

Vietnam's Economic Realities Call for a Balanced Perspective

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In recent years, Vietnam has been hailed as a major winner in the economic rivalry between the United States and China. However, the current reality paints a different picture. Vietnam is facing significant challenges, with its sluggish performance contrasting sharply with China's perceived recovery. The nation finds itself caught in the gravity of slowing global growth, compounded by some internal setbacks.

The lack of attention given to Vietnam's struggles reveals how narratives can become entrenched. During Donald Trump's presidency, tensions escalated between Beijing and Washington, and Vietnam emerged as a favorite among think tanks and investment banks. Its geographic proximity to China, integration into Southeast Asia's supply chains

—particularly in the electronics sector—and the development of cordial ties with the US were all factors that contributed to its favorable image. The booming real estate sector further fueled optimism, overshadowing any potential risks.

However, disappointment with China's expansion has become widespread, leading to meticulous scrutiny of every piece of data for flaws. Consequently, the deterioration in Vietnam's economic situation has been overshadowed. Although May's export figures were presented as positive due to a limited single-digit decline, it is worth noting that they had plummeted by 21.3% in January compared to the previous year. In the first quarter, Vietnam's gross domestic product only grew by a modest 3.3%, paling in comparison to China's 4.5% growth rate. Business confidence is now waning, and the property market appears more prone to a bust than a boom. Furthermore, the northern regions are grappling with power blackouts that are negatively impacting major manufacturers. Adding to the challenges, Vietnam, like many other Southeast Asian countries, is currently experiencing a heatwave, further straining its power grids.

Vietnam's central bank recently cut interest rates, with further cuts potentially on the horizon as officials seek to stimulate growth. However, the nation's economic downturn has been intensified by an anti-graft campaign that has resulted in the prosecution of hundreds of party members, leading to suspended property projects and disruptions in various sectors. While crucial for rooting out corruption, the crackdown comes at a cost as officials hesitate to improve projects or licenses, fearing being drawn into investigations.

The parallels between Vietnam and China regarding governance and transparency are becoming evident. Vietnam's one-party state, tightly managed currency, limited foreign investment in key sectors, and opaque decision-making processes raise investor concerns. While Vietnam positioned itself as an alternative to China, the similarities cannot be ignored.

The rush to identify a new China or an appealing China+1 alternative may have caused observers to overlook Vietnam's shared characteristics with its northern neighbor. The question arises: Did Vietnam oversell itself, or did people see what they wanted to see in their eagerness to attach grand narratives to the shifting geopolitical landscape?

Ironically, Vietnam's integration into global supply chains, while beneficial during peaks, has also made it more vulnerable during troughs. China's rebound has not significantly impacted the rest of Asia, and export powerhouses like South Korea are grappling with challenges in the tech industry. Consequently, Vietnam, one of the world's most trade-dependent economies since its economic reforms in the 1980s, is feeling the pinch.

It is time to acknowledge economic realities and adopt a more balanced perspective on Vietnam. The nation's struggles serve as a reminder that winning in the global economy does not come without pain. As Vietnam navigates these challenges, it is crucial to

maintain realistic expectations and avoid overly simplistic narratives. Only then can a comprehensive understanding of Vietnam's economic trajectory emerge.

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