



Vietnam's 14th National Party Congress: The "Streamlining Revolution" & Business Outlook – Implications and Opportunities for Czech and European Businesses

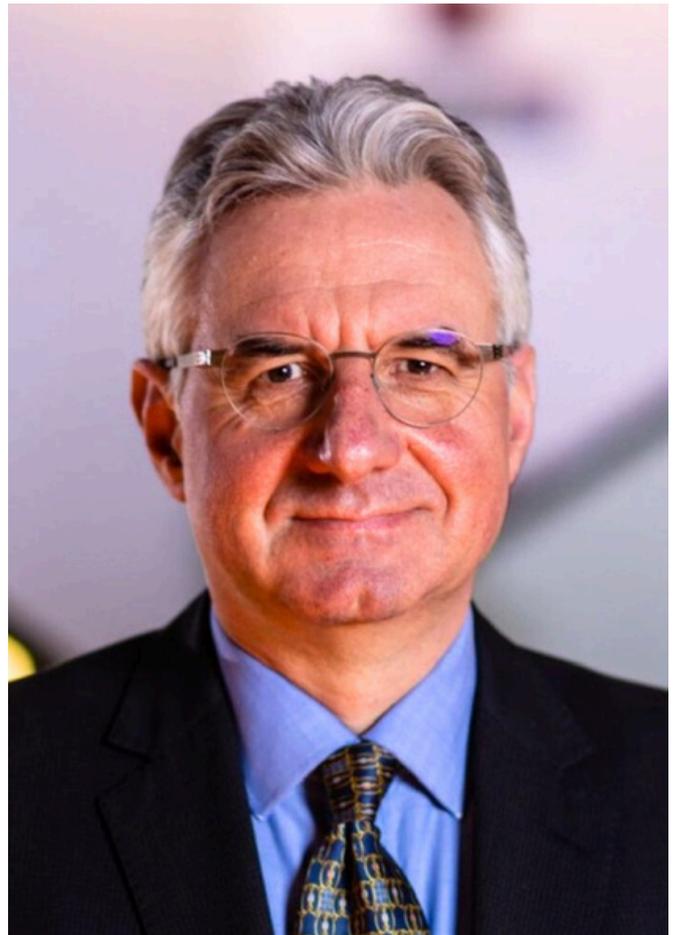
CAPS POLICY OVERVIEW

# FOREWORD

In June 2026, we will remember 50 years from Vietnam reunification. North and South formally merged to create united republic.

After half a century, we can see that Vietnam has turned into success story. Its political stability, growth performance, foreign investments record and carefully crafted foreign policy made Vietnam leading force in South-East Asia. Europe needs to acknowledge this – and indeed, it does.

FTA EU-Vietnam proves clear evidence to it. Good news is that the Czech Republic is not lagging behind. Both our countries signed strategic partnership already in January 2025.



The Czech-Vietnamese diaspora is the largest per capita of all 27 EU members. Let's use it for deepening our relations.

In most Asian countries, 2026 is the Year of the Fire Horse. Vietnam again seems to meet this challenge. New country leadership, new economic reforms were and are to be introduced. The future is promising. We, in Europe, must not miss this opportunity. Vietnam is our gateway to wider Asia.

This paper brings you closer look on what's going on there. Hopefully you appreciate it.

**Jan Zahradil**

**Chairman of the Advisory Board**

# INTRODUCTION

Vietnam, currently Southeast Asia's fastest-growing economy (**8.02% GDP growth in 2025**), concluded its 14th National Party Congress (January 19–23, 2026) with a mandate for unprecedented acceleration under General Secretary **To Lam**.

Facing an aging population and global trade volatility, the Congress adopted a "shock therapy" approach. The new strategic framework targets **10%+ annual GDP growth (2026–2030)** and aims for high-income developed status by 2045. The strategy relies on three pillars:

- radical institutional streamlining
- the elevation of the private sector to a "core pillar"
- and massive infrastructure spending.

I also prepared ground for the subsequent deepening of mutual relations with the European Union (EU). During the January official visit of **Antonio Costa**, President of the European Council, in Hanoi, both entities elevated their relations to the level of **comprehensive strategic partnership**, building on the already existing EU–Vietnam Free Trade Agreement (EVFTA), which has been in effect since 2020.

The text below provides a brief overview of the main highlights from the 14th National Party Congress, adopted sweeping reforms and the impact on the EU–Vietnam relations.

## I. INSTITUTIONAL "SHOCK THERAPY":

- **Radical Provincial Consolidation:** In a move to centralize power and efficiency, Vietnam is reducing its number of provinces from **63 to 34**. The district-level administration has been abolished in these new super-provinces to create a two-tier governance model.
- **Bureaucracy Slash:** Over **100,000 public sector jobs** (~15% of the workforce) will be eliminated to reduce overhead and "crowding out" of private enterprise (a significant part of this process will be facilitated through natural retirements).
- **Centralized Command:** To combat "localism," all provincial leaders (Secretaries/Chairmen) are **now non-local appointees**, ensuring direct responsibility to Hanoi and unified policy execution.

## II. BUSINESS ENVIRONMENT & PRIVATE SECTOR (Resolution 68):

- **Resolution 68:** Formally elevates the private sector from "supplementary" to a "**core pillar**" of the economy. Regulators have been instructed to take higher risks in project approvals to speed up development.
- **The "National Champion" Strategy:** Moving away from reliance purely on foreign direct investment (FDI), Vietnam plans to create **20 domestic conglomerates by 2030**. Modeled on South Korean chaebols, these private firms will receive strategic state support to compete globally.
- **SOE "Survival of the Fittest":** Money-losing State-Owned Enterprises have been warned they will face bankruptcy if they do not become profitable; the state will no longer bail out inefficiency.

## III. INFRASTRUCTURE & MEGAPROJECTS:

- **Hyper-Scale Spending:** State infrastructure spending rose **27% in 2025** and is budgeted to increase by **34% in 2026**.
- **Key Megaprojects:**
  - **Dong Son Bronze Drum Stadium:** Construction of a **135,000-seat** sports complex (second largest in the world).
  - **Red River Highway:** A **\$32 billion** road-building initiative along the northern border.
  - **Aviation:** New international airport near Ho Chi Minh City (opened Dec 2025) to relieve logistics bottlenecks. Other smaller sites planned as part of the hub-and-spokes logic.
- **Expressways:** 3,513 km completed by end-2025; target raised to **5,000 km by 2030** to unify national logistics – mainly the connection between North and East and within the Red River Delta (connecting the area with Laos and China).

#### IV. GEOPOLITICAL CONTEXT & RISKS:

- **The Tariff War:** Vietnam faces precarious exposure to U.S. trade policy. Following **10–49% reciprocal tariffs** announced by the U.S. in 2025, Vietnam remains vulnerable to duties on "transshipped" Chinese goods. Uncertainty remains after the U.S. Supreme Court ruling, claiming some of the legal basis for the tariffs insufficient.
- **Tech Geopolitics:** AI is defined as a "new geopolitical arena." Vietnam aims to capture semiconductor and high electronics supply chains moving out of China (further benefiting from the global China+1 strategy), targeting a digital economy share of **30% of GDP**.
- **Feasibility:** The target of **8.5% annual labor productivity growth** is historically rare (achieved only by Asian Tigers at their peak) and risks overheating the economy.
- If successful, the agenda could strengthen Vietnam's regional standing within ASEAN and its strategic relevance to external partners.

#### V. SOCIAL AND ENVIRONMENTAL IMPACTS

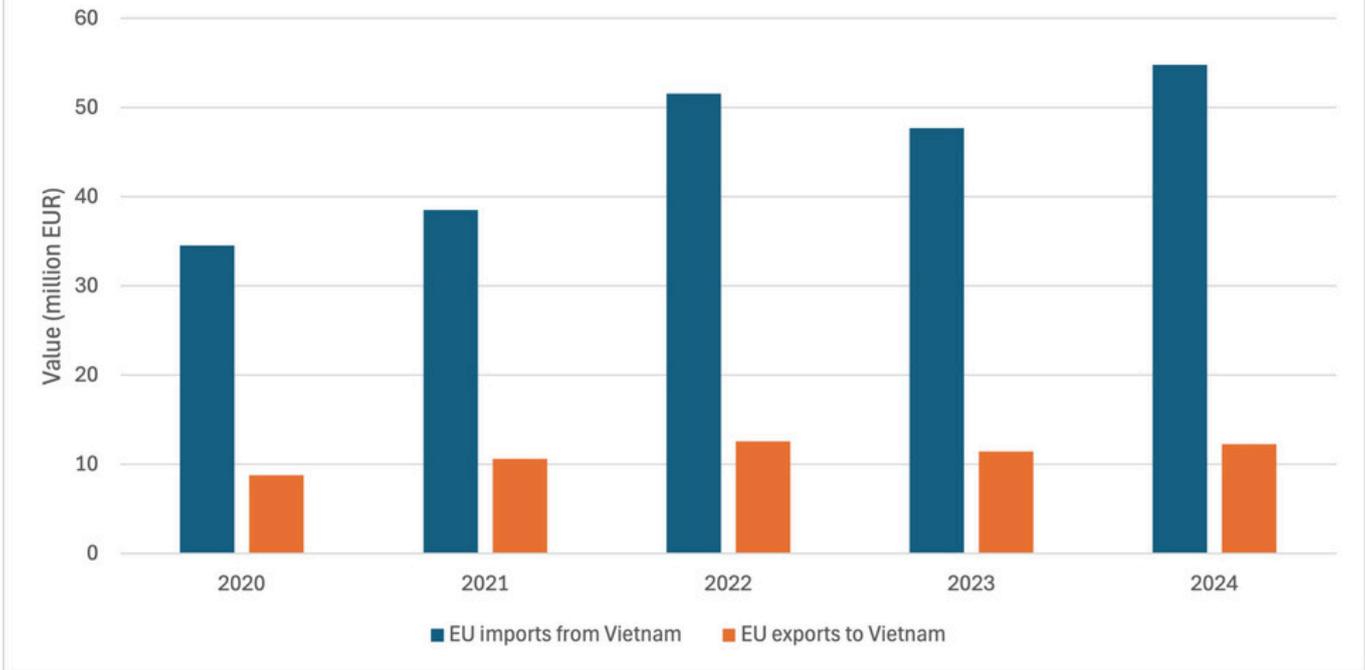
- Large scale **public sector layoffs** and administrative consolidation risk rising unemployment, local resistance and regional inequality.
- Rapid industrialization and urban expansion will increase **pressure on housing**, public services, infrastructure and labor markets.
- Growth may **deepen social stratification** between high-tech growth centers and peripheral provinces.
- Pressure will be intensified on land, water resources and air quality, particularly in major urban and industrial corridors.
- Vietnam's **growth strategy remains energy-intensive** with continued reliance on coal and gas creating tension between industrial expansion and climate commitments.
- Large infrastructure projects increase exposure to environmental degradation and displacement, potentially slowing implementation.

## VI. IMPACT ON THE EU-VIETNAM RELATIONS

- The reforms adopted by the 14th National Party Congress prepared ground for the further development of mainly business and investment relations between the EU and Vietnam.
- Both entities are already deepening their contact based on the **EU-Vietnam Free Trade Agreement** of 2020 and **Partnership and Cooperation Agreement** of 2012.
- Based on these, Vietnam has become **EU's 17th largest trade-in-goods partner** and the largest trading partner among ASEAN states in this trading category, with a trade volume reaching 67 billion EUR in 2024 – with EU importing from Vietnam mainly machinery and textiles, while Vietnam importing chemicals, machinery and transport vehicles.
- EU also serves as the **major investor in Vietnam** with foreign direct investment (FDI) outflows reaching 1.4 billion EUR in 2023.
- At the end of January, after the National Party Congress, European Council President Antonio Costa visited Hanoi to mark a **35th anniversary of EU-Vietnam diplomatic relations**.
- During his visit the relations between both entities were elevated to the highest possible level of **comprehensive strategic partnership** – that signals the will of both parties to deepen their diplomatic, strategic, business and investment ties.
- The move also demonstrates EU's willingness to play a broader role in the Indo-Pacific region, implementing its Indo-Pacific Strategy into tangible steps in the times restructuring of the global trade relations.
- The following graphs demonstrate the dynamics.<sup>1,2</sup>

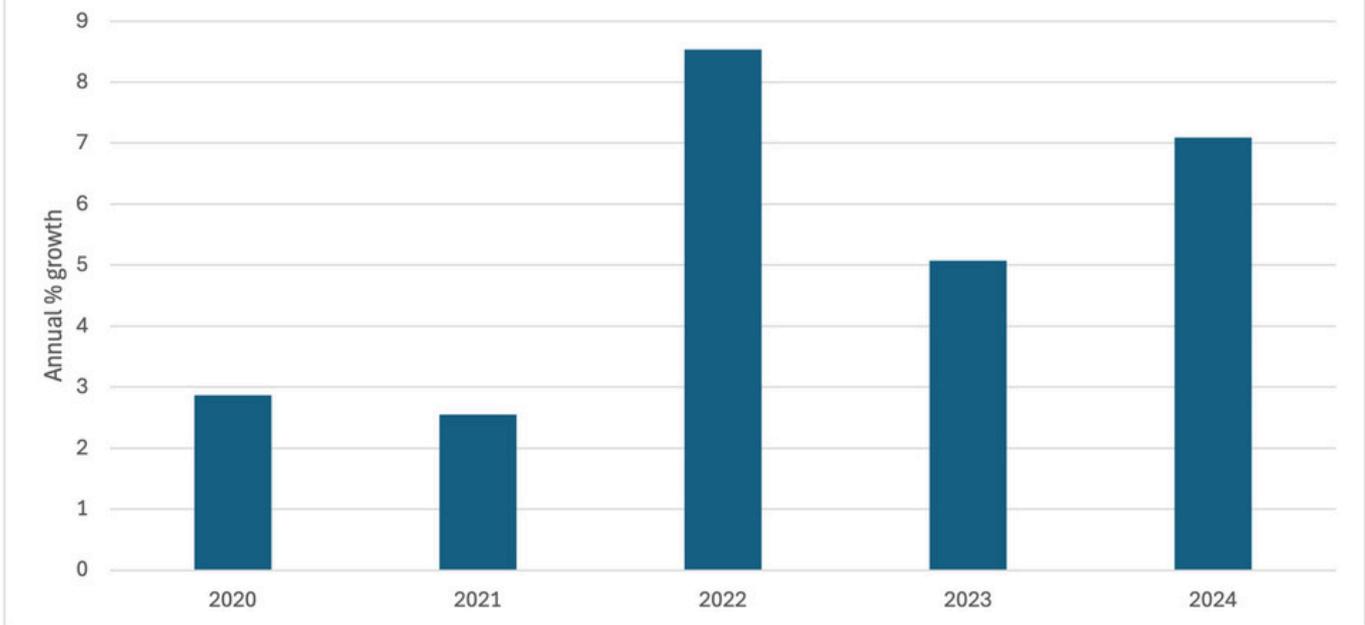
### EU-Vietnam trade developments after 2020

Source: European Commission – Directorate General Trade



### Vietnam's year-on-year GDP growth since 2020

Source: World Bank Group



1. [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_vietnam\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_vietnam_en.pdf)

2. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2024&locations=VN&start=2020>

## VII. IMPACT ON THE EU-VIETNAM RELATIONS

- The planned reforms open a “**window of opportunity**” for many European and Czech businesses and investors alike. The dynamic sectors with high procurement opportunities include:
  - **Infrastructure and Engineering** – high-speed and standard railways, transport technology, highways and transport hubs are essential parts of the reform plans.
  - **Renewable Energy and Power** – current energy deficit in industrial zones creates demand for solar, wind, and grid infrastructure and technology.
  - **Industrial Automation** – fits into governments and party plans for pushing up the value chain – demand for automation technology and smart factory solutions, mainly automotive and electronics manufacturing.
  - **Agriculture and Food Processing** – modernization and liberalization of the agricultural sector is underway to meet high EU standards – creates demand for machinery and chemicals.
  - **IT, AI and Financial Sectors** – Vietnam focuses on increased data protection and modernization of administrative processes – new regulatory environment opens market for smart software solutions + an increased interest in financial software solutions (including AI) and fintech in newly planned special financial centers in Dan Nang and Ho Chi Ming City.



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