

## Characteristics Of The Northern Key Economic Region With A Focus On Completing The Capital Law In Vietnam

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### *Abstract:*

The Northern Key Economic Region (NKER) plays a pivotal role in the advancement of Vietnam's economy. Furthermore, Vietnam has been proactively engaging in modern Free Trade Agreements (FTAs) in accordance with the global integration trend in recent years. Thus, in contrast to earlier phases of its evolution, the NKER has been subject to a multitude of effects and pressures. The NKER designates Hanoi as the capital of the entire nation. Hanoi constitutes one of the foremost economic hubs of the nation, alongside another major metropolitan area. Consequently, the enactment of the Capital Law assumes paramount significance in facilitating the expeditious and enduring progress of Hanoi. The present study aims to investigate the attributes of the National Key Economic Regions (NKER) during the era when Vietnam engages in

contemporary Free Trade Agreements (FTAs), with a specific emphasis on refining the Capital Law. The objective is to shed light on the prospects, obstacles, and predicaments that arise, and to propose suitable remedies.

**Keywords:** Economic, economic zone, State, law, trade agreement.

## 1. Introduction

Currently, "Vietnam has a relatively fast economic development" (Nhung, D. H. et al., 2023, p. 549). Not only does the NKER contribute significantly to the economy, but it also maintains a strategic position in Vietnam's security, politics, and society. This is where provinces and localities play an especially vital role in the Vietnamese North, particularly in the capital region. Consequently, the NKER is capable of attracting and concentrating a large quantity of high-quality human resources, has a highly developed infrastructure, and receives considerable attention and support from the Communist Party and the State consistently. Despite this, "...within the context of global economic integration, expanding trade liberalization and signing new-generation free trade agreements is becoming a trend in international economic relations, and Vietnam is not an exception..." (Nguyen Thi Hong Nhat, 2021, pp. 68). Conversely, the severe impact of the COVID-19 pandemic has had a significant impact on the development of the NKER. In addition, the Capital Law of 2012 has been in effect for a decade. In practice, however, this law has many limitations, and inadequacies, and many of its provisions are no longer compatible with the economic and social reality of Hanoi's capital. This necessitates research on the characteristics of the NKER and the practical implementation of the Capital Law so that timely solutions are available to assist the NKER, with a focus on Hanoi capital, in overcoming challenges and growing stronger.

## 2. Literature review

The subjects of NKER and Capital Law have gained significant attention as research topics in Vietnam. Henceforth, scholarly investigations pertaining to the subject matter may be cited as follows: Doan Hong Nhung in 2009 with "Urban management in Vietnam today"; Doan Hong Nhung in 2010 with "Some issues of state management for urban areas in Vietnam today"; Doan Hong Nhung and Tran To Uyen in 2011 with "Completing the law on management and development of urban underground space in Vietnam"; Doan Hong Nhung in 2011 with "The role of local authorities in urban management - Capital Law towards the future - Hanoi Capital - green growth and sustainable development city"; Doan Hong Nhung in 2012 with "Building a legal basis for housing development, student dormitories and the development trend of university cities in Vietnam"; Doan Hong Nhung in 2012 with "Law on urban construction

space planning"; Nguyen Van Phuoc in 2015 with "Developing the NKER towards sustainability to 2020 with a vision to 2030"; e-newspaper Business Forum 2019 with "New generation free trade agreements: opportunities and challenges of Vietnam's economy"; Nguyen Trong Diep in 2019 with "The impact of new generation free trade agreements on Vietnam's trade law"; Government portal in 2021 with "Overview of the process of formation of key economic regions"; Nguyen Vinh Hung in 2020 with "Some solutions to improve the efficiency of economic management functions in the period of participating in new-generation FTAs"; Nguyen Vinh Hung and Nguyen Van Phuoc in 2021 with "Law on partnerships for the development of the NKER"; Nguyen Thi Hong Nhat in 2021 with "New generation free trade agreement and impacts on Vietnamese law".

### **3. Methodology**

The authors opted to employ a dual approach of information gathering and analysis to investigate the attributes of the NKER, with a specific emphasis on refining the Capital Law. The authors primarily employed the method of gathering secondary data from various sources as their primary research approach. The article employs a method of synthesizing data from multiple sources, which is subsequently subjected to analysis, verification, comparison, and evaluation in order to derive novel insights.

Furthermore, the article employs prevalent research methodologies, including general statistical techniques, comparative analyses, economic efficiency evaluations, and descriptive approaches, to scrutinize, assess, and predict the effects and ramifications of new-generation Free Trade Agreements (FTAs) on the NKER. This analytical framework provides a foundation for proposing viable solutions that align with the current situation and prevailing circumstances.

Furthermore, the authors employ various research methodologies in jurisprudence, including legal analysis, evaluation of legal effectiveness, legal synthesis, and legal comparison, to align with certain research topics discussed in the article.

The authors have employed a combination of research methods in a cohesive, rigorous, and interconnected manner to effectively accomplish the research objectives outlined in the article.

### **4. Results and discussion**

#### **4.1. Features of the NKER and the impact of new-generation FTAs**

\* About the natural conditions and infrastructure of the NKER:

“The geographical location of the NKER belongs to the north of the Red River Delta region, except for some mountainous districts of Quang Ninh province, adjacent to the Northern and Northwest Midlands and mountainous regions (Tuyen Quang, Thai Nguyen, Bac Giang provinces), with Ha Nam, Thai Binh, Hoa Binh provinces to the South and Southwest, with the People's Republic of China to the North, and East to the South China Sea”.(Nguyen Vinh Hung et al., 2021, pp. 142). Furthermore, the NKER holds a significant advantage in that it is situated in Hanoi, which serves as the hub of political, economic, social, cultural, and scientific advancements in Vietnam. In addition, it is noteworthy that Hanoi holds a significant position as one of the four pivotal regions for economic advancement in Vietnam. Simultaneously, the NKER accommodates two corridors and an economic belt that maintain a close association with China.

NKER comprises seven provinces and centrally administered municipalities, namely Hanoi, Hai Phong, Quang Ninh, Hai Duong, Hung Yen, Vinh Phuc, and Bac Ninh. Prior to the year 2000, various regions such as Hanoi, Hung Yen, Hai Phong, Quang Ninh, and Hai Duong were categorized under the NKER, as stated by the Government Portal (2021). Hence, the NKER denotes a region characterized by a high population density and significant prospects for economic advancement. The provinces of Bac Ninh, Hai Phong, and Quang Ninh exhibit a notably elevated Gross Regional Domestic Product (GRDP) within the country. Several provinces and cities exhibit comparable living standards and elevated incomes in comparison to the capital city of Hanoi. Furthermore, Vietnam boasts a heterogeneous topography, encompassing forests, seas, rivers, and notably, an enduring customary agricultural practice - the Red River rice civilization.

The NKER holds a crucial position and plays a significant role in Vietnam, not only from an economic standpoint, but also inextricably linked to political, military, and societal aspects. This region holds significant importance in fostering economic and social progress in the Northern territory. The process of urbanization and industrialization in the NKER has had a consequential impact on the development of the mountainous area, the Northern Midlands, and the North Central region. Conversely, this location serves as a significant commercial center, facilitating trade both domestically and abroad via maritime and aerial transportation networks, including prominent seaports such as Hai Phong and Cai Lan, as well as international airports like Noi Bai, Van Don, and Cat Bi. Furthermore, the NKER boasts a multitude of national highways, railways, arterial routes, and significant waterways that traverse the entirety of the nation (including National Highways 1A, 5, and 18, the Ho Chi Minh Road, the North-South Railway, and transportation routes along major rivers such as the Red River and Bach Dang River).

The NKER's favorable natural conditions create opportunities for the development of tourism. Notably, renowned tourist destinations and scenic locales possess the capacity to proliferate, drawing a significant influx of global visitors, such as Ha Long, Van Don, Cat Ba, Do Son, Tam Dao, Ba Vi... The tourism industry has been a significant contributor to the economic expansion of the NKER, generating employment opportunities for both local and non-local residents.

\* About economic and social characteristics:

The research indicates that the NKER holds a significant position and plays a crucial role in the economic and social advancement of Vietnam. NKER "possesses favorable conditions and advantages that are conducive to the growth of various industries, particularly those that are characterized by their heavy industrial, high-tech, scientific and technological nature. Additionally, the region is well-suited for the development of highly skilled human resources, service-oriented industries, and tourism. The region has established significant and characteristic industries within the nation, attracting a relatively substantial workforce of industrial laborers possessing elevated levels of expertise and proficiency in comparison to numerous other regions" (Nguyen Vinh Hung et al, 2021, pp. 143 - 144). Furthermore, it has been examined that as a significant point of entry and exit in the northern region of Vietnam, major seaports such as Hai Phong and Quang Ninh witness a substantial influx of commodities from provinces beyond the NKER on an annual basis.

Presently, the economic framework within the NKER has undergone a shift towards a more advantageous and propitious trajectory in comparison to preceding epochs. In the NKER region, several localities such as Bac Ninh and Vinh Phuc have observed a notable surge in the rate of added value of industry within their respective economic structures in recent times. The attainment of this outcome can be attributed to the significant population density, which has resulted in a diverse, affluent, and ample labor force. Moreover, the NKER possesses a notable advantage in its capacity to draw in laborers from external regions to urban centers such as Hanoi and Hai Phong, as well as major industrial clusters including Bac Ninh, Vinh Phuc, and Hai Duong. Furthermore, it has been examined that as a crucial point of entry and exit in the northern region of Vietnam, the major seaports of Hai Phong and Quang Ninh witness a substantial influx of commodities from provinces beyond the NKER on an annual basis.

\* About the political characteristics and legal basis system of the NKER :

The NKER has long been recognized as a crucial economic region within the country, prompting the Party and State to consistently prioritize it and implement numerous favorable policies. The prevailing trend in the NKER is for the State to extend preferential treatment to prominent corporations and foreign economic entities, such as Samsung, LG, Intel, Yamaha, and Honda, etc, in their endeavors to establish manufacturing facilities and engage in

commercial activities within various provinces and municipalities. Furthermore, the government provides substantial preferential policies on taxes, fees, and charges for both foreign and domestic investors who engage in investment and business activities within the NKER region.

Furthermore, the NKER encompasses the centrally run cities of Hanoi and Hai Phong, thereby receiving prioritized policies for the development of transportation infrastructure networks, information and communication, health, education, culture, sports, and other related areas. These policies are generally more comprehensive compared to those implemented in other regions. The Capital Law was enacted by the National Assembly in 2012 with the aim of reinforcing the position, role, and exceptional significance of the Hanoi, in accordance with legal provisions. In particular, "The capital city serves as the primary national political-administrative hub, housing the central agencies of the Party, State, and socio-political organizations, as well as diplomatic missions and international organizations. It is a significant center for culture, education, science and technology, economy, and international transactions within the country. Notably, the Ba Dinh area of Hanoi city is home to the headquarters of the Central Committee of the Party, the National Assembly, the President, and the Government".<sup>4</sup> The location and importance of provinces and cities around Hanoi are also clearly defined: "The Capital Region refers to a geographic area that encompasses Hanoi city and several adjacent provinces and centrally administered cities, as designated by the government. This region is recognized as a nexus for socio-economic advancement".<sup>5</sup> The NKER is observed to possess significant benefits with regards to the support policies of the governing Party and State, and is fortified by a robust legal framework that ensures its enduring existence and progress.

The government has recently acknowledged the economic development prospects of the Van Don region in Quang Ninh province. As a result, it has expedited the development of the Law on Special Economic Zones to facilitate the economic growth of this crucial economic zone. Van Don has experienced significant economic growth and development due to increased attention to infrastructure and supportive policies from the government. This has resulted in the region becoming a prominent economic center within Vietnam. In addition, the governmental and provincial red-carpet incentives extended to foreign investors for collaboration, production, commerce, and investment in Van Don hold the potential to facilitate its transformation into a future Shenzhen or Hong Kong.

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<sup>4</sup> Article 2 of the 2012 Capital Law.

<sup>5</sup> Clause 3, Article 3 of the 2012 Capital Law.

**\* Impacts and influences from new-generation FTAs on the NKER :**

"In the contemporary era of economic globalization, it is widely acknowledged that no nation can sustain its existence and progress in a state of isolation. The global economy is characterized by the participation of all nations, who engage in trade and financial transactions as a means of communication and interaction." (Pham Quang Vinh, 2011, p. 3) Moreover, "the degree of interconnectivity and mutual reliance between the Vietnamese and global economies is on the rise" (Le Danh Vinh, 2009, p. 186). Besides, "following a prolonged period of integration efforts, Vietnam has successfully secured membership in several prominent global economic organizations and forums, including but not limited to ASEAN, APEC, ASEM, WTO, as well as more recently, CPTPP and EVFTA. Additionally, Vietnam has engaged in numerous free trade agreements with various other nations." (Nguyen Vinh Hung, 2020, p. 2). On the other hand, "Vietnamese government is currently engaged in negotiations pertaining to a set of novel Free Trade Agreements (FTAs), which are anticipated to engender a more robust phase of integration for the country" (Business Forum e-newspaper, 2019). Furthermore, as of August 1st, 2020, the European Union-Vietnam Free Trade Agreement (EVFTA) has been implemented, thereby significantly bolstering efforts to "stimulate foreign direct investment (FDI) inflows from the EU into Vietnam" (Online newspaper of the Voice of Vietnam, 2020). The potential of EVFTA for Vietnam's economy is shown through impressive forecasts of the Ministry of Planning and Investment (Banking Association e-newspaper, 2019):

EVFTA	Year 2020	Year 2025	Year 2030
Vietnam's export turnover to the EU	Increment: 20%	Increment: 42.7%	Gain: 44.37%
Import turnover from EU to Vietnam	Gain: 15.28%	Gain: 33.06%	Increment: 36.7%

Table 1, forecast of growth of exports and imports between Vietnam and the Union of European States - EU.

Based on the aforementioned data, it can be inferred that Vietnam's economy stands to reap significant advantages by engaging in the EVFTA. While the import turnover from the European Union to Vietnam experienced a notable surge, it was comparatively lower than the increase rate of export turnover. This presents a promising avenue for export-oriented enterprises and the overall economy of Vietnam, as well as for the provinces and cities situated in the NKER.

FTAs has resulted in a notable expansion of exports, which has consequently led to a significant increase in the country's GDP. The Ministry of Planning and Investment has provided forecasted figures that attest to this impressive growth (Banking Association e-newspaper, 2019):

Vietnam's GDP	From 2019 - 2023	From 2024 - 2028	From 2029 - 2033
Average annual growth	Increase from 2.18 - 3.25%	Increase from 4.57 - 5.30%	Increase from 7.07 - 7.72%

Table 2, forecast for Vietnam's GDP growth when joining EVFTA.

Based on the aforementioned projections, it is anticipated that Vietnam's GDP may experience a potential growth of 2.7-fold over a 15-year time horizon. Hence, EVFTA has presented numerous prospects and advantageous circumstances for the overall Vietnamese economy, specifically the NKER, to expedite robust and substantial advancement.

Vietnam has acceded to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as of November 12, 2018. Subsequently, on January 14, 2019, the CPTPP has been officially implemented for Vietnam (Saigon Liberation Financial Investment Online Newspaper, 2018). In order to recognize and assess the impact of major free trade agreements such as CPTPP and EVFTA on Vietnam's economy, it was commented that, "characterized by their comprehensive commitments and elevated level compared to Vietnam's prior FTAs, are anticipated to exert significant influence on the country's economy in the foreseeable future" (Vietnam News Agency, 2020). Of course, the NKER will also receive advantages when Vietnam participates in these important FTAs.

Scholarly inquiry into the effects of FTAs on the NKER indicates that such agreements yield both benefits and drawbacks, as well as significant potential and challenges.:

- About advantages and potentials for the NKER

The location in question exhibits a high population density and serves as a hub for educational, healthcare, cultural, and societal activities. The NKER exhibits a remarkable advantage in terms of its human capital, which is characterized by a significant concentration of individuals possessing exceptional qualifications and expertise. The majority of prominent specialists and scholars in the nation are concentrated in urban centers within the NKER region, where they reside and conduct their professional activities. The development of research, education, training, and advanced scientific and



technological networks, as well as high-quality medical and health care services, presents a significant advantage for the NKER.

The NKER benefits from its favorable geographical location, providing convenient access to major markets including the Northwest, Northeast, North Central, and notably, the vast market of China. This advantageous positioning ensures a reliable supply of goods and services for the region. Furthermore, the NKER possesses a favorable labor force situation, characterized by a substantial number of able-bodied and diligent workers, predominantly of youthful age, and with commendable professional aptitude. The NKER region features predominantly level topography, which facilitates the establishment of expansive industrial zones through the implementation of efficient infrastructure systems.

The NKER exhibits another notable benefit in instances where major urban centers, such as Hanoi Capital, Hai Phong, and Quang Ninh, serve as pivotal trade hubs for global collaboration. Consequently, the NKER offers numerous benefits for enhancing collaboration and connections across various domains of the economy, society, culture, and sea tourism...The study shows that the NKER "exhibits considerable potential and prowess in the domain of marine economic development, owing to its extensive coastline spanning approximately 300 kilometers, encompassing numerous pools and bays that can facilitate the establishment of deep-water seaports, large tonnage shipbuilding industrial parks, economic zones, and coastal and island tourism. Furthermore, the ocean presents a plethora of fishery resources, substantial sandstone potential, and promising opportunities for oil and gas exploration, thereby fostering the growth of marine-based industries" (Nguyen Vinh Hung et al, 2021, p. 146).

The NKER's extensive integration with the global economy via advanced Free Trade Agreements has facilitated the attraction of numerous prominent foreign investors, who engage in collaborative efforts, commercial activities, and investment ventures. The NKER's status as the capital region and its urban centers afford it a distinct advantage in attracting foreign investors of considerable scale. Moreover, the diminution of legal impediments in the context of Free Trade Agreements (FTAs) serves to augment the appeal of significant overseas investors and their investment in the NKER. Furthermore, a well-established infrastructure and efficient transportation system serve as significant incentives for foreign investors, as it facilitates the expeditious and seamless transportation of manufactured goods to various destinations. Furthermore, owing to favorable natural conditions conducive to tourism development and provision of top-notch resort services, there has been a surge in the influx of foreign visitors to renowned tourist hotspots in the NKER. The

development of tourism in the region provides a significant source of revenue for the NKER and generates employment opportunities for a substantial workforce.

- Difficulties and challenges for the NKER

The NKER region experiences a significant population density, resulting in a relatively diminished per capita land allocation. Furthermore, the population density is experiencing a significant surge due to the heightened demand for residential, educational, and occupational purposes in metropolitan areas. Hence, addressing the challenge of securing gainful employment and suitable housing for the populace remains a formidable, vexing, and intricate concern for the NKER. The challenge of agricultural development is compounded by population pressure, as numerous regions of arable land have been repurposed for non-agricultural production or utilized for the construction of infrastructure and urban centers to accommodate the influx of individuals from neighboring provinces who migrate to major cities within the NKER.

Conversely, notwithstanding the benefits conferred upon the NKER by its geographical situation, there exist a multitude of challenges. The regions situated in the North and West of the NKER are situated within the transitional zone between the Northeast and Northwest mountainous regions. As a result, these areas are subject to the influence of hilly soils that are susceptible to landslides and possess a steep slope that serves to constrain agricultural productivity. The plains consist predominantly of alluvial soils, which are subject to periodic inundation during the rainy and flood seasons. "The utilization of land for cultivation that comprises soil with low humus content necessitates substantial investments in irrigation systems, canals, embankments, and land improvement, which demand significant effort. The coastal region is predominantly characterized by land that has been filled with soil, which is saline and sandy in nature, thereby rendering it less suitable for agricultural purposes" (Nguyen Van Phuoc, 2015, p. 68).

Furthermore, the NKER holds significant cultural and historical value as it is closely linked to the longstanding tradition of Red River rice civilization. For millennia, the economic landscape of the NKER region has been closely intertwined with the cultivation and harvesting of crops. The study shows, "Vietnam has a long-standing history as an agrarian nation, with a societal focus on the cultivation and production of crops" (Le Tai Trien et al., 1972, p. 3). "Vietnam's economy is characterized by a prolonged state of natural self-sufficiency and self-reliance. Agriculture serves as the primary economic foundation in the region, with industry and trade functioning as secondary economic activities that are dependent on and supportive of agriculture. The proportion of individuals belonging to the professional industrial and

commercial class is relatively diminutive in relation to the overall populace of the nation" (Nguyen Tri Dinh et al., 2007, p. 285). In addition, "infrastructure is an economy that relies too heavily on agriculture, so ... backward, dispersed, fragmented agricultural production" (Nguyen Minh Doan, 2011, pp. 52 - 53). In the context of heightened global integration, the presence of small-scale and outdated production agriculture can pose a significant obstacle to economic development and integration, particularly in light of the need for advanced and modern production methods. The NKER populace exhibits a prevailing inclination towards small-scale, fragmented, and conservative production practices, with industrial behavior remaining largely peripheral and sluggish. The aforementioned circumstance has a substantial impact on the caliber of human capital, particularly in the realm of engaging in Free Trade Agreements. Furthermore, this impedes the efficacious utilization and advancement of human resources within the NKER. Furthermore, the non-uniform dispersion of the populace poses challenges, complications, and impediments that impact the consolidation and aggregation of land for the purpose of cultivating extensive agricultural regions with heightened production capabilities.

Additionally, the inclination towards small-scale, intermittent, and seasonal commercial activities has a bearing on the mindset of numerous local investors in the context of initiating business ventures within the NKER. Typically, businesses tend to operate within familial or social networks. As per the Intellectual Property Office of Vietnam, it can be observed that micro and small-scale enterprises constituted a significant proportion of the total number of enterprises across the country "during the average period of 2016-2018. Specifically, micro, small, and medium-sized enterprises exhibited a notable increase of 54.8%, 36.9%, and 43.3%, respectively, in comparison to the average period of 2011-2015" (Intellectual Property Office of Vietnam, 2021). In the context of the NKER, it is observed that only a limited number of private enterprises are able to attain the status of large corporations or industry leaders. The long-term development of the NKER is under pressure due to the potential collapse of a significant number of small or micro enterprises.

In addition to the advantages, impacts and influences of FTAs also cause difficulties and challenges for the NKER. "Vietnam faces a significant hurdle in meeting the stringent quality standards for imported goods across various industries, as it endeavors to comply with the regulations of the EVFTA upon its accession. Enhancing production processes and quality control measures expeditiously is a critical task for Vietnam in this regard" (Banking Association Online Newspaper, 2021). In addition, "Vietnam faced challenges in complying with the rules of origin stipulated in the EVFTA agreement, which are necessary to qualify for the tariff elimination of up to 99.2% across various tariff lines" (Nguyen Trong Diep, 2019). Moreover, "it is imperative that Free Trade

Agreements (FTAs) are underpinned by a clear and comprehensive legal framework, and that any form of preferential treatment for specific businesses is strictly prohibited. The contemporary Free Trade Agreements necessitate state-owned enterprises to adhere to the principles of openness, clarity, transparency, and equal treatment as that of civil enterprises” (Nguyen Vinh Hung, 2020, p. 6). Therefore, it can be posited that the fledgling businesses in Vietnam, as a whole, and specifically those of the NKER, are highly susceptible to failure in the event that they are unable to effectively compete with foreign enterprises.

#### **4.2. Limitations of the implementation of the Capital Law 2012**

In 2012, the Capital Law was enacted with the aim of establishing a robust legal framework to facilitate the growth and advancement of the Hanoi capital and its environs. This pivotal legal document comprehensively outlines crucial aspects, including but not limited to development planning, stakeholder roles and locations, with utmost precision and lucidity. Nevertheless, based on the practical application and the present condition of Hanoi metropolis, it is evident that numerous deficiencies have surfaced.

Increasingly severe indications are being exhibited by traffic congestion resulting from an excessive volume of automobiles. The aforementioned factors have been found to result in significant harm to economic growth, environmental degradation, heightened strain on individuals utilizing roadways, and an escalation in the incidence of vehicular collisions. The prioritization of development planning in the capital city of Hanoi may have resulted in an influx of individuals seeking to reside, learn, and labor in the area, consequently placing a strain on the transportation infrastructure.

The escalating costs of housing in Hanoi have surpassed the mean earnings of the Vietnamese populace. Presently, the attainment of homeownership in Hanoi poses a significant challenge for the majority of Vietnamese citizens. The exorbitant cost of housing surpasses the mean earnings of laborers. It is a frequent occurrence to observe the presence of real estate vending establishments situated along the historical avenues of Ha Noi, with a valuation of 1 billion VND per square meter, equivalent to over 40,000 USD per square meter. Notwithstanding, the extant foundational remuneration in Vietnam stands at a mere 1,800,000 VND, equivalent to approximately 70 USD. The significant disparity between housing costs and earnings can be attributed, in part, to inadequate urban development planning in the capital. The phenomenon of individuals solely seeking to reside and engage in employment within Hanoi can be attributed to the overemphasis on the capital city, without due consideration for the surrounding regions. The aforementioned factor has led to a rapid escalation of housing prices in Hanoi.

Consequently, this phenomenon engenders inflationary pressures and exacerbates the socioeconomic disparity in Vietnam.

The city of Hanoi is currently facing a number of challenges, including environmental pollution, inadequate drainage infrastructure, and high cost of living. The present discourse concerns the unresolved matters currently facing the city of Hanoi. The prevalence of air pollution in Hanoi is often attributed to inadequate waste management practices, as well as the high concentration of factories and enterprises in the area. Additionally, the large volume of cars and motorbikes on the roads has been identified as a contributing factor to this issue. Moreover, the accelerated pace of housing construction coupled with a high concentration of labor force has resulted in the overburdening of Hanoi's drainage infrastructure. The brief yet intense precipitation resulted in significant inundation in Hanoi. This exacerbates the challenges faced by individuals and the transportation infrastructure in Hanoi. Moreover, the high population density in Hanoi results in the highest cost of living compared to other regions in the country, as per the legal framework. Nevertheless, there exists a disparity in the mean earnings of individuals residing in Hanoi in comparison to other provinces and municipalities such as Ho Chi Minh City, Binh Duong, Dong Nai, Bac Ninh.

The aforementioned limitations and inadequacies are attributable to a variety of objective and subjective factors. However, it is noteworthy that the incongruity between the Capital Law and the prevailing economic and social conditions in Hanoi has played a role in the observed deficiencies. Consequently, it follows that the Capital Law of 2012 is presently undergoing revisions and enhancements.

### **4.3. Solutions**

"In the context of judicial reform" (Hung, N. V, et al., 2022, pp. 01) in Vietnam today, "deep international economic integration on many levels, diversified in forms, gradually adapting to the principles and norms of the global market" (Communist Party of Vietnam, 2016, p. 40) is a very wise policy of our Party and State. "The implementation and participation of commitments under the EVFTA and CPTPP agreements will present several challenges for Vietnam's economy, despite the potential positive impacts. Vietnam's economy faces significant challenges arising from internal factors, including limited competitiveness of domestic enterprises and a deficient legal policy system that is weak and characterized by overlapping regulations. Addressing these issues will require amendments and supplements to the legal framework to ensure the fulfillment of commitments". (Vietnam News Agency online newspaper, 2020). The aforementioned factors exert a significant influence on the growth and advancement of the NKER. Hence, to ensure the robust and enduring growth of

the NKER, while maintaining its stability and efficacy, it is imperative to contemplate the ensuing remedies:

**First**, the improvement of the legal system in general and the Capital Law in particular:

It can be asserted that a robust and enduring legal framework serves as a crucial foundation for prospective investors in determining their investment and business production decisions. The NKER has been analyzed to possess numerous advantages for economic development and exhibits the potential to attract and solicit investors. Notwithstanding the conditions, it is imperative to note that in order to ensure a robust and enduring framework, it is essential to have a stable and advanced legal system, coupled with political stability. These factors are deemed sufficient to achieve the desired outcome. The stability and efficacy of Vietnam's legal system serve as a crucial premise and condition for investors to make informed decisions regarding production, business, and investment collaboration in the NKER. Notwithstanding, it is imperative to recognize that the legal framework in Vietnam is capricious. Over the past two decades, the Enterprise Law has undergone seven modifications, including amendments, supplements, and new promulgations in the years 1999, 2005, 2009, 2013, 2014, 2020, and 2022. The Law on Securities was enacted in 2006, subsequently revised and augmented in 2010, and reissued in 2019. Similarly, the Labor Code of 2012 and 2019, the Law on Credit Institutions of 2010 as well as its amendments and supplements in 2017, the Bankruptcy Law of 2004 and 2014, the Competition Law of 2004 and 2018, and the Law on Investment of 2005, 2014, and 2020 are among the legal instruments that regulate various aspects of business operations in the jurisdiction. It is pertinent to acknowledge that the modification of a singular legal statute may engender the need for the revision and augmentation of another legal provision. The promulgation of the Competition Law in 2018 has resulted in the amendment of the Law on Enforcement of Civil Judgments 2008, as amended and supplemented in 2014. Similarly, the recent promulgation of the Labor Code in 2019 has led to the amendment and supplementation of the Civil Procedure Code 2015. The aforementioned pertains to the legal framework of documents that are frequently disseminated, modified, and augmented. Hence, it can be asserted that the legal framework in Vietnam lacks stability and durability, thereby posing potential challenges to its long-term viability. This phenomenon engenders apprehension among investors, particularly those of foreign origin, who seek to invest and engage in commercial activities within the NKER or other regions of Vietnam. Investors are required to continually adjust their strategies in response to the frequent modifications of the legal framework. Furthermore, the dynamic nature of legal regulations may result in redundancy, incongruity,

and asynchrony, thereby rendering the enforcement process more intricate, arduous, and convoluted.

Thus, it is imperative to alter the mindset of legislators, particularly with regard to the enactment of laws. It is crucial to make numerous assumptions and predictions regarding the likelihood of real-world occurrences, so that the newly instituted law is well-suited to the practical circumstances of the economy and society. The author posits that it is imperative to conduct a comprehensive analysis and draw insights from nations that exhibit sophisticated and contemporary legal frameworks, such as Germany, France, the United Kingdom, the United States, and Singapore, which boasts a highly evolved legal system in Southeast Asia. The predictability of laws in these nations is noteworthy. Consequently, it would be highly beneficial for Vietnam to conduct research and analysis, with the aim of formulating regulations that are appropriate for its economy and society during the era of global integration. Vietnam's legal framework is characterized by its synchronicity and stability, which has resulted in an increased attraction of foreign investors who seek to invest, produce, and engage in business activities within the NKER. In fact, "the implementation of stable and consistent legal frameworks has fostered a secure investment climate for business investors, while concurrently generating a heightened level of appeal for such individuals" (Nguyen Vinh Hung, 2016, p. 103). Meanwhile, as posited by the author, there exists a need to conduct research and establish additional specialized economic zones within the North Korean Economic Region (NKER). Presently, it is noteworthy that the NKER solely encompasses Van Don, which is subject to regulatory measures aimed at establishing it as a distinct economic zone in the northern region. Furthermore, expediting and prioritizing the formulation and dissemination of the legislation pertaining to Special Economic Zones is imperative. The establishment and growth of special economic zones in the NKER will be facilitated through the creation of a supportive legal framework.

With regards to the Capital Law of 2012, despite its enactment over a decade ago, it has received minimal attention in practice. A significant portion of the populace remains oblivious to the existence of this crucial legislation. The aforementioned phenomenon can be attributed to the apathy exhibited by certain individuals, while also indicating the incidental effects of said legislation on society. Additionally, upon analysis, it can be argued that the Capital Law of 2012 may not be entirely appropriate for the present economic and social landscape of Hanoi. Subsequently, as per the authors, it is imperative to advance the advocacy and proliferation of the Law of Capital. In contrast, it is imperative to enhance survey endeavors concerning the necessities of individuals residing and laboring in Hanoi. Thus, the modification of unjustifiable regulations pertaining to the development planning of the Hanoi capital is

warranted. Furthermore, the authors posit that rather than solely prioritizing the advancement of Hanoi's capital, equitable development should be extended to encompass all localities within the Northern Key Economic Region (NKER). The provinces of Bac Ninh and Vinh Phuc possess significant potential to emerge as novel catalysts for economic growth in the Northern region. Consequently, it is imperative to establish suitable policies for the advancement of these regions. Consequently, it is anticipated that the aforementioned measure will mitigate the high population density in Hanoi. Subsequently, the aforementioned measures will mitigate traffic congestion, curb environmental pollution, and alleviate the unwarranted escalation of land values in Hanoi.

**Second**, there should be more policies to support workers and companies in the NKER :

The economic impact of the NKER's activities on Vietnam is substantial. Hence, it is imperative to maintain stability and foster the growth of the NKER. The individuals and entities directly engaged in the production and operation of businesses include employees, workers, and enterprises. So, it is imperative for the State to prioritize the well-being of all categories of laborers, who are tirelessly engaged in the NKER. In contrast to the Southeast region, the majority of employees and laborers in the NKER exhibit comparatively lower levels of income. Accordingly, it is imperative to implement adaptable and advantageous policies, such as augmenting the minimum wage or establishing subsidy and support systems for laborers operating in regions with inadequate safety measures, such as tunnels, mines, and hazardous mechanical production facilities. Furthermore, within the framework of the protracted COVID-19 pandemic significantly impacting the revenue and productivity of numerous enterprises in the NKER, the authors suggest that the State ought to implement additional tax support policies, including but not limited to tax reductions, the expansion of tax exemption criteria, and tax refunds. Furthermore, it is imperative to broaden the credit facility in order to expedite the provision of lending services with favorable interest rates to enterprises in a more expeditious, uncomplicated, and streamlined manner. The loan process ought to be streamlined and the loan tenure should be prolonged. Consequently, newly established businesses are guaranteed access to government-sponsored preferential loan programs aimed at revitalizing production operations and surmounting challenges stemming from the epidemic. It is imperative to ensure equitable and unbiased treatment of domestic enterprises vis-à-vis foreign-invested enterprises. In essence, it is imperative that the Government's support policies exhibit parity across all business entities, irrespective of their ownership structure. Therefore, it can be argued that the NKER is poised to achieve effective and sustainable development over the long run.



## 5. Conclusion

The NKER, being one of the four Exclusive Economic Zones and a significant economic hub of the nation, presents conducive circumstances for the advancement of economic activities. Specifically, Hanoi holds significant importance as a locality for the economic advancement of the NKER and the entire nation. Consequently, the Capital Law was enacted with the aim of fostering the robust growth of Hanoi. Notwithstanding, in the course of arranging the execution of the Capital Law, it is imperative to make suitable modifications in line with the prevailing economic and societal circumstances. Consequently, it is imperative to implement crucial measures, such as enhancing the overall legal framework and specifically the Capital Law. Additionally, there ought to be an increase in supportive policies for laborers, employees, and businesses operating within the NKER. The following proposals present viable and enduring measures for the sustainable development of the NKER and Hanoi.

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