

Title: A crouching tiger? A hidden tiger? Transition, savings and growth in Vietnam, 1975-2006

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Abstract

This paper reviews the major institutional changes that have facilitated the process of transition in Vietnam from plan to market, in order to evaluate the role and significance of private, government and foreign savings on Vietnamese economic growth over the medium term. The evaluation is undertaken by formulating and estimating a simple structural three-gap model. Using the estimated values of the parameters that are generated, the model is simulated for the period between 2001 and 2006. Four distinctive policy simulations are conducted to assess the consequences of Vietnam striving to meet the ambitious growth targets laid out in Vietnam's Sixth Five-Year Plan as well as those contained within the 10 year Socio-Economic Development Strategy. The size of the foreign financing gap under all four growth path scenarios illustrated the centrality of the foreign exchange constraint on Vietnam's ability to achieve a socially acceptable rate of growth in the medium-term.