behavioural change?' Vietnam's centralised implementation capacity gives it a structural advantage in deploying large-scale reforms quickly when political will is present the province merger from 63 to 34 units, accomplished in 2025–2026, has no Indian equivalent. India's independent judiciary, competitive press and civil society provide accountability mechanisms that slow individual reform episodes but prevent extreme institutional capture. Systematic comparative study of these trade-offs using PCI-equivalent data for Indian states, WGI sub-components and firm-level surveys would constitute a major contribution to the literature on political system type and development outcomes at similar income levels.

Limitations and Directions for Future Research

Limitations

Four primary limitations qualify the findings. First, the study's qualitative design precludes econometric testing of the hypotheses; the causal relationships between institutional quality variables and growth outcomes are supported by comparative evidence and theoretical logic but are not statistically identified. Future quantitative research could use World Bank Enterprise Survey data, PCI panel data across provinces and years, or instrumental variable approaches to estimate the growth effects of specific governance improvements. Second, the 14th Congress was adopted in January 2026, and its implementation outcomes cannot yet be empirically observed; the analysis of H_2 assesses structural design coherence rather than demonstrated outcome effects and risks projecting past implementation constraints onto what may be a genuinely different institutional environment. Third, the study relies primarily on English-language sources, which underrepresent the Vietnamese academic and policy literature; important work in Vietnamese on SOME model theory, SOE reform economics, and institutional analysis by domestic scholars is not fully integrated. Fourth, the comparative India–Vietnam analysis, while analytically grounded, does not engage systematically with the Indian institutional literature; claims about India's institutional characteristics are based on general knowledge rather than on a deep review of the India-specific research.

Directions for Future Research

Four high-priority research directions emerge. First, a quantitative study testing H_1 using PCI panel data (2005–2025) linked to province-level economic performance indicators, including FDI inflows, private enterprise formation, labour productivity and poverty reduction, would provide the most direct empirical test of the institutional mediation hypothesis within Vietnam's own institutional

variation. The newly launched PCI 2025 under the 34-province structure provides a natural experiment for assessing whether province mergers improve governance efficiency. Second, a post-14th Congress institutional assessment survey (2027–2028 horizon) examining whether Resolution 68's equal treatment commitments have materialised in actual private–public sector parity in land access, credit conditions and regulatory burden would provide the empirical foundation for a definitive assessment of H_2. Third, a systematic comparative study of Vietnam and India's institutional trajectories toward 2045/2047 using matched data sets from WGI, PCI-equivalent state-level governance indices, and World Bank Enterprise Surveys would constitute a major contribution to the comparative Asian development literature. Fourth, the intersection of green growth transition, institutional governance and climate finance mobilisation in Vietnam represents an underexplored domain where institutional quality (ETS design robustness, CBAM compliance capacity, land rights security for renewable energy investment) will be as determinative as technical and financial factors, warranting focused interdisciplinary research.

Conclusion

Vietnam's development from under $100 per capita in 1986 to $5,026 per capita in 2025 (GSO, 2026), with GDP growing at 8.02%, total trade exceeding $930 billion, and the economy entering the upper-middle-income group, is a genuine historic achievement. The 14th National Party Congress (January 2026) has declared the most ambitious development targets in the Party's history: 10% annual growth for 2026–2030, $8,500 per capita by 2030, and a developed high-income status by 2045. The Four Pillar Resolutions constitute a more structurally coherent and explicitly interdependent institutional reform package than any previous reform cycle.

This article's critical analytical engagement, however, requires the conclusion to be simultaneously affirming and cautionary. H_1 is substantiated: institutional quality, as measured by PCI, WGI and CPI data, constitutes the decisive mediating variable between Vietnam's policy ambition and its growth outcomes. Vietnam's WGI Rule of Law score of 0.36, persistent informal payment rates of 38% (Malesky et al., 2025), and TFP contribution of approximately 44% (below the 55% Congress target) collectively demonstrate that the institutional deficit is not a marginal inefficiency to be managed but the central constraint on Vision 2045. H_2 receives qualified support: the Four Pillar Resolutions represent genuine structural coherence in reform design, but ISEAS's (2025) state-capture warning, PCI data showing declining local government dynamism, and the SOME model's unresolved SOE-private sector tension all underscore that structural coherence in design does not guarantee institutional effectiveness in implementation.

The 14th Congress's declaration of an 'era of the nation's rise' (Nhan Dan Online, 2026) captures a genuine aspiration shared by 100 million Vietnamese people and supported by a remarkable growth record. Whether that aspiration is realised will depend not on the ambition of the targets but on the institutional substance behind the Four Pillar Resolutions—whether Resolution 66 produces

genuinely impartial regulation rather than procedural adjustment; whether Resolution 68 empowers a broad SME ecosystem rather than creating politically connected national champions; whether the province mergers produce more accountable governance rather than larger administrative units with the same incentive problems. As North (1990) reminds us, institutions are ultimately about behavioural change, and behavioural change in governance requires not only the right rules but the right incentives, capacities and accountability mechanisms for those who implement them. These are the questions that will determine whether Vietnam's second Đổi Mới, a Đổi Mới of institutions rather than of markets, delivers the transformation that Vision 2045 demands.

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