

# Vietnam's Economic Rise Amid Political Shifts: What It Means for South Korea



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Vietnam's impressive economic growth and strategic geopolitical location have drawn significant attention from global powers like the United States and China. As of 2023, Vietnam is South Korea's third-largest trading partner, making the evolving dynamics in the country particularly relevant for Korean businesses and policymakers. Vietnam achieved an 8% growth rate in 2022, surpassing the GDP of the Philippines – a first among the younger ASEAN member states. Although global economic challenges in 2023 slowed Vietnam's growth to 5%, this remains a strong figure compared to other developing nations. According to the Asian Development Bank (ADB), Vietnam's economic growth is projected to rebound to 6% in 2024, driven by exports and foreign direct investment (FDI).

Amid global transformations, including deglobalization, decarbonization, and digital innovation, Vietnam is expected to further strengthen its role as a manufacturing powerhouse in Southeast Asia and a key hub in global supply chains. However, internal political challenges and ongoing anti-corruption efforts have recently created a series of uncertainties.

*\* The opinions, findings, conclusions, and recommendations expressed in this article are those of the author(s) and do not necessarily reflect the official policy or position of KIEP.*

## Vietnam's Political Shake-Up

Since early 2023, Vietnam has intensified its anti-corruption campaign, leading to the resignation and dismissal of numerous high-ranking officials, including President Nguyen Xuan Phuc and two deputy prime ministers. The political scene has been marked by the decline of technocrats and the rise of figures from the Ministry of Public Security and the military.

The passing of Communist Party General Secretary Nguyen Phu Trong in July raised concerns about political stability among foreign investors. In response, To Lam, former Minister of Public Security, was appointed the new General Secretary. He is expected to serve until the 14th National Congress of the Communist Party in 2026. Lam's strong anti-corruption stance and the consolidation of power – mirroring China's political model – have raised concerns about Vietnam's future political landscape. To Lam's temporary dual role as both Party Secretary and President has also fueled worries about the weakening of the collective leadership system that has been central to Vietnam's political stability since the Vietnam War.

Fortunately, plans to elect a new president in October 2024 suggest efforts to restore the balance of power. Vietnam's political system traditionally shares power across four key leaders – the Party Secretary General, the President, the Prime Minister, and the National Assembly Chair – ensuring checks and balances. To Lam's dual roles may raise concerns, but the October election could signal a return to a more stable political structure.

## To Lam's Anti-Corruption Drive and Economic Implications

To Lam has publicly committed to continuing his predecessor's anti-corruption efforts. Over 150 cases of corruption were reported in the first half of 2024 alone, with more than 50 resulting in criminal charges. While this campaign bolsters To Lam's political legitimacy, it could also be a tool for consolidating power ahead of the 2026 Communist Party Congress.

Vietnam's economy, heavily reliant on FDI, is unlikely to suffer significant disruption from the political shake-up. To Lam is seen as a pragmatic leader, valuing economic growth as essential to maintaining the Communist Party's legitimacy. Unlike his predecessor, To Lam is not a socialist theorist and is less likely to pursue ideological agendas like “common prosperity.” His focus will likely remain on practical economic policies that prevent Vietnam from falling into the middle-income trap. While his lack of experience in managing economic policy raises concerns, his commitment to fighting corruption could improve Vietnam's business environment in the long term.

Some short-term challenges, including potential bureaucratic delays and job losses, are anticipated as public officials may act cautiously in the face of intensified anti-corruption efforts. However, in the long term, reducing corruption can be expected to enhance resource allocation and foster innovation, benefiting the economy overall. In particular, transparent business practices are crucial for South Korean companies operating in Vietnam, such as POSCO, CJ, Samsung etc.

### **To Lam's Foreign Policy: Balancing the U.S. and China**

To Lam's foreign policy approach is expected to continue the "bamboo diplomacy" established by Nguyen Phu Trong, balancing relations between major powers like the U.S. and China. His recent visit to China, where he signed 14 memorandums of understanding (MOUs) in the areas of economic cooperation, security, and defense, has raised concerns about Vietnam becoming overly reliant on China. This includes agreements under China's Belt and Road Initiative, such as the Lao Cai-Hanoi-Hai Phong standard gauge railway project.

While these developments may increase Vietnam's economic dependence on China, they do not suggest a weakening of Vietnam's relationship with the West. To Lam previously met with the U.S. Ambassador to Vietnam, Mark Knapper, and reaffirmed Vietnam's commitment to a "comprehensive strategic partnership" with the U.S. In September 2024, during a meeting with President Joe Biden at the United Nations, the two leaders agreed to cooperate on advancing Vietnam's semiconductor industry and strengthening its role in the global supply chain.

### **Korea's Strategic Path Forward**

For South Korea, To Lam's appointment signals a new chapter in Vietnam's political history. However, given his pragmatic approach, we are unlikely to see significant changes in economic cooperation. As Vietnam navigates the competing interests of the U.S. and China, Korea should seize the opportunity to expand cooperation with Vietnam beyond traditional sectors, such as manufacturing, to new areas, including digital economy and soft power. Strengthening these ties will not only benefit the two nations but also enhance Korea's role as a global pivot state.

With Vietnam's economic landscape undergoing transformation, Korean businesses and policymakers must monitor the situation closely to ensure continued and mutually beneficial partnerships. The bilateral trade goals between Korea and Vietnam are set at \$100 billion in 2025 and \$150 billion in 2030. To achieve this, the two countries should not be satisfied with the current achievements of cooperation and will have to expand their cooperation horizons to new areas. These efforts will also help Korea establish itself in the international community as a global pivot state. [KIEP](#)