

# **Vietnam's Superb Export Performance**

## **What Lessons Might There Be for Bangladesh?**

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## PART 1 Development Context

- ❑ Having secured major development gains over the past three decades whereby Bangladesh climbed up from a Low-Income Country (LIC) Status to a Lower Middle-Income Country (LMIC) Status;
- ❑ It is now aspiring to achieve Upper Middle-Income Country (UMIC) Status by FY2031 and High-Income Country (HIC) Status by FY2041;
- ❑ Among other strategies, trade openness and export-led growth strategies contributed tremendously to the success of the Bangladesh development process;
- ❑ As a further input to the formulation of its export promotion strategy, the Government is keen to understand how Vietnam has done so well in promoting its export sector;
- ❑ The objective is to review this superb export development experience of Vietnam with a view to examining what lessons could be learnt to inform the upcoming export strategy for Bangladesh.

# Why Vietnam?

- ❑ Vietnam is a relative newcomer to the development field. Even as late as 1990, Vietnam was an extremely poor country characterized by a per capita gross national income (GNI) of only US\$ 130 and a poverty incidence of 52% as measured by the World Bank’s international poverty line of US\$ 1.90/day;
- ❑ But, in the space of less than 30 years, Vietnam turned around its development performance in ways that is truly remarkable. Thus, in 2019, per capita GNI soared to US\$ 2,590, expanding at a hefty pace of 10.7%.

**Table 1: A Macroeconomic Comparison of Bangladesh and Vietnam**

Development Indicators	Vietnam			Bangladesh		
	1990	2019	Growth Rate (%)	1990	2019	Growth Rate (%)
Per Capita GNI (US\$)	130	2590	10.7	320	1940	6.3
GDP (US\$ Billion)	6.5	261.9	13.4	31.6	302.6	8.0
Exports (US\$ Billion)	2.3	279.7	17.7	1.9	40.5	11.5
Export-GDP Ratio (%)	8.0	139.0		5.0	13.6	
Trade-GDP Ratio (%)	81.3	210.4		19.2	35.4	
Poverty (International Poverty Line) (US\$ 1.90/Day) (PP2011 Prices)	52.9	1.9	-11.0	44.2	9.2	-5.2

# PART II: Vietnam's Development Performance

## Development Performance Since 1990

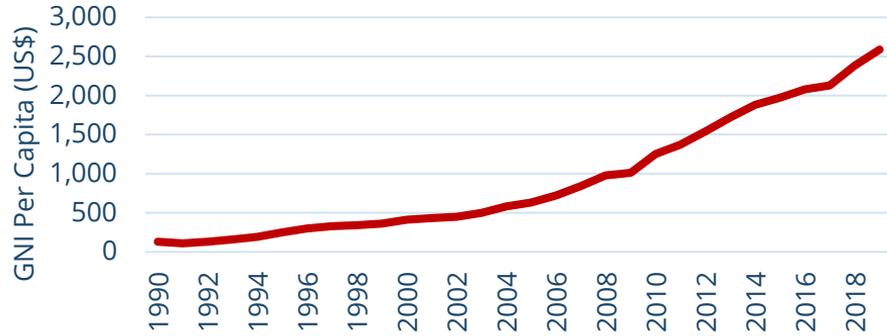
- Remarkable transformation of Vietnam from an extremely poor peasant economy in the mid-1980s to a thriving lower middle- income economy within a remarkably fast pace of 20 years between 1990 and 2010;
- High inflation and unsustainable fiscal and balance of payments deficits have disappeared, and Vietnam has sustained a long period of rapid growth with macroeconomic stability;
- Economic progress has been shared equitably with citizens. Extreme poverty has been virtually eliminated and human development indicators show strong progress;

Table 2: Development Performance Since 1990

Performance Indicators	1990	2000	2010	2019
<b>Growth Indicators</b>				
Decadal GDP Growth Rate (%)	4.6	7.6	6.6	6.3
Per Capita GNI (US\$) (WB Atlas Method)	130	410	1250	2590
Gross Investment Rate (% of GDP)	12.6	29.6	35.7	26.8
Gross Domestic Savings (% of GDP)	2.9	27.1	27.4	25.4
Net FDI (% of GDP)	2.8	4.2	6.9	6.2
Decadal Export Growth Rate (% in US\$)	7.5	21.8	17.4	14.4
<b>Macroeconomic Stability</b>				
Inflation Rate (% Annual Average)	303	18.2	7.6	5.7
Fiscal Balance (% of GDP)	(-) 5.2	(-) 2.5	(-) 3.3	(-) 3.3
Current Account Balance (% of GDP)	(-) 8.2	3.5	(-) 3.7	5.0
External Debt to GNI (%)	384	38.7	40.3	48.9
Foreign Reserves (US\$ Billion)	1.3	3.4	12.5	78.3
Foreign Debt Service as % of Total Exports	7.5	7.8	2.3	5.9
<b>Social Development Indicators</b>				
Poverty Rate (%)	52.9	34.4	4.0	1.9
Life Expectancy (Number of Years)	70.6	73.0	74.8	75.4
Total Fertility Rate (%)	3.6	2.0	1.9	2.0
Infant Mortality Rate (per 1,000)	36.9	23.4	18.3	15.9
Literacy Rate (%)	87.6	90.2	93.5	95.5
Net Primary Enrolment (%)	94.0	98.4	98.1	100.0
Tertiary Enrolment Rate (%)	2.8	9.5	22.8	28.6

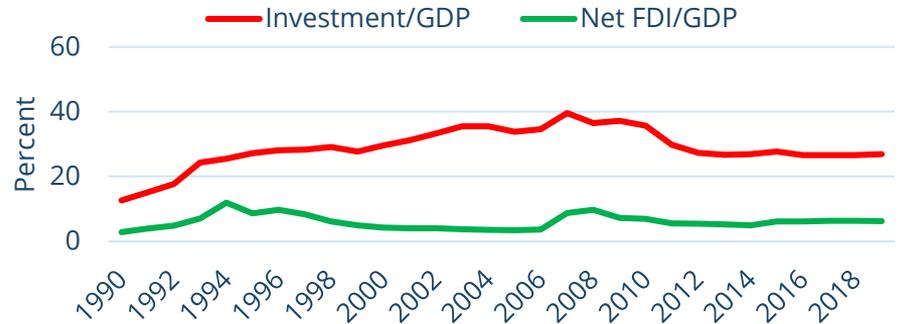
# Progress with the Growth Agenda

**Figure 1: Vietnam Trend in Per Capita GNI**



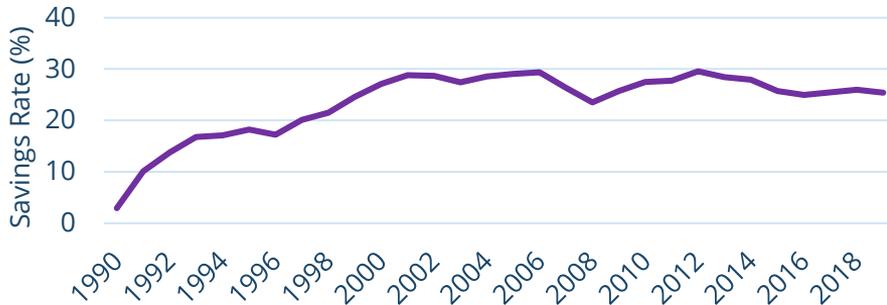
Source: World Bank Database, WDI

**Figure 2: Vietnam Investment Strategy**



Source: World Bank Database, WDI

**Figure 3: Gross Domestic Savings Rate (% of GDP)**



Source: World Bank Database, WDI

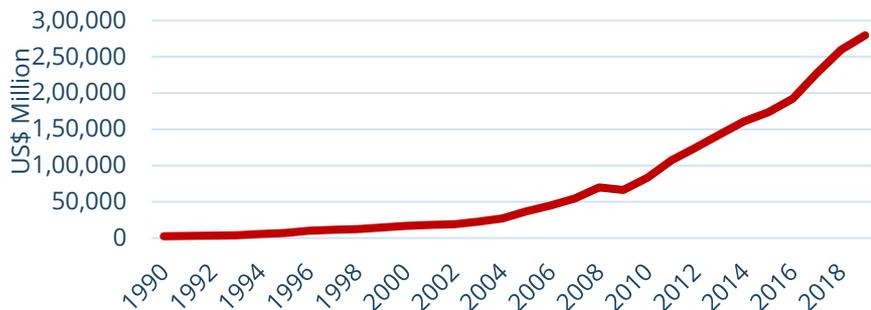
**Figure 4: Average Labor Productivity (US\$ 2010)**



Source: World Bank Database, WDI

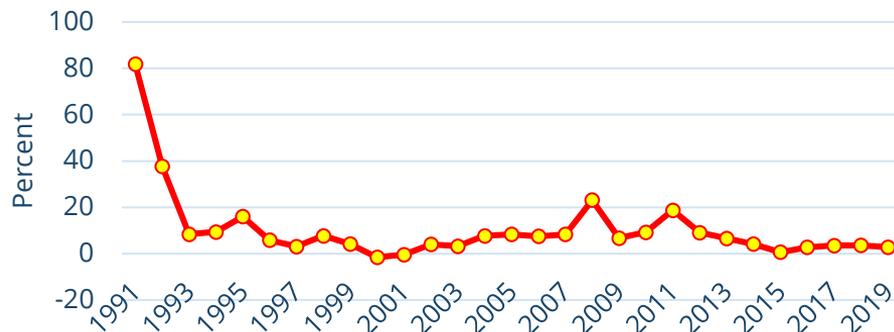
# Progress with Macroeconomy and Poverty

Figure 5: Vietnam Trend in Exports (US\$ Million)



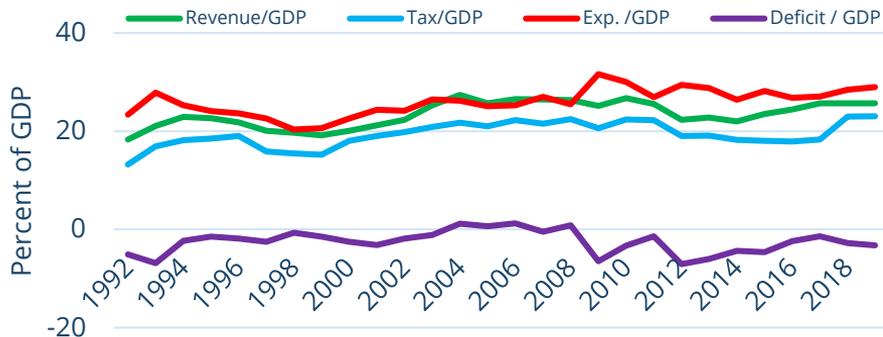
Source: World Bank Database, WDI

Figure 6: Vietnam Inflation Trend, 1991 - 2019



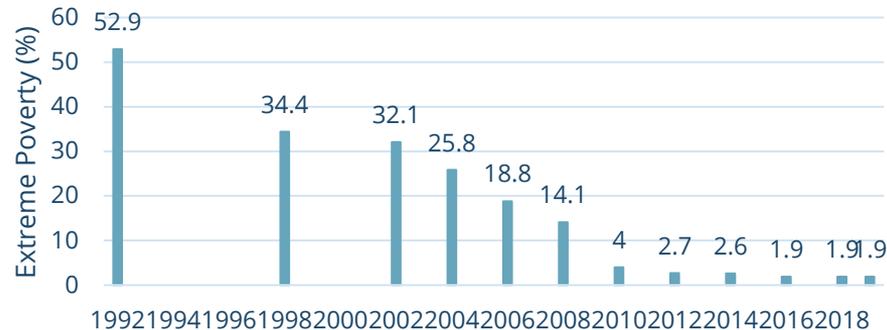
Source: World Bank Database, WDI

Figure 7: Vietnam Fiscal Performance, 1992 - 2019



Source: IMF Vietnam Statistical Annex and Article 4 Reports

Figure 8: Vietnam Trend in Extreme Poverty (% of Population)



Source: Compiled from World Bank Vietnam Poverty Reports

## Part 3: Vietnam's Superb Overall Export Performance

- In the mid-1990s, both countries exported just about US\$ 5 Billion worth of goods and services, which then grew to US\$ 45 Billion for Bangladesh in 2019 but rocketed to more than US\$ 280 Billion for Vietnam in the same year;
- Vietnam is now ranked as the 25h largest exporter in the world when measured as its share of total exports in global exports. This is a huge achievement for a newcomer that attained LMIC status only in 2010;
- A distinct feature of Vietnam's export development is the progress on the technology front. Taking advantage of Vietnam's open-door policy for FDI, Vietnam attracted considerable export-oriented investment in the production and exports of high-technology products;
- Even in 2008, the share of high-technology exports in Vietnam's total manufacturing exports was less than 10%, which then grew rapidly and is now around 40%.
- The rapid progress with high-tech exports put Vietnam on the global scene as the 10th largest exporter in this category for the world as a whole.

**Table 3: Export Performance Ranking 2019  
(Goods and Services)**

Country	Export Performance Ranking	Share of Global Export Market (%)
China	1	10.6
United States	2	10.1
Germany	3	7.3
Japan	4	3.6
France	5	3.6
United Kingdom	6	3.5
Korea	8	3.0
Singapore	10	2.6
India	13	2.6
Thailand	23	2.1
Vietnam	25	1.3
Malaysia	30	1.1
Bangladesh	56	1.0

# Substantial Export Product Diversification

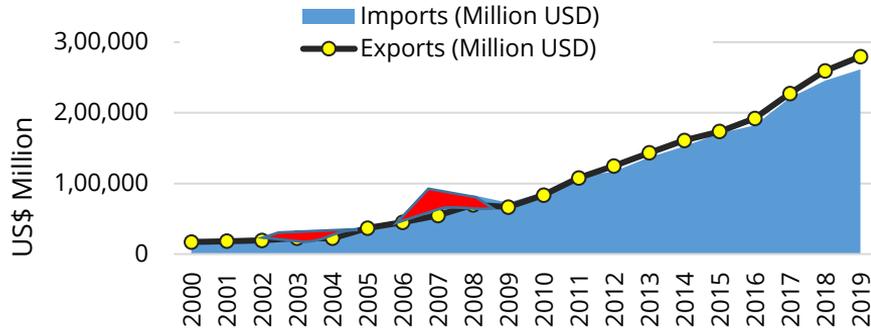
**Table 4: Changing Composition of Vietnam's Merchandise Exports (US\$ Billion)**

Major Exports	1995	% Share	Major Exports	2005	% Share	Major Exports	2019	% Share
Crude Oil	1.0	19	Crude Oil	7.4	22	Electrical Machinery & Equipment	96.0	36
Coffee	0.6	12	Garments	4.8	15	Apparel	29.9	11
Rice	0.5	10	Footwear	3.0	9	Footwear	18.9	7
Fisheries	0.4	8	Fisheries	2.7	8	Industrial Machinery	13.2	5
Garments	0.4	8	Rice	1.4	4	Furniture	9.5	4
Footwear	0.2	4	Electronics	1.4	4	Seafood	5.9	2
Rubber	0.2	4	Rubber	0.8	3	Fruit & Nuts	5.7	2
Coal	0.1	2	Coffee	0.8	3	Precision Instruments	5.3	2
			Coal	0.7	2	Plastics & Products	4.7	2
Others	1.8	34	Others	9.4	29	Others	74.9	28
<b>Total</b>	<b>5.2</b>	<b>100</b>	<b>Total</b>	<b>32.4</b>	<b>100</b>	<b>Total</b>	<b>264</b>	<b>100</b>

Source: IMF Statistical Appendix (1995-2005); UN Comtrade for 2019

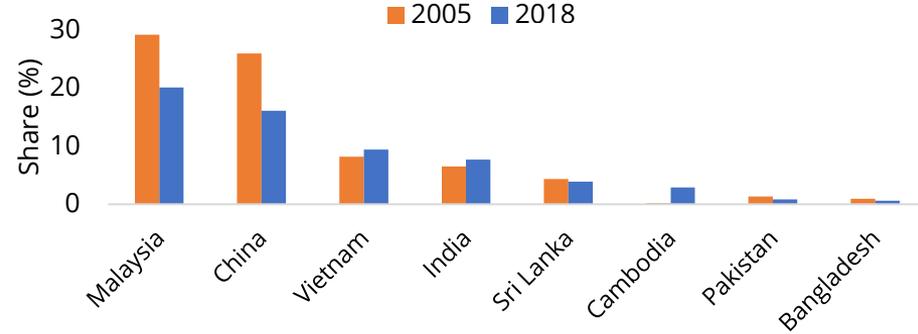
# Some Core Aspects of Vietnam's Exports

**Figure 9: Vietnam Import, Export, BOT Trend**



Source: Authors' Analysis Using ITC Data

**Figure 10: GVC Participation: Share of Parts and Components in Manufacturing Export (%)**



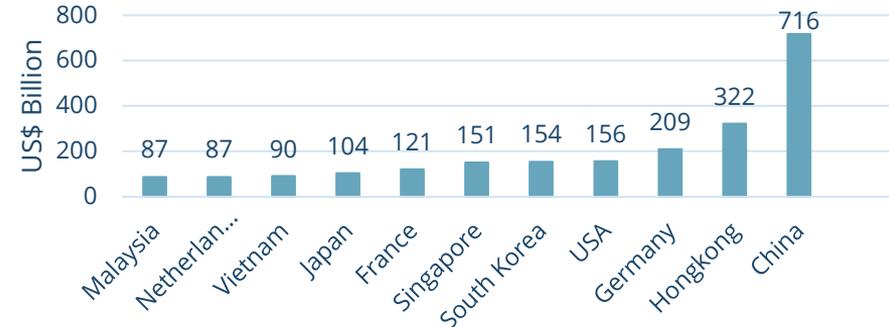
Source: World Bank Database, WDI

**Figure 11: Share of High-Tech in Vietnam's Total Exports (%)**



Source: World Bank Database, WDI

**Figure 12: Top 12 Global Exporters of High-tech Products in 2019**



Source: Compiled from World Bank Vietnam Poverty Reports

# Indicators of Product Diversification

**Table 5: Export Concentration Ratio (Top 25 Products as % of Total Exports) at HS4-Digit Level**

	BANGLADESH	VIETNAM
2000	74.0	71.0
2005	71.0	70.6
2010	78.0	60.1
2015	76.3	60.9
2019	75.0	59.0

Source: Asycuda Database, NBR, ITC

**Table 6: Herfindahl-Hirschman Index (HHI) for Exports at 6-Digit Level**

	BANGLADESH	VIETNAM
2000	35.8	44.0
2005	48.2	54.2
2010	68.9	24.4
2015	73.5	30.2
2019	61.1	26.3

Source: Asycuda Database, NBR, ITC

Note: The Herfindahl-Hirschmann Index (HHI) is calculated by taking the square of export shares of all export categories in the market:  $HHI = \sum Si^2$   $i = 1, 2, \dots, n$ . The HHI is the most commonly used measure of export diversification. It lies between 0 and 100 where being close to 0 indicates well diversified exports.

# Export Diversification Intensive and Extensive Margins

- ❑ Exports growth can take place by selling more of the existing products (intensive margins) and /or selling new products (extensive margins).
- ❑ A decomposition exercise into the sources of export growth for 2005–19 shows 96 per cent of Bangladesh’s export growth is attributable to the intensive margin alone (i.e., from selling the existing products) in comparison with just 58 per cent for Vietnam.
- ❑ New products (i.e., the export diversification component) accounted for less than 5 per cent for Bangladesh but 43% for Vietnam.
- ❑ Contribution of new products to export growth is similarly substantially larger for all other countries listed in Table

**Table 7: Contribution to Export Growth 2005–19 (%)**

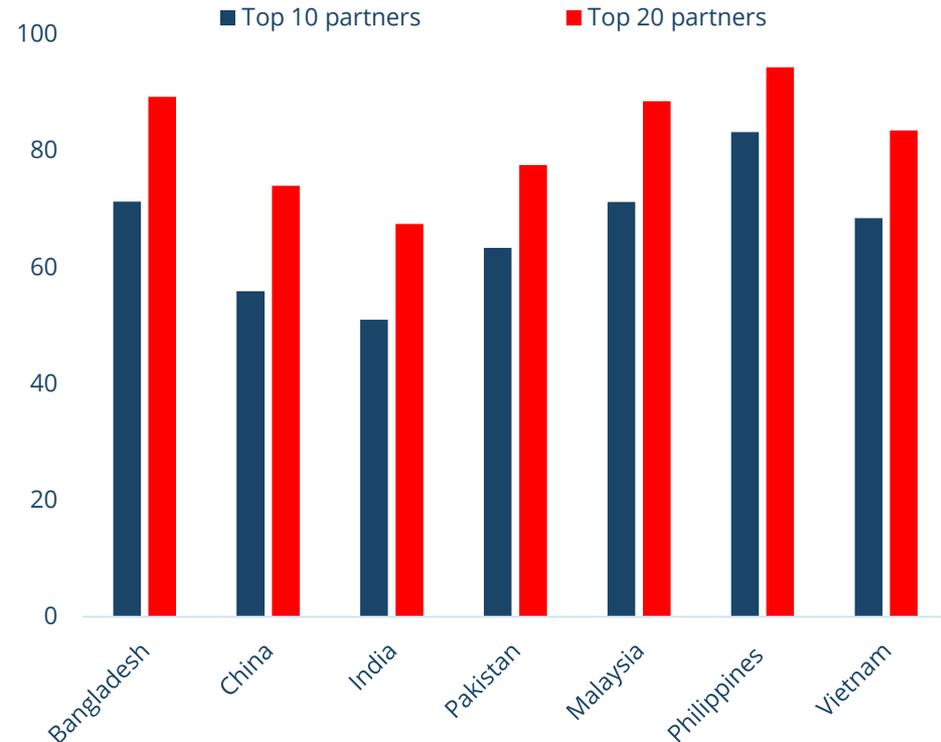
	Intensive Margin	New Product Margin	Product Death Margin
<b>Bangladesh</b>	0.961	0.050	-0.012
<b>Cambodia</b>	0.508	0.506	-0.014
<b>China</b>	0.725	0.347	-0.071
<b>Indonesia</b>	0.824	0.335	-0.159
<b>India</b>	0.839	0.197	-0.036
<b>Malaysia</b>	0.642	0.729	-0.370
<b>Pakistan</b>	0.823	0.304	-0.127
<b>Vietnam</b>	0.577	0.438	-0.015

Source: Authors’ estimates using ITC data.

# Export Market Diversification

- Along with product concentration Bangladesh also suffers from lack of export market diversification. More than four-fifths of exports are destined for North American and European Union markets.
- Bangladesh's top 10 export destinations together account for 71 per cent of its total exports. The corresponding figures for China, India and Vietnam are 56 per cent, 51 per cent and 68 per cent, respectively (Figure 27).
- Some 90 per cent of Bangladesh's exports accrue to top 20 partners combined. The comparable figures for India are 67 per cent; for China 74 per cent; for Vietnam 83 per cent.

Figure 13: Importance of Top 10 and 20 Markets, 2019 (%)



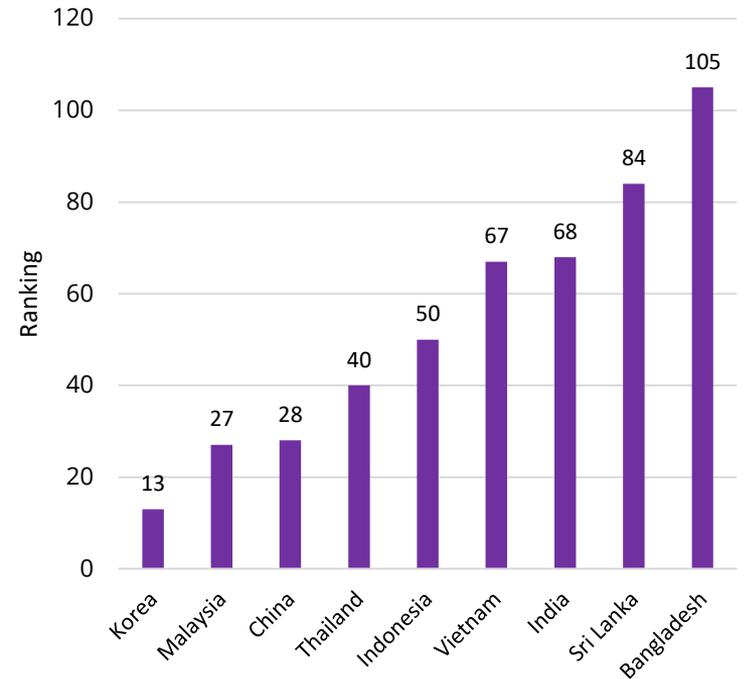
## Summary of Vietnam's Export Performance

- ❑ Vietnam adopted an export-led growth process at its early stage of the Doi-Moi reform program and stayed with it.
- ❑ Export development was a dynamic process. It started initially by exploiting the low-hanging fruits (minerals and agricultural products) but moved quickly into manufacturing.
- ❑ Export diversification was a built-in strategic element of the export development strategy. Vietnam did not allow its export base to remain concentrated in any single export basket.
- ❑ Vietnam diversified both its products as well as export markets.
- ❑ Through its open-door foreign investment policy, Vietnam has taken advantage of global export prospects driven by technology.
- ❑ Product development has focused on both vertical and horizontal linkages. The vertical linkages have benefited from heavy involvement in GVCs.

## Part 4: Determinants of Export Performance? Global Competitiveness Improvements Lay at the Heart of Vietnam's Export Performance

- ❖ Fundamentally, the main factor underlying Vietnam's superb export performance is its progress with improving global competitiveness
- ❖ The Global Competitiveness rankings are provided by the World Economic Forum on the basis of computing a competitiveness index that are defined on the basis of 12 pillars: Institutions; Infrastructure; ICT adoption; Macroeconomic stability; Health; Skills; Product market; Labor market flexibility; Financial system; Market size; Business dynamism; and Innovation capability.
- ❖ The GCI for 2019 ranks performance of 141 countries. Ranked at 67 out of 141 countries, the Vietnamese economy falls above the middle 50% in terms of global competitiveness. While the performance gap with UMICs like Thailand, China and Malaysia is substantial, Vietnam outperforms Bangladesh by a huge margin thereby suggesting the long road ahead for Bangladesh on the road to strengthening international competitiveness.

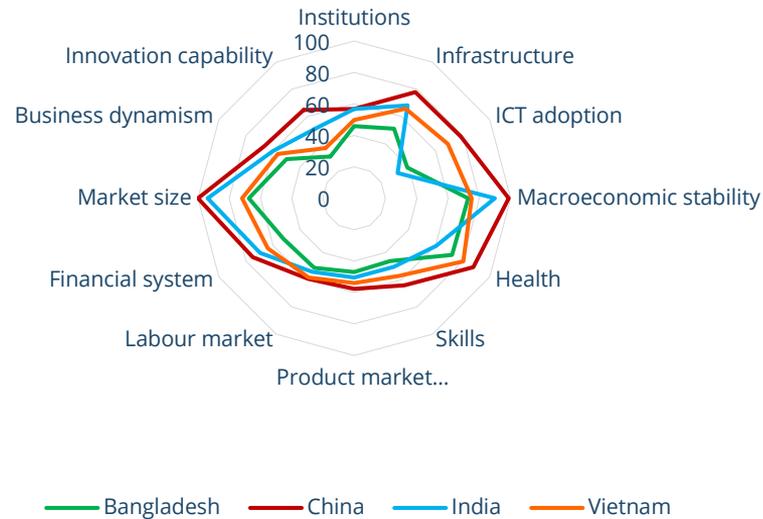
Figure 14: Global Competitiveness Rankings 2019



Source: World Economic Forum (2019)

Policy progress in enhancing Vietnam's global competitiveness was broad-based (Figure 15). Vietnam outperforms Bangladesh in all policy dimensions.

**Figure 15: Vietnam and Comparators in Various Competitiveness Indices, 2019**



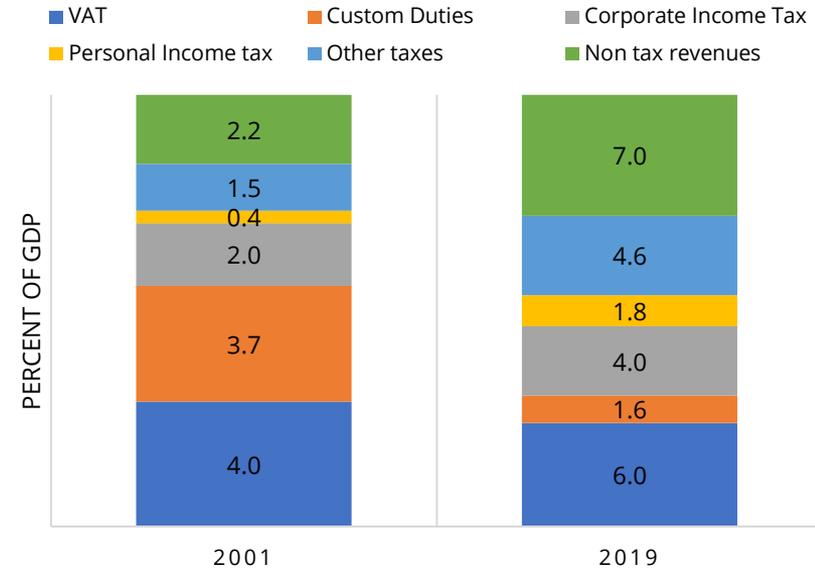
# Sound Macroeconomic Management

**Monetary and Fiscal Reforms:** Through a balanced use of monetary and fiscal reforms Vietnam quickly restored macroeconomic stability and maintained prudent macroeconomic management throughout.

**Public Enterprise Reforms:** The basic strategy for reform of SOEs adopted by Doi Moi was to get rid of most small and loss-making SOEs and retain only some large and strategic SOEs, strengthen them and make them profitable.

**Reform of Taxation:** In the early years, Vietnam was heavily dependent on oil revenues to finance the budget. So, the adjustment process faced the twin challenge of increasing total revenues to GDP ratio while also reducing dependence on oil revenues to ensure the sustainability of fiscal revenues. Total revenue as a share of GDP increased from 21.2% in 2001 to 25.7% in 2019, while the share of oil revenues fell dramatically from a high of 35% to merely 3% over the same periods.

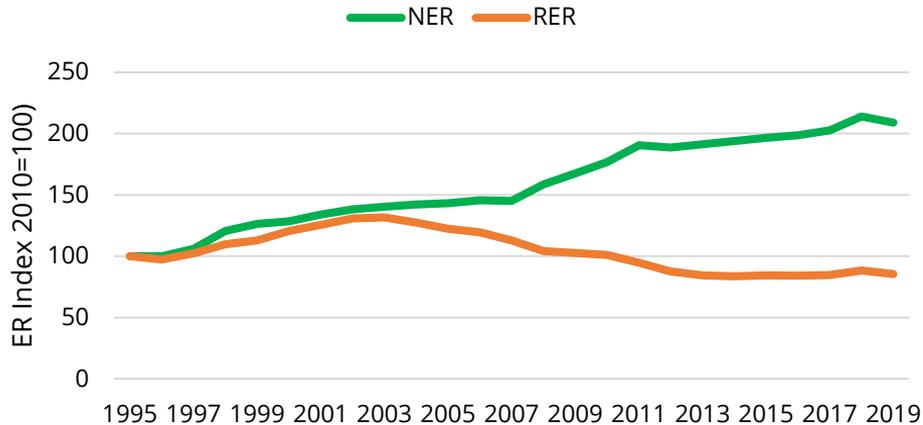
Figure 16: Vietnam Non-Oil Tax Structure 2001-2019



Source: IMF Vietnam Statistical Annex and IMF Vietnam Article 4 documents

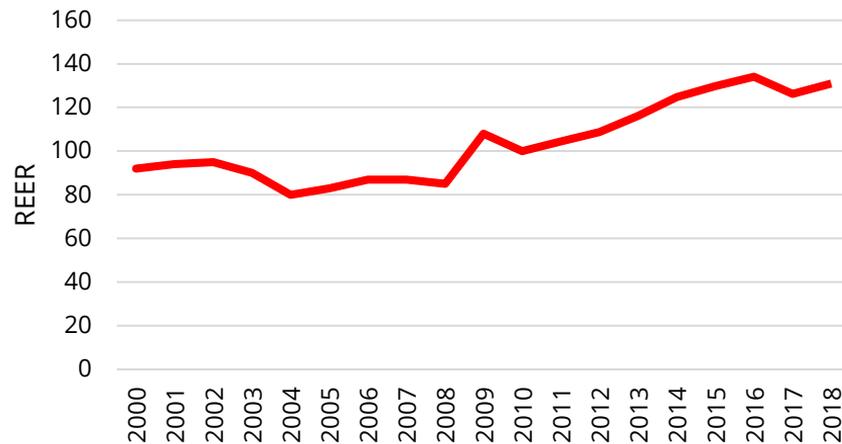
- Vietnam moved swiftly to correct the heavily distorted exchange rate system, unified the multiple rates at a rate that reflected the market, maintained a flexible exchange rate management by bringing market forces into the determination of the exchange rate.
- Policy interventions were mostly aimed at avoiding large swings in the exchange rate. The exchange rate has basically followed a depreciating trend with an average nominal depreciation of 3.1% between 1995-2019.
- Vietnam maintained a supportive exchange rate management policy for exports. There was a slight appreciation of the REER between 2009 and 2019 based on productivity improvements in the tradeable sector

**Figure 17: Vietnam Exchange Rate Trend (Dong/US\$)**



Source: Author estimates

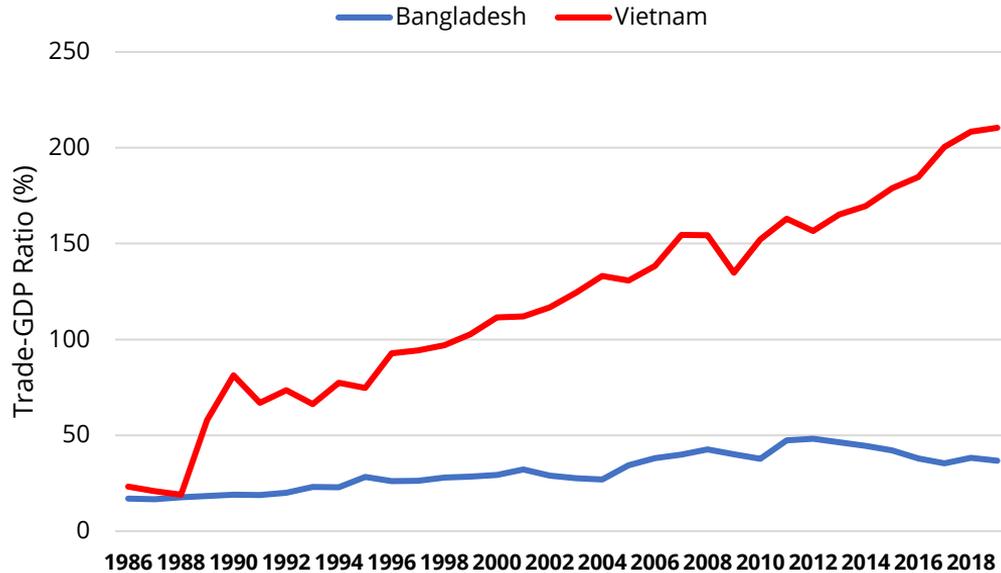
**Figure 18: Vietnam REER Trend (2010=100)**



Source: IMF Vietnam Article 4 Reports

# Export-Focused Trade Policies

Figure 19: Trade-GDP Ratios in Bangladesh and Vietnam, 1986-2019 (%)



Source: EPB; World Development Indicators, World Bank

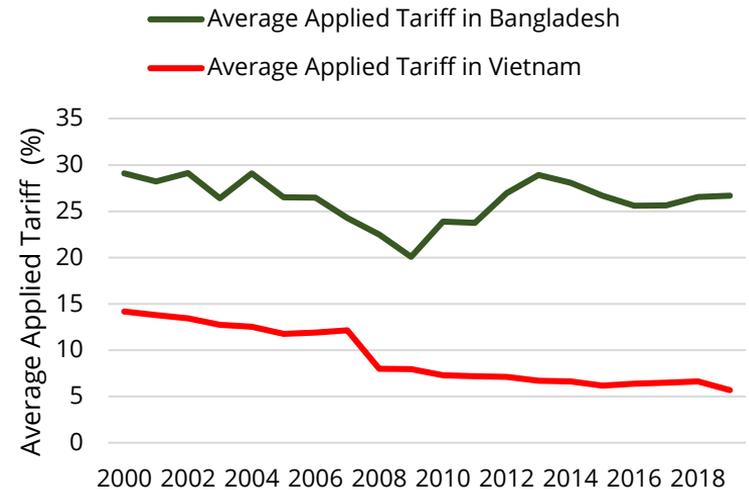
□ Vietnam's trade liberalization policies played the key role in its successful export push for a quarter century starting in the mid-1990s. There were three major components of its trade policy reforms:

- Sharp reduction in the degree of protection and anti-export bias in the domestic market,
- the strategy to court export-seeking FDI without conditions, and
- thirst for entering into regional and bilateral FTAs with a view to opening up duty-free (or low tariff and non-tariff barriers) access to

## ● Elimination of Anti-export Bias Thru Sharp Cutbacks in Trade Protection

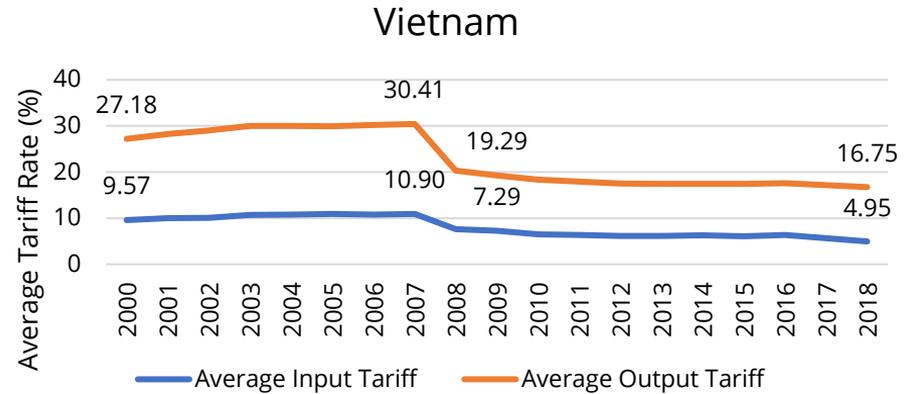
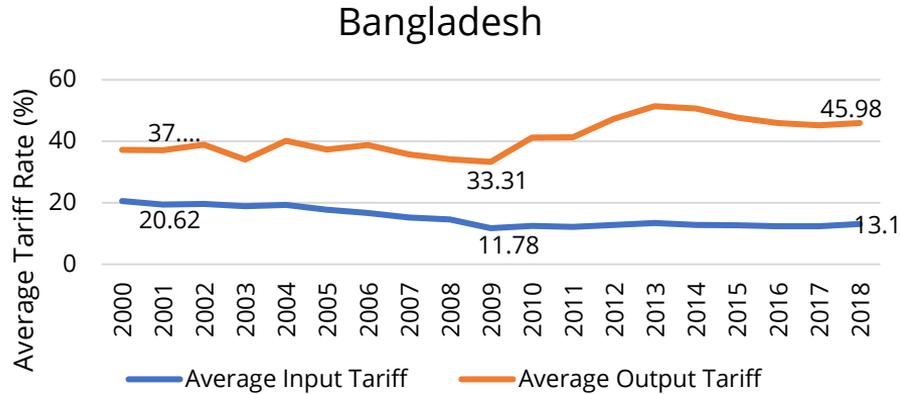
- ❑ Until the late 1990s, Vietnam's trade regime was basically protectionist with episodic attempts to lower tariffs in response to its FTA agreements.
- ❑ Progress with tariff reduction intensified after 2000, with the average applied tariff rate falling to 12% in 2007. Vietnam's AFTA commitments led it to restructure and rationalize tariffs to below 5% for AFTA members by 2006.
- ❑ Consequently, the sharpest reduction in Vietnam's applied and MFN tariffs came in 2007-08 when average tariffs trended below 10%, closing around 5-6% in 2019. That brought Vietnam's average tariffs close to the world average of 5% when Bangladesh's average nominal tariffs hovered around 27%.
- ❑ Importantly, Vietnam's tariff reduction policy applied to both manufacturing and primary products.

**Figure 20: Average Applied Tariffs in Bangladesh and Vietnam, 2000 - 2019 (%)**



Source: PRI Staff Estimates and World Development Indicators (WDI), World Bank

Figure 21: Trends in Output and Input Tariffs 2000-18



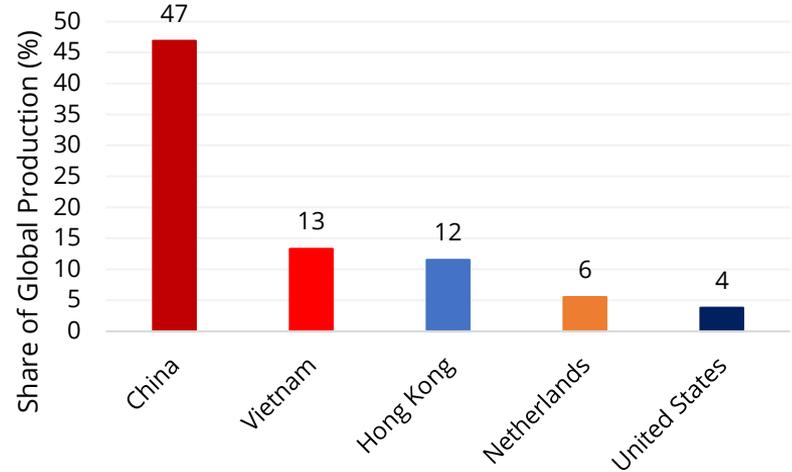
Source: NBR, TRAINS Database, WITS

- ❑ A closer look at Vietnam’s output and input tariff trends reveals that while local firms still enjoy some measure of tariff protection from import competition, these are much lower than in Bangladesh.
- ❑ Importantly, while there is divergence between output and input tariffs in Bangladesh since 2009 (i.e., rising effective protection), there is convergence of output and input tariffs in Vietnam (i.e., falling effective protection).

# Promotion of Export Seeking FDI

- ❑ To attract FDI, Vietnam invested a lot in human capital and infrastructure.
- ❑ Vietnam made large public investments in primary and secondary education to ensure adequate supply of skilled and semi-skilled.
- ❑ Vietnam also invested heavily in infrastructure, ensuring low-cost mass access to the internet with a sound IT infrastructure to reap the full benefits of the 4IR
- ❑ Vietnam became a hub for foreign investment and manufacturing in Southeast Asia. Japanese and Korean electronics companies like Samsung, LG, Olympus and Pioneer and countless European and American apparel makers set up shop in the country.
- ❑ By 2019, Vietnam became one of the world's largest producers and exporters of mobile phones (second only to China Figure 22), the second largest exporter of electronics (after Singapore), and the third largest exporter of clothing (just behind Bangladesh but fast catching up).

**Figure 22: Share in the Global Production of Mobile Phones by Country in 2019 (%)**



Source: World's Top Exports

## Dominant FDI Role in Vietnam's Export

- ❑ Vietnam has become an attractive destination for FDI in recent years, opening up its economy to FDI as it launched its reforms under Doi Moi in 1986. It is one of the few countries that allows 100% foreign ownership of an enterprise.
- ❑ Following radical market-oriented reforms including trade and investment liberalization, the country has achieved extremely high level of trade integration with total trade reaching US\$ 500 billion in 2019, almost twice its GDP of US\$ 261 billion, and exports of US\$ 263 billion.
- ❑ It actively courted bilateral and regional Free Trade Agreements (FTAs).
- ❑ Focused attention on improving the investment climate. The country's overall rank in the Ease of Doing Business (EDB) has increased from 104<sup>th</sup> in 2007 to 70<sup>th</sup> in 2020.
- ❑ The inflow of FDI increased from US\$ 5 million in 1986 to US\$ 16 billion in 2019. In the process, the stock of FDI into the country has increased from US\$ 7 million in 1980 to US\$ 161 billion in 2019.
- ❑ Manufacturing sector remains the most popular avenue of attracting FDI into Vietnam. Around 47% of the FDI in the country in 2018 went into the manufacturing sector.
- ❑ In 2019, companies set up under FDI contributed to 71% of the country's export revenue, with over 90% of manufacturing exports generated through FDI.

## Strong Focus on Global Value Chain-led FDI in Vietnam

- **In an overwhelming majority of traded goods, if not all, export market prospects in today's world are critically dependent on a country's positioning in GVC network in respective consumer products. This GVC mechanism thus involves cross-border fragmentation of production processes, which entails specialization in a narrower range of tasks by firms organized within global production networks**
- Vietnam started with a dualistic manufacturing sector dominated by large state-owned enterprises and many privately owned small and medium enterprises (SMEs)
- The gap between export-oriented FDI-led manufacturing and national private-sector led SMEs has been large and continue to prevail
- The GVC strategy therefore was based on starting the journey with the low-skill processing stage and then slowly moving up the GVC chain through learning by doing based on partnership and employment in FDI enterprises, through reforms of SOEs, and SMEs, through investments in domestic capacities, through investment in R&D and technology development, and through investment in human capital.
- So far, slowly but steadily, the strategy is working well, as is illustrated by the experience of the electronics industry.

## Drive for Regional and Bilateral FTAs to Open Market Access

- ❑ **Strategic objectives in trade agreements**-Vietnam has been consciously pursuing trade creation strategy whereby it actively seeks to participate in preferential free trade agreements with important economic markets outside the ASEAN region (mainly the EU and the USA).
- ❑ **Trade creation through FTAs**-Vietnam takes advantage of the reduced customs tariffs both within the AEC and with the EU and the USA to attract exporting companies to produce in Vietnam, and from Vietnam export onwards to trade partners outside ASEAN.
- ❑ **Locking in domestic reforms**-Unlike many other developing country, domestic reforms, which are necessary for the continued economic growth, face serious opposition from domestic lobbies that strongly resist trade related reforms in particular. This is where rule-binding agreements such as the EVFTA, CPTPP, and UVBTA, enable Vietnam to engage in trade openness reforms.

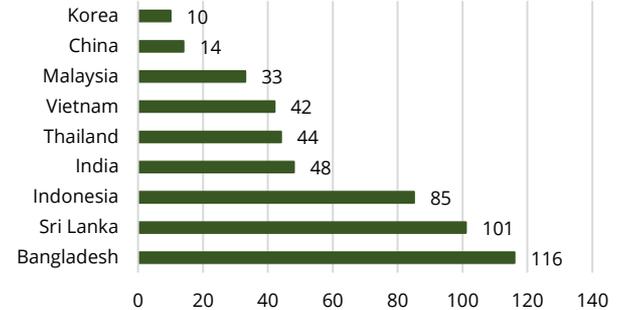
# Solid Emphasis on Innovation and Technology

❑ Vietnam is ranked impressively at the top in Global Innovation ranking 32 % of the list of 133 countries for which rankings are provided. Bangladesh is ranked at the bottom 15% showing the huge innovation and technology challenges ahead.

❑ Progress with ICT is the most fundamental determinants of the emergence of a knowledge economy and securing global competitiveness advantage. The percent of population that have access to ICT and those that use ICT now exceeds 50% in both cases.

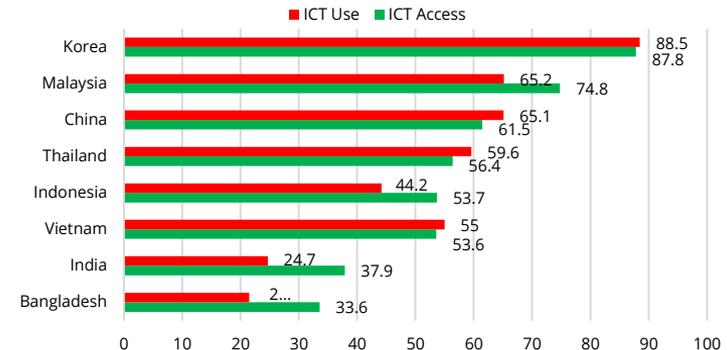
❑ Vietnam has also placed emphasis on industry-research collaboration and training of knowledge workers that have contributed handsomely to the progress with technology and innovation

**Figure 25: Global Innovation Ranking**



Source: Cornell University, et. al.

**Figure 26: Progress with ICT Access and Use (% of Population), 2019**



Source: Cornell University et. al. 2019.

# Investment in Research and Development

- At 0.53% of GDP, Vietnam's R&D spending is modest and was ranked at 53 out of 92 countries. When compared with R&D spending in Korea and China, Vietnam has a long way to go.
- But the good results it scores on the innovation front underscores its strong partnership with FDI that has helped Vietnam with rapid acquisition of top global technology. This has substantial spillover benefits for Vietnam moving forward as it enhances its own R&D investments and innovation efforts.
- In comparison, Bangladesh spends a mere 0.2% of GDP on R&D and does not have any strategic focus on R&D, innovation, or technology acquisition .

**Table 8: R&D Spending (% of GDP), 2017**

Countries	R&D spending	Ranking
Israel	4.82	1
Korea	4.55	2
Sweden	3.40	3
Switzerland	3.37	4
Japan	3.21	5
Germany	3.04	8
USA	2.82	9
France	2.21	12
China	2.15	14
UK	1.70	22
Thailand	1.00	35
India	0.67	47
Vietnam	0.53	53
Bangladesh	0.20	74

Source: The Global Economy.com based on UN Data

# Logistics Performance Index of Vietnam: A huge policy success

Figure 29: Relationship Between Exports and LPI Score

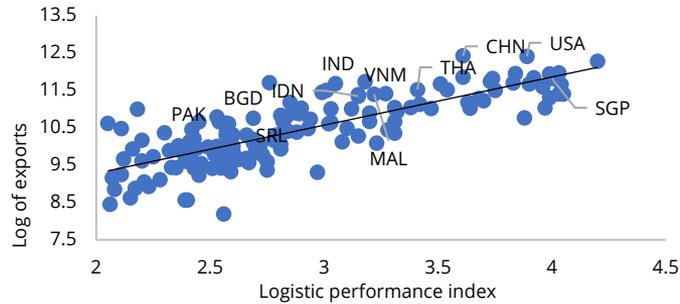


Figure 30: Vietnam LPI Ranking

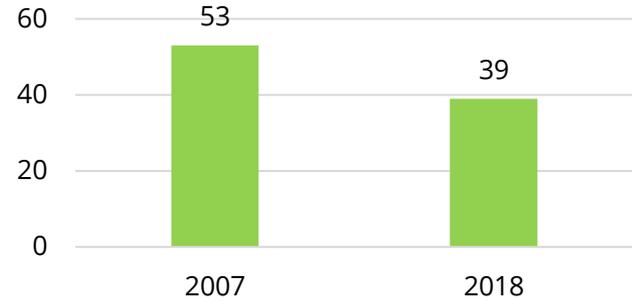


Figure 31: Vietnam Trade Logistics Progress, 2007-2018

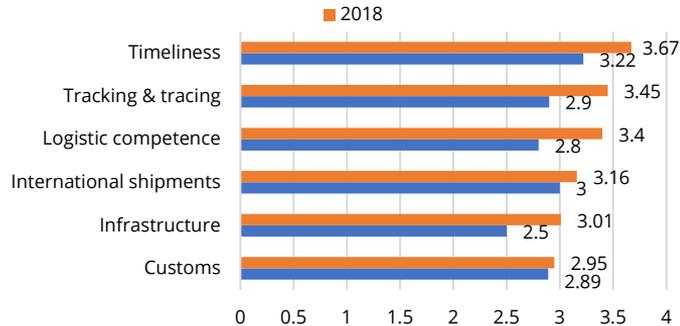
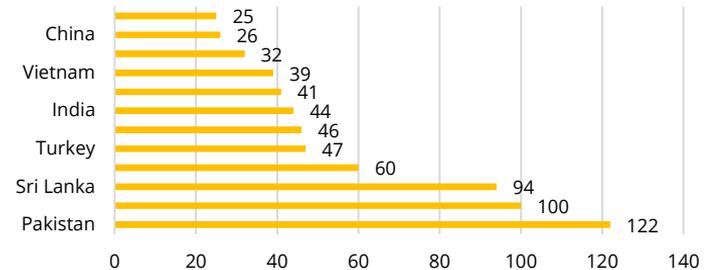


Figure 32: Vietnam 2018 LPI Ranking International

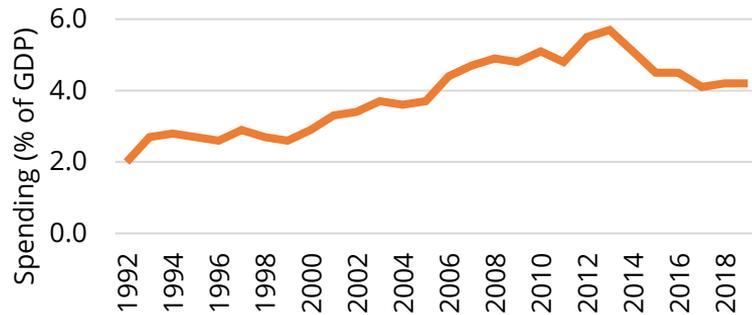


Source: World Bank International LPI.

# Vietnam's Strong Emphasis on Skills Development

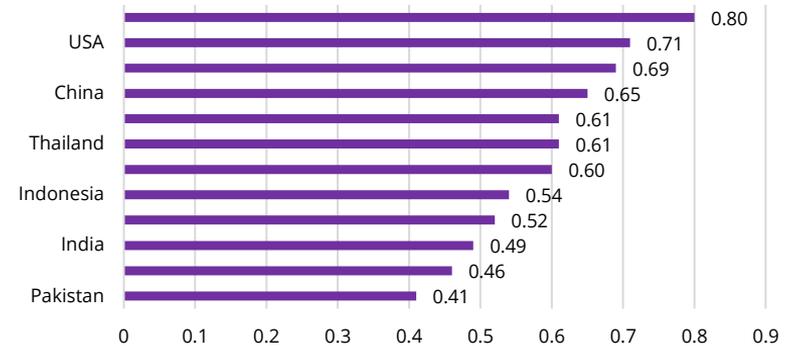
- As a share of GDP Vietnam spends 5% on education and training, 2% on health and 6% on social protection. As compared to this 13% of GDP investment in human capital, Bangladesh spends 1.9% of GDP on education, 0.7% of GDP on health and 1% of GDP in social protection, accounting for a mere 3.6% of GDP on human development.

Figure 33: Vietnam Public Spending on Education (% of GDP)



World Bank Database, World Development Indicators

Figure 34: HCI Score International Comparison



Source: World Bank 2020

- Vietnam has a high score on the Human Capital Index (HCI) and is well advanced with its skill development program. For example, the administration of PISA (Program for International Student Assessment) tests in 2012 and 2015 showed that Vietnam outperformed most of the countries in its income group as well as several advanced countries.

# Lessons for Bangladesh

- Since the early days of the adoption of the Doi Moi reform over 1986-1990, Vietnam put unwavering commitment to implementing an export-led growth strategy, with no ifs and buts.
- Vietnam recognized that the successful pursuit of an export led growth strategy can only co-exist with a trade policy that lowered trade restrictions and avoid trade policy related anti-export bias.
- Vietnam took comprehensive policy reforms to improve the investment climate for foreign investment by reducing cost of doing business.
- Vietnam took strong measures at early stages to stabilize the macroeconomy and took steps to preserve macroeconomic stability at all stages of the development process. Tax revenue as a share of GDP is about 9% of GDP in Bangladesh, one of the lowest tax performances globally, as compared with 26% of GDP in Vietnam.
- Vietnam has managed its exchange rate flexibly and has succeeded to keep its exchange rate at a level that supported its export competitiveness.
- Solid progress with trade logistics as indicated by the scores of LPI played a major role in facilitating Vietnam's export growth.
- But by taking advantage of the GVC chain and using the experience and knowledge gained through partnerships with FDI, Vietnam is now well placed to move up to the GVC upstream .

# Lessons for Bangladesh

- Vietnam's strategic decision to enter the global electronic market is being supported with a policy drive to strengthen innovation and technology. Investment in R&D is picking up steam to support innovation and technology development, skill base is improving through large investments in education and training, and a strong focus on ICT is enhancing knowledge acquisition, knowledge transfer, skill development and labor productivity.
- Along with FDI and GVC, Vietnam's aggressive pursuit of FTAs has been a core element of the open economy approach to development.
- Strong investment in human capital is another critical factor for the growth of exports as well as reduction in poverty in Vietnam. Vietnam scaled up its human development program through large public investment in health, education, training, and social protection. Vietnam spends a massive 12% of GDP on human development as compared with 3.4% of GDP by Bangladesh.
- This massive spending on human capital has ensured that the benefits of growth are shared equitably. Vietnam has now eliminated extreme poverty.

**THANK YOU!**