Vietnam Rising: Why Multinational Corporations Should Invest in Southeast Asia's Fastest-Growing Economy

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Abstract

This paper examines Vietnam's transformation from a war-torn country into one of the fastest growing economies in Southeast Asia. It analyzes five factors that shape Vietnam's growth: its economic institutions, which have made significant progress since the Doi Moi reforms; its key industries, including manufacturing, technology, and tourism; its labor force and education system, which provide low-cost workers who are becoming increasingly skilled; its evolving business environment, which faces significant challenges but is improving in areas like trade openness and infrastructure; and its political institutions, who used to face widespread corruption but are now improving in their transparency and corruption reduction policies. Drawing on economic data and recent investment trends, the paper argues that Vietnam's combination of rapid growth, openness to foreign capital, and young workforce creates strong opportunities for MNCs.

Introduction

In a shifting global economy, where should MNCs look next for long term growth-and why is Vietnam at the top of that list? The answer lies in its blend of rapid recent growth, historical and political reform, and future opportunity. This paper will expand on the four factors that make Vietnam an ideal destination for multinational corporations to invest in. These four factors are Vietnam's economic institutions; its key industries including manufacturing, technology, and tourism; its labor force; and its business environment.

While Vietnam has seen impressive recent growth, these successes didn't appear overnight. Vietnam was first colonized by the French, giving them access to the South China Sea, one of the world's busiest maritime trade routes. During World War 2, the Japanese took control of Vietnam, who were soon kicked out by Ho Chi Minh and his Viet Minh revolutionaries. Fearing the spread of Minh's communist ideas in Vietnam, the United States divided Vietnam and started a war against North Vietnam, who was led by Minh. After years of costly fighting and declining domestic support American troops withdrew 9 years later. After the US left, the South Vietnamese military did not last very long and Saigon soon fell, leading to the reunification of the country under communist rule.

After the end of the war, Vietnam suffered from economic crisis due to hyperinflation, shortages of imports, and low agricultural productivity. In 1986, the government finally acknowledged the failure of their economy and launched the Doi Moi reforms. One of the main policies of Doi Moi was opening Vietnam to trade with the outside world. This policy boosted exports and significantly increased Vietnam's GDP and helped Vietnam transform from an economy that was mainly centered around agriculture to one that is now centered around manufacturing. Vietnam also encouraged private enterprise through Doi Moi, which created jobs, greatly reduced poverty, and attracted foreign investment into Vietnam's new industries.

Over the following decades, Vietnam transformed from one of the world's poorest nations into a dynamic emerging economy. GDP per capita surged from under $700 in 1986 to nearly $4,500 by 2023, and annual GDP growth now regularly reaches 6–7%, among the fastest in Asia. These market reforms encouraged industrialization, created millions of jobs, reduced poverty to under 4% of the population, and deepened Vietnam's integration into the global market.

Today, Vietnam offers a compelling blend of political stability, a young and energetic workforce, and open, investor-friendly policies. The government continues to invest in infrastructure and embrace international trade and investment, further enhancing Vietnam's appeal. With this foundation, the following sections will detail how Vietnam's institutions, industries, workforce, and business environment position it as one of the world's most promising destinations for long-term growth.

Economic Institutions and Landscape

Vietnam has shown extraordinary growth in the past forty years since the Doi Moi reforms. In fact, Vietnam's GDP has more than quadrupled since 2009, going from 106 billion USD to 429.7 billion USD in 2023. Over the past 10 years, its CAGR is 6.8%, which is 8th in the world over that time period. In more recent years, Vietnam's GDP growth rate has been 5.05% in 2023 and 7.09% in 2024, exceeding the government's target of 6-6.5%. For multinational corporations, this GDP growth signals an increase in consumer spending as well as an increase in government spending in areas such as infrastructure and education. Vietnam's performance is quite impressive compared to its neighboring Southeast Asian countries, as it has the highest GDP growth rate in Southeast Asia. ASEAN (Association of Southeast Asian Nations) as a whole has an average GDP growth of 4.1%, showing that there is growing demand for Vietnamese exports, reducing the risk of investing.

Vietnam has shifted from an agriculture focused economy to a manufacturing focused economy. In 1990, 40% of Vietnam's GDP came from the agriculture industry and 12% came from manufacturing. Nowadays, manufacturing contributes to about 25% of Vietnam's GDP and agriculture only contributes 12%. This shift indicates increasing industrialization, which is attractive to investors looking for efficient supply chains and industrial infrastructure. It also suggests Vietnam's workforce is increasingly skilled and oriented toward factory and service jobs, which aligns with MNCs' labor needs. Another reason why Vietnam's GDP is growing is because of its tourism growth. Vietnam's natural beauty and cultural heritage have made it a popular destination, and post-pandemic recovery in travel has boosted the economy. In 2000, Vietnam had 2.1 million tourists, compared to 17.5 million in 2024. This is accompanied with about a 4% increase in percent of Vietnam's GDP from foreign tourism in that same time period. For investors, the rising importance of tourism signifies growing opportunities in hospitality, travel services, and consumer goods. In short, Vietnam's growth is not only fast but increasingly diverse - led by manufacturing and bolstered by services like tourism.

As the Vietnamese economy rapidly expands, investors may be wary of overheating in the economy, which can lead to high inflation. Vietnam's target inflation rate is 4%, and it has kept around that in the past two years with the inflation rate being 3.25% in 2023 and 3.63% in 2024. This inflation rate being around the target range is good for investors in two ways: it shows that costs will be predictable, and indicates currency stability compared to other currencies. Costs being predictable means that an MNC operating in Vietnam can plan its budgets and pricing strategy with greater certainty, without fear of sudden cost spikes taking away profits. As for currency stability, in 2023–2024, the Vietnamese dong depreciated only 2.2% against the US dollar, reflecting confidence in Vietnam's economy and inflation under control. A stable currency is crucial for foreign investors because it reduces the possibility of significant losses when converting funds back to their home currency.

Vietnam also boasts an extremely low unemployment rate, which speaks to the strength of its labor market and economy. In 2024, the unemployment rate was 1.43%, which is 13th lowest in the world and down 0.2% from the previous year. Over the last 20 years, the unemployment rate in Vietnam has averaged around 1.7%. For investors, this shows that Vietnam has a strong labor demand with lots of demand for their products and lots of workers in the job market. Low unemployment is also associated with social stability, as seen in COVID when Vietnam had one of the lowest unemployment rates in the world at 2.1%. This shows that the social order is well maintained during global downturns and reduces the risks related to labor unrest or unstable consumer markets. However, this low unemployment rate may lead to not enough qualified workers being available for hiring for new businesses, hindering their ability to grow. This is especially prevalent in more rural areas or small towns because Vietnam's six largest regions contribute to 50% of Vietnam's GDP, showing how the smaller cities have weaker infrastructure and workers with less talent. Vietnam also has a net immigration in 2024 of -60,000 people, so not many new workers are coming into the country meaning there will be less qualified workers available for hiring.

These factors have made Vietnam emerge as a market for foreign direct investment, and recent FDI trends show this. In 2023, Vietnam attracted $39.4 billion in FDI inflow, a 32.1% increase from the previous year. While 2024 saw FDI inflows dip slightly down to $38.2 billion, this level was still exceptionally high. Many key investors include companies from South Korea, Singapore, Japan, and China, which have expanded their Vietnam operations in electronics manufacturing, smartphone production, textiles, as well as mega projects in real estate and energy. This demonstrates interest and confidence in Vietnam's overall development, which reduces risk for potential investors. Vietnam has multiple pro-FDI policies, such as tax holidays and land incentives in industrial zones, further encouraging foreign capital. High FDI inflows also create a cycle that benefits new investors, as it fuels Vietnam's GDP growth and contributes to job creation, technology transfer, and export expansion. Over 70% of Vietnam's exports are produced by the foreign investment sector, proving how FDI has become integral to the economy.

Key Industries: Manufacturing

The manufacturing industry in Vietnam has witnessed a tremendous development over the last decade and has emerged as a pillar of the economy. Manufacturing in 2010 accounted for 17% of Vietnam's GDP and, as mentioned earlier, in 2024, manufacturing accounted for 25% of the GDP. The industry has also been quite resilient amid global shocks, as seen in the year 2021 when the manufacturing output increased by 8% amidst the COVID pandemic. This performance has solidified manufacturing as a significant contributor to Vietnam's GDP growth.

Foreign direct investment is one of the main reasons behind Vietnam's success in manufacturing. As discussed above, the Vietnamese government has pushed a lot of pro-investment policies since the Doi Moi reforms. In 2023, the FDI in the manufacturing sector reached USD 23.5 billion, representing 64% of the country's FDI capital. Some of the biggest global firms to invest in Vietnam include Samsung, Foxconn, and LG, which all use Vietnam for its electronics manufacturing. In fact, Samsung invested $18 billion in Vietnam, making Vietnam Samsung's largest production base for smartphones. These investments majorly boost exports and bring in technology expertise, helping Vietnam's success.

There are three main reasons why foreign investment in Vietnam's manufacturing sector has increased so much. First, Vietnam has incredibly low labor costs and their wages are around 30-50% lower than China and other ASEAN countries, allowing investors to save a lot of money on operating costs. Second, Vietnam is a very strategic location for supply chains. Vietnam has easy access to regional powers such as China, Taiwan, and Hong Kong and has modern ports, meaning that investors can easily export their goods to large markets. Additionally, Vietnam has many free trade agreements, such as the EU–Vietnam Free Trade Agreement (EVFTA) and the UK–Vietnam FTA that eliminate or reduce tariffs for Vietnamese goods entering Europe. Vietnam is also part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), linking it with 10 other countries that border the Pacific ocean. These and other trade pacts (including ASEAN agreements) allow manufacturers in Vietnam to export to key markets in North America, East Asia, and Europe with lower tariffs and fewer barriers.

Vietnam's manufacturing output has both expanded and diversified, driving a boom in exports. In the late 20th century, Vietnam's main exports were agricultural products like rice, coffee, and rubber.

While these exports still do remain important, as Vietnam is the third largest exporter of rice, second largest exporter of coffee, and fifth largest exporter of rubber, the country is now increasingly known for electronics and high-tech manufacturing. In fact, electronics have become Vietnam's top export category, as they are 30% of Vietnamese total exports. Vietnam's four biggest exports are telephones at 62.9 billion USD, integrated circuits at 32.4 billion, sound recording equipment at 24.7 billion, computers at 17.6 billion, and broadcasting equipment at 12.3 billion, all of which are electronic exports. In addition, traditional products other than agricultural products are still large in Vietnam, as Vietnam is the second largest exporter of footwear in the world and the third largest exporter of sweaters. This diversification toward higher-value products like electronics and machinery, alongside steady growth in apparel and other sectors, has propelled Vietnam into the ranks of top manufacturing exporters.

Despite its impressive growth, Vietnam's manufacturing sector faces several challenges that it must navigate to sustain momentum. While Vietnam's workforce is large, there is a shortage of highly skilled technicians for advanced manufacturing fields, such as semiconductor manufacturing. These fields are increasing in demand, meaning that companies that specialize in these advanced electronics will increasingly invest in countries with more highly skilled workers, like China. Furthermore, another challenge is that many Vietnamese factories only handle assembly or processing steps while relying on imported components. The manufacturing sector needs to deepen supporting industries and technology capabilities so that more production parts are made domestically, which is important for long-term competitiveness as the world becomes more technology based. This connects back to developing higher-tech industries and boosting productivity so Vietnam isn't seen as a low-cost assembly hub.

Key Industries: Technology and Startups

Vietnam's startup ecosystem has expanded dramatically in recent years. As of 2022, the country was home to about 3,800 tech startups, and $529 million dollars were invested in these startups. In 2024, Vietnam was ranked 50th in the world in venture capital deal volume, a major improvement from 77th in 2022. In fact, Ho Chi Minh City recently climbed to rank 5th among Southeast Asian startup ecosystems, and 110th globally in 2025. There are also many incredible successful startups in Vietnam, as it has two startups worth over $1 billion: MoMo and Sky Mavis, and 11 startups worth over $1 million. This growing startup ecosystem means that there is a broader range of investable companies for investors and also means that there will be more innovative startups that MNCs can invest in and get strong returns. This also attracts more skilled workers to Vietnam because when there are many successful startups, more skilled workers will come into Vietnam, increasing the potential returns for MNCs because these startups will be constantly improving.

While 90% of venture capital funding in Vietnam's startups comes from foreign firms, there are many regulatory challenges. Because of these challenges in Vietnam's legal system, many foreign venture capital firms insist Vietnamese startups register a holding company in Singapore before they invest, which is called the "offshore parent company" structure. This workaround allows investors to avoid some of the bureaucratic uncertainty and currency transfer restrictions that still exist in Vietnam's domestic legal framework. Moreover, while the startup ecosystem is expanding, Vietnam has had very few major startup exits by IPOs or acquisitions, which can make investors cautious about their ability to eventually profit. However, the Vietnamese government has been fostering startups through their policies. For example, In 2019, the government established the National Innovation Center, which provides training to tech entrepreneurs and supports new startups. The government has also refined legal frameworks, like Decree 38 in 2018 on venture capital, to facilitate funding. While Vietnam's foreign venture capital scene is tough, its local VC scene is emerging, with 40 VC firms being made under Decree 38, managing over 4 million dollars to invest in startups.

The digital economy – fintech, e-commerce, streaming, and other technology services – has been a rising source of Vietnam's GDP. In 2023, it accounted for over 12% of Vietnam's GDP, a huge rise from 4.9% in 2010. It has grown even more dramatically in recent years, and contributed to 18.3% of Vietnam's GDP in 2024, making Vietnam the fastest-growing digital economy in Southeast Asia. This is because of three factors: Growing use of the internet, as 70% of the people of Vietnam have access to the internet; government programs such as the "National Digital Transformation Program by 2025," which focused on improving digital infrastructure and making more public services digital; and a pandemic-driven surge in E-commerce and online services as well as startups. The government views the digital economy as an area for future growth and is targeting it to account for 30% of the GDP by 2030.

As technology becomes increasingly more sophisticated, Vietnam may struggle to keep up. Vietnam has a limited amount of skilled workers in advanced tech fields such as cloud computing, artificial intelligence, and cybersecurity, and the pipeline of education is not keeping up with these industry needs. Also, many of Vietnam's best young developers and engineers are emigrating to larger technology companies abroad for higher pay. Vietnam is projected to need 700,000 advanced technology workers by 2025, but will only be able to produce 500,000, meaning they are 200,000 skilled tech employees short. This trend raises concerns about Vietnam's ability to retain the human capital needed to become a true tech powerhouse.

Key Industries: Tourism

Vietnam's tourism industry has emerged as one of the country's most rapidly growing sectors, offering large opportunities for MNCs. In 2024, Vietnam welcomed 17.5 million international tourists, up from only 2.1 million visitors in 2000. Domestic tourism has also boomed with over 110 million internal trips in 2024, reflecting the rising spending power and travel interest of the Vietnamese middle class. In 2024, Vietnam's tourism market was valued at 17.9 billion dollars, and is expected to reach 42 billion dollars by 2030, with a CAGR of 15.34%, showing how the market will continue this rapid growth exponentially.

Tourism's contribution to Vietnam's economy has also climbed steadily. It accounted for 5.52% of the GDP in 2023, and 7% in 2024, compared to only 3.26% in 2000. While this growth may appear slow, in 2019 before COVID, tourism contributed to 9.2% of the country's GDP, while in 2020, tourism only contributed 2.91%. This shows that tourism has recovered well in Vietnam since the pandemic and is almost back to its pre-pandemic form, where it had 18 million visitors. As of June 2025, Vietnam has had 10 million tourists, showing that 2025 is projected to be the most heavily visited year in Vietnam's tourism history. Beyond GDP, tourism supports a significant portion of the workforce, as in 2024, 5.96 million jobs nationally were related to the industry, which is 1 in every 9 jobs in the country.

The Vietnamese government has taken active steps to promote tourism and recover it from the pandemic by reducing barriers for international visitors. For example in 2023, it extended visa-free stays to citizens from 13 countries, including South Korea, Japan, and several European nations, allowing them to stay up to 45 days without a visa. Additionally, in 2023, Vietnam made e-visas open from just 80 countries to all countries. This boosts tourism because e-visas are cheaper and are quicker to get. These changes immediately boosted international arrivals and improved Vietnam's accessibility for global travelers.

My own experiences as a visitor highlighted how widespread tourism from many nationalities have become. For example, at the hotel I stayed at in Da Lat, the breakfast buffet signs had Korean on them in addition to Vietnamese and English. In fact, Korean tourists have increased by 27% since they were allowed visa free travel to Vietnam, and they are 26% of Vietnam's international tourists, the most of any country. In addition, Vietnam has many beautiful landmarks and is very affordable for tourists, which are large reasons why I also saw a lot of Indian and Australian tourists.

Despite its remarkable growth, Vietnam's tourism industry still faces several challenges. Overcrowding is becoming a major problem in hotspots such as Ha Long Bay and Hoi An. During peak seasons, these areas experience traffic congestion, especially Ha Long Bay with boats everywhere you look. Another challenge is accessibility for elderly travelers. As more overseas Vietnamese people come back to the country they fled, many are older and require more accessible infrastructure, such as elevators, ramps, and senior-friendly transportation. For instance, when I traveled to Vietnam with my family, we could not visit a lot of places that required a lot of walking or stairs because my grandparents had trouble with them. Enhancing accessibility will be key if Vietnam wants more visitors.

Labor Force and Education

Vietnam has steadily improved educational attainment over the past few years. 11.5% of Vietnamese adults aged 25+ held a bachelor's degree in 2022, compared with 10.2% in 2019. Additionally, college enrollment has increased from 28.5% to 42.2% in that same timespan. These gains are even bigger when we look back further in time, where in 2009, only 5.4% of Vietnamese adults held a college degree. While these numbers are growing, they are still lower than much of Southeast Asia.

To address these gaps, the Vietnamese government has launched a series of policies to expand university capacity and improve quality of education. For example, Vietnam's Education Development Strategy calls for at least 5 Vietnamese universities to rank in the top 500 universities by 2030, and to raise the percent of university teachers with a doctorate degree to 40%. To support this, Vietnam's Ministry of Education and Training announced a plan in 2025 to create 50-60 research-oriented universities that are capable of offering doctoral degrees by 2030. These policies include upgrading weaker institutions and giving funds to priority areas of study, reflecting Vietnam's push to build a more innovative, well-trained workforce.

Vietnam's labor force has grown substantially over the past two decades. In 2000, the labor force was only 38.6 million, while today it is about 53 million people. Vietnam's labor force also quickly recovered from the pandemic in one year, as in 2021 it was 50.5 million people and in 2022 it was 51.7 million people, exceeding the 2020 and 2019 labor forces.

However, Vietnam's labor force still faces skill challenges. Only about 23% of workers held formal vocational certificates or diplomas in 2019, meaning that 75% of workers have no formal vocational training, likely caused by the low number of people who are college graduates. The shortage of formally trained workers is widely noted as a constraint: for example, a 2020 report warned that the "low quality of the labour force" would hinder Vietnam's adaptation to new technologies. Bridging this gap, especially in rural areas, is an ongoing priority.

Vietnam's minimum wages are very low, making it an attractive destination for investment. The minimum wages differ across regions, with Region 1 being defined as major urban areas like Ha Noi, Region 2 and 3 being less developed than Region 1 but more developed than Region 4, which are the least developed areas, such as most of the Cao Bang and Ha Giang provinces. In Region 1, the minimum wage is 4.96 million VND, or 198 USD per month. In Region 4, the minimum wage was set at 3.45 million VND, or 138 USD per month. Vietnam has the third lowest minimum wage in Southeast Asia, behind Laos and Cambodia, and is often seen as a cheaper alternative to China for manufacturing. In fact, many global firms such as Samsung, Honda, and Boeing have expanded to Vietnam from China recently. In summary, Vietnam offers MNCs a high-volume labor market that is cheaper than many alternatives, with improving technical skills – a combination that supports competitive production costs.

Business Environment

Vietnam's business environment has improved slightly over the past decade. In the World Bank's 2023 Logistics performance Index (LPI), Vietnam ranked 43rd out of all countries, an improvement from 53rd in 2010. The LPI measures how efficiently goods can be moved into and within a country by six metrics: customs efficiency (how quickly customs clearances are processed), infrastructure quality (roads, ports, etc.), ease of arranging international shipments, logistics competence (the skill level of freight and transport companies and workers, tracking and tracing systems for goods, and timeliness (how reliably shipments can reach their destination on schedule). Vietnam scored a 3.1 out of 5 on customs, 3.2 on infrastructure, 3.3 on international shipments, 3.2 on logistics competence, 3.4 on tracking and tracing, and 3.3 on timeliness. These scores highlight Vietnam's growing capacity to support global trade.

Vietnam is taking steps to improve this score, specifically the infrastructure quality score. For example, they are working on the North-South Expressway, a system of highways that spans the length of the country. As of 2025, about 1400 km of this expressway are operational with 600 km left unfinished, but it is planned to be finished in 2030. In addition to the highways, Vietnam also plans to build a high speed rail to connect Hanoi and Ho Chi Minh City. The railway would cost an estimated $60 billion USD and reduce the travel time from almost 30 hours to around 6 hours. The government anticipates construction to begin by 2027, and even private investors like Vingroup are volunteering to help finance construction. Digital infrastructure is another policy priority. Vietnam is planning to cover over 99% of the population with 5G mobile network by 2030, with high-speed internet access almost everywhere. By the end of 2024, 99.9% of Vietnamese people had access to 4G, with 5G rapidly expanding through large cities. This is expected to boost e-commerce, tech production, and digital services across the country. Despite these gains, Vietnam's business environment must contend with extreme environmental and climate risks. The country's rapid manufacturing growth has come with a lot of pollution, which I saw for myself in places like Hanoi and Ho Chi Minh City, where the gray smog was visible in the air, and I could smell it. In fact, one week after I left Hanoi, it had an AQI of 305 and was ranked as the world's most polluted city that day. Other than air quality, Vietnam is also highly vulnerable to sea level rise due to climate change. Having a 3,300 km coastline and two deltas (Mekong and Red River), it is prone to flooding and storm surges. 46% of Vietnamese face flood risks, which is the third highest in the world. Policy-wise, Vietnam has made bold climate commitments–it ratified the Paris Agreement and in 2021 pledged to reach net-zero carbon emissions by 2050, showing that Vietnam is set on following sustainable development. Action-wise, Vietnam's renewable energy use has greatly increased. By 2022, the country was generating huge amounts of clean energy: about 345,000 TJ of its domestic energy was hydropower (45% increase since 2019), and about 135,000 TJ was wind and solar (a 576% increase since 2019). With its dams and recent solar and wind farms boom, about 50% of Vietnam's electricity generation is renewable. This, for investors, translates to greater opportunity to invest in renewable energy companies and that Vietnam has made significant progress to be net-zero.

Foreign investors continue to face several logistical difficulties despite Vietnam's strong FDI inflows. There are no railways from ports to production centers, and therefore the products typically move by road, raising transit and freight costs. This overdependence on roads pushes logistics costs to approximately 16–17% of GDP, higher than in industrialized nations. Even while the government actively invests in improving infrastructure like this, it takes time. Until then, Vietnam may lag behind other regional countries like Thailand and China.

Administrative complexity continues to affect Vietnamese businesses. Although reforms have cut the time to register a new firm to about 1.5 months, investors often report difficulty in navigating Vietnam's corporate taxation system, as there are many recurring policy changes and unclear legal frameworks that bring about uncertainty. One experienced Vietnamese lawyer said that "there are still certain administrative procedures or legal issues that are not stipulated explicitly enough… leaving [enterprises] confused." The second important barrier is the language issue. All official documents must be written in Vietnamese, and all foreign documentation must be translated, taking a lot of time and money for many companies. Investors generally agree that while investing in Vietnam offers significant rewards, it also demands patience, flexibility, and a clear long-term outlook.

Political Institutions

Vietnam is a one-party socialist state where the Communist Party of Vietnam (CPV) holds a monopoly on political power. No opposition parties are allowed, and elections are held once every five years for the National Assembly, the country's legislative body. The President is elected by the Assembly, and the President appoints the Prime Minister, while the CPV Central Committee elects the general secretary, the most important individual in the hierarchy. CPV members hold all top government positions, and they meet once every five years to decide on their policy direction. This centralized structure allows the CPV to set the long-term policy direction of the nation without opposition from other parties.

One of the key benefits of this system is that it allows for long term planning and consistent economic policies. Because leadership does not change as frequently as in multi-party democracies, Vietnam's leadership can develop long term plans for development, and actually implement them as well. This can be seen in the Doi Moi reforms covered in the introduction, which took a long time to formulate. Over the decades, CPV has maintained a steady focus on export-led growth, infrastructure building, and trade integration, which has created a predictably relatively stable policy environment allowing for high GDP growth and industrialization.

Despite its allowance for long term planning, Vietnam's government is plagued with numerous transparency issues. Due to the concentration of power and absence of competition, government processes are not very transparent, which makes businesses uncertain, as it becomes harder to know how decisions are made and the outcome of the decision. Corruption is also a major issue. Vietnam placed 88th in Transparency International's 2024 Corruption Perceptions Index with a score of 40, a drop from 77th position in 2022. Between 2012 and 2020, approximately 57,000 officials were fired for corruption offenses, revealing the magnitude of the issue.

The government's continuing anti-corruption campaign, known as "blazing furnace," has either ousted or brought to trial numerous senior officials, such as Vo Van Thuong, the former president, in 2024. While the campaign has been popular with locals, it has also generated short-term uncertainty. Some officials have become hesitant to approve projects because they fear investigation, which has slowed decision-making in sectors such as real estate and infrastructure. For investors, this means that Vietnam has long-term political stability on its side but also faces governance risk that can affect the certainty and speed of policy implementation.

Conclusion

In conclusion, Vietnam's economy since the Doi Moi reforms has been defined by robust growth, making it increasingly attractive to foreign investors. In the past 15 years, the economy has more than quadrupled, from $106 billion in 2009 to $476 billion in 2023, and now boasts one of the fastest growth rates in Southeast Asia. Manufacturing has been a big driver of this, with Vietnam being seen as a cheaper alternative to China by a lot of the world. Combined with Vietnam's digital economy and resurging tourism sector, these three industries have driven record expansion and FDI inflows, helping Vietnam diversity beyond its past that was focused on farming. Inflation remains around the stable 3-4% range and the currency has seen minimal depreciation, while continued infrastructure upgrades strengthen Vietnam's capacity to support growth, bolstering its positive trajectory.

Despite these strengths, Vietnam faces many notable challenges. It has a shortage of skilled workers in advanced manufacturing and technology that could limit future growth as the world becomes more technology and AI oriented. Investors also face regulatory hurdles, for instance, many Vietnamese startups are incorporated in foreign countries to avoid legal uncertainties in Vietnam. Furthermore, government issues persist under the one-party system: transparency is limited and corruption remains a concern, which are both factors that can slow decision making for companies and add risk to investments. Overall, Vietnam offers a favorable climate for foreign investors, as its high growth and diverse economy outweigh the challenges, suggesting that those who invest in Vietnam will have strong potential returns.

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