

CIRCULAR ECONOMY DEVELOPMENT POLICY IN VIETNAM - CURRENT SITUATION AND SOME RECOMMENDATIONS

POLÍTICA DE DESENVOLVIMENTO DA ECONOMIA CIRCULAR NO VIETNÃ: SITUAÇÃO ATUAL E ALGUMAS RECOMENDAÇÕES

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Abstract

The circular economy is increasingly recognized as an inevitable development trend aimed at reducing the exploitation of natural resources, minimizing waste generation, and promoting sustainable economic growth. In Vietnam, the transition toward a circular economy has received growing policy attention, as reflected in several legal documents that regulate recycling, reuse, waste management, extended producer responsibility, and cleaner production. However, despite these initial efforts, the existing legal framework for the circular economy remains fragmented. It has not yet established sufficiently strong or coherent incentives to encourage the active participation of businesses, local authorities, and local communities. In practice, shortcomings in policy design, implementation mechanisms, and law enforcement capacity continue to limit the effectiveness of circular economic initiatives. Against this background, the article analyzes the current status of Vietnam's policies and legal regulations related to circular economic development, focusing on their scope, consistency, and practical enforceability. On that basis, the article proposes several solutions to improve the legal framework, strengthen institutional coordination, and enhance the effectiveness of law enforcement. The research findings are expected to contribute to the creation of a more favorable legal foundation for Vietnam's transition toward

Resumo

A economia circular vem sendo cada vez mais reconhecida como uma tendência inevitável de desenvolvimento, voltada à redução da exploração dos recursos naturais, à minimização da geração de resíduos e à promoção do crescimento econômico sustentável. No Vietnã, a transição para a economia circular tem recebido crescente atenção das políticas públicas, refletida em diversos documentos legais que regulam a reciclagem, a reutilização, a gestão de resíduos, a responsabilidade estendida do produtor e a produção mais limpa. Contudo, apesar desses esforços iniciais, o arcabouço jurídico vigente da economia circular ainda se mostra fragmentado e não estabeleceu incentivos suficientemente fortes e coerentes para estimular a participação ativa das empresas, das autoridades locais e das comunidades. Na prática, lacunas no desenho das políticas, nos mecanismos de implementação e na capacidade de aplicação da lei continuam a limitar a eficácia das iniciativas de economia circular. Nesse contexto, o artigo analisa a situação atual das políticas e normas jurídicas do Vietnã relativas ao desenvolvimento da economia circular, com foco em seu alcance, coerência e aplicabilidade prática. Com base nessa análise, o artigo propõe uma série de soluções destinadas a aperfeiçoar o marco legal, fortalecer a coordenação institucional e



an effective, sustainable, and competitive circular economic model.

Keywords: Circular Economy. Sustainable Development. Green Economy. Policy Improvement.

umentar a efetividade da aplicação da lei. Espera-se que os resultados da pesquisa contribuam para a construção de uma base jurídica mais favorável à transição do Vietnã para um modelo econômico circular eficaz, sustentável e competitivo.

Palavras-chave: Economia Circular. Desenvolvimento Sustentável. Economia Verde. Aperfeiçoamento de Políticas.

1 INTRODUCTION

The traditional linear economic model (“extract—make—dispose”) has dominated global economic activity, creating an unsustainable dependence on the continuous exploitation of finite resources. A linear economy is a model in which economic activity follows a straight line. Economic activity begins with the extraction of resources from the natural environment as inputs into the production process. The result of this activity is that products are created to meet specific needs before being discarded into the environment (WAULTELET, 2018). It is predicted that global material consumption could double over the next 40 years, with demand for key materials such as metals and non-metallic minerals expected to nearly quadruple (GACERE, 2025). Economic development in a purely linear economic model means increased resource extraction and also increased waste into the environment. Meanwhile, with the trend of sustainable development - development that meets the needs of the current generation without harming the ability to meet the needs of future generations (WCED, 1987), when resources are scarce, and the earth's ability to absorb waste is limited (BONVIU, 2014), the circular economy can solve that problem.

According to Pearce and Turner (1990), a fundamental principle of the circular economy is that “everything is an input to something else”, which is entirely different from the traditional view of the linear economy. First mentioned in the 1976 Stahel and Reday–Mulvey Report on the automobile and construction industry, the core idea of the circular economy was that extending the product life cycle would help save energy and labor in this industry (STAHHEL; REDAY MULVEY, 1976). The concept of the circular economy then underwent many changes as it developed further. M. Geissdoerfer et al. (2017) gave a more specific view of the circular economy.

According to the United Nations Industrial Development Organization (UNIDO, 2024), the circular economy is a closed production cycle in which waste is returned as raw materials for production, thereby reducing negative environmental, ecosystem, and human health impacts. The circular economy is something new, creating value and ultimately prosperity. It works by extending product life through improved design and service, and by moving waste from the end of the supply chain to the beginning, in practice, using resources more efficiently by reusing them multiple times rather than just once (UNIDO, 2024).

According to Ellen Mac Arthur Foundation (2024), the definition of circular economy is widely accepted by many countries and international organizations today as “a system that is restorative and regenerative through proactive planning and design. It replaces the concept of “end of life” of materials with the concept of recovery, moves towards the use of renewable energy, does not use toxic chemicals that damage reuse and aims to minimize waste through the design of materials, products, technical systems and business models within that system”. The circular economy is an industrial system that is restorative or regenerative by intention and design. It moves towards the use of renewable energy, eliminates the use of toxic chemicals that damage reuse, and returns to the biosphere through superior design of materials, products, systems, and business models (EEA, 2017).

Adopting a circular economy model is estimated to save the world \$4.5 trillion by 2030. This new economic model also supports greenhouse gas emissions reduction and contributes to the successful implementation of the Paris Agreement (COP21) and the United Nations' Sustainable Development Goals (Hung VH, 2021). From a business perspective, the circular economy market is witnessing tremendous growth and capitalization potential, attracting the attention of investors and large enterprises. The global circular economy market is estimated to reach about \$2.41 trillion in 2022. It is expected to reach more than \$4.5 trillion by the end of 2030, with a compound annual growth rate (CAGR) of about 8.10% (INTROSPECTIVE MARKET RESEARCH, 2023). Another forecast shows a lower market size of around USD 556.0 billion in 2023, but is expected to reach USD 1323.5 billion by 2030, with a higher CAGR of 13.2% (NEXT MSC, 2024). The circular economy is a relatively efficient use of resources that avoids ecosystem degradation or collapse. It also provides specific economic benefits, such as reduced input costs and reduced dependence on volatile commodity prices. Waste

and resource management should aim to create sustainable, renewable resources, replace finite resources with renewable ones, and limit negative environmental impacts.

Despite many achievements in socio-economic development, Vietnam is also facing challenges related to resource depletion, environmental pollution, and climate change. These challenges become more complex as Vietnam continues to experience population growth and urbanization, industrialization, yet remains slow to shift from a traditional linear economic approach, leading to increasingly serious consequences for resource supply (including land), waste generation, environmental security, and water security. To address these challenges, perfecting policies to support the development of a circular economy in Vietnam is a must.

1.1 Research overview

Firstly, research on the theoretical foundations of the circular economy and circular economic development policy in Vietnam is still relatively new and has not yet developed a comprehensive theoretical framework. Most works focus on clarifying the concept, principles, and models of the circular economy from economic or environmental perspectives. In contrast, public policy and circular economic management institutions are only mentioned at a general level.

Some typical studies include Nguyen (2021), who wrote "Circular economy - an inevitable trend towards sustainable development in Vietnam", in which the author emphasized the role of this model in achieving sustainable development goals and reducing environmental pressure. Similarly, Tran (2020) in the study "Improving legal policies to promote circular economy" analyzed the role of the State in building mechanisms and policies to support circular production and consumption models. However, in general, there have not been many in-depth works on the theoretical basis of circular economic development policies, especially regarding policy tools, legal frameworks, and inter-sectoral coordination mechanisms for implementation in Vietnam.

Second, regarding practical research on circular economic development policies in Vietnam, existing works mainly stop at assessing the current status of pilot implementation across various industries, fields, or localities, such as waste recycling, circular agriculture, and green processing and manufacturing. For example, Le (2022) analyzed the feasibility of transitioning to a circular economic model in Vietnamese

enterprises, highlighting institutional, technological, and cognitive barriers. In addition, Nguyen et al. (2023) in their study "Circular economic development in the Vietnamese plastics industry" provided a practical perspective on the difficulties of applying this model in a specific field. However, current studies still lack comprehensive research and assessment of the effectiveness and consistency of Vietnam's circular economy development policy system.

Therefore, it is necessary to continue researching and refining the theoretical basis and, at the same time, evaluating the practical effectiveness of the circular economic development policy to propose feasible solutions for Vietnam during the transition period to a sustainable development model.

2 RESEARCH METHODS

Throughout the article, the author uses the dialectical materialist method as a foundation, grounded in scientific, theoretical, and practical grounds, to analyze and explain the nature and characteristics of the circular economic development policy in Vietnam. This method helps clarify the dialectical relationship between economic growth, environmental protection, and sustainable development, as well as identify factors affecting the policy planning and implementation process. In addition, the author also applies the method of analysis, synthesis, and generalization from the theoretical bases, current policies, and guidelines of the State, as well as actual data, to assess the current status of implementation of the circular economic development policy in Vietnam, thereby proposing several recommendations to improve and enhance the effectiveness of policy implementation in the coming time.

3 RESULTS AND DISCUSSION

3.1 Current status of circular economic development policy in Vietnam

Vietnam's policy and legal documents have provided official approaches to circular economic development. It should be noted that before 2020, Vietnam's policy and legal documents had mentioned factors related to the circular economy.

To affirm political determination and identify environmental protection as the cause of the entire Party, the entire people, and the entire army, the Politburo issued Directive No. 36/1998/CT-TW on June 25, 1998, to strengthen environmental protection during the period of industrialization and modernization. Subsequently, the Politburo issued Resolution No. 41-NQ/TW dated November 15, 2004, on environmental protection during the period of accelerating industrialization and modernization of the country. Accordingly, this Resolution affirmed that environmental protection is a cause of the entire society and a basic content of sustainable development. It emphasized that investment in environmental protection is an investment in sustainable development and must be incorporated into the guidelines, policies, and plans for socio-economic development.

In 2004, the Prime Minister issued the Strategic Orientation on Sustainable Development in Vietnam (Vietnam Agenda 21), as Decision No. 153/2004/QD-TTg. The Strategic Orientation on Sustainable Development includes long-term goals, principles, priority areas, policy orientations, and measures to organize the implementation of sustainable development. The Strategic Orientation on Sustainable Development has set out a policy framework for sectors, localities, and social organizations to design and implement their action programs towards sustainable development. Subsequently, the Government issued many strategic documents for the next phase, such as Decision No. 432/QD-TTg dated April 12, 2012, approving the Vietnam Sustainable Development Strategy for the period 2011-2020; Decision No. 1393/QD-TTg dated September 25, 2012, approving the National Strategy on Green Growth for the 2011-2020 period and vision to 2050. In 2016, the Government issued the National Action Program on Sustainable Production and Consumption (SCP). In 2017, the Prime Minister approved the Project "Development of Vietnam's environmental industry to 2025", aiming to build an environmental industry capable of meeting the requirements of a circular economy.

In Vietnam, the Circular economy is closely linked to environmental protection and sustainable development across various fields. The development of the circular economy in Vietnam is favorable, as the Party and State's policies for advancing circular economy development towards sustainable development have been affirmed. On February 11, 2020, the Politburo issued Resolution No. 55-NQ/TW, "On the orientation of Vietnam's National Energy Development Strategy to 2030, with a vision to 2045", which affirmed that priority must be given to developing renewable energy, developing

power plants using waste, protecting the environment, and developing a circular economy. The Resolution of the 13th National Party Congress affirmed the policy of "building a green economy, a circular economy, and an environmentally friendly economy". (COMMUNIST PARTY OF VIETNAM, 2021, p.331), "Building a roadmap, mechanisms, policies, and laws to form and operate a circular economic model" (COMMUNIST PARTY OF VIETNAM, 2021, p.145).

The Law on Environmental Protection 2020 officially codifies regulations on the circular economy. Clause 1, Article 142 of the Law on Environmental Protection 2020 defines the circular economy as an economic model in which design, production, consumption, and service activities aim to reduce the exploitation of raw materials and materials, extend product life cycles, limit waste generation, and minimize negative environmental impacts. In order to concretize the Law on Environmental Protection 2020, Clause 1, Article 138 of Decree 08/2022/ND-CP provides general regulations on circular economy, the goals of circular economy include: i) Reducing the exploitation and use of non-renewable resources and water resources; increasing the efficiency of using resources, raw materials and materials; saving energy; ii) Extending the use time of materials, equipment, products, goods, components and structures; iii) Limit waste generation and minimize negative impacts on the environment including: reducing solid waste, wastewater, and emissions; reducing the use of toxic chemicals; recycling waste, recovering energy; reducing single-use products; green shopping.

Based on the Ministry of Planning and Investment's advice, the Prime Minister issued Decision No. 687/QĐ-TTg dated June 7, 2022, approving the Circular Economy Development Project in Vietnam. Decision No. 687/QĐ-TTg affirmed that proactively developing circular economy is inevitable, in line with the trend and requirements of creating breakthroughs in economic recovery and implementing the Sustainable Development Goals (SDGs); contributing to promoting economic restructuring associated with innovation of growth models towards modernization, improving competitiveness and the ability to adapt and withstand external shocks proactively, realizing the National Strategy on Green Growth for the period 2021-2030, vision 2050, ensuring national defense and security. In addition, the development of the circular economy must be based on an open approach, more oriented towards creating space and facilitating the promotion of economic efficiency, based on strengthening international cooperation, ensuring the mobilization and effective use of human knowledge,

achievements of the Industrial Revolution 4.0 and digital transformation, necessary resources from the private economic sector, international organizations and foreign partners. The development of the circular economy also requires long-term policies to encourage, give incentives and facilitate the development of the circular economy, linked with a roadmap and specific results, while at the same time perfecting a solid legal basis and creating flexibility and initiative to soon promote the circular economy model at appropriate levels in industries, fields and localities; avoiding stereotypical and uniform application of the circular economy for the entire economy.

Orientations and policy solutions for circular economic development are also proposed for specific areas. Following Decision No. 687/QĐ-TTg, the Prime Minister issued Decision No. 540/QĐ-TTg dated June 19, 2024 approving the Project on Science Development and Application, Technology Transfer to Promote Circular Economy in Agriculture by 2030, which sets out several viewpoints: *"Developing circular economy in agriculture (or circular agriculture) is an important orientation in the efficient use of resources, increasing added value, protecting the environment, creating jobs and promoting green, responsible and sustainable agricultural development"* and *"science, technology and innovation are important fundamental tools in circular agriculture, contributing to the realization of the Strategy for Sustainable Agricultural and Rural Development for the period 2021-2030, with a vision to 2050"*. Decision No. 500/QĐ-TTg dated May 15, 2023 of the Prime Minister on approving the National Power Development Plan for the 2021-2030 period, with a vision to 2050, has set out a development perspective that *"power development must closely follow the development trend of science and technology in the world, especially renewable energy, new energy, associated with the process of transforming the country's economy towards a green economy, circular economy, low-carbon economy..."*, in addition to other development perspectives. Decision No. 165/QĐ-TTg dated February 28, 2023, of the Prime Minister on approving the Project on Restructuring the Industry and Trade sector for the period up to 2030 also sets out a task on *"Encouraging investment in the construction of power plants using urban waste, biomass, and solid waste in conjunction with environmental protection and circular economic development"*.

3.2 Assessment of limitations and shortcomings in the current status of circular economic development policies

The circular economy has been applied in Vietnam early on and has achieved notable effectiveness. However, these models are still limited in some fields and businesses and have not achieved widespread adoption in the production community and society. In addition to the achieved results, it is necessary to admit that the current state of policies and laws on circular economic development in Vietnam still has many shortcomings and limitations:

Firstly, the policy and legal framework for developing a circular economic model, although mentioned, is not yet complete. These legal regulations on developing a circular economy are still scattered, lack synchronization, and are scattered across documents such as the Law on Environmental Protection 2020, the Law on Natural Resources Tax 2009, the Law on Environmental Protection Tax 2010, the Law on Forestry 2017, etc. The regulations on the circular economy are also only at the framework level, without detailed instructions.

Second, there is a lack of policies to support businesses in effectively accessing preferential and supportive policies on environmental protection; a lack of regulations to ensure consistent application of waste management policies according to the Law on Environmental Protection 2020; there are no regulations on institutions to ensure effective implementation of policies on circular economic development in practice... (LAI, 2023).

Third, the definition of circular economy (including in the Law on Environmental Protection 2020) only shows a narrow view, focusing on the aspects of emissions and environmental protection while not properly recognizing the "economic" aspect, that is, associated with overall efficiency, including optimizing inputs and outputs, linking production, improving labor productivity, and income of workers, etc. In addition, limiting recognition of the circular economy to specific industries results in circular economic models lacking a broad, intersectoral scope, whereas, in reality, modern circular economic models are closely and diversely linked to agricultural, industrial, and service sectors. The Law on Environmental Protection 2020 includes Article 142 on circular economic models and guides Decree No. 08/2022/ND-CP, which details several articles of the Law on Environmental Protection. However, the general criteria for the circular economy in Decree 08/2022/ND-CP are not based on an open approach and do

not aim to create space or facilitate the circular economic model (MINISTRY OF FINANCE, 2025, pp. 7-8).

Fourth, there is no mechanism to ensure the practical application and enforcement of laws governing economic development. Circular economic development has been a strong trend in many countries around the world—including Vietnam—due to the expected economic, environmental, and social benefits, such as creating opportunities for economic growth, generating jobs, reducing environmental impacts, and advancing the 17 Sustainable Development Goals. However, the mechanism for enforcing laws on the circular economy in Vietnam is currently incomplete and inadequate. In addition, awareness of the circular economy and the need to transition to developing a circular economic model is still limited; human resources ready for the transition to circular economic development are still weak; most Vietnamese enterprises are small and medium enterprises, very limited in recycling and reuse technology capacity, not to mention the capacity to contribute to resource recovery (PHAM; TRAN, 2023).

3.3 Some recommendations and solutions

Based on the study of the current situation, the author would like to propose some recommendations and solutions to improve the law and improve the effectiveness of circular economic development policies in Vietnam, as follows:

First, on the definition of the circular economy

In order to create maximum space for the development of a circular economy to contribute to economic recovery and development, it is necessary to view the circular economy in a broad sense, associated with strengthening and linking production units, optimizing input-output relationships along with improving capacity/sharing benefits for workers and creating conditions for resource recovery - instead of stopping at the goals of reducing emissions, reducing environmental impacts and resource depletion - it is very necessary. It is necessary to view the circular economy broadly; it is an important model for advancing green growth, a green economy, and sustainable development. Lawmakers can approach the definition of international organizations, circular economy is a modern economic activity that is closed and continuous of many production units linked together on the principle of "everything is an input of another product", effectively utilizing connection services (finance, logistics, information technology and communication),

aiming at circular production linkages to: save production costs and optimize added value based on minimizing waste in the production process, rationalizing the input - output process of processes associated with innovation, improving labor productivity and income of workers, producing and rationally using renewable energy forms in production and recovering renewable resources, promoting sustainable consumption, reducing emissions and contributing to combating climate change and protecting the environment.

Second, issue a Decree on the pilot mechanism for developing a circular economy

In addition to reviewing and perfecting legal regulations on circular economy in general and environmental protection in particular to create unity, feasibility, and practical application, one breakthrough solution to build and perfect the law on circular economic development is to urgently complete and promulgate a Decree on the circular economic development testing mechanism.¹ The Decree on the circular economic development testing mechanism, soon to be issued, will help businesses and investors confidently test circular economic ideas and initiatives, thereby contributing to the green transformation and green recovery process in Vietnam; at the same time, contributing to promoting the country's socio-economic development to be fast, modern, and sustainable (CCTV, 2024).

Although it is not a new issue, to achieve breakthroughs in advancing the goal of developing a circular economy, Vietnam, like many countries worldwide, needs to apply experimental legal mechanisms to support circular economic development. In theory, the experimental legal mechanism meets the requirements for deploying new technologies when there is insufficient time to fully identify potential risks. This is one of the ways the state responds to pressure to immediately take advantage of new applications that technology brings, even when the state itself lacks complete information about them. Given its role and position, the state must ensure the requirements of political security, social order and safety, consumer protection, and fair market competition.

¹ At present, the Ministry of Planning and Investment has drafted a Decree on the experimental mechanism for developing a circular economy. According to the draft Decree on the experimental mechanism for developing a circular economy, there are 4 sectors of the economy that propose to apply the experimental mechanism. These are agriculture, forestry and fisheries; industry; renewable energy and construction materials.

See more : <https://chinhphu.vn/du-thao-vbqpp/du-thao-nghi-dinh-ve-co-che-thu-nghiem-kinh-te-tuan-hoan-7202>

By creating a legal testing mechanism, new circular-economy applications can be implemented without being bound by existing regulations. State agencies can both overcome legal obstacles to the technology and have time to learn about the application and determine appropriate management measures. Based on the testing process, state agencies can answer the most basic question: how the application is helpful in everyday life and whether it can be deployed to advance the goals of developing a circular economy.

Third, strengthen public-private dialogue on circular economic development.

To promote the development of a circular economy, it is necessary to build an effective public-private dialogue mechanism to connect the State, businesses, and stakeholders in the policy planning and implementation process. First of all, it is necessary to establish regular, institutionalized public-private dialogue forums, chaired by ministries and branches, especially the Ministry of Natural Resources and Environment, the Ministry of Planning and Investment, and the Ministry of Industry and Trade. These forums are places to share information, discuss policies, connect circular initiatives, and disseminate practical experiences between the public and private sectors.

Next, it is necessary to enhance the transparency of information and two-way feedback mechanisms. It is necessary to develop digital platforms or common information portals on the circular economy, through which businesses can easily access regulations, standards, and technical guidelines, and reflect on problems, so that management agencies can promptly make adjustments. At the same time, improve the dialogue capacity of participating parties, especially small and medium-sized enterprises. The State can coordinate with international organizations and business associations to organize training, consulting, and technical support, helping businesses understand the circular model and take advantage of opportunities from green policies. Finally, promote the formation of multi-stakeholder public-private partnership networks between businesses, research institutes, universities, and financial institutions. This network will lay the foundation for technology sharing, mobilize social resources, and effectively implement green innovation initiatives, thereby contributing to the realization of a sustainable circular economy in Vietnam.

Fourth, focus on developing human resources and strengthening communication on circular economic development.

Developing a circular economy requires human resources with interdisciplinary knowledge of economics, technology, environment, and sustainable management. Therefore, it is necessary to develop a human resource development strategy aligned with the requirements of green and circular transformation, focusing on training a team of state management officials, businesses, and technical experts with the capacity to plan, implement, and monitor circular models. Educational institutions, vocational training, and research institutes need to integrate circular economy content into their curricula, encourage applied research and innovation, and foster cooperation with businesses in practical training.

At the same time, communication work and awareness-raising among the community and businesses need to be prioritized. It is necessary to diversify communication channels—from mass media and social networks to local propaganda campaigns—to disseminate knowledge, change consumer behavior, and encourage people and businesses to participate in recycling, reuse, and resource-saving activities. At the same time, it is necessary to commend and replicate successful models and businesses that apply the circular economy to create a positive ripple effect in society.

4 CONCLUSION

Developing a circular economy is an inevitable trend towards a green, sustainable, and inclusive growth model that meets the requirements of transforming the development model in the context of declining resources, increasing environmental pollution, and complex climate change. In recent years, in Vietnam, the Party and the State have shown strong determination to promote the transition to a circular economic model through the issuance of numerous important policies, legal documents, and specific action programs across sectors and localities. However, the process of implementing a circular economy in Vietnam is still in its early stages. It faces many challenges across institutions, resources, technological capacity, governance capacity, and private-sector participation. Current policy mechanisms remain inconsistent, and some regulations are insufficient to encourage businesses to adopt circular production and consumption models and to invest in innovation. Therefore, to promote this transformation process substantially and effectively, it is necessary to continue improving the legal framework; strengthen the

State's coordinating role; encourage public-private cooperation; raise public awareness; and promote innovation and green technology transfer.

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Authors' Contribution

All authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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