

# Celebrating 50 Years of Economic Journey in Viet Nam and Germany



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The objective of this publication is to provide an overview of the economic development of Viet Nam and Germany over the last 50 years and to highlight some of the contributions of the German technical cooperation in Viet Nam since the early 1990s. The content is structured around five distinct phases that trace the main economic trajectories of Viet Nam and Germany over the past five decades. Each phase explores the key domestic developments, challenges, and reforms shaping the two countries, while also highlighting moments of bilateral cooperation that supported Viet Nam's transformation. Interwoven throughout are snapshots of German development cooperation, which illustrate how shared experiences and expertise have contributed to Viet Nam's journey toward sustainable growth. This structure allows readers to see not only the parallel paths of both nations but also the deepening of their partnership over time.

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# Foreword

2025 marks the 50<sup>th</sup> anniversary of diplomatic relations between Viet Nam and Germany. Over the past five decades, both countries have undergone profound transformations in their economies - from post-war recovery to global economic integration with its attendant challenges in the 21<sup>st</sup> century.

We are delighted to present this publication as a contribution from GIZ to this special jubilee. It provides an overview of the economic journeys of Viet Nam and Germany across five distinct periods, highlighting the main developments of the two economies. Additionally, we will showcase the contribution of Vietnamese-German technical cooperation in economics.

Since the early 90s, the cooperation targeted the transformation of Viet Nam's planned economy into a market economy, laying the groundwork for future development phases. In recent years, this cooperation has focused on supporting Viet Nam's economic development, which embraces the global trends of digital, green, and just transitions. These efforts support Viet Nam in its quest to become a high-income country by 2045 and achieve net-zero emissions by 2050.

We would like to express our sincerest thanks to the Government of Viet Nam, the Government of Germany, the European Union, and the private sector for their continued trust and support. We also extend our gratitude to our Vietnamese and international partners for their commitment to ensuring the success of our joint efforts in contributing to Viet Nam's sustainable economic development. We are confident that this enduring cooperation will continue to make a significant contribution to a sustainable economy as part of the friendship between Viet Nam and Germany.

Special thanks to Prof. Dr. Javier Revilla Diez and all other contributors for the elaboration of this publication.

Hanoi, October 2025

**Dennis Quennet**

Programme Director Sustainable Economic Development  
GIZ Viet Nam



**VIETNAM - GERMANY**

1975 - 2025

An overview of  
the economic  
journeys of  
Viet Nam  
and Germany  
across five  
distinct periods

# 1975–1986: Viet Nam's Reconstruction and Germany's Prosperity

## 1 Reconstruction and Renewal: Building the Path to Prosperity

★ The end of the Viet Nam-US war in 1975 left the country in a state of devastation. The economy and infrastructure were in ruins, with approximately 25 million acres of farmland and 9,000 villages destroyed in the South, and all major industrial cities in the North severely damaged (*Dodsworth et al.*, 1996).

In 1976 the south and the north were reunified, thus becoming the Socialist Republic of Viet Nam, with a centrally planned socialist economy. Post-war Viet Nam long remained an overwhelmingly agrarian society (about 80% of the population lived in rural areas, mostly engaged in subsistence agriculture) and its industrial base was extremely small.

Wartime destruction, combined with the rigidities of Soviet-style central planning, led to severe economic turmoil in the late 1970s and early 1980s (Viet Nam Government Portal, 2025). Agricultural and industrial production stagnated even as the population grew, resulting in chronic food shortages; by 1979 Viet Nam had to import 2.2 million tons of food to stave off famine (Federal Foreign Office 2025). Basic goods were rationed and living standards plummeted under the wartime subsidy system. Inflation ran into triple digits throughout the early 1980s, surging from 125% in 1980 to an astounding 774% by 1986 (Viet Nam Government Portal, 2025).



Citizens gather in celebration on Reunification Day, 1976

Facing economic collapse, the Communist Party leadership acknowledged that economic reforms were necessary. In December 1986, at the 6th Party Congress, Viet Nam launched the *Đổi Mới* (“renovation”) policy, a landmark reform programme to introduce market mechanisms while maintaining one-party rule. This marked a turning point toward economic liberalisation: Initial reforms de-collectivised agriculture, allowed private trade, and aimed to stabilize the macroeconomy (*Revilla Diez*, 2016).

🇩🇪 During this period, Germany was still divided into social market oriented Federal Republic of Germany (FRG) and socialist German Democratic Republic (GDR). FRG in the 1970s had rebuilt itself from the destruction of World War II and achieved the status of an industrial powerhouse with a high standard of



living. Despite weathering challenges such as two significant oil shocks, the country was in a phase of sustained growth by the mid-1980s, characterised by low inflation and strong exports.

GDR, while one of the more economically developed states in the Economic Cooperation and Assistance Organisation (COMECON), followed a Soviet-style planned model and was showing signs of stagnation by the mid-1980s. The GDR's industrial infrastructure was aging and heavily unproductive, and its centrally planned economy was reaching systemic limits.

Despite these challenges, GDR had forged particularly close ties with reunified Viet Nam after 1975. As socialist allies, the GDR provided technical aid, and under bilateral agreements it hosted tens

of thousands of Vietnamese trainees and contract workers. The FRG, for its part, established diplomatic relations with socialist Viet Nam in 1975 and also received tens of thousands of Vietnamese after the end of the war. This presence of Vietnamese in both parts of Germany created a special connection from which the economies of both countries continue to benefit to this day.

From 1975-1985, the three countries' economic conditions stood in stark contrast. Viet Nam was struggling to rebuild a war-torn, agrarian economy under a rigid centrally planned system, resulting in





ongoing crises of production and living standards. Both parts of Germany, by contrast, had completed its post-WWII reconstruction decades earlier - FRG by the 1980s was an affluent, export-driven market economy, while East Germany, though initially relatively prosperous by international standards, was entering economic stagnation. All three countries had experienced challenges of reconstruction, but on different timelines.

Notably, each country's trajectory was heavily shaped by the Cold War order: Viet Nam aligned with the Soviet-led bloc (relying on aid from the USSR and

adopting a socialist command economy) just as GDR did, whereas FRG was anchored in the Western market-oriented bloc. These geopolitical alignments set the stage for economic transformations to come. Viet Nam's 1986 decision to pursue *Đổi Mới* reforms arose from the internal crisis of its economy. Much the same, GDR's malaise presaged the need for change - though in GDR that change would come with political upheaval that ultimately ended the Cold War. By 1986, Viet Nam stood on the cusp of market reforms to escape collapse, just as Germany was on the verge of a historic reunification that would transform its economic landscape.



# 1986–1992: Reforms in Viet Nam and German Reunification

**2** Two nations transforming their economies and societies in parallel.

★ The Đổi Mới reforms initiated in 1986 began a fundamental transformation of Viet Nam's economy. The late 1980s saw gradual market liberalisation: The collectivisation and liberalisation of agriculture led to a surge in agricultural output. Viet Nam went from chronic rice shortages to becoming the world's third-largest rice exporter by 1989, just two years after near-famine in 1987 (*Dodsworth et al*, 1996). Price controls were relaxed and free markets for goods began to re-emerge. The government also passed its first law on foreign investment in 1987 and other measures in 1988-89 to encourage private business, facilitate import and export activities, and open the door to foreign capital and joint ventures.

These reforms started stabilising the macroeconomy: Hyperinflation was tamed dramatically - inflation fell from 774% in 1986 to around 67% by 1990 - and economic growth resumed in the early 1990s (Dao Thi Hong Nguyen et al, 2017). However, Viet Nam's reform drive faced a shock with the collapse of the Soviet Union in 1991, which cut off the country's main source of external aid and trade. This development heightened the urgency for Viet Nam to integrate with new partners and the global market. In 1992, a new state constitution formally endorsed the goal of a “*socialist-oriented market economy*,” solidifying the commitment to economic

openness and structural reform. By the early 1990s, Viet Nam had emerged from post-war isolation - though the U.S. trade embargo would remain in place until 1994 - and pursued the goal of normalising relations in Asia and Western Europe and sought foreign investment to propel its development (*Revilla Diez*, 2016).

🇩🇪 In Germany, this period was defined by the momentous event of German reunification. The fall of the Berlin Wall in November 1989 and the subsequent reunification of East and West Germany in October 1990 created a massive economic integration challenge. West Germany's booming late-1980s economy suddenly had to integrate the formerly socialist and stagnating economy of East Germany. The immediate post-1990 years saw large public investments by the West to upgrade East Germany's infrastructure and industries. There was an initial surge of consumption and construction in the East, which contributed to overall German economic growth in 1990-91. However, the transition was difficult: many East German factories proved uncompetitive and collapsed when exposed to the free market, leading to widespread job loss in the East. The German government transferred billions of Euros to the east German states to directly support enterprises, build roads and telecommunication networks, and prop up social ser-





On 3 October 1990, the history of the two German states as separate states officially ended.

vices. According to the Leibniz Institute for Economic Research at the University of Munich (Ifo Institute) in Dresden, 1.6 trillion euros in public funds were transferred to the east between 1990 and 2020 (Ragnitz, 2000). These efforts strained public finances but were deemed necessary to facilitate convergence between the East and the West.

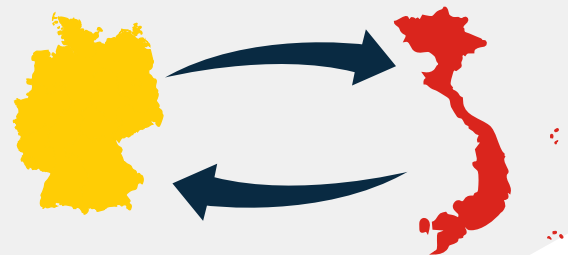
Given the GDR's long-standing ties to Viet Nam, the Federal Republic of Germany's ties to Viet Nam strengthened after reunification. Indeed, the former East Germany's relationship with Viet Nam left a unique legacy. In terms of numbers, around 59,000 Vietnamese were living in the GDR at the time of reunification (Behrens and Okunew, 2024). But Vietnamese who had studied or worked in the GDR often returned home to Viet Nam with valuable technical skills, language ability, and personal connections; many rose to positions of influence in government and business and acted as a bridge in bilateral relations (Dennis, 2007).

With diplomatic ties now managed by the unified Berlin government, official development cooperation resumed in 1990. Germany quickly became a major donor supporting Viet Nam's reform efforts. In 1992, Germany committed 7 Mio Deutsche Mark in official development assistance

## DEEPENING TIES



Initiated in 1986 began a fundamental transformation of Viet Nam's economy



Official development cooperation resumed in 1990, and Germany became a major donor supporting Viet Nam's reform efforts.





Woman walking in Da Nang with fruits to market.

(ODA) to Viet Nam, focusing on economic reform, public finance and banking modernisation to facilitate Viet Nam's transition to a market economy (Ministry of Planning and Investment 2023, Federal Foreign Office 2025, GIZ). High-level visits also increased: Viet Nam's leaders sought support from Germany and the European Union, while Germany saw Viet Nam as a key partner in Asia for development cooperation (Federal Foreign Office, 2025).

The late 1980s to early 1990s were years of transformational change for both countries. In Viet Nam, the shift from a planned economy to a market-oriented model unleashed productive forces and began integrating the country into global trade. In Germany, the integration of two quite different economic systems tested the nation's capacity for economic overhaul within a democratic, federal framework. Both countries were dealing with the aftermath of socialist economic structures: Viet Nam proactively reformed its economy from within, whereas Germany underwent wholesale political and economic

unification, East Germany effectively adopting West Germany's market institutions and laws. Despite disparate contexts, some parallels emerge. Each experienced an initial economic boom - Viet Nam saw an agricultural and small-business surge post-Đổi Mới, and Germany saw a post-1990 consumption boom in the East - followed by the realisation of deeper structural challenges, for instance, inefficient state enterprises and outdated technology in Viet Nam, and the collapse of uncompetitive industries and unemployment in East Germany.

By 1992, Viet Nam had re-entered the world economy and Germany had consolidated its position as Europe's largest economy. This set the stage for both nations to engage more fully in regional and global economic networks, leveraging their transformations: Viet Nam as a reforming socialist-market economy seeking trade and investment, and Germany as a reunified European powerhouse that now also took on the role of a major development partner to Viet Nam.



Workers are making mats from sedge. Mat making is a traditional profession in Viet Nam.

## SNAPSHOT

# Highlights from Development Cooperation – Setting the Stage for Reforms



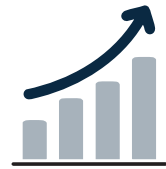
In the wake of Đổi Mới reforms (launched in 1986), Viet Nam faced systemic crises: hyperinflation, collapsing state enterprises, and widespread lack of economic governance. Reconising these challenges, Germany and Viet Nam signed a Technical Cooperation Agreement in 1991. This agreement marked the beginning of Germany's role in supporting Viet Nam's transformation into a market economy.

## Launch of Reform Support

Even before large-scale programmes, the German Ministry for Economic Cooperation and Development (BMZ) began consultations with key ministries. The following areas were identified as reform priorities, which GIZ specifically advised on:



**Economic Reform** (with the Central Institute for Economic Management - CIEM, now known as Institute for Policy and Strategy Studies): Provided policy and legal advice necessary for the creation of a market economy. GIZ worked closely with CIEM to build the local understanding of private sector roles and design the necessary enterprise legislation.



**State Budget Reform** (with Ministry of Finance - MoF): Focused on building Viet Nam's legal framework for managing state budgets. GIZ supported MoF in shifting from administrative to rules-based budgeting.



**Banking System Reform** (with State Bank of Viet Nam - SBV): Assisted in the first steps toward converting the mono-tier banking system (the state bank acted both as a central bank and a commercial bank - performing both regulatory and lending functions) into a dual-tier system (the central bank is separated from commercial banking functions). GIZ advised on credit management, monetary policy, and central bank functions.

## Laying the Institutional Foundations

During this foundational phase, GIZ played a pivotal role in preparing Vietnamese institutions for economic transformation. Though large-scale legislative outcomes came later, this period marked the start of long-term cooperation with the Ministry of Planning and Investment (MPI), Ministry of Finance (MoF), and State Bank of Viet Nam (SBV). Key achievements include capacity-building for policymakers, initiation of banking reform and groundwork for public finance reform. This phase helped Viet Nam begin shifting from command-based economic governance toward a rules-based market framework.





# 1992–2005: Integration into the Global Economy from very different starting points

## 3 Viet Nam's rise as an emerging market and Germany's return as Europe's growth engine

After stabilising its economy in the early 1990s, Viet Nam accelerated efforts to integrate regionally and globally. A key milestone was joining the Association of Southeast Asian Nations (ASEAN) in 1995, which at the same time symbolised Viet Nam's reintegration into regional diplomatic and economic frameworks. The mid-1990s also saw normalisation of relations with former adversaries - most notably, diplomatic ties with the United States, which were established in 1995 following the end of the U.S. embargo.

Viet Nam signed a Framework Cooperation Agreement with the European Union in 1995, laying the ground-

work for expanded trade and aid with Europe. Internally, Viet Nam pursued export-led industrialisation: Light manufacturing sectors such as textiles, garments, and footwear grew rapidly due to market reforms and inflows of foreign direct investment.

In 2000, Viet Nam signed a Bilateral Trade Agreement with the U.S., which came into force in 2001 and granted Vietnamese exports normal trade access to the U.S. market. This paved the way for a dramatic expansion of Viet Nam-U.S. trade. Throughout the 1990s and early 2000s, Viet Nam also implemented legal and regulatory changes in preparation for World Trade Organisation



CIEM first study trip to Germany, 1994.



membership - a goal realised later in 2007. Despite the Asian financial crisis of 1997-98, which Viet Nam weathered relatively well, the economy maintained a high growth trajectory of around 7% annually in the early 2000s. Economic growth was accompanied by remarkable poverty reduction: The national poverty rate fell from about 58% in 1993 to 29% by 2002, a development success frequently noted by the World Bank (World Bank, 2004).

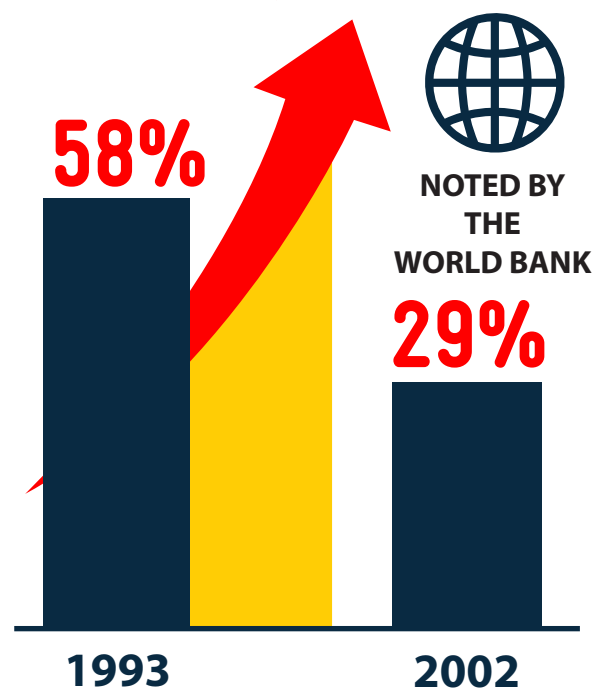
By the early 2000s, Viet Nam was recognised as a rising emerging market economy, having moved from a low-income, agriculture-dominated base to a more diversified economy with growing urban manufacturing hubs. Infrastructure development picked up as well: The government, often with assistance from international partners, invested in highways, ports, and power plants to support industrialisation (ADB, 2009). However, new challenges began to surface alongside rapid growth, including managing equity and environmental sustainability. Income gaps between urban and rural areas widened as cities like Ho Chi Minh City and Hanoi raced ahead, and industrial growth started to strain the environment with more pollution and resource use (Revilla Diez, 2016). These concerns increasingly set the stage for Viet Nam to emphasise sustainable and inclusive development in the coming years.

 Between 1992 and 2005, Germany solidified its role as the economic leader of Europe. Having absorbed the initial shocks of reunification, Germany undertook structural reforms to boost its competitiveness in the 1990s and early 2000s (Sinn & Sinn, 1992; Dustmann et al., 2014). A cornerstone of this era was Germany's leadership in the European Union's enlargement and integration. Germany was a primary advocate and archi-

tect of the EU's eastward expansion - in 2004, the EU welcomed 10 new member states (mostly countries in Central and Eastern Europe) with strong German support and investment in those economies (Freier, 2022; Hassel, 2014). Germany also adopted the euro currency (introduced for accounting in 1999 and in circulation by 2002), further integrating its economy within Europe's single market (European Commission, 2009). On the domestic front, Germany in the late 1990s faced high unemployment and fiscal pressures - earning the moniker "the sick man of Europe" - which led to the landmark Agenda 2010 reforms under Chancellor

## ECONOMIC GROWTH and poverty reduction:

Economic growth was accompanied by remarkable poverty reduction.





A farmer from Vinh Hung, Viet Nam

Gerhard Schröder in the early 2000s (Dustmann et al., 2014; Hassel, 2014). These labour market and welfare reforms helped reduce unemployment from the mid-2000s onward and improved Germany's growth and fiscal balance by the end of the period (Freier, 2022). By 2005, Germany's economy had rebounded to become known as "Europe's engine" of growth, with a strong industrial sector (especially in automotive, machinery, and chemicals) supported by robust innovation and a renowned vocational training system (Dustmann et al., 2014).

Throughout the 1990s and 2000s, Germany remained one of the world's top exporters, benefiting from globalisation, particularly European integration, and technological advancements in its manufacturing base. German firms increasingly extended their supply chains into Eastern Europe and Asia during this period. Trade with Viet Nam grew as the country entered global value chains - Germany became one of Viet Nam's largest export markets in the EU, importing Vietnamese products like coffee, seafood, textiles and footwear, and exporting to Viet Nam high-end machinery, chemicals and automobiles (GTAI, several years). Germany also continued and expanded its development cooperation with Viet

Nam, focusing on areas such as economic governance, poverty reduction, and technical training (GIZ, 2023).

Politically, Germany and Viet Nam upgraded their relations with high-level visits and new cooperation frameworks. Notably, in October 2011, German Chancellor Angela Merkel and Vietnamese Prime Minister Nguyễn Tấn Dũng signed the Hanoi Declaration establishing a Germany-Viet Nam Strategic Partnership, aimed at strengthening cooperation in politics, trade, education, and development (Federal Foreign Office, 2025). Although formally concluded in 2011, the path to this agreement had been paved through increasing ties during the first decade of the 2000s. A symbol of this growing partnership was the agreement in 2013 to build the German House in Ho Chi Minh City - a central hub for German institutions and businesses. Construction began in 2014, and the building officially opened in 2017. Today GIZ, together with many other German enterprises and organisations, has an office in the German House for activities in the south of Viet Nam.

Both Viet Nam and Germany in 1992-2005 were focused on deeper integration into the world economy, though

from very different starting positions. Viet Nam moved from the margins to the mainstream of global trade - joining ASEAN, signing trade agreements with major economies, and laying the groundwork for WTO accession. Germany, already a mature industrial nation, pushed for the broader integration of markets (through EU expansion and global trade agreements) to fuel growth and open new markets. Each country faced structural adjustments in this period: Viet Nam built the legal and institutional foundations of a market economy (e.g. commercial legislation, financial systems, regulatory bodies) almost from scratch, while Germany reformed aspects of its advanced economy (labour regulations, social welfare systems) to remain competitive in a changing global context.

Interestingly, both countries dealt with the task of lifting less developed regions within their own borders. Viet Nam struggled to develop rural and lagging provinces as growth concentrated in dynamic urban centres, and Germany invested heavily to modernise the former East and other economically weak regions. In terms of economic structure, by the early 2000s both nations placed a high emphasis on manufacturing and exports. Germany was exporting sophisticated high-value products worldwide, and Viet Nam was increasingly exporting labour-intensive goods and gradually moving into assembly of electronics. Trade between the two countries also expanded, reflecting complementary needs: Germany imported Vietnamese commodities and light manufacturing products, and Viet Nam began importing more German machinery and high-tech goods.

Development challenges persisted for both. Viet Nam still had poverty to tackle and needed to create jobs for a young and growing workforce, while Germany contended with persistent unemployment (until reforms took effect) and the fiscal burden of an aging society. Yet both nations viewed this period as one of opportunity through integration. Viet Nam leveraged global markets and investment to sustain around 7% annual GDP growth, and Germany leveraged European integration and the Euro to bolster its position as an export leader.

By 2005, Viet Nam was on the threshold of WTO accession and had achieved lower-middle income status, whereas Germany had emerged from its post-reunification adjustments with renewed economic dynamism. This period laid the foundation for the two countries to collaborate on emerging global issues, such as sustainable development, in the next phase.

## FROM MARGINS TO MAINSTREAM

Viet Nam moved from the margins to the mainstream in global trade.



## SNAPSHOT

# HIGHLIGHTS FROM DEVELOPMENT COOPERATION: DEVELOPING THE MARKET ECONOMY IN VIET NAM

As Viet Nam emerged from isolation and began integrating with global markets, GIZ implemented three cooperation areas building on its initial support during the first phase of Đổi Mới reforms. These aimed to embed the institutional and legal structures needed for a functioning market economy.



## Economic Reform Project (with CIEM)



- Supported the Law on Enterprises (2000), Law on State-Owned Enterprises (1995), and Cooperative Law (1996, revised 2003).
- Helped promote private sector development through the Law on Domestic Investment Promotion (1994, 1998).
- Supported the development of the Law on Competition (2004) and the reform of national planning via Socio-Economic Development Plans.

## State Budget Reform Project (with MoF)



- Facilitated the development and revision of the Law on State Budget (1996, 1998, 2002), introducing fiscal discipline and decentralisation.
- Helped design and propose the structure for the State Audit Agency.
- Conducted extensive training for budget officers across central and provincial levels.

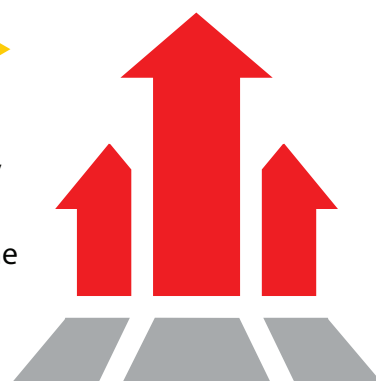
## Banking System Reform Project (with SBV)



- Supported the transition to a dual-tier banking system, backed by legislation through the Law on the State Bank and the Law on Credit Institutions (1997, revised 2003-2004).
- Facilitated the establishment of the Banking Supervision Agency.
- Supported the development of Viet Nam's stock market and the improvement of credit risk and auditing systems.

## LASTING IMPACT

By the end of this phase, GIZ's legal, institutional, and advisory support contributed to the transformation of Viet Nam from a centralised economy to a rules-based system that facilitates the integration into the global economy, attracts (foreign) investment, promotes enterprise, and stabilises the macroeconomy in Viet Nam.





# 2005–2015: Embracing Sustainable Development and Green Growth

## 4 Strengthening bilateral efforts toward resilience and sustainability.

★ The decade from 2005 to 2015 was one of rapid growth and deeper global integration for Viet Nam, capped by new commitments to sustainable development. A defining milestone was Viet Nam's accession to the World Trade Organisation (WTO) in January 2007, which marked the country's full entry into the global trading system. WTO membership further boosted foreign investment and trade: Viet Nam's exports grew and diversified into higher-value products (notably electronics and electrical machinery, alongside continued growth in textiles, apparel, and agricultural exports). The economy grew robustly throughout most of this period, averaging around 6-7% annual GDP growth (Viet Nam Government Portal, 2025). This sustained growth enabled Viet Nam to meet many of its Millennium Development Goals (MDGs) by 2015. Progress was made in fighting extreme poverty, literacy and primary education enrolment neared universal levels, and health indicators improved markedly. By that year, Viet Nam's overall poverty rate had continued to decline sharply, reaching only 4-5% - a transformation often cited by international development organisations as exemplary progress (World Bank, 2024).

Alongside these gains, Viet Nam grappled with emerging challenges from its dynamic industrialisation. Rapid growth brought environmental pressures. By the 2010s, air and water pollution were rising, especially around urban and industrial centres, and Viet Nam's greenhouse gas emissions were climbing (Revilla Diez, 2016). Rec-



Workers at Bao Minh Textile Company, Viet Nam.



GIZ-SBV Operation Plan signing ceremony, 2007

ognising these issues, the government increasingly embraced the concept of sustainable development. In 2012, Viet Nam adopted a National Green Growth Strategy aimed at transitioning to a low-carbon, resource-efficient economy. It also began integrating the forthcoming Sustainable Development Goals (SDGs) into national planning before the SDGs were officially launched in 2015. Reforms continued in the social sector as well. Viet Nam invested in expanding universities and vocational training to build a more skilled workforce, and it started nurturing a domestic high-tech sector. For example, software services and telecommunications saw growth, partly spurred by investments from Vietnamese diaspora entrepreneurs. By 2015, Viet Nam had firmly attained lower-middle-income country status, with GDP per capita around \$2,000 (Federal Foreign Office, 2025).

However, the limits of the export-led growth model were becoming apparent. The economy was heavily reliant on low-cost labour and assembly industries financed by foreign investment. Productivity growth had begun to slow, and there were concerns about how to climb the value chain. Economists noted that, to avoid the “*middle income trap*,” Viet Nam would need to boost technological innovation and move up from being a supplier of raw materials and simple manufacturing goods to

producing higher-value goods and services (Revilla Diez 2016, World Bank 2024). These issues underscored the need for Viet Nam’s next phase of reforms to focus on the quality of growth, ensuring not only speed, but also sustainability and inclusiveness.

 In the 2005-2015 period, Germany emerged as a leader in green energy and climate-conscious development, while also steering the European Union through turbulent times. A hallmark to transform the economy was the “*Energiewende*” (energy transition) - Germany’s strategic shift toward renewable energy sources and away from nuclear and fossil fuels. Following policy commitments in the early 2000s and an acceleration after 2011 (when Germany decided to phase out nuclear power in the wake of Japan’s Fukushima accident), Germany invested massively in wind and solar power capacity (Agora, 2015). The results were striking. The share of renewables in Germany’s electricity generation climbed from around 10% in the mid-2000s to roughly 30% by 2015 (IEA, 2020). Germany set ambitious targets to cut greenhouse gas emissions and became an outspoken advocate for international climate action.

During this period, Germany consistently ranked among the world’s leaders in installed solar and wind capacity, demonstrating that a major industrial economy could begin decarbonising its energy mix. Economically, Germany in 2005 had implemented the labour market reforms mentioned above, which contributed to a steady decline in unemployment to post-reunification lows by the early 2010s. Germany also navigated the 2008-09 global financial crisis relatively well compared to many other advanced economies, thanks in part to its export competitiveness and prudent fiscal management (OECD, 2010). By the early 2010s, Germany’s unemployment rate was the lowest it had been since reunification, and the government budget had



Vietnamese-German peer learning on regional policy, 2011.



returned to balance, resulting in a stable economic situation (IMF 2015).

At the same time, Germany took on a larger leadership role in promoting sustainable development both within the EU and globally. It was an early mover in aligning with the United Nations' SDGs (adopted in 2015), emphasising not just climate protection but also social inclusion and support for developing countries (BMZ, 2018). Notably, Germany worked closely with Viet Nam on development initiatives during this period. For example, German-supported projects in renewable energy, vocational education, and climate change became significant themes in bilateral cooperation. This was institutionalised with the Germany-Viet Nam Strategic Partnership agreement in 2011, which intensified cooperation in sustainable economic development, environmental protection, governance and rule-of-law dialogue, and academic exchanges.

Germany also continued to deal with internal disparities - the former East German states made progress but still lagged somewhat behind former West German

states economically, requiring ongoing investment and solidarity transfers. Nevertheless, by 2015 Germany was recognised not only as Europe's largest economy but as a global champion for the green transition, technological innovation (pioneering advances in high-tech manufacturing, or Industry 4.0), and equitable development through its social market economy model (Hermann, M., Pentek, T., & Otto, B., 2016; BMWi, 2015).

In this period, sustainable development emerged as a converging theme for both Viet Nam and Germany, again from different starting points. Germany, already affluent and industrialized, took on a proactive leadership role in the *green transition* - heavily investing in clean energy, pushing for ambitious EU climate targets, and reorienting its economy toward low-carbon growth (CPI, 2016). Viet Nam, as a rapidly emerging economy, was focused on growth and poverty reduction, but by the mid-2010s it also recognised the need to balance growth with environmental and social sustainability. Both countries showed commitment to global development agendas. Germany was a key architect and promoter of the SDGs adopted in 2015, and Viet Nam



Dr. Javier Diez from University of Hannover, exchanges with CIEM counterparts on regional policy, 2011

was among the first developing countries to integrate the SDGs into its national development strategies. A shared challenge was how to ensure economic growth did not come at the expense of the environment or equity. Germany's experience with boosting renewable energy and improving energy efficiency offered lessons for Viet Nam, which at that time was pursuing industrialisation largely powered by coal and facing problems like urban air pollution and climate change threats (e.g. frequent typhoons and rising sea levels in the Mekong Delta) (IFAD, 2015). Climate change had thus become a common concern. Germany, as part of the EU, committed to deep emissions cuts and adopted bold targets (e.g. an 80-95% reduction in CO<sub>2</sub> compared to 1990 levels by 2050, and carbon-neutrality by 2045). At the same time, Viet Nam, one of the most vulnerable countries to climate impacts, began formulating climate adaptation and mitigation plans and other initiatives for a green transition of its economy.

Both nations also grappled with inequality in this era, which had been increasing in different forms. Germany experienced a rise in income inequality and regional

disparities (West vs. East, urban vs. rural) during the 2000s, even as overall prosperity grew. Viet Nam's rapid growth likewise led to gaps - between booming cities and rural hinterlands, and between majority groups and some ethnic minority communities in remote areas. Each country took steps to address these issues: Germany through its robust social welfare system, minimum wage introduction in 2015, and programmes aimed at uplifting East Germany (Bossler and Schenk, 2020); Viet Nam through targeted poverty reduction programmes, rural development investments, and social policies aiming to "*leave no one behind*," echoing the SDG ethos. In sum, 2005-2015 saw Viet Nam reach important milestones in economic development, while Germany solidified its role as a global leader in sustainability. This convergence brought the two countries closer through shared goals of green and inclusive growth. Economic cooperation increasingly intersected with collaboration on climate protection, environmental policy, energy transition, and technical and vocational education and training (TVET), laying the foundation for a partnership adapted to the current framework.



## SNAPSHOT

# HIGHLIGHTS FROM DEVELOPMENT COOPERATION: MACROECONOMIC REFORMS AND GREEN GROWTH

GIZ and its partners focused on the following three pillars during this period:

## Policy, Law, and Planning (with MPI)

- Developed frameworks that culminated in the unified Enterprise Law (2014), creating equal treatment for SOEs, private and foreign firms.
- Introduced participatory socio-economic development planning at all levels (SEDP), shaping the economic trajectory, institutional reforms, and impacting poverty reduction during a critical period of transition and integration.
- Supported regional policy development to reduce inter-provincial inequalities and diversify economic strengths.
- Provided macroeconomic forecasting models and supported CIEM's policy advisory role, aiding in Viet Nam's economic policymaking, strategic planning and evidence-based decision-making.



## Fiscal Sustainability and Environment (with MoF)



- Supported Viet Nam's first Environmental Protection Tax Law (2010), signalling a shift toward green fiscal policy.
- Advised during the drafting phase of the Law on Public Debt Management (2009), and the Law on Fees and Charges (2015), contributing to modernising Viet Nam's public financial management system.
- Helped implement "citizen budgets" to improve fiscal transparency, civic engagement, and public accountability. Viet Nam's budget transparency score has improved in international rankings such as the Open Budget Survey (OBS).

## Modern Banking and Financial Stability (with SBV)



- Revised the State Bank Law and Credit Institutions Law (2010). This significantly strengthened the legal and institutional framework for banking and financial stability in Viet Nam during a period of increasing financial sector risks, growing credit expansion, and the need for alignment with global standards.
- Developed banking sector risk management regulations, thus enhancing the stability, transparency, and resilience of the financial system.
- Contributed to the Banking Development Strategy (2011-2020). This contributed to strengthening Viet Nam's financial stability and improving access to credit to support the transition to a market-oriented and globally integrated economy.

## ENDURING CONTRIBUTIONS



As Viet Nam joined the WTO and further integrated into the global economy, GIZ helped modernise its economic institutions. GIZ support was instrumental in passing the unified Enterprise Law (2014), the Environmental Protection Tax Law (2010), the Law on Public Debt Management (2009), and the Law on Fees and Charges (2015). The revision of the Law on the State Bank and the Law on Credit Institutions (2010) enhanced monetary policy management and banking supervision. GIZ also fostered innovations in participatory planning through SEDP processes and introduced budget transparency measures such as 'citizen budgets.' These reforms strengthened Viet Nam's ability to manage growth, reduce inequality, and initiate its green growth agenda.

# 2015 – To Date: Digital Transformation and Shared Global Challenges

**5** Partnering for innovation, sustainability, and inclusive growth in the 21st century.

★ In the most recent decade, Viet Nam’s economy has been defined by fast-growing industrial and technology sectors, deeper integration via new trade agreements, and the pursuit of “Industry 4.0” modernisation (World Bank, 2021). By the late 2010s, Viet Nam had become a major manufacturing hub in Asia, emerging as the world’s second-largest smartphone exporter, second only to China (ILO, 2022). Global electronics giants such as Samsung, Intel, and LG have established large production bases in Viet Nam, making electronics and electrical components a leading export category (Nguyen, T. X. T., 2023). Manufacturing as a share of GDP has steadily risen, and Viet Nam has climbed global supply chains, exporting not only garments and agricultural products but also smartphones, computers, and appliances (World Bank, 2021). This industrial boom has been fuelled by high foreign direct investment, attracted by relatively competitive wages, and Viet Nam’s increasing network of free trade agreements. However, increasing sustainable growth will require boosting productivity and developing a more skilled workforce to avoid the risks of a “middle income trap”.

Between 2015 and 2020, Viet Nam entered into numerous new trade pacts, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018 and the EU-Viet Nam Free Trade Agreement (EVFTA), signed in 2019 and in force since 2020 (World Bank, 2021). Viet Nam enjoyed rapid GDP growth, averaging around 7% annually until the



Hand-over of Climate-Resilient Economic Development model from GIZ Viet Nam’s Director Sustainable Economic Development Dennis Quennet to CIEM President Tran Thi Hong Minh, 2023.

disruption of the COVID-19 pandemic in 2020 (World Bank, 2025). As of the mid-2020s, Viet Nam is classified as a lower-middle-income country and aspires to reach upper-middle-income status by around 2030. Amid this catch-up dynamism, the government has increasingly emphasised the quality and sustainability of growth (World Bank, 2021).

There is a strong push for digital transformation and innovation in Viet Nam. Vietnamese policymakers frequently invoke the vision of the Fourth Industrial Revolution (Công nghiệp 4.0), aiming to boost automation, digital skills, and a startup culture in the economy (World Bank, 2021). Viet Nam’s tech-savvy young population and improving internet infrastructure (including the expansion of broadband and 5G networks)



Vietnamese ethnic minority women in the northwestern region of Viet Nam.

are facilitating a shift toward more digital services and e-commerce, especially following the pandemic's acceleration of online business. Infrastructure improvements continue (e.g., new highways, urban metro lines, and port expansions) to keep pace with urbanisation and industrialisation. At the same time, social challenges have become more pronounced. Inequality has edged upward; for instance, by the 2020s, the richest 20% of Vietnamese households accounted for over 50% of income, more than ten times the share of the poorest 20% (Nguyen & Pham, 2022).

Viet Nam's population is also aging at one of the fastest rates among non-high-income countries. The share of elderly is rising, and the labour force is projected to begin shrinking within two decades, raising concerns about future economic growth and the sustainability of pension and healthcare systems (Nguyen & Pham, 2022).

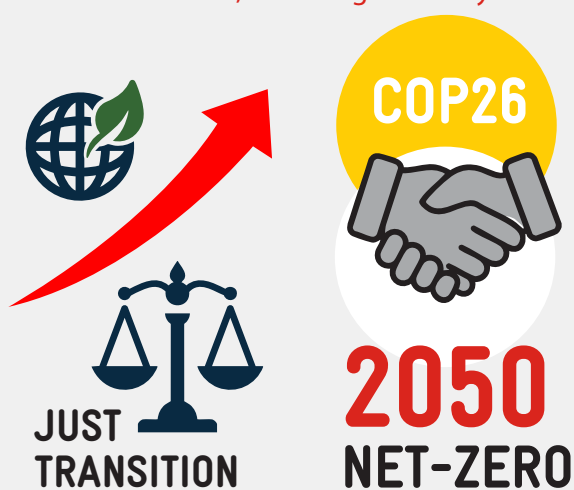
Environmental pressures have intensified as well. Viet Nam's CO<sub>2</sub> emissions roughly doubled between 2010

and 2020 due to rapid industrial growth and heavy use of coal for electricity (Nguyen & Pham, 2022; Climate Transparency, 2020). Acknowledging these issues, Viet Nam made a major commitment at the COP26 climate conference in Glasgow in late 2021 by pledging to achieve net-zero carbon emissions by 2050 (UNFCCC, 2022). To help fulfil this pledge, in December 2022, Viet Nam entered into a Just Energy Transition Partnership (JETP) with the G7 countries (including Germany) - a \$15.5 billion initiative to mobilise financing and technical assistance to shift Viet Nam's power sector away from coal and toward renewable energy (BMZ, 2023). These steps signal Viet Nam's alignment with global climate goals, even as it works to ensure energy security and continued growth. As of 2025, Viet Nam is navigating the complex middle-income transition, aiming to avoid the middle-income trap by enhancing technology and skills to produce higher value-added products, and



## VIET NAM'S CLIMATE COMMITMENT

At COP26 in Glasgow in 2021, Viet Nam pledged to achieve net-zero emissions by 2050. In 2022, Viet Nam entered into a Just Energy Transition Partnership (JETP) with the G7 countries, including Germany.



ensuring growth remains sustainable and inclusive in line with its commitments under the Sustainable Development Goals (SDGs) and the Paris Agreement (World Bank Group, 2024). A major new development is the Politburo's Resolution No. 68-NQ/TW (2025), which affirms the private sector as the most important driving force of Vietnam's socialist-oriented market economy. This resolution sets ambitious goals for the private sector to contribute 55-58% of GDP by 2030 and over 60% by 2045, while aiming to create a dynamic entrepreneurial ecosystem with 2-3 million active enterprises. Key reforms include eliminating discriminatory policies, simplifying administrative procedures, promoting digital transformation and innovation, improving access to capital, land and technology, and fostering participation in global value chains.

Over the past decade, Germany has navigated not just challenges with digital transformation, but an overlapping set of crises - geopolitical tensions, supply chain shocks, a global pandemic, an energy crunch, and accelerating climate change. These compounding pressures have tested the resilience of Germany's economy and its longstanding export-driven growth model.

 Between 2015 and 2025, Germany prioritised maintaining its global competitiveness while pursuing ambitious climate and sustainability goals. It emerged as a leader in the Industry4.0 movement, with manufacturers investing heavily in automation, robotics, artificial intelligence (AI), and Internet of Things (IoT) technologies to modernise production. Between 2015 and 2020, over €10 billion was invested in Industrie 4.0 initiatives to digitalize factories and supply chains (Schröder, 2015), reinforcing Germany's position in high-end manufacturing, particularly in machinery, chemicals, and capital goods. These efforts gained renewed urgency in the wake of the COVID-19 pandemic and the global supply chain shocks of 2021-22. The disruptions exposed critical vulnerabilities in Germany's export-dependent economy and acted as a wake-up call for faster digitalisation and diversification. In response, the digital transformation agenda expanded beyond manufacturing to include broadband infrastructure, 5G deployment, and innovation across sectors such as fintech, biotech, cleantech, and digital governance. At the same time, Germany began rethinking supply-chain strategies to enhance economic resilience and reduce dependencies on single markets.

However, apart from these positive developments, Germany's automotive industry - a core sector of the German economy, employing over 800,000 people and contributing roughly 5% of GDP - has struggled with a difficult transition. The shift to electric vehicles (EVs) and digital mobility, shaped by EU climate policy and





Heerstedt - Northern Germany - large wind turbines in the wind farm

changing global demand, proved more challenging than anticipated. By 2025, only 1.65 million EVs were on the road, far below the government's 15 million target for 2030 (Wappelhorst et al 2022). The slow transition has exposed deeper vulnerabilities in the sector, including continued dependence on combustion-engine technology, supply chain fragility, high energy prices, and mounting global competition. In particular, Chinese automakers - backed by state support and benefitting from cost advantages - have gained significant ground in the EV market, putting pressure on German manufacturers both at home and abroad.

In addition, Germany has faced mounting internal pressures. An aging population is contributing to labour shortages, particularly in skilled trades and healthcare. In response, the government introduced policy measures to attract skilled immigrants, including new labour mobility agreements with countries such as Viet Nam to bolster the nursing workforce (OECD, 2024). At the same time, deeper structural issues have continued to weigh on the country's long-term economic prospects. Persistent challenges - such as aging infrastructure,

lagging digitalisation, excessive bureaucracy, and a fragmented financial system - have constrained innovation and productivity. As highlighted in the 2024 Draghi report on the Future of European Competitiveness, these weaknesses have contributed to stagnation and mild recession, raising concerns about the resilience of Germany's economic model (Draghi, 2024).

Despite these structural challenges, political continuity has helped maintain a stable policy environment. Germany retained its core commitments to fiscal discipline, open trade, and multilateral cooperation - particularly through the European Union (European Parliament, 2024). This consistency has supported investor confidence and sustained Germany's international credibility during a period of global uncertainty.

Climate and energy policy became a central pillar of Germany's long-term strategy. The amended Climate Change Act of 2021 accelerated the carbon-neutrality target to 2045 and set a binding 65% emissions reduction goal for 2030 (European Parliament, 2024). Complementary measures included a full coal phase-out by

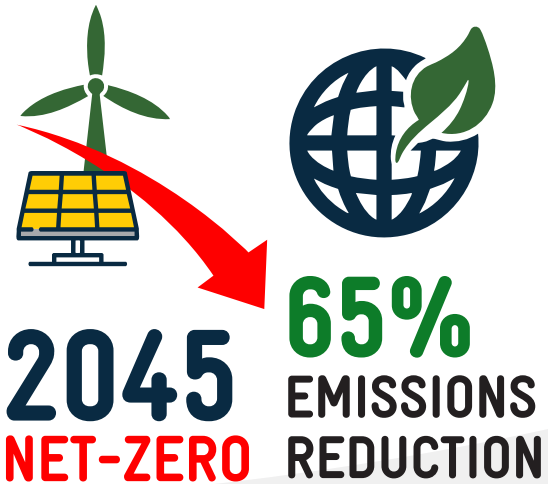
2038 and the final shutdown of nuclear power in 2023. These decisions, while controversial, significantly shifted the country's energy mix. By 2023, renewables accounted for nearly 60% of net public electricity generation (Fraunhofer ISE, 2024). The necessity to transition away from reliance on oil and gas imports from Russia expedited this transformation, and Germany launched major investments in electricity grid modernisation and next-generation energy storage systems.

Germany's international partnerships have increasingly reflected its domestic priorities - particularly in energy, digitalisation, and sustainable development. It remains a strong advocate for a rules-based global order and a key backer of the EU's European Green Deal.

In the current period, Germany and Viet Nam find their economic paths converging in certain respects despite the difference in their income levels. Both are highly manufacturing-oriented economies integrated into global supply chains - Germany at the technological frontier, and Viet Nam as a burgeoning production base for electronics and consumer goods. This complementarity has led to growing trade and investment ties. To date, 576 companies from Germany have invested approximately US\$ 3.7 billion in Viet Nam. They have created some 50,000 jobs (AHK, 2025). German firms increasingly source products from and invest in Viet Nam's manufacturing sector, while Viet Nam imports advanced machinery and high-tech equipment from Germany to upgrade its industrial capacity. Notably, Germany is now Viet Nam's largest EU trading partner in goods, and Viet Nam ranks among Germany's top partners in ASEAN (World Bank, 2024).

## GERMANY'S CLIMATE STRATEGY

Climate and energy policy became a central pillar of Germany's long-term strategy. The amended Climate Change Act of 2021 accelerated the carbon-neutrality target to 2045 and set a binding 65% emissions reduction goal for 2030.



Digital transformation is a strategic priority for both nations. Germany's experience with Industry 4.0 offers valuable insights for Viet Nam as it aims to modernise its factories and workforce. Conversely, Germany can learn from Viet Nam's successes in fields like mobile banking adoption and digital public services, where Viet Nam has made recent strides (Tran, 2021).

Both countries also share the challenge of ensuring that economic growth is sustainable and inclusive. The green transition of their economies is an area of common interest with many common challenges. In addition, both Germany and Viet Nam now find themselves navigating a new era of heightened geopolitical tensions and protectionism. The rise of global trade frictions - exemplified by high tariffs imposed by the United States - is threatening both economies, given their deep integration into global value chains and reliance on open markets. This shift creates uncertainty for exporters and investors, challenging the resilience of their export-oriented growth models.

## SNAPSHOT

# HIGHLIGHTS FROM DEVELOPMENT COOPERATION: TRANSITION TOWARDS DIGITAL AND GREEN ECONOMY

GIZ collaborates with the SBV, MoF, and other partners from both public and private sectors to establish a robust regulatory framework for green finance and promote the development of a circular economy through solid policy measures. Additionally, GIZ supports SMEs via the ASEAN Access platform, helping them integrate into ASEAN markets, empowering them to thrive in selected manufacturing industries through digitalisation and environmental sustainability initiatives.

## Green Growth Strategy (with CIEM and MPI)



- Developing and implementing the National Green Growth Strategy (2021-2030) and its National Action Plan (2022).
- Creating methodologies and tools tailored to Viet Nam for evidence-based green growth policymaking, including the Dynamic General Equilibrium Model for Climate Resilient Economic Development (DGE-CRED).
- Developing frameworks and indicators for monitoring and evaluating green growth and SDG implementation, including SDG indicators (2019), gender indicators (2019), and green growth statistical indicators (2023).

## Financial System (with MoF and SBV)

- Integrating green credits and bonds into the Law on Environmental Protection (2020) and Decree No. 08/2021.
- Launching the Green Taxonomy, which guides the transition to net-zero by 2050.
- Developing Viet Nam's first green credit classification and data collection system through Green Credit Statistics Reporting (2017).
- Finalizing a scheme for green government bond issuance with strong inter-ministerial coordination.
- Implementing a Digital Transformation Strategy for the banking sector to support digital banking models, promote financial inclusion, and green growth.

## Circular Economy (with MoF and the Private Sector)

- Approving the Scheme for Circular Economy Development in Viet Nam, issued by the Prime Minister in 2022.
- Improving Sustainability in the Textile Industry by reducing waste, improving resource efficiency, and creating a scalable model for circular supply chains.
- Developing guidelines on access to finance for circular economy SMEs and criteria for verification and certification of circular economy projects.

## SMEs - Integration in ASEAN and New Business Models

- Registering 3,500+ member businesses as ASEAN Access portal users.
- Registering 180+ experts on the portal as business advisors in areas such as digitalisation, accounting, investment, and export.
- Helping SMEs track energy/resource use and pilot green digital solutions to cut emissions, resource consumption, and costs.
- Strengthening local tech providers' capacity to deliver green digital services, supported by international peer exchange.
- Collaborating with institutions to develop tools, guidelines, and case studies that promote digital and environmental innovation.

# Reflecting on the Past, Shaping the Future

## 6 Celebrating 50 years of Viet Nam–Germany diplomatic relations and their shared economic journey.

The 50th anniversary of diplomatic relations between Viet Nam and Germany marks a significant milestone. Over five decades, both countries have transformed from post-war recovery to becoming integral players in the global economy. GIZ, on behalf of the German government, initially aided Viet Nam in transitioning from a planned to a market economy, laying the groundwork for future cooperation. Recently, the focus has shifted toward digital, green, and just transitions, helping Viet Nam aim for high-income status by 2045 and net-zero emissions by 2050.

The technical cooperation between GIZ and partners has involved enhancing policy environments, institutional capacities, and tools for green growth and sustainable development. The collaboration has established a robust regulatory framework for green finance, integrating green credits and bonds into national legislation. The development of a circular economy has been emphasised through policy development and pilot projects. Additionally, GIZ has helped Vietnamese SMEs benefit from economic liberalisation, cross-border trade, and e-commerce.

Looking ahead, the cooperation will focus on sustainable and innovative economic practices and promoting digital, green and just economic transitions by expanding green finance, enhancing the circular economy, and supporting SMEs in a digitally integrated and environ-



Vietnamese and German experts exchange on circular business, 2024.

mentally sustainable market. Amidst rising global tensions, weakened multilateral institutions, trade fragmentation, and climate disruptions, the German-Viet Nam economic cooperation will be even more important for the development of both countries.

The linkages from the past can help develop a partnership that brings the two economies and countries closer together. This commitment will ensure significant strides in both countries' economic journeys, contributing to a resilient and prosperous future for the people in Viet Nam and Germany.



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