

From Growth to Development Quality: Assessing Viet Nam's Socio-Economic Transformation in the Post-Covid-19 Context, 2020–2025

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Abstract—The 2020–2025 period constituted a critical test of Viet Nam's economic resilience and the quality of its development in the aftermath of the COVID-19 pandemic. This study employs a combination of synthesis, descriptive statistics, longitudinal comparison, and analysis of empirical studies, drawing on data from the National Statistics Office of Viet Nam, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the World Bank, the International Labour Organization (ILO), and international academic sources. The findings indicate that the economy staged a strong recovery following the pandemic shock: GDP growth rose from 2.87% in 2020 and 2.55% in 2021 to 8.54% in 2022, 4.98% in 2023, 7.04% in 2024, and 8.02% in 2025, while GDP per capita reached approximately USD 5,026 in 2025. Labour productivity increased by 6.83% in 2025, household incomes improved, and multidimensional poverty continued to decline. Nevertheless, significant bottlenecks remain in the qualitative upgrading of the economy. The FDI sector accounted for 77.3% of exports in 2025, while only 29.2% of the labour force held formal qualifications or training certificates. Informal employment also remained widespread, and linkages between foreign-invested enterprises and domestic firms continued to be limited. The study argues that Viet Nam has achieved a strong recovery in terms of economic scale but has yet to complete its qualitative transformation. The next stage of development should therefore shift the focus from expanding output towards raising productivity, strengthening human capital, increasing domestic value added, formalizing employment, consolidating domestic enterprises, and attracting FDI on the basis of quality, technological advancement, and knowledge and productivity spillovers. These priorities are essential for building a growth model characterized by higher productivity, stronger endogenous capabilities, and more sustainable resilience.

Keywords—*economic growth; development quality; COVID-19; labour productivity; FDI; economic integration; Viet Nam.*

I. INTRODUCTION AND RESEARCH GAP

Over more than three decades of Đổi Mới (renovation), Viet Nam has established a distinctive growth foundation among developing economies in Asia. High growth rates, rapid structural transformation, substantial inflows of foreign direct investment (FDI), and deep trade integration have transformed Viet Nam from a low-income economy into an important regional manufacturing and export hub. The International Monetary Fund (IMF) identifies exports and FDI as two key pillars of Viet Nam's growth model; during the decade preceding 2025, total trade in goods and services averaged nearly 170% of GDP, while annual FDI inflows remained above 4% of GDP.

COVID-19 subjected this model to an unprecedented test.

In 2020, Viet Nam's GDP grew by only 2.87%, followed by growth of approximately 2.55% in 2021. In the third quarter of 2021, as pandemic-control measures were tightened, GDP contracted by 6.02%. The repercussions extended beyond

output to the labour market. Using data from the Viet Nam Labour Force Survey for 2015–2020, Dang, Nguyen, and Carletto (2023) found that the pandemic was associated with rising unemployment and temporary work interruptions, deterioration in job quality, declining wages, and a sharp increase in the proportion of workers earning below the minimum wage.

More strikingly, however, the economy recovered remarkably quickly from the shock. GDP growth reached 8.54% in 2022, moderated to 4.98% in 2023, and then accelerated to 7.04% in 2024 and 8.02% in 2025. In 2025, GDP at current prices was estimated at VND 12,847.6 trillion, equivalent to approximately USD 514 billion, while GDP per capita reached around USD 5,026. This represents a notable outcome when viewed against the subdued growth recorded during the first two years of the pandemic.

Yet this rapid recovery raises a more fundamental question: Has Viet Nam genuinely transformed its development model in the post-pandemic period, or has it primarily restored the pre-pandemic growth model?

This question matters because high economic growth does not necessarily imply high-quality development. In 2025, Viet Nam's merchandise exports reached approximately USD 475.04 billion, of which the FDI sector accounted for as much as USD 367.09 billion, or 77.3% of total exports; the domestic economic sector contributed only 22.7%. At the same time, although labour productivity increased by 6.83% in 2025, only 29.2% of the labour force held formal degrees or training certificates. These figures suggest that the expansion of economic scale and productivity has proceeded more rapidly than the upgrading of several underlying structural foundations.

This is precisely where the current research gap lies. A substantial body of research has examined, separately, the effects of COVID-19 on employment, the impact of FDI on productivity, structural transformation, or inequality. However, an integrated approach remains lacking—one capable of answering a broader question: To what extent has Viet Nam shifted from scale-driven growth towards quality-oriented development in the post-COVID-19 period?

Accordingly, this study approaches the 2020–2025 period as a cycle of transformation comprising four distinct states: the shock and resilience phase in 2020–2021; the strong recovery in 2022; the adjustment phase in 2023; and renewed acceleration in 2024–2025. Against this backdrop, the study addresses five questions: (i) how have economic growth and economic structure changed; (ii) has the recovery been accompanied by improvements in productivity and human capital quality; (iii) how have the gains from growth translated into employment, income, and poverty reduction; (iv) where do the constraints of the current integration model lie; and (v) how

should Viet Nam redirect its policy priorities in the next stage of development?

II. THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY

The study begins from the premise that GDP growth is a necessary, but not sufficient, condition for assessing the quality of economic development. From the perspective of endogenous growth theory, human capital, knowledge, and technological capabilities are increasingly decisive drivers of productivity and long-term growth (Lucas, 2015). Meanwhile, the structural transformation approach emphasizes that aggregate productivity can improve not only through productivity gains within individual sectors but also through the reallocation of resources from lower-productivity activities to higher-productivity ones. In Viet Nam, industrialization, urbanization, and the movement of labour from agriculture into industry and services constitute important manifestations of this process of resource reallocation.

Building on these two foundations, the study extends the analysis towards inclusive development and resilience. From this perspective, growth is translated into genuine improvements in development quality only when it generates higher productivity, better employment, rising incomes and living standards, declining poverty, broader access to social services, and stronger capacity to adapt to external shocks.

Accordingly, the analytical framework is structured along the following chain:

Shock and policy response → growth recovery → structural transformation and integration → productivity and job quality → income, poverty reduction and inclusion → resilience and long-term development.

Within this chain of transformation, FDI, human capital quality, linkages between domestic and foreign-invested enterprises, employment formalization, and institutional quality are regarded as conditions that can either facilitate or constrain the transition from scale-oriented growth towards qualitative upgrading.

Methodologically, the study adopts a qualitative research design based on secondary data analysis, combining four techniques: data synthesis, descriptive statistics, longitudinal comparison, and cross-source validation. The 2020–2025 period is examined through the successive stages of shock, recovery, adjustment, and acceleration, thereby identifying not only the extent of economic recovery but also changes in the structure and quality of growth. The selected indicators are organized into four groups consistent with the theoretical framework: (i) growth and productivity; (ii) structure and integration; (iii) employment, income, and inclusion; and (iv) resilience and the foundations of long-term development. Domestic data are drawn primarily from official statistical authorities, while data from the IMF, World Bank, OECD, ILO, and UNCTAD are used for cross-validation, to provide complementary perspectives, and to enhance international comparability. The statistical findings are further examined against evidence from academic research to assess the consistency between observed trends and established underlying mechanisms.

This design enables the study to triangulate evidence across official statistics, international sources, and academic research, thereby reducing dependence on any single data source or interpretive perspective. At the same time, combining longitudinal analysis with a multidimensional assessment helps avoid equating “rapid recovery” with “good development.” Instead, the analysis focuses on the extent to which quantitative expansion has been translated into qualitative improvement.

Because the objective of the study is to assess a process of transformation rather than estimate causal relationships, no econometric model is employed. The conclusions are derived from the convergence of multiple bodies of evidence and are stated at a level consistent with the research design: trends, associations, convergent evidence, and policy implications, rather than claims of direct causality based solely on descriptive statistics.

III. RESEARCH FINDINGS AND DISCUSSION

A. From the COVID-19 Shock to a Strong Recovery Cycle

Viewed as a single, integrated cycle, the 2020–2025 period reveals a remarkable degree of resilience in Viet Nam’s economic performance. GDP grew by 2.87% in 2020 and 2.55% in 2021, when the pandemic severely disrupted production, trade, and the labour market. The economy subsequently rebounded strongly, with GDP growth reaching 8.54% in 2022, moderating to 4.98% in 2023, and then accelerating to 7.04% in 2024 and 8.02% in 2025. This sequence suggests that Viet Nam not only recovered from the shock but also returned rapidly to a high-growth trajectory.

What is particularly noteworthy is not merely the pace of recovery but also its durability. In 2023, as global demand and merchandise trade weakened, economic growth slowed considerably. The downturn, however, was short-lived. GDP expanded by 7.04% in 2024 and 8.02% in 2025, with fourth-quarter growth reaching 8.46%. Manufacturing and processing continued to serve as major engines of economic expansion.

In 2025, final consumption increased by 7.95%, gross capital formation by 8.68%, and exports of goods and services by 16.27%. The IMF likewise identified the recovery of exports, FDI inflows, and domestic demand as important factors underpinning economic growth.

Thus, in terms of output recovery, Viet Nam has weathered the COVID-19 test with considerable success. Yet this represents only the first layer of the development story. An economy may recover rapidly without fundamentally transforming the forces that generate growth. The more consequential question, therefore, is no longer simply “How much has GDP grown?” but rather: “What resources have driven this growth, and to what extent have they been translated into productivity, income, and endogenous economic capabilities?”

TABLE I. EVOLUTION OF ECONOMIC GROWTH AND GDP SCALE IN VIET NAM, 2020–2025

Year	GDP Growth (%)	GDP at Current Prices (approx. USD billion)	GDP per Capita (approx. USD)
2020	2.87	346.6	...
2021	2.55	366.5	...
2022	8.54	413.4	...
2023	4.98	433.8	...
2024	7.04	476.3	...
2025	8.02	514.0	5,026

Source: National Statistics Office of Viet Nam (2026), *Socio-Economic Situation in the Fourth Quarter and 2025*; World Bank, *World Development Indicators*. GDP figures for 2023 and 2024 use the series updated by the National Statistics Office in its 2025 report.

B. Rapid Expansion in Scale, but the Domestic Value-Added Challenge Is Becoming Increasingly Evident

The recovery in economic scale is unmistakable. Nominal GDP reached approximately VND 12,847.6 trillion in 2025, equivalent to around USD 514 billion, while GDP per capita stood at approximately USD 5,026, an increase of USD 326 from 2024. World Bank data likewise indicate that Viet Nam’s nominal GDP increased from approximately USD 346.6 billion in 2020 to USD 476.3 billion in 2024.

Yet rapid expansion in economic scale does not necessarily imply a commensurate strengthening of endogenous capabilities. The IMF estimates that Viet Nam’s combined

exports and imports have been equivalent to nearly 170% of GDP in recent years, while annual FDI inflows have remained above 4% of GDP. Such openness provides substantial advantages in terms of market access, specialization, capital, and technology. At the same time, however, it leaves the economy more exposed to fluctuations in international trade and policy shifts in major markets.

TABLE II. STRUCTURE OF VIET NAM'S MERCHANDISE EXPORTS BY ECONOMIC SECTOR, 2025

Sector	Export Value (USD billion)	Change (%)	Share (%)
Domestic economic sector	107.95	-6.1	22.7
FDI sector, including crude oil	367.09	+26.1	77.3
Total	475.04	+17.0	100.0

Source: National Statistics Office of Viet Nam (2026), *Socio-Economic Situation in the Fourth Quarter and 2025*.

The export structure in 2025 makes the issue even clearer. Total exports reached USD 475.04 billion; the FDI sector accounted for USD 367.09 billion, an increase of 26.1% and equivalent to 77.3% of total exports, while the domestic sector generated USD 107.95 billion, representing a decline of 6.1%. Notably, manufactured and processed industrial products accounted for 88.7% of total exports.

These figures reveal two sides of the upgrading process. On the one hand, the export structure has shifted decisively towards processed manufacturing, electronics, and industries with relatively higher technological content. On the other hand, the exceptionally large FDI share raises a fundamental question concerning the extent to which this transformation has generated spillovers to domestic enterprises.

Empirical evidence indicates that the effects of FDI are far from automatic. Using data for 60 Vietnamese provinces over the 2000–2016 period, Huynh et al. (2023) find that FDI has a positive effect on productivity, but that spillover effects depend substantially on industrial linkages and absorptive capacity, particularly human capital (doi:10.1080/13547860.2021.1967023). Nguyen (2024) likewise finds stronger productivity spillovers through forward and backward linkages, whereas horizontal effects are less evident; domestic firms participating in global production networks appear to benefit more substantially (doi:10.1080/13547860.2021.2009625).

The core issue, therefore, is not simply how much FDI Viet Nam attracts, but how much of the benefits generated by FDI can be domestically captured. The criteria for evaluating FDI should accordingly shift from the volume of capital attracted towards productivity gains, technology transfer, production linkages, and the strengthening of domestic enterprise capabilities.

TABLE III. SELECTED INDICATORS OF THE POSITION OF VIETNAMESE ENTERPRISES IN GLOBAL VALUE CHAINS

Indicator	Value	Year/Data Source
Share of foreign-owned enterprises in exports	73%	2023
Participation of domestic enterprises in GVCs	18%	2023
Participation of domestic enterprises in GVCs	35%	2009
Share of services in total exports	12%	2023
Share of services in manufactured exports	7%	2023
Share of highly skilled manufacturing workers	5%	World Bank report
Share of population with a bachelor's degree	10%	World Bank report

Source: Coppola, A., Dray, S., Wai-Poi, M., & Winkler, D. E. (2024), *Viet Nam 2045: Trading Up in a Changing World – Pathways to a High-Income Future*, World Bank Group.

C. Productivity Has Improved Markedly, but Human Capital Has Yet to Keep Pace

One of the most positive signals during the 2020–2025 period is the relatively rapid increase in labour productivity. In 2024, labour productivity reached approximately VND 221.9 million per worker, equivalent to USD 9,182, representing a 5.88% increase in real terms. In 2025, this indicator rose to

VND 245.0 million, equivalent to USD 9,809, with real growth accelerating to 6.83%.

This is an important indicator because productivity constitutes the bridge between quantitative growth and qualitative upgrading. Yet productivity improvements have not been accompanied by a commensurate advance in the quality of human capital. The proportion of workers holding a formal degree or training certificate increased from approximately 27.2% in 2023 to 28.3% in 2024 and 29.2% in 2025. Thus, around 70% of the labour force still lacked a formal degree or training certificate.

This gap is particularly consequential as the production structure shifts rapidly towards manufacturing, electronics, and skill-intensive services. In other words, Viet Nam is moving faster in transforming its production structure than in upgrading its human capital.

The OECD emphasizes that Viet Nam's long-term growth depends on productivity improvements, higher-quality skills, and enabling resources to move towards more productive firms. The challenge, therefore, is no longer simply to create more jobs, but to transform a large labour force into a skilled human resource base with the capacity to absorb technology and generate higher value added.

TABLE IV. SELECTED INDICATORS OF GROWTH QUALITY AND ENDOGENOUS ECONOMIC CAPABILITIES IN VIET NAM, 2020–2025

Indicator	2020	2021	2022	2023	2024	2025
Real labour productivity growth (%)	...	...	...	...	5.88	6.83
Workers with a degree or training certificate (%)	...	...	...	27.2	28.3	29.2
Average monthly labour income (VND million)	...	...	...	...	7.7	8.4
Unemployment rate among the working-age population (%)	...	...	...	...	2.24	2.22
Informal employment rate (%)	...	...	...	...	64.6	...

Source: National Statistics Office of Viet Nam (2026), *Socio-Economic Situation in the Fourth Quarter and 2025*; National Statistics Office of Viet Nam (2025), *reports on labour, employment, and the socio-economic situation in 2024*.

D. Employment Recovered Faster than Job Quality

The labour market reveals a similar paradox: quantitative recovery has proceeded faster than qualitative upgrading.

In 2024, Viet Nam had approximately 51.9 million employed persons, an unemployment rate of 2.24% among the working-age population, and average monthly labour income of VND 7.7 million. In 2025, employment increased to 52.4 million, the labour force reached 53.5 million, and unemployment declined to 2.22%, while average monthly labour income rose to VND 8.4 million.

Yet low unemployment does not necessarily imply high-quality employment. In 2024, informal employment still accounted for 64.6% of total employment, reaching 74.1% in rural areas compared with 49.2% in urban areas. Using a different definition and data sources, the OECD estimates that approximately 68.5% of workers were informally employed. The difference between these estimates reflects variations in measurement methodology; what remains consistent, however, is the continued prevalence of informality.

Evidence from Dang, Nguyen, and Carletto (2023) shows that COVID-19 not only increased unemployment and temporary work interruptions but also reduced job quality and wages, while substantially increasing the proportion of workers earning below the minimum wage (doi:10.1016/j.worlddev.2022.106129).

Thus, Viet Nam has addressed the question of “how to restore employment” relatively effectively, but the more difficult question remains unresolved: “how can employment be transformed into formal, productive, well-paid jobs with adequate social protection?” Employment formalization should therefore be understood not merely as a social objective, but

also as an integral component of a productivity-enhancing strategy.

TABLE V. SELECTED INDICATORS OF JOB QUALITY AND THE INCLUSIVENESS OF GROWTH

Indicator	2024	2025	Trend
Employed persons (million)	51.9	52.4	Increase
Unemployment rate (%)	2.24	2.22	Slight decline
Average monthly labour income (VND million)	7.7	8.4	Increase
Average monthly per capita household income (VND million)	5.4	5.9	Increase
Multidimensional poverty rate (%)	≈2.3	≈1.3	Decline
Informal employment rate (%)	64.6	—	Remains high

Source: National Statistics Office of Viet Nam (2025, 2026), Socio-Economic Situation Reports and reports on labour and employment in 2024 and 2025.

E. Income and Poverty Reduction: Clear Social Gains, but Not Yet Full Inclusion

Income growth and poverty reduction are among the areas in which the social gains from the recovery are most clearly visible. Average per capita monthly household income increased from approximately VND 5.4 million in 2024 to VND 5.9 million in 2025, representing an increase of 9.3%. The proportion of households living in multidimensional poverty fell to approximately 1.3% in 2025.

These results indicate that economic growth has translated to a considerable extent into improvements in living standards. However, poverty reduction and economic inclusion are not synonymous. In 2024, average monthly labour income was VND 8.7 million for men, compared with VND 6.5 million for women; urban workers earned VND 9.3 million on average, compared with VND 6.7 million among rural workers. The income-based Gini coefficient stood at 0.372, while multidimensional poverty remained considerably higher in the Northern Midlands and Mountainous Region than in the Southeast.

This suggests that, although economic growth has generated clear social progress, it has not eliminated disparities in development opportunities. As the incidence of poverty falls to a relatively low level, policy attention should gradually shift from asking “How many people remain poor?” to asking “Who has access to opportunities that generate higher productivity and income, where are these opportunities located, and how secure are they?”

F. Synthesis of Findings: From Recovery to the Imperative of Upgrading

Viewed within a common analytical framework, the findings present a two-sided picture. Viet Nam has achieved a strong recovery in output; GDP has expanded; exports have risen substantially; the production structure has shifted towards processed manufacturing; and productivity, employment, income, and poverty reduction have all improved. These outcomes confirm the economy’s considerable resilience and the effectiveness of its integration process.

Nevertheless, several structural gaps persist: the FDI sector accounted for 77.3% of merchandise exports in 2025; only 29.2% of the labour force held a formal degree or training certificate; informal employment continued to account for roughly two-thirds of total employment; and productivity spillovers from the FDI sector to domestic enterprises remained strongly dependent on absorptive capacity and the strength of value-chain linkages.

A critical paradox therefore emerges: the scale of the economy has expanded faster than its endogenous capabilities. Viet Nam has made considerable progress in becoming an open, export-oriented economy capable of attracting substantial FDI; yet the process of converting these advantages into higher productivity, stronger domestic enterprises, more formal

employment, and greater domestic value added remains incomplete.

This is precisely where the present study contributes to the existing research gap. Much of the earlier literature has examined COVID-19 and employment, FDI productivity spillovers, inequality, or structural transformation separately; many studies also rely on pre-pandemic data. By contrast, integrated evidence for the 2020–2025 period linking resilience → recovery → integration → productivity → job quality → inclusion remains limited.

The study therefore contributes a “from scale to quality” perspective, assessing not only how rapidly Viet Nam recovered but, more importantly, the extent to which that recovery has translated into development quality. The evidence indicates that 2020–2025 should not be understood simply as a story of successful recovery, but as a transitional period from recovery towards upgrading. The quality of the next growth cycle will depend on Viet Nam’s ability to convert openness into endogenous capabilities, FDI into technological spillovers, an abundant labour force into human capital, and rapid growth into higher productivity.

IV. FROM “GROWTH” TO “DEVELOPMENT QUALITY”: A NEW INTERPRETATION OF THE 2020–2025 PERIOD

The evidence presented above supports an overarching conclusion: Viet Nam has successfully recovered in terms of economic scale, but has not yet completed its qualitative transformation. This distinction is not captured by any single indicator; rather, it is consistently reflected across multiple dimensions of the economy.

TABLE VI. ASSESSMENT OF VIET NAM’S TRANSITION FROM SCALE-ORIENTED GROWTH TO DEVELOPMENT QUALITY, 2020–2025

Dimension	Key Evidence	Assessment
Growth	GDP increased from 2.87% in 2020 to 8.02% in 2025	Very strong recovery
Productivity	Real labour productivity increased by 6.83% in 2025	Clear improvement
Integration	Exports reached USD 475.04 billion; the FDI sector accounted for 77.3% of exports	Deep integration, but high concentration
Human capital	Workers with degrees or training certificates accounted for 29.2% in 2025	Upgrading remains slow
Employment	Unemployment rate of 2.22%; average labour income of VND 8.4 million per month	Strong recovery
Informal employment	Approximately 68.5%, according to the OECD, based on 2021 data	Job quality remains constrained
Poverty reduction	Multidimensional poverty rate of approximately 1.3% in 2025	Strong progress
Economic openness	Exports and imports equivalent to approximately 170% of GDP in recent years	Deep integration, accompanied by exposure to external shocks

Source: Authors’ compilation based on the National Statistics Office of Viet Nam (2026), Socio-Economic Situation in the Fourth Quarter and 2025; OECD (2025), OECD Economic Surveys: Viet Nam 2025; IMF (2025), Vietnam: 2025 Article IV Consultation.

This picture reveals a distinctive development structure: indicators reflecting economic scale and the depth of international integration have improved more rapidly than those reflecting endogenous capabilities. Exports have expanded sharply, but the FDI sector accounted for 77.3% of total merchandise exports in 2025; productivity has risen significantly, yet only 29.2% of workers held a formal degree or training certificate; unemployment is low, but informal employment remains widespread; incomes have increased and poverty has declined, while disparities in development opportunities across population groups and economic regions persist.

These paradoxes do not negate the success of the growth model. On the contrary, they indicate that the model has been highly successful during its expansionary phase but is now approaching a threshold at which its traditional drivers may no longer automatically generate a new quality of growth. The challenge for the next stage is therefore not to choose between growth and quality, but to ensure that growth is increasingly

generated by productivity, skills, innovation, and domestic value added.

The World Bank reaches a broadly similar conclusion: the export-led growth model has played a decisive role in Viet Nam’s development, but it will not be sufficient to propel the country into the high-income category unless Viet Nam moves towards higher-value-added manufacturing and services.

The contribution of this study lies in reinterpreting the 2020–2025 period not merely as a post-COVID-19 recovery cycle, but as a test of the economy’s capacity to transform growth into development quality. From this perspective, Viet Nam’s success should not be assessed solely by the speed of GDP recovery, but by the gap between the scale of growth and the economy’s capacity to create, absorb, and distribute value domestically.

TABLE VII. MATRIX FOR ASSESSING THE TRANSITION FROM SCALE-ORIENTED GROWTH TO DEVELOPMENT QUALITY, 2020–2025

Development Dimension	Representative Indicator	Evidence, 2020–2025	Assessment
Growth	GDP growth	2.87% in 2020 → 8.02% in 2025	Strong recovery
Economic scale	Nominal GDP	Approximately USD 514 billion in 2025	Rapid expansion
Productivity	Real labour productivity growth	+6.83% in 2025	Clear improvement
Integration	Merchandise exports	USD 475.04 billion in 2025	Very deep integration
Domestic value added	Share of exports generated by the domestic sector	22.7% in 2025	Still limited
FDI	FDI share of exports	77.3% in 2025	High dependence on the FDI sector
Human capital	Workers with degrees/training certificates	29.2% in 2025	Improving, but slowly
Employment	Unemployment rate	2.22% in 2025	Strong recovery
Job quality	Informal employment	64.6% in 2024	Major bottleneck
Inclusion	Multidimensional poverty	Approximately 1.3% in 2025	Clear progress
Resilience	Trade openness	Exports + imports equivalent to approximately 170% of GDP, according to the IMF	Deep integration, but vulnerable to external shocks

Source: Authors’ compilation based on the National Statistics Office of Viet Nam (2025, 2026), World Bank (2024), OECD (2025), and IMF (2025).

V. POLICY IMPLICATIONS: FROM SCALE EXPANSION TO QUALITY UPGRADING

The findings above suggest that policy priorities need to shift from resource mobilisation and output expansion towards productivity enhancement and absorptive capacity. This does not imply abandoning FDI, exports, or economic integration; rather, these drivers need to generate greater domestic value added.

First, the focus should move from attracting FDI on a quantitative basis to selecting FDI projects according to their quality and potential for spillovers. An FDI project should not be assessed solely on the basis of registered capital or the number of jobs created. It should also be evaluated in terms of its use of domestic inputs, worker training, R&D, technology transfer, environmental standards, and its capacity to establish networks of Vietnamese suppliers. Recent OECD evidence shows that around 60% of inputs used by FDI firms are sourced domestically, yet 21% of these inputs are supplied by other FDI firms. Meanwhile, R&D expenditure associated with greenfield projects amounted to only 2% of investment capital during 2020–2024, below the OECD average of 3.7%. This indicates substantial room for improving the effectiveness of FDI spillovers.

Second, domestic firms need to be transformed from “outsiders to the value chain” into production partners of the FDI sector. This is arguably the most critical link for transforming FDI from an export engine into a driver of endogenous capability upgrading. The World Bank reports that the share of Vietnamese domestic firms participating in global supply chains declined from 35% in 2009 to 18% in 2023. Industrial policy should therefore move away from broad-based support towards the systematic development of supplier

capabilities, including quality standards, management, technology, supply-chain finance, logistics, intellectual property, and direct linkages with multinational enterprises. The OECD likewise emphasises that strengthening the technological absorptive capacity of domestic firms and supporting enterprises in meeting international standards are essential conditions for enhancing productivity spillovers.

Third, productivity and human capital should be placed at the centre of the growth strategy. As the advantage of low-cost labour gradually erodes, the sustainability of growth will increasingly depend on skills, technology, and innovation. The fact that only 29.2% of the labour force held a degree or training certificate in 2025 indicates that the skills gap remains substantial. Investment in vocational education, retraining, digital skills, management, and stronger linkages between training institutions and enterprises should therefore be regarded as investment in productivity rather than merely as social policy. The World Bank has likewise warned that a growth model heavily reliant on low-skilled labour and final-stage assembly is increasingly becoming a constraint on movement up the value chain.

TABLE VIII. STRUCTURAL BOTTLENECKS AND DIRECTIONS FOR POLICY TRANSFORMATION

Bottleneck	Evidence	Mechanism/Implication	Policy Direction
Weak linkages between FDI and domestic firms	Foreign firms account for a large share of exports; participation of domestic firms in GVCs remains limited	Constrains technology and value spillovers	Develop domestic suppliers
Export model biased towards processing and assembly	Manufactured exports account for a very large share of total exports	Domestic value added may not be commensurate with export turnover	Upgrade towards design, R&D, services, and branding
Skills shortages	Workers with degrees/training certificates accounted for only 29.2% in 2025	Constrains technological absorptive capacity	Reform vocational training, STEM education, and enterprise-based training
High informal employment	64.6% in 2024 according to domestic statistics	Constrains productivity, insurance coverage, and social protection	Promote formalisation
Very high trade openness	Exports and imports equivalent to approximately 170% of GDP according to the IMF	Heightens sensitivity to external shocks	Diversify markets and strengthen domestic demand
Limited innovation capacity	R&D and research–business linkages remain weak	Makes sustained long-term productivity growth difficult	Increase investment in R&D and innovation and strengthen university–business linkages

Source: Authors’ compilation from World Bank (2024), OECD (2025), IMF (2025), and the National Statistics Office of Viet Nam (2026).

Fourth, labour-market formalisation should be pursued through incentives rather than relying solely on stronger enforcement. When approximately 68.5% of employment is informal, expanding social insurance coverage and improving job quality require a simultaneous reduction in compliance costs, simplification of business registration, appropriately designed contribution rates for low-income workers, and stronger benefits associated with formal employment. The OECD argues that reducing administrative burdens and non-wage labour costs can encourage formalisation while broadening access to social protection. Formalisation should therefore not be viewed solely as a means of improving welfare; it can also raise productivity, broaden the tax base, and strengthen workers’ capacity to accumulate skills.

Fifth, the resilience of an economy characterised by very high openness needs to be strengthened. The IMF shows that Viet Nam’s exports and imports have been equivalent to nearly 170% of GDP in recent years, while inward FDI has exceeded 4% of GDP annually. Openness constitutes a major competitive advantage, but it also makes the economy highly sensitive to shifts in global trade. The objective, therefore, is not to reduce integration, but to pursue deeper integration alongside greater resilience: diversifying markets, developing high-value-added services, strengthening the domestic market, enhancing the capabilities of private enterprises, increasing investment in technology and innovation, and developing

infrastructure and institutions that are sufficiently flexible to absorb external shocks.

Taken together, these five policy priorities share a common destination: transforming the advantage of “being connected to the world” into the advantage of “having the capacity to create value in the world.” This represents a qualitative shift in development thinking. If, in the previous phase, integration, FDI, and abundant labour were critical drivers enabling Viet Nam to expand its economic scale, the next phase will need to rely increasingly on productivity, human capital, domestic enterprises, innovation, and technological absorptive capacity. Under such a trajectory, integration will not merely generate export growth; FDI will not merely create employment; and GDP growth will not merely reflect the expansion of the economy, but increasingly its capacity to generate domestic value added, development opportunities, and resilience from within.

VI. CONCLUSIONS, LIMITATIONS, AND DIRECTIONS FOR FUTURE RESEARCH

The 2020–2025 period presents Viet Nam’s development trajectory as a story with two parallel dimensions. On the one hand, it is a compelling account of resilience and recovery. Following the COVID-19 shock, GDP growth rose from 2.87% in 2020 to 8.54% in 2022, 7.04% in 2024, and 8.02% in 2025; the economy reached an estimated scale of USD 514 billion, household incomes continued to improve, multidimensional poverty declined, the labour market recovered, and trade expanded to unprecedented levels. These outcomes demonstrate that the economy not only absorbed the external shock relatively effectively but also rapidly re-established its growth momentum. Yet behind this positive recovery narrative lie increasingly evident limitations in the prevailing growth model. The FDI sector accounted for as much as 77.3% of total exports in 2025; only 29.2% of workers held a degree or training certificate; informal employment remained widespread; income disparities across worker groups and regions remained substantial; and the capabilities of domestic firms had yet to keep pace with the economy’s deepening integration. Accordingly, the central challenge facing Viet Nam after the 2020–2025 period is no longer simply how rapidly growth can be restored, but how effectively growth can be translated into productivity, integration into endogenous capabilities, and economic gains into more sustainable improvements in living standards. In this sense, 2020–2025 can be regarded as both the culmination of a recovery cycle and the starting point of a new development cycle. In this new phase, advantages based on labour, production costs, and trade openness will remain important, but they will increasingly prove insufficient to sustain long-term progress unless underpinned by productivity, human capital, innovation, domestic enterprises, institutional quality, and resilience. This is also the study’s central implication: the appropriate benchmark for Viet Nam’s next stage of development should no longer stop at “rapid growth” but should shift towards “high-quality growth.”

The study also has several limitations that warrant recognition. As it relies primarily on secondary data and a qualitative approach, it does not quantify the causal relationships among FDI, productivity, human capital quality, and social outcomes; accordingly, the proposed mechanisms require further testing using micro-level or panel data. In addition, some indicators reported by domestic statistical sources and international organisations may differ because of

variations in methodology, exchange rates, and reporting or updating dates. These differences do not alter the principal trends identified in the study, but they need to be carefully controlled for in future cross-country comparative research. Building on this foundation, future research could develop a Provincial Socio-Economic Development Quality Index for Viet Nam covering the 2020–2025 period, comprising five dimensions: growth, productivity, job quality, social inclusion, and resilience. Such an index would represent an important transition from qualitative assessment to quantitative measurement, enabling a more systematic identification of differences in development quality across localities, empirical testing of the factors driving the transition from scale-oriented growth to qualitative upgrading, and the provision of a stronger evidence base for designing development policies tailored to specific regions and groups of localities.

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CONFLICT OF INTEREST

The authors declare that they have no conflict of interest related to this research or the publication of this article.

USE OF AI TOOLS

In preparing this manuscript, the authors used AI (ChatGPT) to assist with literature searches, language editing, and manuscript formatting. The authors take full responsibility for the content and findings of the article.

DATA AVAILABILITY STATEMENT

This study uses secondary data from publicly available sources. The data sources are clearly identified in the article and reference list.

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