

The Driving Role of the Private Sector in Vietnam's Socialist-Oriented Market Economy in the Context of International Economic Integration

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ABSTRACT: In the context of international economic integration and growth model transformation, the private economic sector is increasingly becoming a key driving force of the socialist-oriented market economy in Vietnam. This study aims to clarify the theoretical foundations, evaluate the current situation, and propose solutions to enhance the role of the private sector in the context of international economic integration. The study employs a qualitative research approach based on secondary data analysis from international organizations, government reports, and recent academic studies related to private sector development, innovation, and digital transformation. The findings indicate that the private sector currently contributes approximately 42–45% of Vietnam's GDP, creates more than 80% of total employment, and plays an increasingly important role in innovation, digital transformation, and the digital economy. However, the sector still faces major challenges, including small firm size, low labor productivity, limited access to finance, and weak participation in global value chains. Based on these findings, the study proposes several policy implications related to institutional reform, innovation promotion, digital transformation, human resource development, and global value chain integration. The study contributes to the theoretical discussion on the role of the private sector in a socialist-oriented market economy associated with digital transformation and international economic integration in Vietnam.

KEYWORDS: private economy, economic growth, innovation, digital transformation, international economic integration, socialist-oriented market economy.

1. INTRODUCTION

In the modern market economy, the private sector is considered one of the important drivers of economic growth, innovation, and national competitiveness. Many economic studies show that sustainable growth depends not only on capital and labor but also on knowledge, technology, and the innovation capacity of businesses. According to Romer (1990), knowledge and technology are endogenous factors that determine the long-term growth of the economy. Aghion and Howitt (1992) argue that competition and the "creative destruction" mechanism encourage businesses to innovate technology, improve productivity, and create momentum for economic development. This shows the important role of the private sector.

In the context of globalization and international economic integration, the role of the private sector becomes even more prominent. Participation in new-generation free trade agreements such as CPTPP, EVFTA, and RCEP facilitates Vietnamese private enterprises in expanding their markets, accessing technology, and participating more deeply in global value chains. However, international integration also creates significant competitive pressure, forcing businesses to improve their management capabilities and innovate technologically. According to Rivera-Batiz and Romer (1991), international trade not only expands markets but also promotes the spread of technology and knowledge between countries.

In Vietnam, the perception of the role of the private economy has undergone a strong transformation in the process of reform and development of the socialist-oriented market economy. The Party and State have identified the private sector as "an important driving force of the economy," as clearly stated in Resolution No. 10-NQ/TW of 2017. In practice, the private sector currently contributes approximately 42-45% of GDP and creates jobs for the majority of the workforce. At the same time, many private enterprises have affirmed their role in technology, industrial production, and e-commerce.

Although many studies have been conducted on the role of the private sector in Vietnam's economic growth, most studies primarily focus on institutional reforms, the investment environment, or the private sector's contribution to GDP and employment. Meanwhile, there is a lack of comprehensive studies that explore the driving role of the private sector from the perspective of innovation, digital transformation, and international economic integration within a socialist-oriented market economy. Therefore, this article focuses on analyzing the theoretical basis, assessing the current situation, and proposing solutions to promote the driving role of the private economic sector in the context of current international economic integration.

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Based on that, the research focuses on answering the following main questions: (1) What role does the private economic sector play in economic growth, innovation, and international economic integration in Vietnam?; (2) What limitations are hindering the driving role of the private economic sector?; and (3) What solutions does Vietnam need to implement to promote the role of the private economic sector in the socialist-oriented market economy in the context of current international integration?

The novelty of the research is that it approaches the role of the private economic sector not only from the perspective of economic growth but also in relation to innovation, digital transformation, and international economic integration in the context of developing a socialist-oriented market economy in Vietnam.

2. RESEARCH METHODOLOGY

This article uses a qualitative research method based on secondary document analysis to assess the driving role of the private sector in Vietnam's socialist-oriented market economy. Research data was collected from reports of the World Bank, IMF, OECD, ADB, IFC, the General Statistics Office of Vietnam, and international research works related to economic growth, innovation, digital transformation, and private sector development during the 2021–2025 period.

In addition, the article uses an analytical-synthetic method to systematize theoretical perspectives on the role of the private sector in a modern market economy. Comparative and contrastive methods are used to evaluate the current state of development of Vietnam's private sector in the context of international economic integration and digital transformation. Based on this, the article proposes solutions to enhance the driving role of the private sector in sustainable economic growth in Vietnam.

The research focuses on analyzing the period 2021–2025 to reflect the context of international economic integration, digital transformation, and economic recovery after the COVID-19 pandemic. The use of qualitative methods allows the article to comprehensively approach the institutional, economic, and technological factors influencing the driving role of the private sector in the context of Vietnam's socialist-oriented market economy.

3. THEORETICAL FOUNDATIONS OF THE ROLE OF THE PRIVATE ECONOMY

3.1. Concept and Nature of the Private Economy in a Socialist-Oriented Market Economy

The private economy is an economic sector based on private ownership of the means of production and operating according to market mechanisms with the goal of profit. In the modern economy, this sector includes private enterprises, limited liability companies, joint-stock companies not controlled by the State, individual business households, and other forms of privately owned business organizations. According to the World Bank (2023), the private economic sector is an important driving force for economic growth, innovation, and enhancing national competitiveness in developing economies. At the same time, the OECD (2021) argues that the private enterprise sector plays a central role in improving the efficiency of resource allocation and promoting innovation in growth models.

In Vietnam's socialist-oriented market economy, the private sector operates both according to market mechanisms and is subject to state regulation to ensure sustainable development and social equity. According to Nguyen (2023), the development of the private sector in Vietnam reflects the process of economic thinking innovation and the improvement of market economic institutions during the period of international integration. Resolution No. 10-NQ/TW of 2017 of the 12th Central Committee of the Communist Party of Vietnam identifies the private sector as "an important driving force of the economy," thereby affirming the increasingly important role of this sector in the national economic development strategy.

Modern studies show that private enterprises have the ability to adapt quickly to market fluctuations and often have strong motivation for innovation. According to the OECD (2023), the private sector is increasingly playing an important role in promoting digital transformation and business model innovation in developing economies.

3.2. Economic Growth Theories and the Role of the Private Sector

Modern economic growth theories all acknowledge the crucial role of the private sector in long-term growth. According to endogenous growth theory, knowledge, technology, and innovation are the determinants of productivity and sustainable economic growth. In a knowledge-based economy, private enterprises play a central role in investing in research and development (R&D), applying new technologies, and commercializing innovations.

According to Romer (1990), knowledge and technological innovation are endogenous factors that determine long-term economic growth, rather than relying solely on capital and labor as in the neoclassical growth model. Meanwhile, Aghion and Howitt (1992) argue that market competition and the "destructive innovation" mechanism drive enterprises to continuously innovate technology to maintain a competitive advantage. This shows that the private sector plays a central role in innovation and productivity enhancement of the economy.

According to Cong, Wei, Xie, and Zhang (2021), data and knowledge are becoming core resources of the modern digital economy. Private enterprises play a key role in data exploitation, digital platform development, and promoting business model innovation.

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Furthermore, Cong et al. (2021) argue that the accumulation of data and knowledge creates spillover effects on productivity and economic growth, especially in the context of global digital transformation.

In addition, Ahamed (2021) points out that private investment has a positive impact on economic growth in developing countries, especially when supported by a transparent and stable institutional environment. According to the IMF (2023), private investment not only boosts GDP growth but also contributes to improving resource efficiency and the overall productivity of the economy. According to the UNDP (2022), innovation is currently the core driver of economic growth in the digital age. Private enterprises are often able to adapt more quickly to market demands and new technological trends, thereby promoting the development of innovative products and business models. This is especially important for developing economies like Vietnam in the process of transforming their growth model.

Recent studies show that the private sector is increasingly playing a central role in promoting innovation, digital transformation, and enhancing national competitiveness. However, international studies mainly focus on the role of private enterprises in a free market economy or the innovation and startup ecosystem. Meanwhile, studies in Vietnam mainly analyze the contribution of the private sector to GDP growth, employment, and institutional reform. Therefore, there is a lack of comprehensive studies that examine the driving role of the private sector from the perspective of endogenous growth, digital transformation, and international economic integration within a socialist-oriented market economy.

3.3. The Role of the Private Sector in Innovation and Digital Transformation

In the context of the Fourth Industrial Revolution, innovation and digital transformation have become decisive factors in national competitiveness. According to the WEF (2023), the private sector plays a central role in promoting the application of new technologies, innovation, and improving labor productivity.

In Vietnam, the private sector is playing an increasingly important role in the development of the digital economy and national digital transformation. According to the Asian Development Bank – ADB (2024), Vietnamese private enterprises are gradually expanding investment in digital technology, e-commerce, and innovation in governance models to enhance international competitiveness. Research by CIEM (2023) also shows that private enterprises are the pioneering force in applying digital technology and developing the innovation ecosystem in Vietnam.

Furthermore, the development of the private sector also contributes to promoting innovative entrepreneurship. According to the Global Entrepreneurship Monitor – GEM (2022), private startups play a crucial role in creating new jobs, developing innovative products, and promoting sustainable economic growth. This shows that the private sector is not only a production and business sector but also a vital resource for national innovation and digital transformation.

3.4. The Role of the Private Sector in International Economic Integration

International economic integration facilitates private enterprises in expanding their markets, accessing modern technology, and participating in global value chains. According to the WTO (2022), the private sector is the main force driving international trade and the development of global supply chains in the modern economy.

Vietnam's participation in new-generation free trade agreements such as CPTPP, EVFTA, and RCEP has opened up significant opportunities for the development of the private sector. Economic institutional reforms coupled with international integration have created a more favorable environment for private enterprises to expand their investment and export activities.

However, international integration also creates significant competitive pressure on domestic businesses. According to the World Bank (2023), the majority of Vietnamese private enterprises remain small in scale, have limited technological capabilities, and lack the ability to participate in global value chains. Meanwhile, the OECD (2021) argues that corporate governance capacity, human resource quality, and innovation capabilities are key factors determining the competitiveness of private enterprises in the context of international integration.

3.5. Factors Affecting the Driving Role of the Private Sector

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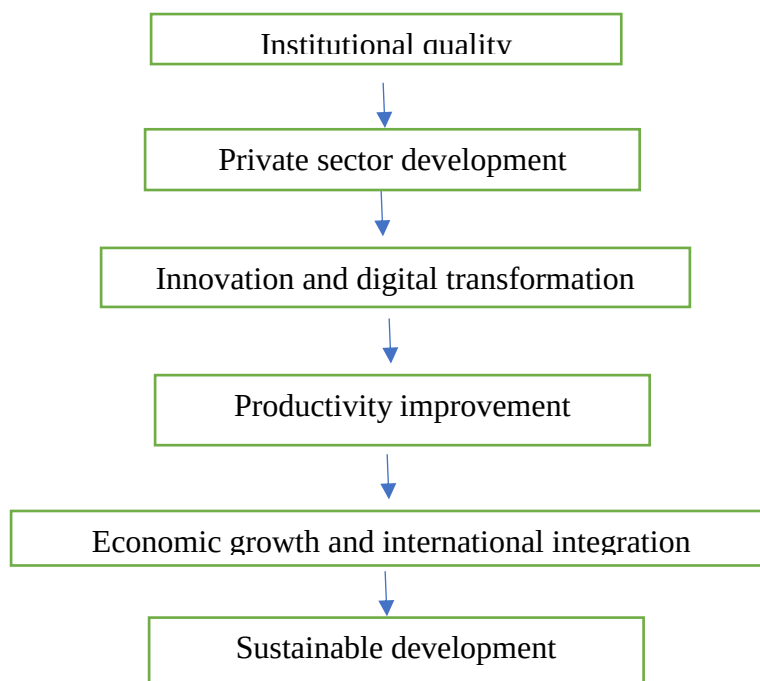


Figure 1. Analytical framework of the driving role of the private sector in Vietnam

The driving role of the private sector depends on many factors such as institutional quality, the investment and business environment, access to capital, technological level, and the quality of human resources. According to the IMF (2023), economic institutional reform and improved governance are crucial conditions for promoting private investment and sustainable growth.

Access to finance also significantly impacts the development of private enterprises. According to the IFC (2023), small and medium-sized enterprises in developing countries often face difficulties in accessing credit and long-term capital, thereby affecting their ability to expand production and innovate technologically.

In addition, the trend of green development and digital transformation is creating new demands on private enterprises. According to the ADB (2024), businesses need to improve their technological capabilities, adapt to sustainable development standards, and enhance innovation to improve competitiveness in the context of globalization and the digital economy.

Thus, from both a theoretical and practical perspective, the private sector not only plays a crucial role in promoting economic growth but also serves as a driving force for innovation, digital transformation, and international integration in Vietnam's current socialist-oriented market economy.

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4. THE CURRENT SITUATION OF THE ROLE AND DRIVING FORCE OF THE PRIVATE ECONOMY IN VIETNAM IN THE CONTEXT OF INTERNATIONAL ECONOMIC INTEGRATION

4.1. The Rapid Development of the Private Sector in the Vietnamese Economy

During the process of economic reform and international integration, the private sector in Vietnam has experienced strong development in terms of the number of enterprises, investment capital scale, and scope of operations. While before the reform period, the private sector was not fully recognized, it has now become an important driving force of the socialist-oriented market economy. According to the General Statistics Office, by the end of 2024, Vietnam had over 940,000 operating enterprises, of which more than 97% were private enterprises and small and medium-sized enterprises. The private sector currently contributes approximately 42–45% of GDP, over 30% of total state budget revenue, and employs about 82–85% of the economy's workforce (NIEF, 2025).

The rapid increase in the number of private enterprises reflects the growing role of this sector in mobilizing social resources for investment and development. According to the Ministry of Planning and Investment, the total registered capital of newly established private enterprises in 2024 reached over VND 4.1 trillion, an increase of more than 7% compared to the previous year. This shows the business sector's confidence in the prospects for economic development and the improving investment environment in Vietnam. This practice is consistent with the OECD's (2021) view that the private sector plays a crucial role in improving the efficiency of resource allocation and promoting market competition. In a modern market economy, private enterprises are often able to adapt quickly to market fluctuations and consumer demands. In Vietnam, many large private enterprises have thrived in the fields of digital technology, logistics, retail, e-commerce, and industrial manufacturing, thereby contributing to the modernization of the economic structure.

Table 1. Development indicators of Vietnam's private economic sector (2020–2024)

Indicators	2020	2022	2024
Share of GDP (%)	42,0	43,5	45,0
Number of private enterprises (thousand firms)	810	895	940
Employment share	82	83	85
Digital economy size (USD billion)	14	23	36

Source: Compiled from GSO, World Bank and ADB (2024).

4.2. The Role of the Private Sector in Promoting Economic Growth and Innovation

According to endogenous growth theory, innovation and knowledge accumulation are decisive factors in long-term economic growth. Practice in Vietnam shows that the private sector is increasingly playing a crucial role in technological innovation, digital transformation, and the development of the digital economy.

The improvement in labor productivity in the private sector demonstrates that digital transformation and technological innovation are gradually becoming the driving force for enhancing the competitiveness of the Vietnamese economy. According to the World Bank (2023), this trend reflects a shift from a growth model based on low-cost labor to a growth model based on innovation and technology.

This aligns with the research of Cong et al. (2021), which argues that data and digital technology are becoming core resources of the modern economy. Private enterprises are key players in data exploitation, business model innovation, and promoting national digital transformation. In Vietnam, many large private corporations have invested trillions of dong in technology research, data centers, and artificial intelligence to enhance international competitiveness.

Furthermore, the private sector plays a crucial role in developing the innovation and startup ecosystem. According to GEM (2022), Vietnam is among the countries with a high entrepreneurial spirit in Asia, with over 20% of adults participating in entrepreneurial activities. By 2024, Vietnam is expected to have approximately 3,800 innovative startups, many of which operate in the fields of financial technology, digital education, and e-commerce. The development of the startup ecosystem contributes to promoting innovation in growth models and creating more jobs for young workers.

4.3. The Role of the Private Sector in International Economic Integration

International economic integration has created opportunities for the private sector to expand its markets and participate more deeply in global value chains. Vietnam's signing and implementation of new-generation free trade agreements such as CPTPP, EVFTA, and RCEP has created significant opportunities for private enterprises to access international markets with preferential tariffs.

According to aggregated data from the WTO and the General Department of Vietnam Customs (2022), Vietnam's total import and export turnover in 2024 reached over US\$780 billion, making Vietnam one of the world's most open economies in terms of trade.

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In particular, the domestic private sector is making an increasingly significant contribution to export activities, especially in the fields of agricultural products, textiles, wood products, technology, and logistics services.

According to ADB (2024), many Vietnamese private enterprises are gradually adapting to international green, environmental, and labor standards to enhance their competitiveness in the context of a green economy and sustainable development becoming a global trend. Simultaneously, the development of the private sector also contributes to promoting digital transformation in cross-border trade and logistics.

However, the ability of Vietnamese private enterprises to participate in global value chains remains limited. According to IFC (2023), only about 21% of small and medium-sized enterprises in Vietnam participate directly or indirectly in global value chains, significantly lower than many countries in Southeast Asia. The main reasons stem from limitations in technology, human resource quality, and corporate governance capacity.

4.4. Limitations and Challenges for the Private Sector

Although the private sector is increasingly asserting its role as a driving force for economic growth, it still faces many structural limitations. The majority of Vietnamese private enterprises are small in scale, have limited financial capacity, and possess relatively low technological levels, leading to weak resilience to economic fluctuations. These limitations reduce the effectiveness of their participation in global value chains and restrict their innovation capacity.

Furthermore, the labor productivity of the Vietnamese private sector remains significantly lower than that of FDI enterprises. According to the General Statistics Office, the labor productivity of domestic private enterprises is only about 60-65% of that of foreign-invested enterprises. This reflects a large gap in technology, management, and human resource quality.

Access to capital is also a major barrier for private enterprises. According to IFC (2023), approximately 70% of small and medium-sized enterprises (SMEs) in Vietnam face difficulties in accessing formal credit due to a lack of collateral and limitations in financial transparency. Furthermore, investment in research and development by Vietnamese businesses is currently only about 0.5% of GDP, significantly lower than the OECD average (UNDP, 2022).

Besides internal factors, private enterprises also face significant pressure from international competition, the demand for green transformation, and digital transformation. According to IMF (2023), in the context of a volatile global economy and increasing trade protectionism, Vietnamese private enterprises need to improve their technological capabilities, governance quality, and adaptability to international standards to maintain competitiveness.

Thus, the practical development of the private sector in Vietnam shows that this sector is increasingly asserting its role as a driving force for economic growth, innovation, and international integration. However, to fully realize that role, Vietnam needs to continue perfecting its market economy institutions, improving the quality of the investment and business environment, and supporting private enterprises to enhance their competitiveness in the current context of globalization and digital transformation.

4.5. Discussion

The research results show that the private sector in Vietnam is increasingly playing an important role in economic growth, innovation, and international integration. This result is consistent with Romer's (1990) endogenous growth theory and the views of Aghion and Howitt (1992) on the role of innovation and market competitiveness in long-term growth. At the same time, the research results are also consistent with recent studies by the OECD (2021), the World Bank (2023), and Audretsch and Belitski (2023) which argue that the private enterprise sector is an important driver of innovation in the growth model and enhancement of national competitiveness.

However, the study also shows that the Vietnamese private sector still faces many limitations in terms of enterprise size, labor productivity, and the ability to participate in global value chains. This reflects a significant gap between the competitiveness of Vietnamese private enterprises and those of developed economies in the region. Therefore, perfecting market economic institutions, promoting innovation, and improving the quality of human resources are crucial for the development of the private sector in the coming period.

Theoretically, the research contributes to expanding the approach to the role of the private sector in a socialist-oriented market economy by combining endogenous growth theory with the context of digital transformation and international economic integration in Vietnam. This adds further evidence to studies on the role of innovation and the private sector in transitional economies.

Practically, the research provides a reference basis for policy planning to develop the private sector towards innovation, digital transformation, and sustainable development in the context of current international economic integration.

Compared to many ASEAN countries, Vietnam's private sector has a rapid growth rate, but its technological capabilities and level of participation in global value chains remain limited. This indicates that the transition from a growth model based on low-cost labor to one based on innovation in Vietnam is still in a transitional phase.

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5. SOLUTIONS TO PROMOTE THE DRIVING ROLE OF THE PRIVATE ECONOMY IN THE SOCIALIST-ORIENTED MARKET ECONOMY IN VIETNAM

5.1. The Context Requiring the Promotion of the Role of the Private Economy

In the context of globalization, digital transformation, and increasingly fierce international economic competition, the private sector is facing both great opportunities and challenges. The Fourth Industrial Revolution, the trend of green economy development, the digital economy, and the restructuring of global supply chains are profoundly changing the growth model and structure of the world economy. According to the World Bank (2023), developing economies that want to maintain sustainable growth need to strongly promote the private sector, innovation, and digital transformation to enhance labor productivity and national competitiveness.

For Vietnam, the increasingly deep integration into the international economy through new-generation free trade agreements such as CPTPP, EVFTA, and RCEP has opened up many opportunities for the private sector to expand markets, access technology, and participate in global value chains. Vietnam's total import and export turnover in 2024 is expected to exceed US\$780 billion, placing it among the world's most open economies (WTO, 2022). However, international integration also creates significant competitive pressure on domestic private enterprises, especially in the context of increasingly stringent standards regarding technology, environment, labor, and corporate governance.

Furthermore, the digital transformation and green economic development are creating urgent demands on the private sector. According to the ADB (2024), Vietnam's digital economy could reach over US\$90 billion by 2030 if digital transformation and innovation are effectively utilized. However, the majority of Vietnamese private enterprises remain small in scale, with limited technological capabilities and low adaptability to digital transformation. According to the IFC (2023), only about 21% of Vietnamese SMEs participate directly or indirectly in global value chains, while over 70% face difficulties in accessing credit and long-term capital.

In addition, global economic fluctuations, geopolitical conflicts, protectionist trade trends, and the risk of a global economic downturn are also strongly impacting the production and business activities of Vietnamese private enterprises. According to the IMF (2023), the resilience of private enterprises in developing economies to economic shocks and international market fluctuations is limited.

In this context, promoting the driving role of the private sector is not only an objective requirement of the development of a socialist-oriented market economy but also a crucial condition for enhancing national competitiveness, promoting innovation in growth models, and ensuring sustainable development. This requires Vietnam to continue improving its market economy institutions, enhancing the quality of the investment and business environment, and developing policies to support private enterprises in developing towards modernization, innovation, and deep international integration.

5.2. Solutions

The proposed solutions stem from the limitations in institutions, technology, human resource quality, and the private sector's ability to participate in global value chains, as analyzed in the current situation section. Simultaneously, these solutions are linked to the need to promote innovation, digital transformation, and enhance national competitiveness in the context of international economic integration.

5.2.1. Improving the market economy institutions and enhancing the investment and business environment

One of the important reasons limiting the development of the private sector is the inadequate institutional environment and administrative procedures. In reality, many private enterprises, especially small and medium-sized enterprises, still face difficulties in accessing land, credit, investment procedures, and fulfilling legal obligations. According to the IMF (2023), high legal compliance and administrative procedure costs reduce competitiveness and limit the incentive for private enterprises to expand investment in Vietnam.

Institutional reforms should focus on reducing legal compliance costs, enhancing the transparency of the investment environment, and ensuring fair competition among economic sectors. This will not only contribute to increasing business confidence but also create momentum to promote private investment and innovation.

In addition, it is necessary to improve mechanisms to protect property rights and the freedom of business of private enterprises. According to the OECD (2021), institutional quality is a decisive factor in the development potential of the private sector in developing economies. Therefore, building a transparent and stable investment environment will create conditions for the private sector to expand investment and enhance international competitiveness.

5.2.2. Improving Access to Capital and Supporting Small and Medium-Sized Enterprises

Difficulty in accessing capital is a major factor affecting the ability of private enterprises to expand production and innovate technology. According to IFC (2023), approximately 70% of small and medium-sized enterprises in Vietnam face difficulties in accessing formal credit due to limitations in collateral, financial transparency, and corporate governance capabilities.

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To address this issue, it is necessary to continue improving the financial system by diversifying capital mobilization channels for private enterprises. The State needs to develop the capital market, the corporate bond market, and venture capital funds to support startups and innovative businesses. Simultaneously, credit guarantee programs for small and medium-sized enterprises should be expanded to support businesses in accessing capital at reasonable costs.

In addition, policies supporting private enterprises in recovering from global economic fluctuations and enhancing their resilience to market risks need to be strengthened. According to the World Bank (2023), access to stable finance is a crucial condition for businesses to invest in technological innovation and improve labor productivity.

5.2.3. Promoting Innovation and Digital Transformation in the Private Sector

One of the major limitations of Vietnam's private sector is its low level of technology and innovation capacity. According to UNDP (2022), investment in research and development by Vietnamese businesses is much lower than many countries in the region, limiting their ability to apply new technologies and increase product value.

To address this issue, it is necessary to build mechanisms to encourage private businesses to invest in research and development, digital transformation, and the application of high technology. The State needs to have preferential tax policies for innovation activities, technology investment, and the development of digital human resources. At the same time, it is necessary to develop a national innovation ecosystem through strengthening linkages between businesses, universities, and research institutes.

According to ADB (2024), digital transformation and innovation will be key drivers of Vietnam's economic growth in the coming period. Therefore, private enterprises need to proactively improve their technological capabilities, apply artificial intelligence, big data, and e-commerce to enhance labor productivity and international competitiveness.

In addition, it is necessary to support small and medium-sized enterprises (SMEs) in accessing digital technology through digital skills training programs, digital transformation consulting, and support for the application of technology platforms. This will contribute to narrowing the technology gap between businesses and improving their adaptability to the digital economy.

5.2.4. Developing high-quality human resources for the private sector

Low quality human resources are a major reason for reduced labor productivity and innovation capacity of Vietnamese private enterprises. According to the World Bank (2023), the proportion of highly skilled workers in Vietnam's private sector remains significantly lower than many other countries in Southeast Asia.

Therefore, it is necessary to accelerate vocational education reform and human resource training to meet the needs of businesses and the labor market. The government needs to strengthen linkages between training institutions and businesses to improve the quality of vocational skills training, digital skills training, and management capabilities for workers.

In addition, policies are needed to attract high-quality human resources in the fields of digital technology, artificial intelligence, and innovation to meet the development requirements of private enterprises in the context of digital transformation and international integration.

5.2.5. Strengthening Linkages Between Private Enterprises and FDI Enterprises and Global Value Chains

A major limitation of Vietnam's private sector is its low capacity to participate in global value chains. According to IFC (2023), only about 21% of Vietnamese small and medium-sized enterprises (SMEs) participate directly or indirectly in global value chains. The main reasons are limitations in technology, quality standards, and corporate governance capacity.

To overcome this situation, it is necessary to promote linkages between domestic private enterprises and FDI enterprises and multinational corporations to facilitate technology transfer and improve management skills. The State needs to develop supporting industries, support enterprises in meeting international standards, and improve product quality.

According to WTO (2022), the ability to participate in global value chains will determine the long-term competitiveness of enterprises in an open economy. Therefore, Vietnamese private enterprises need to proactively improve the quality of governance, product standards, and innovation capacity to effectively take advantage of opportunities from new-generation free trade agreements.

5.2.6. Promoting private economic development associated with green growth and sustainable development

In the context of green economy and sustainable development becoming a global trend, the private economic sector needs to transform its production model towards being environmentally friendly and resource-efficient. According to ADB (2024), green development will be the dominant trend of the Asian economy in the coming period and is an important condition for enhancing international competitiveness.

The development of mechanisms to support businesses should aim at improving innovation capacity, technological adaptation, and international competitiveness instead of focusing only on short-term administrative or financial support. The development of the private sector, linked with innovation, digital transformation, and green growth, not only enhances the competitiveness of businesses

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but also contributes to building an independent, self-reliant, and effectively integrated economy in the current context of globalization.

5.3. Research Limitations

The study primarily uses qualitative analysis methods and secondary data, thus not fully reflecting the quantitative impact of the private sector on economic growth and innovation in Vietnam. Furthermore, the study has not conducted an empirical comparison between Vietnam and ASEAN countries in the development of the private sector. These are issues that need further research in the future.

Further research could utilize panel data or quantitative models to specifically measure the impact of the private sector on economic growth, innovation, and digital transformation in Vietnam, as well as compare it with ASEAN countries.

5.4. Policy Implications

The research results show that developing the private sector is not only significant for economic growth but also plays a crucial role in promoting innovation, digital transformation, and enhancing national competitiveness. Therefore, policies for developing the private sector need to be placed within the overall strategy for developing the digital economy, green growth, and international economic integration of Vietnam in the coming period.

6. CONCLUSION

In Vietnam's socialist-oriented market economy, the private sector is increasingly asserting its role as one of the important driving forces promoting economic growth, innovation, and international economic integration. Recent development shows that the private sector not only contributes significantly to GDP, creates jobs, and increases state budget revenue, but also plays a crucial role in digital transformation, digital economic development, and promoting innovation in the growth model. With over 97% of all operating businesses belonging to the private sector, this sector has become a vital force in mobilizing social resources, promoting market competition, and enhancing national competitiveness.

Besides these achievements, Vietnam's private sector still faces many limitations such as small business scale, low labor productivity, limited innovation capacity, and limited ability to participate in global value chains. Furthermore, institutional barriers, access to capital, human resource quality, and technological level continue to significantly impact the operational efficiency and competitiveness of private enterprises in the context of globalization and digital transformation.

In the context of increasingly deep international economic integration, along with the strong development of the digital economy, green economy, and the Fourth Industrial Revolution, promoting the driving role of the private sector is of particular importance to Vietnam's rapid and sustainable economic development. This requires the State to continue perfecting the socialist-oriented market economy institutions, improving the investment and business environment, promoting innovation, and enhancing the quality of human resources. At the same time, private enterprises also need to proactively improve their management capabilities, apply modern technology, and strengthen their ability to adapt to international standards to enhance their competitiveness in the global economy. Thus, the private sector will continue to play a crucial role as a driving force of the Vietnamese economy in the new development phase.

Therefore, this research contributes to supplementing the theoretical and practical basis on the role of the private sector in Vietnam's socialist-oriented market economy in the context of international economic integration and the current growth model transformation.

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