

Project title: The Scientific Basis of Services sector development in Vietnam to 2020 (KX.01.18/06-10)

Code: KX.01.18/06-10, under the state-level program on science and technology entitled “Basic issues of the economic development in Vietnam to 2020,”

Duration: 2008 - 2010

Host organization: University of Economics and Business - Vietnam National University, Hanoi

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Research objectives:

“The scientific theory of services sector development in Vietnam to 2020” is a state-level research project (reference coding KX.01.18/06-10) provided a scientific basis to define and propose perspectives and resolutions for services sector development in Vietnam to 2020.

In order to achieve the afore-mentioned goal, the research raised five questions related to fundamental and most urgent issues of the service sectors in Vietnam from now to 2020 as follows:

1. Why does Vietnam need to prioritize the services sector development?
2. What is the current situation of the services sector in Vietnam?
3. What policies should Vietnam follow to further develop the service sectors?
4. How will the services sector in Vietnam be by 2020?
5. What basic measures should Vietnam take to develop the services sector?

Research contents:

In order to answer the five above-mentioned questions, the research studied the significance of the services sector for economy development purposes; trends of services sector in the world and experience of services sector development in the countries like United States, China, Singapore and the economies that are integrating and restructuring currently; and the current situation of and policies for services sector development in Vietnam.

Part I: Four reasons why Vietnam should prioritize services sector development:

(i) Vietnam needs to catch up with the world's trend of switching to service economy; (ii) Vietnam should catch up with the trend of policy adjustment towards facilitating services sector development in the world; (iii) Vietnam can develop successfully the services sector in conditions of a developing country; and (iv) services sector development helps to solve basic problems of Vietnam's economy.

Part II: The current situation of services sector development in Vietnam: (i) The services sector gained rather high growth rate but its share of the GDP is low and it has a low spillover effect; (ii) The services sector generated numerous jobs but its share of the total labor of the economy remained low; (iii) The service sector is traditionally oriented; (iv) Service enterprises are at small scale, poorly specialized and operating in a low competitive environment; (v) The service trade is underdeveloped with high deficits; (vi) Investment in services sector is increasing but the efficiency is low; and (vii) the public service sectors has made greater contributions to improve social life and poverty reduction but their role in this still remains limited.

Part III: Legal and regulatory framework for services sector development: (i) The Vietnam Communist Party and Government has acknowledged the significant role of services sector for economic development purposes but the public awareness of the sector is still poor; (ii) The legal framework for services sector development has been established in important part, it is still complex and poorly enforced; (iii) The scope of international commitments in the services sector gets

deeper and broader but an effective enforcement mechanism has been missing; (iv) The policies of services sector development are prone to protectinism and monopolism; (v) Poor coordination among services management organizations; and (vi) more services associations are established but their operation and roles are limited.

Part IV: Viewpoints of services sector development in Vietnam to 2020: (i) Focus more on the development of service sectors in a harmonious relationship with the development of the manufacturing; (ii) Moving toward a developed service sector while ensuring economic efficiency, social efficiency and modernity; (iii) Effective management and regulation is highly important to enhance competitiveness and economic efficiency of the services sector; (iv) Continue to enhance international integration in the services sector; (v) Improve the quality of services and increase access to basic services; and (vi) Training workers with skills in line with the development of services sector.

Part V: Some measures to develop the services sector in Vietnam to 2020: (i) Raise public awareness of the services sector and services sector development; (ii) Ensure the right function of state in services sector development; (iii) Increase productivity in services sector as one of the top priority measures; (iv) Encourage creativeness in the services sector; (v) Promote competitiveness in the services sector; (vi) Boosting services sector export; (vii) Build and perfect the legal, policy and institutional systems and facilitate the development of the services sector; (viii) Prioritize some service sectors; and (ix) Build "open service, industry and agriculture complex zone" to enhance the spill-over effects of the services sector.