The Role of Economic Diplomacy on Vietnam’s Economic Development
Dinh Van Trong¹ and Duong Viet Anh²

Abstract

Economic diplomacy plays a critical role in mobilizing external resources, contributing to promoting the industrialization and modernization processes, enhancing the potential, competitiveness, and adaptability of the national economy, and building an independent, self-reliant, proactive, and active Vietnamese economy that integrates comprehensively, deeply, and effectively into the international community. In recent years, Vietnam’s economic diplomacy has performed an excellent job of supporting and assisting ministries, branches, localities, and businesses around the country in carrying out a wide range of foreign economic operations, thereby boosting the process of international economic integration. In light of the numerous obstacles and challenges the global economy faces, economic diplomacy persists in playing a vital role in strengthening Vietnam’s bonds with its allies, fostering deeper bilateral and economic relations in particular and stability and sustainability in general, and serving as a catalyst for the nation’s industrialization and modernization.

Keywords: Economic Diplomacy, Role, Motivation, Economic Development, Vietnam.

INTRODUCTION

In 1972, the Vietnamese Ministry of Foreign Affairs formed the Economic Group under the Ministry’s Office to prepare for postwar reconstruction. On February 27, 1974, the Vietnamese Government Council approved Decision No. 30/QD-CP, establishing the Economic Department within the Ministry of Foreign Affairs. Economic diplomacy in Vietnam officially became the sector’s responsibility. The economic content of diplomatic activity in Vietnam during this time was inextricably tied to political work (Lich & Hoang 2020).

By the 1980s, diplomatic activities in Vietnam were centered on obtaining aid from socialist nations and combating the impact of the Western embargo placed on Vietnam. The Ministry of Foreign Affairs actively participated in the planning of development plans, the formulation of economic policies and strategies, and the country’s exit from crises. The year 1985 was considered a turning point in the view of diplomacy’s role, functions, and duties in serving the construction and development of Vietnam’s economy, with the Ministry of Foreign Affairs’ Project on Functions, Duties, and Organization of Economic Work (Lich 2018: 94).

On February 10, 2003, the government issued Decree No. 08/2003/ND-CP, which governs the activities of representative agencies abroad in support of economic development, comprehensive innovation, and proactive and active integration into the international community (Government of Vietnam, 2003). On January 18, 2007, the Vietnamese Minister of Foreign Affairs released Directive No. 01/CTBT, which outlined steps to enhance economic diplomacy. This is a watershed moment in Vietnamese economic diplomacy, opening the stage for future unity (Lich 2018: 76).

Directive No. 03/CTBT/2017 on promoting economic diplomacy for the goal of sustainable national development was released by the Vietnamese Ministry of Foreign Affairs on March 22, 2017. The directive highlights the following: “it is imperative to support economic research, information, and advice at various levels and in various forms; it encourages the targeted formation of new, feasible, long-term, and strategic cooperation fields; it actively and proactively contributes to the development of multilateral economic cooperation and linkage mechanisms, strengthening the nation’s position and safeguarding its interests; support localities and enterprises in their integration into the global economy, support the overseas Vietnamese community to continue to successfully integrate into the host society, consolidate its position and legal status

¹ University of Economics, University of Danang, Vietnam, Email: trongdv@due.edu.vn
² University of Economics, University of Danang, Vietnam, Email: anhdv@due.edu.vn, (Corresponding Author)
in strategic areas, improve the mechanism for directing, coordinating and supervising the implementation of
the Economic Diplomacy Work Plan and enhance the capacity to implement economic diplomacy work”.

On February 20, 2023, the Government of Vietnam issued Action Program No. 21/NQ-CP on Economic
Diplomacy to serve national development until 2030, emphasizing: “It is necessary to thoroughly understand
that economic diplomacy is a fundamental and central task of Vietnamese diplomacy, an important driving
force for rapid and sustainable national development, playing a pioneering role in mobilizing external resources,
contributing to promoting industrialization and modernization, enhancing the potential, competitiveness and
adaptability of the economy, building an independent, self-reliant, proactive economy, actively integrating
comprehensively, deeply and effectively into the international community” (Government of Vietnam 2023).

Recognizing the importance of economic diplomacy for national development, scientists have been interested
in researching it in recent years.

Tran Tho Quang (2018), in his research on economic diplomacy, has established the meaning of the idea of
economic diplomacy and made some observations about economic diplomacy in Vietnam.

Dao Thi Nguyet Hang (2019), in her research on Identifying Economic Diplomacy in International Relations,
developed the idea of economic diplomacy, emphasizing the effect of economic issues on diplomacy and
diplomacy on the economy. In addition, the research also clarifies the economic diplomacy practices of other
nations throughout the world, including Russia, Australia, India, and Japan.

Nguyen Minh Duc (2020), diplomacy serving economic development in Vietnam during the renovation period,
using historical, synthetic, forecasting, logical, and analytical methods, the author clarifies the role of the
diplomatic sector in diplomatic activities serving economic development in the period 1986 – 2019. Thereby,
the author provides some orientations and assessments and proposes solutions to promote diplomatic activities
serving economic development in Vietnam in the future.

Nguyen Van Lich and Phung Huy Hoang (2020), in their work on improving the effectiveness of economic
diplomacy to serve national development, the authors clarified: “the roles of economic diplomacy in advising
the party, state, ministries, branches, and localities on formulating macro policies, development strategies,
international economic and political issues, and international economic relations; supporting and resolving
problems in implementing cooperation plans and projects with foreign countries.” Furthermore, the work has
proposed eight suggested solutions for promoting economic diplomacy in Vietnam in a comprehensive and
coordinated manner in the future.

In his research on Economic Diplomacy and Foreign Policy Making, Charles Chatterjee (2021) makes the
following claims: “Developing nations must aggressively launch a new kind of economic diplomacy in order to
build trust, confidence, and predictability among foreign private investors. The author explains that this is where
the relationship between economic diplomacy, domestic policies, and international standards becomes
significant. Furthermore, the author examines the function of non-governmental organizations in the realm of
economic diplomacy and offers strategies for implementing it in international forums and in connection with
private foreign investment operations.”

Tran Thi Thu Hien and Nguyen Thi Thu Hien (2021) highlighted the outcomes of economic diplomacy in
Vietnam from 2010 to 2020 in their work Strengthening Economic Diplomacy, Promoting Industrialization,
and Modernizing the Country. In addition, the study highlights some of the problems in Vietnam’s economic
diplomacy at the time. To address these challenges, the authors boldly presented eight possible solutions.

The theory of economic diplomacy and its applications to economic diplomacy activities in Vietnam during the
period of renovation and integration (1986–2022) have been reevaluated and generalized by Bui Thi Huyen
(2023) in her study Economic Diplomacy: Theory and Practice in Vietnam in International Relations in the
Period of Renovation and Integration (1986–2022). Besides, the author offers some insights about the trajectory
of Vietnam’s economic diplomacy in the years to come.

Bui Thi Huyen (2024), with the study Economic Diplomacy in Innovation and International Integration, using
synthetic and comparative research methods, has clarified the role of economic diplomacy in the process of
innovation and national development. From there, the author proposes a number of solutions to promote the development of economic diplomacy in Vietnam in the coming time.

RESEARCH METHODOLOGIES

Studying the aforementioned research projects reveals that the topic of economic diplomacy is covered in a wide range of studies, and the research findings of these projects are rich and varied. Some of the studies even approached the subject from a foreign policy perspective, highlighting the negotiation strategies that are essential for diplomats to succeed in economic diplomacy. These are valuable studies. The authors use a combination of gathered secondary sources and their own research methods, building on the research methods of previous authors, to analyze and evaluate the issue of economic diplomacy in Vietnam. It also supports local ministries and sectors, important economic sectors, and the planning and effective implementation of policies aimed at promoting economic development or using economic diplomacy to help Vietnam expand its bilateral relations, join international and regional multilateral institutions, and open up new markets for imports and exports, among other things. At the same time, the authors employ a logical method to discuss the advantages and disadvantages of Vietnam’s economic diplomacy efforts for the nation’s economy.

RESEARCH RESULTS

The Contribution to Planning and Effectively Implementing Economic Development Policies

Economic diplomacy activities in Vietnam are one of the bases for the Party, the State, and relevant ministries and branches to plan foreign policies, propose policies, and build appropriate policies, especially foreign policies, to promptly support the country’s economic development.

Prior to 1996, diplomatic activities in Vietnam, including economic diplomacy, contributed significantly to creating and maintaining a peaceful environment, identifying and implementing the policy of normalization, promoting partnerships with the United States and developed industrial countries (Sy 2024), building friendly relations with nations in the Southeast Asian region, declaring support for establishing good neighborly relations with ASEAN, being ready to coordinate with ASEAN countries to turn Southeast Asia into a region of peace, stability, and development, moving towards joining ASEAN (Sy 2024), as well as actively and proactively integrating into the international economy. Because of this, Vietnam was able to escape the embargo and progressively integrate into the region and the world, which helped to create the favorable international conditions needed for the nation to industrialize and modernize (Lich & Trang, 2018). Additionally, Vietnam’s increased stature and position in the international arena made it easier to draw in foreign investment and became more deeply integrated into the global economy, particularly since joining the World Trade Organization (WTO) officially (Linh, Huong, Ha, & Hanh 2020).

When the diplomatic sector implemented Decree No. 08/2003/ND-CP dated February 10, 2003 of the government concerning “activities of representative agencies abroad to serve the task of economic development, promoting comprehensive innovation, and proactively and actively integrating into the international community, Vietnam’s economic diplomacy activities have had many innovations and achieved many remarkable results” (Government of Vietnam, 2003). With the motto “breakthrough: paving the way, advising, informing, accompanying, supporting, and urging implementation,” the Ministry of Foreign Affairs and related ministries and sectors in Vietnam carried out many activities, contributing significantly to the successful implementation of the socio-economic development and international integration goals set by the state (Huyen 2023).

The COVID-19 pandemic outbreak and the Russia-Ukraine war have caused complex and unpredictable changes in the international and regional situation, resulting in a number of risks such as slow global economic growth, the risk of recession, and high inflation (Vu 2022), all of which will have a negative impact on the global economy in general and Vietnam in particular. This context requires Vietnam’s economic diplomacy to be more proactive and timely in researching, advising, and providing policy advice to serve the country’s economic development, as well as a series of policy consulting activities with substantive content and results that have
The Role of Economic Diplomacy on Vietnam's Economic Development

provided practical advice to the government in socioeconomic management, contributing to helping Vietnam recover and achieve stable growth from 2021 to 2023 (Vu 2022).

Developing Bilateral Ties and Taking Part in Multilateral Organizations on A Global and Regional Scale

Economic diplomacy plays a pioneering role in mobilizing external resources, contributing to the promotion of industrialization and modernization, enhancing the potential, competitiveness, and adaptability of the economy, building an independent, self-reliant, proactive, and active economy that integrates comprehensively, deeply, and effectively into the international community (Trong 2023), expanding and deepening relations, and creating a position of intertwined economic interests. Economic diplomacy efforts have actively contributed to promoting relations with traditional friendly nations as well as significant countries in order to assist the economy (Duan 2023).

Vietnam is a proactive and accountable participant in various regional and global mechanisms for multilateral economic cooperation, including the WTO, APEC, ASEM, ASEAN, the Greater Mekong Subregion, and Vietnam-EU cooperation in multilateral forums and international organizations. Specifically, Vietnam participates in ASEM and the United Nations (An & Phuong 2021), which opens up a plethora of new trade and investment opportunities for Vietnam and plays a significant role in advancing the process of international integration and export development, as well as GDP growth (An & Phuong 2021). Vietnam and the European Union have developed a dynamic, bilateral, and multilateral cooperation relationship through economic diplomacy. Initially based on aid, the relationship has gradually evolved to include economic, trade, investment, scientific, and technological cooperation, as well as mutual benefit (An & Phuong 2021).

In the thirty years since the two nations’ official diplomatic relations were established on July 12, 1995, and on July 25, 2013, they established a comprehensive partnership through the promotion of economic diplomacy. The Vietnam-US relationship has achieved new, substantial developments, increasingly becoming more in-depth (Trung & Hoai, 2023), actively promoting security, peace, cooperation, and development in the region and around the world. Vietnam and the United States have developed into each other’s top trading partners through aggressive economic diplomacy; bilateral trade turnover reached 124 billion USD in 2023, a considerable rise from 450 million USD in 1995 (Trang & Dung 2024).

Vietnam’s diplomatic links with nations in Asia, Europe, Oceania, America, and Africa have been forged by active participation in regional and worldwide multilateral organizations, international integration, and economic diplomacy initiatives (Duan 2023). Since switching to a multilateral foreign policy over 40 years ago, Vietnam has placed a greater emphasis on forming connections and interacting with other countries (Chapman 2017). The Ministry of Foreign Affairs as well as related ministries and sectors implemented multilateral cooperation to benefit the economy, such as building and nurturing the Vietnam-ASEAN and Vietnam-EU relationship, becoming an active member of ASEM, and joining APEC and the UN (Duan 2023). Thanks to that, Vietnam transformed from an isolated country mainly dependent on aid from the Soviet Union to one that enhanced its position in bilateral forums, gaining economic benefits from broader integration into the global and regional economies (Chapman 2017).

Foster and Popularize the Perception of Vietnam as An Innovative, Dynamic, and Promising Nation, Creating Opportunities for Global Economic Collaboration.

A nation’s reputation and positive image are valued more and more in today’s globally integrated and globalized world, drawing attention from the international community because national image influences not only international relations but also the socioeconomic development and competitiveness of the nation (Nguyen 2021). Through the organization of numerous economic, trade, investment, tourism, and cultural promotion activities both domestically and internationally that are rich and varied in form, theme, scale, and audience, Vietnam’s economic diplomacy has over the years proactively and actively built and promoted the image of a dynamic, inventive, and developing Vietnam (Vu 2024). In addition to high-level events, extensive promotional activities like the Vietnam Week/Day series overseas, conferences, seminars, and promotional events on investment, trade, and tourism organized by representative agencies have proven to be highly successful in
promoting Vietnam to friends abroad and providing evidence of the country’s developed, dynamic, and distinctive nature. This has created a great deal of opportunity for economic cooperation for Vietnam (Vu 2024). From there, boost the country’s economic integration process by strengthening ties between Vietnam and other nations across the world, resulting in entangled interests and a favorable environment for Vietnam’s economic development. As of right now, Vietnam has established diplomatic ties with 191 out of 193 United Nations’ members (Son 2023); it has also developed and upgraded comprehensive strategic partnerships and strategic alliances with 17 nations (Nguyen 2021). In addition, Vietnam has actively engaged in economic diplomacy by advocating for, negotiating, signing, and executing 14 free trade agreements (FTAs) with numerous key partners, including new generation FTAs, EVFTAs, and RCEPs, which present various opportunities for the nation in terms of trade, investment, technology, and labor. These agreements allowed Vietnam to become a significant player in regional and international economic alliances (Giang, Anh, & Dung 2023).

**Expanding Import and Export Markets**

Economic diplomacy plays a crucial role in the Ministry of Foreign Affairs of Vietnam and positively impacts the nation’s economic growth (Vu 2023). In light of this, the Vietnamese diplomatic community has recently actively collaborated, supported, and worked with ministries, branches, localities, and enterprises to successfully carry out international cooperation agreements, encourage the growth of import-export markets (Yen 2024), foster international integration and foreign economic relations, and ultimately seek out and expand import-export markets (Hai 2023). Additionally, the sector has connected with numerous potential partners, drawn in investment, encouraged technology transfer, and drawn in tourists, all of which have helped to create a driving force for Vietnam’s economic development.

**DISCUSSION**

**The Advantage**

Economic diplomacy, along with political and cultural diplomacy, are the three pillars of comprehensive and modern diplomacy in Vietnam; they are inextricably linked and influence one another, contributing to the implementation of the Party and State’s foreign policy (Prime Minister 2020). In recent years, economic diplomacy initiatives in Vietnam matched practical demands and quickly boosted important economic sectors, generating impetus for the country’s growth. Economic diplomacy actively researches global economic development trends and learns about the economic development patterns of developed nations across the world and in the region, advising the party and the government on policies and directions for Vietnamese economic growth. In the 1980s of the twentieth century, the Vietnamese Ministry of Foreign Affairs was one of the institutions that boldly advocated creative and groundbreaking economic concepts, contributing to the cause of innovation in Vietnam. Since then, Vietnam’s economic diplomacy has continued to best promote its role in gathering and comprehending information on the global and regional economic situation, forecasting development trends, international economic integration, comprehending market information, significant economic changes, and advising and consulting the government on how to manage the macroeconomic environment more effectively.

Notably, from 2006 to the present, economic diplomacy activities in Vietnam have made significant attempts to secure resources for the country’s economic development (Vu 2024). Economic diplomacy contributes to establishing economic relations with about 224 nations and territories (Vu 2024), which opens up several new export markets. In addition to established markets, Vietnam moved into new markets with high potential and, most critically, successfully used new-generation FTAs. Vietnam’s export goods reached the majority of the world’s markets, and many products progressively developed a strong footing and increased their competitiveness in markets with high quality criteria such as the EU, Japan, the United States, and Australia (Thuy 2022). Export turnover increased significantly in markets with FTAs with Vietnam, including China, which increased by 15%, the US increased by 24.2%, the EU increased by 14%, ASEAN increased by 25.8%, Korea increased by 15.8%, India increased by 21%, New Zealand increased by 42.5%, and Australia increased by 3.1%. Exports to the EU market reached about 40.07 billion USD, an increase of about 14% over the same period in 2020. Many of Vietnam’s export commodities, particularly seafood, shrimp, and rice, saw beneficial
developments in the EU market when the EVFTA Agreement was enacted (Thuy 2022). As a result, trade turnover in Vietnam increased from 2.9 billion USD in 1986 to over 500 billion USD in 2019 and was expected to reach 732.5 billion USD in 2022 (General Statistics Office of Vietnam 2023), with efforts to recover, import, and export setting a new record. In addition, economic diplomacy in Vietnam also actively promoted and attracted foreign direct investment (FDI) from leading partners in the world, contributing to increasing FDI from 1.6 million USD in 1986 to 38 billion USD in 2019, and by 2022, despite the negative impact of the previous COVID-19 pandemic, foreign direct investment in Vietnam still reached 27.72 billion USD (Binh & Ha, 2023). Through political and diplomatic advocacy, major development partners such as the United States, Japan, South Korea, and the European Union, among others, have provided Vietnam with numerous official development assistance (ODA) projects in key areas such as infrastructure, health, and education (Dung 2023), thereby making practical contributions to the country’s socioeconomic development.

**The Obstacle**

Aside from the achieved results, there are still some shortcomings and limitations in the implementation of economic diplomacy in Vietnam in recent times.

To begin, Vietnam has yet to complete significant orientation policies aimed at improving the efficacy and proactiveness of inter-sectoral cooperation in order to meet international obligations. The recent provision of strategic advisory information on the global economic situation, partners, and markets, while bolstered by the diplomatic sector, is insufficient; the work of promoting the country’s image and supporting foreign economic promotion falls short of the potential of Vietnam’s relations with partner countries (Giang, Anh, & Dung 2023).

Second, while there has been a shift in Vietnam’s perception of economic diplomacy in recent years, there is still a lack of understanding and active cooperation with the Ministry of Foreign Affairs and Vietnamese representative agencies abroad (Giang, Anh, & Dung 2023). The international and regional contexts provide several growing issues, and the execution of economic diplomacy in Vietnam is not particularly sensitive or creative in terms of research and innovation in order to successfully conduct economic diplomacy operations.

Third, Vietnam has yet to fully capitalize on the potential of FTAs in terms of economic cooperation with important markets. Vietnamese firms’ understanding and exploitation of FTA benefits is limited compared to international enterprises (Nhan & Huong 2019).

**CONCLUSION**

Economic diplomacy has evolved over nearly a half-century, mirroring Vietnam’s progress since its independence. The Party and State of Vietnam recognized economic growth as a critical component of the country’s foreign policy (The World Bank 2020). During the period when the country was still divided, the Diplomatic Conferences of the Party and the State of Vietnam made strategic assessments: the Ministry of Foreign Affairs needed to study the economic models of other countries, collect scientific and technological advancements, and encourage economic cooperation with nations worldwide immediately after the war ended (Vu 2024). This awareness served as a crucial foundation for the emergence and advancement of economic diplomacy in Vietnam, which led to several significant successes in the future.

From searching, exploring, and “learning while doing,” economic diplomacy has gradually unified its perception, content, and motto of “breaking through, paving the way, advising, accompanying, and urging” and has become one of the three important pillars of Vietnam’s comprehensive diplomacy. The Minister of Foreign Affairs’ directives on promoting economic diplomacy in 2007, 2014, and 2017 as well as Directive No. 41-CT/TW of the Secretariat dated April 15, 2010 on strengthening economic diplomacy in the period of accelerating industrialization and modernization of the country have helped to give economic diplomacy a foundation, clear direction of implementation, with focus and key points, effectively meeting the requirements of economic development in each specific stage and period and achieving many proud results (Vu 2024). Looking back on Vietnam’s historical development journey, we conclude that “economic diplomacy has truly made practical and effective contributions to the process of socio-economic development and international integration of our country.”.
In light of the international and regional situation that continues to change rapidly and unpredictably with strong changes such as the US-China trade war, the COVID-19 pandemic, the Russia-Ukraine war, investment shifting trends and production and supply chains of major countries in the world, etc., Vietnam is also entering a period of accelerating industrialization, modernization of the country, and international integration. This poses great challenges for Vietnam and is intertwined with new opportunities, which requires economic diplomacy in Vietnam in the coming time to innovate in its approach to respond to the new situation and continue to improve efficiency.

The Party and Government’s directives, as well as the tasks and solutions outlined in the draft documents that are anticipated to be presented to the 13th National Party Congress, such as the Socio-Economic Development Strategy 2021–2030 and the Socio-Economic Development Plan 2021–2025, must be closely followed by economic diplomacy in the future. Of particular importance is the motto, “Building economic diplomacy to serve development, taking people, localities, and enterprises as the center of service. Protecting the legitimate interests of the state, enterprises, and people of Vietnam in international economic, trade, and investment disputes”.

Acknowledgements
We thank the editor and anonymous referees for comments and suggestions.

This research is partly funded by the University of Danang, University of Economics, Vietnam.

REFERENCES
The Role of Economic Diplomacy on Vietnam’s Economic Development


