

8.0% Real GDP growth 2025 (8.2% H1 2026; target 10%)	\$514 bn Nominal GDP 2025	\$5,026 GDP per head 2025 (under \$500 in 1986)	\$27.6 bn Record FDI disbursed 2025; FDI firms 70%+ of exports	\$20 bn Trade surplus 2025; US surplus \$134 bn
3.3% CPI 2025; 4.9% Aug 2026 (fuel prices)	2.2% Unemployment 2025; ~64% of jobs informal	1.91 Fertility rate 2024, record low; ageing	~0.36 Gini coefficient 2022 (World Bank)	~92% Goods exports % of GDP 2025 (\$475 bn)

STRUCTURE OF THE ECONOMY

	% OF GDP (2025)	% OF JOBS (APPROX.)
Agriculture	11.6	~26
Industry & construction	37.7	~34
Services	42.8	~40

- A quarter of workers still farm → surplus labour (Lewis model). Product taxes = other 8%.
- AD mix:** exports and FDI-led investment; X and M each ~90% of GDP.
- GDP vs GNI:** foreign firms repatriate profits, so GNI < GDP.
- System:** one-party state with a "socialist-oriented market economy"; SOEs ~a fifth of GDP.

MAIN INDUSTRIES

- Electronics:** computers \$107.7 bn + phones \$56.7 bn exports (2025); Samsung.
- "China plus one" FDI:** Apple suppliers, chip packaging, LEGO.
- Garments & footwear:** ~\$40 bn garments; Nike, Adidas shoes.
- Agriculture:** rice, coffee (2nd largest producer), seafood; farm exports \$39.5 bn.
- SOEs:** PetroVietnam, EVN, Viettel, Vietcombank.
- Private groups:** Vingroup (VinFast EVs), Hoa Phat steel.

GROWTH STORY: TURNING POINTS

1975 Reunification; central planning, hyperinflation	1986 Doi Moi: command → market economy	1994–95 US embargo lifted; joins ASEAN	2007 Joins WTO; Samsung arrives 2009
2018–20 US–China trade war; CPTPP; EU FTA	2022 Bond/property crisis; SCB fraud	2025 US tariff 46% threat → 20%; provinces 63 → 34	2026 10% target; US tariff 12.5%; H1 growth 8.2%

Model: FDI + trade deals → export factories → farm workers move to factories → incomes ↑. **Catch:** assembly of imported parts; low local value added.

EIGHT PROBLEMS

PROBLEM	EVIDENCE	SPEC LINK
FDI dependence	Foreign firms 70%+ of exports	FDI, GNI vs GDP
US tariff exposure	US surplus \$134 bn (2025)	Protectionism
Ageing	Fertility 1.91 (2024)	Dependency ratio
Low productivity	~29% of workers qualified	Human capital
Power & infrastructure	Blackouts in north 2023	LRAS constraints
Banks & property	SCB fraud; bond freeze 2022	Financial sector
Energy prices	CPI 4.9% (Aug 2026)	Cost-push
Climate	Typhoon Yagi (2024)	Externalities

POVERTY & DEVELOPMENT

- Poverty (\$4.20/day) 14% (2010) → under 4% (2025), World Bank.
- Electricity access 14% (1993) → ~100%; infant deaths 32.6 → 11.3 per 1,000.
- Life expectancy ~75; strong school results for its income.
- Gini ~0.36; city vs highlands gaps widening.
- Ethnic minorities (~15% of people) are a large share of the remaining poor.

High income by 2045? Needs income per head to triple: ~6% growth a year for 20 years (World Bank).

CLASSIC CHAINS USING VIETNAM

FDI-led growth: FDI inflow → I ↑, AD ↑ → factories hire ex-farm workers → productivity and wages ↑ → LRAS ↑ → but profits repatriated, low local value added.

Trade diversion: US tariff on China → Chinese goods dearer in US → firms and buyers switch to Vietnam → exports and FDI ↑ → bigger US surplus → US tariffs on Vietnam.

Ageing: low fertility → labour supply growth slows → wages ↑ → cheap-labour advantage fades → LRAS grows slower unless productivity rises.

A · DATA RECALL (1 MARK EACH)

1. Real GDP growth in 2025: _____
2. Year of the Doi Moi reforms: _____
3. GDP per head in 2025: _____
4. FDI disbursed in 2025: _____
5. Value of exports to the US in 2025: _____
6. Average CPI inflation in 2025: _____
7. Year Vietnam joined the WTO: _____
8. Fertility rate in 2024: _____

B · MATCH THE EVIDENCE TO THE ECONOMIC CONCEPT

VIETNAM EVIDENCE	LETTER	CONCEPT
1. Firms move assembly from China to avoid US tariffs		A. Cost-push inflation
2. Foreign firms send profits home		B. Managed exchange rate
3. Diesel up 22%, CPI rises to 4.9%		C. Trade diversion
4. Central rate with a ±5% trading band		D. Trading bloc / FTA
5. EVFTA removes most tariffs with the EU		E. GNI below GDP
6. Farm workers move to factory jobs at higher wages		F. Lewis model / labour transfer

C · COMPLETE THE CHAINS

1. FDI inflow → _____ → new factories hire workers → _____.
2. US tariff on Vietnamese goods → _____ → _____ → fewer export orders.
3. Falling fertility → _____ → _____ → cheap-labour advantage fades.

D · EXAM-STYLE QUESTIONS

Extract. In 2025 Vietnam's real GDP grew by 8.0%. Exports rose 17% to \$475 billion; \$153 billion went to the US. The goods trade surplus was \$20 billion. In April 2025 the US threatened a 46% tariff on Vietnamese goods, later agreeing a rate of 20%, with 40% on goods judged to be transshipped from other countries.

(5 marks) With reference to the extract, explain one reason why the US imposed tariffs on Vietnamese goods.

(8 marks) Examine two ways in which FDI has contributed to Vietnam's economic growth.

E · PLAN A 25-MARK ANSWER

(25 marks) Evaluate the extent to which an FDI and export-led strategy will allow Vietnam to reach high-income status by 2045.

ARGUMENTS FOR (WITH VIETNAM EVIDENCE)	ARGUMENTS AGAINST / DIFFICULTIES
OVERALL JUDGMENT: IT DEPENDS ON...	

A · DATA RECALL

1. 8.0% (8.02%)
2. 1986
3. About \$5,000 (\$5,026)
4. \$27.6 billion
5. \$153 billion
6. 3.3% (3.31%)
7. 2007
8. 1.91

B · MATCHING

1 → C · 2 → E · 3 → A · 4 → B · 5 → D · 6 → F

C · CHAINS

1. Investment rises / AD rises and capital stock grows → productivity, wages and LRAS rise (labour moves from farms to factories).
2. Price of Vietnamese goods in the US rises → US quantity demanded falls / buyers switch to other suppliers (depends on PED).
3. Labour supply growth slows / working-age share falls → wages rise faster than productivity (and dependency ratio rises).

D · EXAM-STYLE GUIDANCE

5 marks: Define a tariff: a tax on imports (1). Use the extract: exports to the US \$153 bn, a very large bilateral surplus (1–2). Explain: the US wanted to cut its deficit and protect US producers and jobs; or to stop Chinese goods being routed through Vietnam (hence the 40% transshipment rate) (2). Must use extract data.

8 marks: Way 1: FDI adds to investment, raising AD and the capital stock (LRAS); \$27.6 bn disbursed in 2025. Way 2: foreign firms create export capacity and jobs (70%+ of exports; Samsung phones), moving workers from farms to factories and bringing technology. Evaluation (2 points for full marks): low local value added because parts are imported; profits repatriated so GNI < GDP; footloose capital could leave if wages or tariffs rise; benefits depend on linkages with local suppliers.

E · 25-MARK PLAN: POINTS TO LOOK FOR

For reaching high income

- Sustained ~6–8% growth; GDP per head under \$500 (1986) → \$5,026 (2025).
- Steady FDI from "China plus one"; record \$27.6 bn in 2025.
- Wide trade deals (CPTPP, EVFTA, RCEP) spread market risk.
- Strong schooling for its income level.
- Low public debt (~35% of GDP) funds infrastructure.

Against / difficulties

- Needs income per head to triple: ~6% a year for 20 years.
- Assembly of imported parts; local firms weak.
- Ageing: fertility 1.91, golden phase ends ~2040.
- US tariffs and transshipment scrutiny.
- Power shortages, SOE dominance, banking weaknesses.

Judgment: FDI and exports took Vietnam to middle income. Reaching high income depends on building local suppliers and brands and raising productivity before ageing bites, as South Korea did. Plausible, but only with deeper reform; compare with China's slowdown at a similar stage.