

## **BWA Policy Brief:**

# **Vietnam in the regional and global context:** **Emerging middle power and economic success story**



### **1) Background:**

In April 2024, BWA Global Economic Network organized a business delegation to Vietnam to explore the nation's potential for international partnerships and investments. The journey commenced in Ho Chi Minh City, the economic hub of a country nearing 100 million inhabitants.

The BWA delegation, led by Federal Managing Director Urs Unkauf and accompanied by former German Vice Chancellor and Federal Minister Dr. Philipp Rösler, was received by Ho Chi Minh City's Deputy Chairman, H.E. Vo Van Hoan. The meeting was characterized by fruitful dialogue, and both parties exchanged insights and explored avenues for cooperation in sectors such as healthcare, automotive, and smart manufacturing.

A highlight of the visit was the visit to the CMC Corporation campus, one of Vietnam's leading digital enterprises. The delegation was impressed by the advanced technological infrastructure and the extensive range of application-oriented research conducted at CMC. Detailed conversations were held with CMC's leadership, exploring potential collaborations in digital innovation and research.

Subsequently, the delegation traveled to the coastal province of Binh Dinh, commencing with a flight from Ho Chi Minh City to the provincial capital, Quy Nhon. The delegation was welcomed by the Chairman of the People's Committee, H.E. Pham Anh Tuan, and the ensuing dialogue addressed the economic landscape of Binh Dinh and the potential for industrial and technological investments. The delegates toured several industrial zones, gaining first-hand insights into the region's industrial capabilities and prospects.

The final leg of the journey brought the delegation to Binh Duong province, located north of Ho Chi Minh City, for the Horasis China Meeting. This conference focused on enhancing cooperation between China, Vietnam, and the ASEAN region within a global context. Delegates, including Prof. Dr. Karl Pilny, founding director of BWA's Asia Strategy Institute, and Gerhard Leyoldt, CEO of Drossapharm Asia, shared their extensive expertise on regional economic integration and investment strategies.

A particularly noteworthy event was an exclusive meeting with Vietnam's Deputy Prime Minister, H.E. Dr. Tran Hong Ha. During this meeting, the Deputy Prime Minister personally addressed the questions and suggestions from the delegation, demonstrating a keen interest in fostering a supportive environment for both current and future investors.

The intensive trip concluded with a formal reception by the Chairman of the People's Committee of Binh Duong province, H.E. Vo Van Minh, at the local government seat.

## **2) Key Findings:**

- **Vietnam is an emerging middle power in South-East Asia with a successful foreign policy strategy quickly becoming a key interest for all global players.**
  - ➔ Even in the context of growing global tensions Vietnam's 'Bamboo Diplomacy' has proven successful. Post-pandemic Vietnam has stepped up its international engagement with an increasing number of sectoral partnerships ranging from energy to manufacturing and entered the top 20 countries in attracting foreign investment<sup>1</sup>.
  - ➔ The increasingly complicated, fluid and interdependent world order allows small and middle powers more agency<sup>2</sup> in their actions on the global stage.
  
- **With a steadily growing trade volume Vietnam has become Germany's most important trade partner in Southeast Asia, just like Germany is Vietnam's most important trade partner in Europe<sup>3</sup>. And this trend is poised to continue.**
  - ➔ Vietnam has integrated well into the global economy, and its government is pursuing a free trade policy. Considering the facts that foreign financed companies are one of the key development drivers in the country and that Vietnam's development strategy builds on exports, a continued free trade policy is almost guaranteed.
  - ➔ The EU-Vietnam Free Trade and Investment Protection Agreement (EVFTA) is the most comprehensive and ambitious Vietnamese FTA to date<sup>4</sup>. It has significantly boosted German-Vietnamese trade, but the capabilities of both countries' economies

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<sup>1</sup> Parameswaran 2024.

<sup>2</sup> Do 2022.

<sup>3</sup> Auswärtiges Amt 2024.

<sup>4</sup> Trang 2023.

have not reached their cap yet and there is still much room for profitable trade and investment.

- **Both Binh Dinh Province and Binh Duong Province are emerging as leading provinces in terms of development and investment. Both have shown that their potential for growth is high and that the leaders are keen to help companies harness that potential.**
  - ➔ Binh Duong Province is leading the country on the Infrastructure Index<sup>5</sup> and is the province that attracts the second highest FDI of the whole country. With its expected economic growth of 8.5% and continuous development of new industrial zones it will stay at the forefront of Vietnam's industry.
  - ➔ Binh Dinh Province is home to the country's seventh biggest port Quy Nhon and is leading the South-Central Coast in terms of industrial employment. With four German projects in the 86 FDI projects the province has attracted, Binh Dinh's potential for industrial growth has already piqued interest in German companies.
- **Not only Vietnam's industry, but also its demographic development bodes well for the future of Vietnam's young, budding middle class, which has disposable income and is investing into education.**
  - ➔ The population has a median age of around 35 years and young people are in comparison to the general population highly educated, many having attained a university degree. This trend promises a generation with a strong drive towards upwards social mobility, great technological expertise and willingness to invest into their career.
  - ➔ Vietnam is also the gender equality leader in Southeast Asia. 73% of women are employed, 31% of women are company owner and 36% of managers are women (compared to e.g. 29% in Germany), which contributes to the young and well-educated work force.

### **3) Policy Recommendations:**

- Vietnam has become a social and economic leader as well as a strong influence in the Southeast Asia Region and should be treated as such. Interactions on eye level and relationships based on an equal footing are sure to yield the desired results.
- Grand multilateral treaties are too slow for today's high-speed world and bilateral treaties often too bureaucratically intensive for little return. Minilateral<sup>6</sup> collaboration promises to allow actors high flexibility as well as efficient problem-solving capabilities on the international stage.

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<sup>5</sup> VCCI 2022.

<sup>6</sup>Minilateralism: An international relations concept that involves small groups of nations collaborating to tackle problems or pursue mutual goals with an emphasis on shared interests instead of shared values or ideological alignment. Cf. [Mladenov 2023](#).

- Vietnam's growing manufacturing capacities should not be pitted against China's capacities, instead both industries should be used in tandem. Synergetic effects are sure to follow high volume engagement.
- Following the impressive economic growth and foreign investment Vietnam's leadership is eager to expand its position in Southeast Asia and the world. It has clearly voiced the willingness to invest time and resources into the cooperation with international partners.

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BWA Global Economic Network is a Berlin based, internationally active think tank for economic diplomacy and association of German foreign trade based in Berlin. It unites more than 20 years of expertise from leading executives from business, science, politics and diplomacy who promote the idea of a global eco-social market economy.

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