**Exporting one s way to prosperity**

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After World War II the “Asian Miracles”—first Japan, then Taiwan and South Korea, most recently China—grew their way out of poverty by opening to trade and investment and becoming manufacturing export powerhouses. Of late, Vietnam seems to be the next Asian miracle. Actually, its breakout moment has been a long time in the making by simply following the same path, but in an entirely new age. Vietnam is growing at three times the annual pace. Even more impressive, its growth is driven by a record trade surplus. What makes this surge unique in today’s times is that gone are the conditions that made the original miracles possible. The post-war baby boom is over.

The era of rapid globalisation, with growing trade and investment flows, is over. Economic growth is slowing worldwide. In this environment, the superpowers no longer ignore the tactics that the earlier miracles used to get an edge. In fact only at the beginning of 2021, the United States formally accused Vietnam of currency manipulation and initiated the same type of investigation that triggered the tariff war with China. However, unperturbed the Vietnam exports juggernaut marches on. The State operates at unmatched levels of proactive policymaking and pro-manufacturing initiatives. Within days of China’s announcing the first case of Covid-19, Vietnam was mobilising to stop the spread of the coronavirus. Using mass texts, TV ads, billboards, posters and loudspeakers, the government exhorted the nation’s 100 million citizens to identify carriers and trace contacts, contacts of contacts, even contacts of contacts of contacts. Rapid isolation of outbreaks ensured that Vietnam’s death rates remained amongst the four lowest in the world. Capitalising on this good governance, the government moved on to quickly re-open businesses and manufacturing, putting it at a growth path where it is tipped to be the fastest growing economy of the world in 2021. So what really makes Vietnam tick? One explanation being given is that it is because the country has been ruled for nearly half a century by only one political party and too one with a rather authoritarian culture. With virtually no opposition, a very competent, able and nationalistic autocracy has been able to pursue unchecked policies focused on economic growth.

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Though somewhat whimsical at times, the very obsessiveness and dedication of policymaking towards targeted objectives has brought about unprecedented economic success. During the boom years the original Asian miracles produced annual export growth close to 20 percent—nearly double the average for low-or middle-income nations at the time. Vietnam has sustained a similar pace for three decades. Even as global trade slumped in the 2010s, Vietnam’s exports grew 16 percent a year, by the fastest rate in the world, and three times the emerging-world average. And the key: While other emerging countries spend heavily on social welfare in an effort to appease voters, Vietnam devotes its resources to its exports, building roads and ports to get goods overseas and building schools to educate workers. The government invests about 8 percent of GDP each year on new building projects, and now gets higher grades for the quality of its infrastructure than any nation at a similar stage of development. It also steers foreigners’ money in the same direction. Over the last five years, foreign direct investment has averaged more than 6 percent of GDP, the highest rate for any emerging country. Most of it goes to building manufacturing plants and manufacturing related infrastructure.

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So what can Pakistan learn from Vietnam? First, that Vietnam consciously chooses to be a favourite destination for export and makes it a policy choice to make exports the mainstay of its national manufacturing preferences. Pakistan still struggles with formally adopting this notification as a policy measure. Second, in an era of growing protectionism, Vietnam is trend bending as an Asian miracle and socialist and communist champion of open borders; in many ways putting the western capitalist nations to shame. It is a signatory to more than a dozen free trade agreements, including a landmark deal recently signed with the European Union. Pakistan on the other hand, still remains confused on whether or not to completely disengage trade from politics and on where to draw the line between completely open borders and protectionism. The last two years are a clear example on how this confusion has retarded GDP growth and triggered inflation owing to some deliberate supply chain disruptions. Third, most Vietnamese still live in the countryside and the government chooses to grow the economy by discouraging rural to urban shift (as best as it can) and instead taking the industry—in organised clusters—closer to the existing population bases. Pakistan seems to have lost all control on a balanced and well-spread industrial growth, resulting in choking of its main cities and pollution alongside environmental degradation. Fourth, Vietnam till today has shied of making the kind of egregious policy mistake that typically retards economic development in highly populated developing countries. It is making autocratic capitalism work unusually well, through open economic policies and sound financial management. Pakistan instead suffers from this very malaise relating to non-transparency, incompetent management structures, especially in state-run enterprises and a governance dispensation visibly martyred with brazen conflict of interest. Lastly, fifth, which ironically can perhaps be termed as the only economic similarity between the two countries: A relatively high debt-to-GDP ratio. Rising debts, as we know, also led to the financial crisis of the 90s and then again in 2008, that marked the end of sustained growth in Japan, South Korea and Taiwan, and now hang over China as well. However, back in the context of Pakistan and Vietnam, the difference between the two in how they tackle debt or adopt an approach on the need-of-debt in order to grow, is yet again quite stark. While Pakistanis endlessly fret about the debt their country has accumulated instead of working to make it cheaper and more productive, Vietnam in contrast marches on like a miracle of a bygone era, by choosing to predominantly use its debt in setting up export-oriented industries and thereon exporting its way to prosperity.

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