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Review Article

The EU economy in the first half of 2025 and prospects for the second half of the year: Implications for Vietnam - EU trade and investment

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Abstract: Amid the EU's slow economic recovery and growing uncertainties, this paper analyzes the economic, trade, and investment relations between Vietnam and the EU in the first half of 2025, while offering several policy implications for the remainder of the year, using secondary data from reputable domestic and international organizations and combining descriptive and comparative analysis. The findings show that, despite the slow recovery of the EU economy, Vietnam–EU trade continued to grow strongly, with a high trade surplus, and EU investment in Vietnam increased significantly - particularly in high-tech and renewable energy sectors. The EU-Vietnam Free Trade Agreement has demonstrated clear positive effects, while the EU-Vietnam Investment Protection Agreement, if ratified, would serve as a major boost for bilateral investment. A prominent policy implication is that Vietnam should continue institutional reforms, support businesses in adapting to green standards, and position itself as a regional hub for low-carbon manufacturing.

Keywords: EU, Vietnam, trade, FDI, EVFTA.

1. Introduction

In the context of growing global uncertainty- from geopolitical tensions and rising protectionism to the challenges posed by green and digital transitions - major economies like the EU are having to adjust their policies to sustain growth and stabilize markets (Vu et al., 2024). Although gradually recovering from the COVID-19 pandemic, the EU economy maintained modest growth in the first half of 2025 and is expected to remain stable at a low level in the second half. Nevertheless, as one of the world's major economic and trade centers, the EU continues to play a vital role in global supply chains, particularly in trade, investment, and sustainable development.

For Vietnam, the EU is not only among the top three-largest export markets but also a strategic investment partner, backed by strong commitments through the EU–Vietnam Free Trade Agreement (EVFTA) and the EU–

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Vietnam Investment Protection Agreement (EVIPA). As the EVFTA is being deeply implemented, while the EVIPA has yet to be ratified, assessing the EU's economic situation and the prospects of bilateral relations is essential for shaping appropriate policy directions for Vietnam.

This paper aims to address the following research questions: (1) What is the current state of the European economy in the first half of 2025, with particular attention to trade and investment relations with Vietnam? (2) What are the prospects for the EU economy in the second half of 2025, including projections regarding trade and investment relations with Vietnam? and (3) What are the key implications for Vietnam in enhancing trade and investment engagement with the EU in the near future?

To address the above-mentioned questions, this study relies primarily on secondary data sources obtained from various reputable domestic, and international agencies and organizations such as the European Commission, Vietnam General Statistical Office and the Department of Vietnam Customs. The investment statistics on the number of projects as well as the value of registered, implemented, and additional capital provided by the General Statistics Office and the Ministry of Finance are served as the basis for analyzing the current state of EU investment in Vietnam. In addition, the Business Confidence Index (BCI) is employed to evaluate the attractiveness of Vietnam's investment environment to EU investors and to assess the prospects for future EU investment flows into the country. The trade statistics were collected from Vietnam Customs.

In Vietnam, well-structured and comprehensive quarterly reports and articles on the country's trade and investment relations with its partners are largely lacking. Most publications are limited to brief news bulletins that provide figures but lack in-depth analysis and commentary. Given this gap, utilizing these data sources listed above, the paper seeks to analyze key economic performance in the EU and the Vietnam–EU trade and investment relationship during the first half of 2025, while also forecasting the outlook for the second half of the year. Based on this analysis, the paper proposes several policy implications for Vietnam to better seize emerging opportunities and respond effectively to challenges in its cooperation with the EU.

2. The EU's economic situation in the first half of 2025

Analyzing the EU's economic situation for the first half of 2025 requires a comprehensive analysis centered on some core indicators including GDP, unemployment rate, and inflation rate in order to measure economic growth, reflect labor market health, and track the economy's stability with timely, reliable data from Eurostat.

The European economy continued to exhibit modest growth and recovery in the first half of 2025 (Eurostat, 2025a). In the second quarter of 2025, seasonally adjusted GDP of the euro area increased by 0.1 per cent and by 0.2 per cent in the EU, compared to the previous quarter. This growth rate represents a significant variation from the first quarter of 2025, which saw a 0.6 per cent increase in the euro area and a 0.5 per cent rise in the EU. On a year-over-year basis, GDP in the euro area and the EU grew by 1.5 per cent and 1.6 per cent, respectively. These figures indicate a steady, albeit relatively slow, economic recovery across the region.

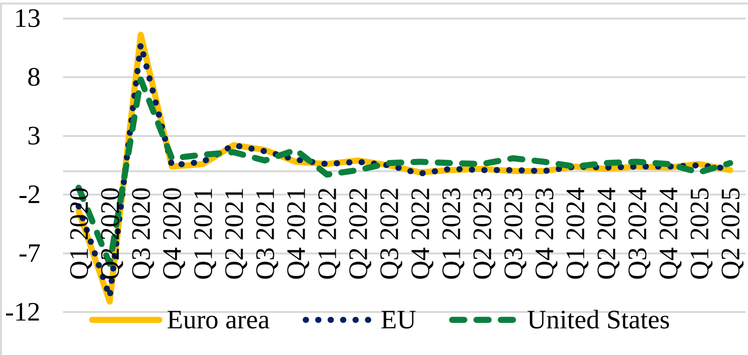

Figure 1: GDP growth rate over the previous quarter (% change, based on seasonally adjusted data)
Source: Eurostat (2025a).

Similar trends were also evident in the European labor market, as employment grew by 0.1 per cent in both euro area and the EU in Q2 2025 on a quarter-over-quarter basis (Eurostat, 2025a). This represents a slight change from the 0.2% employment growth recorded the euro are during Q1. Compared to the same quarter in 2024, employment increased by 0.7 per cent in the euro area and the EU, indicative of a progressive recovery in the labor market. Furthermore, the euro area and the EU's unemployment rates were respectively 6.2 per cent and 5.9 per cent in June 2025, remaining stable compared to May 2025 (Eurostat, 2025b).

These labor market dynamics closely align with the modest GDP growth patterns, indicating a synchronized recovery in both economic output and employment.

However, the data from the beginning of the year reveal an uneven recovery among member states. For instance, countries such as Ireland and Bulgaria witnessed strong GDP growth in Q2 2025, with Ireland recording a 16.2 per cent change compared with the same quarter of 2024 and Bulgaria increasing by 3.1 per cent (Eurostat, 2025a). Conversely, some economies, like Austria or Germany, experienced weaker growth at 0.1 per cent and 0.4 per cent, respectively (Eurostat, 2025a). This divergence highlights the challenges in achieving a uniform economic recovery within the EU.

The inflation rate in the first half of 2025 gradually decreased from the first to the second quarter; however, it increased slightly in the final month of Q2. In June 2025, the euro area's annual inflation rate reached 2.0 per cent, a slight increase from 1.9 per cent in May, but down from 2.5 per cent a year earlier. Meanwhile, the EU's inflation rate was 2.3 per cent, a notable decrease from the 2.6 per cent rate in the same period of 2024 (Eurostat, 2025c). The services sector was the primary contributor to the rise in inflation in the European region. The inflation rate was uneven across member states, decreasing in five countries while increasing in twenty-two, compared to May. Overall, during the first half of 2025, regional inflation was managed with relative stability and effectiveness.

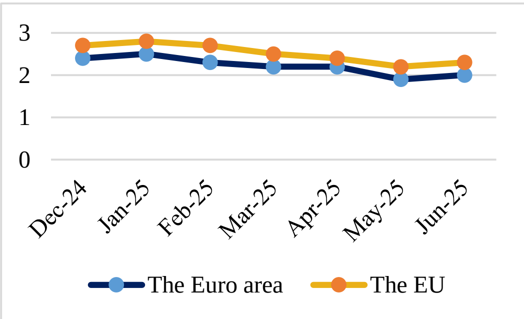

Figure 2: Annual inflation rates in the Euro area and the EU (%)
Source: Eurostat (2025c).

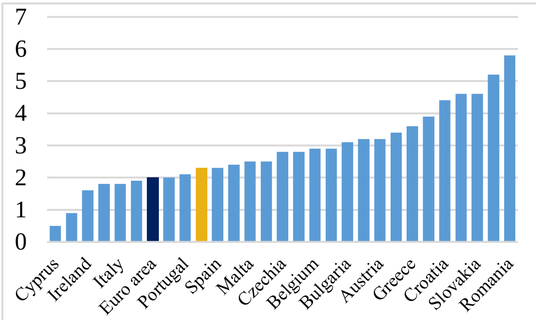

Figure 3: Annual inflation rates in 6/2025, categorised by country members (%)
Source: Eurostat (2025c).

Positioning the EU within the wider global economic landscape reveals a relative recovery despite prevailing international volatility. While the EU's growth trajectory lags behind that of the UK, China, India, and the ASEAN, its performance represents a significant improvement when contrasted with other major economies. For instance, the United States and South Korea both experienced a 0.2 per cent economic contraction in the first quarter, Japan recorded zero growth, and Russia's 1.4 per cent growth rate marked a sharp deceleration from the 5.4 per cent seen in the corresponding period of the previous year.

Therefore, the first half of 2025 demonstrates that while the EU economy has not yet staged a significant breakout, its steady GDP and employment growth signals a progressive navigation of post-pandemic challenges and geopolitical instability. Nevertheless, intra-bloc growth divergence and persistent external risks underscore the critical importance of sustained policy coordination and enhanced economic resilience to secure an equitable recovery across the Union.

3. Vietnam - EU trade and investment relations in the first half of 2025

3.1. Vietnam - EU trade relations

In 2024, despite the EU's slow economic recovery, trade between Vietnam and the EU continued to grow impressively, demonstrating the benefits brought by the EVFTA to both sides. By 2024, Vietnam had become the EU's 17th largest trading partner and the EU's largest trading partner in ASEAN. Since EVFTA officially came into effect on August 1, 2020, the total value of trade in goods between Vietnam and the EU has seen significant growth - from approximately USD 49.6 billion in 2020 to over USD 68 billion in 2024. Of this, Vietnam's exports to the EU reached USD 51.7 billion (an increase of 18.5 per cent), while its imports from the EU amounted to USD 16.7 billion (an increase of 12 per cent) (The Department of Vietnam Customs, 2025).

In this period, Vietnam consistently maintained a trade surplus with the EU, with the surplus steadily increasing—reflecting the country's strong export capacity and competitive advantage in the EU market. In 2024, the surplus reached nearly USD 35 billion. Vietnam's main export commodities to the EU included machinery and equipment, footwear and headwear, and textiles and garments. The primary imports from the EU to Vietnam were chemicals, machinery and equipment, and transport equipment (European Commission – Directorate-General for Trade, 2024).

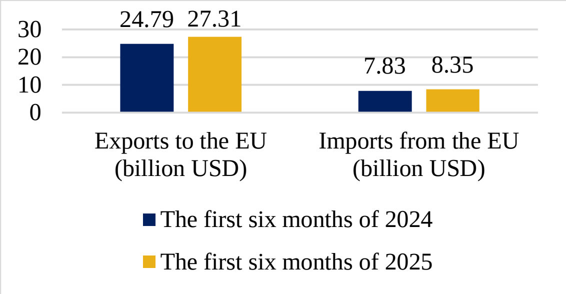

Figure 4: Vietnam - EU Trade in the first six months of 2025
Source: Department of Vietnam Customs (2025).

In the first six months of 2025, Vietnam's exports to the EU continued to grow at a high rate—10.2 per cent—with a total export value reaching USD 27.31 billion (Figure 4). With this strong growth, the EU maintained its position as Vietnam's second-largest export market (after the United States), accounting for 12.4 per cent of Vietnam's total export turnover. This reflects the stability of EU consumer demand for Vietnamese products and the competitiveness of Vietnam's goods, particularly in sectors such as textiles and garments, footwear, agriculture, and electronics (Vietnam Customs, 2025). The strong increase in Vietnam–EU trade in the first half of 2025 were attributed to the implementation of EVFTA, with greater utilization of tariff preferences and rules of origin. The EU's supply chain diversification away from Russia and China have also generated new opportunities for Vietnam exporters. Additionally, domestic reforms in customs, improved logistics infrastructure, and the shift toward green consumption in Europe significantly reinforced Vietnam's export performance.

In contrast to the strong growth in exports, Vietnam's imports from the EU saw only a slight increase. In the first six months of 2025, imports from the EU reached USD 8.35 billion, up just 6.6 per cent compared to the same period in 2024, accounting for 3.9 per cent of Vietnam's total import turnover. The EU currently ranks as Vietnam's 7th largest import partner, behind China, South Korea, ASEAN, Taiwan, Japan, and the United States. As a result, Vietnam's trade surplus with the EU remained high, reaching nearly USD 19 billion in the first six months of 2025. Vietnam continues to primarily import high-tech products and machinery from the EU, while still heavily relying on Asian markets for input materials. In the first half of 2025, Vietnam's imports from the EU grew slowly for two key reasons. First, imports are concentrated in machinery, pharmaceuticals, and chemicals—high-value categories with limited expansion in demand. Second, EU products face strong competition from Asian suppliers such as China, Japan, and South Korea, which offer lower prices and faster delivery.

3.2. Vietnam – EU investment relations

The first six months of 2025 witnessed a continuous upward growth trend in the foreign investment flows into Vietnam, clearly reflecting the increasing confidence of foreign investors in the Vietnamese investment environment. Foreign investors not only continue to choose Vietnam as a destination for their new investment projects but are also willing to expand the scale of existing projects (Eurocham, 2025). Paid-in FDI capital is estimated at USD 11.72 billion, up 8.1 per cent over the same period last year, and is the highest value in the first half year of the 2021-2025 period. As of June 30, 2025, the total registered foreign investment capital in Vietnam including newly registered capital, adjusted registered capital and capital contribution value, and share purchase of foreign investors reached USD 21.52 billion, up 32.6 per cent over the same period last year (GSO, 2025).

The EU remains one of the largest foreign investors in Vietnam. In the first three months of 2025, total newly registered capital, additional registered capital, and capital contributions from EU investors reached USD 222.12 million—an increase of 76 per cent compared to the same period last year. As of early March 2025, total EU investment capital in Vietnam reached USD 30.4 billion, making the EU the sixth-largest foreign investor in the country.

EU investment covers several sectors, with a focus on high-tech manufacturing, renewable energy, and green industries. EU investors bring technological advantages that contribute to technology transfer, leading to the creation of new industries, professions, and high-tech products, as well as generating new job opportunities.

One of the highlights of the recent growth trend of FDI is the contribution of many large EU enterprises. A typical example in the technology field is the LEGO Group (Denmark) inaugurating a factory in Vietnam with a total investment of up to USD 1.3 billion in April 2025. This project is considered as the largest scale FDI project in Denmark's toy industry, reflecting the trust of LOGO group in the friendly, stable investment environment and sustainable development potentials in Vietnam. In addition, Vietnam was chosen as an ideal investment destination by large corporations in the garment and textile sector. SYRE group (Sweden) registered their new project "Polyester Fabric Recycling Production Complex" with the total investment capital up to USD 1 billion. With the objective of recycling textile scrap into PET plastic granules, towards an environment-friendly garment and textile industry, the project is expected to make a significant contribution to sustainable development and green transformation in the Vietnamese garment and textile industry.

EU enterprises continue to consider Vietnam an attractive investment destination. They remain optimistic about the Vietnamese investment environment, as evidenced by the Business Confidence Index (BCI), which rose to 61.8 in Q4 2024 and reached a two-year high of 64.6 in Q1/2025 (EuroCham 2025a). Although the BCI in Q2/2025 recorded a slight decline to 61.1 points (EuroCham 2025b), possibly due to concerns over the broader instability facing the global economy, the business confidence index of European investors in Vietnam has remained relatively high and stable, reflecting strong confidence in Vietnam's potential as a long-term trade and investment partner, further enhancing its appeal as an FDI destination.

Business conditions in Vietnam have been improved in terms of facilities, technology and labour force, however, there are several challenges in market conditions, cost efficiency and administrative procedure. Administrative burden and procedural inefficiencies have been still considered as the most challenged obstacle for business activities in Vietnam. The difficulties in complex administrative procedures, inconsistent law enforcement, the lack of transparency and unpredictability of regulation have seriously reduced the effectiveness of business activities. Visa procedures remain a significant barrier for both foreign experts and their employers. In addition, the difficulties in tax procedures, for example, VAT refund and the process of applying for Investment certificate/ Enterprises Registration Certificate have put more administrative burdens on related enterprises.

4. Outlook for EU economic performance and Vietnam - EU relations in the last six months of 2025

4.1. Outlook for the EU economy

The economic outlook for the region suggests a continuation of low and stable growth, with no significant acceleration foreseen for the remainder of 2025. Projections from the European Central Bank (ECB) place EU growth at 0.9 per cent, while the European Commission's forecast is for 0.9% in the euro area and 1.1 per cent in the EU for the last three quarters of 2025 (ECB, 2025). This cautious outlook is predicated on several persistent headwinds: weakened export performance stemming from global trade frictions, notably US and Chinese tariffs; subdued development in the industrial sector, and prudent business investment amidst uncertainty.

While headline inflation has abated and is projected to average 2.2-2.3 per cent by the end of 2025, underlying core inflation remains elevated, a trend particularly pronounced in the services sector. In response, the ECB has pursued a policy of gradual monetary easing. By June 2025, the ECB had lowered the deposit facility rate to 2 per cent, marking its eighth time slashing of borrowing costs since last June. This dovish monetary stance is intended to bolster domestic demand and guide inflation.

Labor market conditions are expected to hold steady until the end of the year, with unemployment stabilizing around 6.2-6.3 per cent and moderating wage growth still providing support to household incomes and expenditure. Private consumption continues to be the main engine of growth, supported by more accommodating financial conditions and real wage gains, complemented by a modest revival in the housing and consumer credit markets.

Nevertheless, the outlook is subject to significant downside risks. A resurgence of trade protectionism, especially higher US tariffs, could curb GDP growth by an estimated 0.3 to 1.0 percentage points, with industrial exporters being the most vulnerable. Stubborn core inflation could present a challenge to the ECB's policy path. Conversely, upside potential exists through the effective implementation of recovery funds, deeper single market integration, and improved financing conditions, which could stimulate stronger consumption and investment. Consequently, enhancing economic resilience and fostering a stronger recovery will necessitate a focus on structural reforms, deeper EU integration, and careful policy coordination.

4.2. Outlook for Vietnam - EU trade

Trade in goods between Vietnam and the EU in the second half of 2025 is projected to continue its stable growth, while shifting significantly toward a deeper phase of trade focusing on quality, standards, and international compliance capacity. At the same time, the EVFTA is expected to continue playing a pivotal role in boosting bilateral trade growth during the second half of 2025 (European Commission, Directorate-General for Trade, 2025).

However, alongside the driving force of the EVFTA, from now until the end of 2025, trade between Vietnam and the EU will be influenced by several challenging factors. These include a stable but low economic growth rate as the EU's macroeconomic environment will still be affected by relatively high inflation, geopolitical tensions, and green trade policies. Notably, bilateral trade is not only shaped by tariff policies but also significantly impacted by non-tariff barriers—especially technical barriers to trade (TBT), sanitary and phytosanitary measures (SPS), and environmental regulations such as the Carbon Border Adjustment Mechanism (CBAM), Environmental, Social and Governance (ESG) requirements, and the EU Ecolabel. In particular, the EU's tightening of ESG standards and the implementation of the CBAM starting in 2026 will place significant pressure on Vietnam's key export sectors, including textiles and garments, footwear, and steel. The ability of Vietnamese businesses to adapt to green transition requirements, traceability, and social responsibility will play a crucial role in ensuring sustainable growth. This implies that Vietnam's trade prospects with the EU will depend less on the pace of Europe's economic recovery, but more on the capacity of Vietnamese businesses to transition to low-carbon production, increase compliance with non-tariff measures and ensure transparent supply chain management. In the coming time, CBAM and green standards are not only immediate challenges but also structural conditions that will determine the sustainability of Vietnam-EU trade.

Therefore, whether Vietnam can strongly boost trade with the EU in the second half of 2025 will depend on its ability to continue leveraging the commitments under the EVFTA, the effectiveness of EVFTA implementation, its capacity to meet non-tariff measures- particularly green regulations- and the innovation and adaptability of Vietnamese enterprises.

4.3. Outlook for the EU's investment into Vietnam

In the current context, Vietnam not only aims to attract more FDI capital but also emphasizes the quality and efficiency of FDI projects, prioritizing high technology, renewable energy, green energy, and advanced manufacturing. This focus is especially relevant given the strong implementation of the Just Energy Transition Partnership (JETP) and green economic development policies. The adjustment in FDI attraction is expected not only to help Vietnam enhance value addition in the supply chain but also to contribute to transforming the growth model toward greater sustainability.

Vietnam continues to promote investment from large EU corporations in the fields of high technology and renewable energy, which are also key strengths of the EU. This not only helps Vietnam enhance national competitiveness in the digital transformation era but also facilitates its participation in a green and sustainable supply chain. Therefore, Vietnam's prospects for attracting more FDI by the EU's advantages in these strategic sectors are highly promising.

However, the outlook for attracting FDI from the EU to Vietnam in the near future will depend on the enforcement of institutional frameworks and policies between the EU and Vietnam. One of the most important factors is the early ratification and implementation of the EVIPA. Currently, EVIPA has been ratified by eighteen out of twenty-seven EU member states, with the remaining countries yet to ratify it. The EU has planned to promote EVIPA negotiations at upcoming high-level meetings. Early ratification and enforcement of EVIPA would enhance the EU's trust in Vietnam, creating more opportunities to attract increased FDI from EU countries.

Recent reforms in Vietnam's legal framework have significantly reinforced the confidence of EU investors by providing stronger safeguards for investor rights and mitigating associated risks. These developments are anticipated to facilitate the inflow of higher-quality investment from the EU. Specifically, the amended Law on Investment (Law No. 57/2024/QH15) and the Law on Enterprises 2025 (Law No. 76/2025/QH15) have improved regulatory transparency and legal stability, strengthened commitments to investment protection under the EVIPA, streamlined investment procedures, and enhanced the transparency of corporate governance mechanisms. Collectively, these measures indicate Vietnam's gradual convergence with international standards, thereby consolidating trust among EU investors. Furthermore, Decree No. 69/2025/ND-CP, which relaxes foreign ownership caps in banks, expands opportunities for EU participation in the financial sector. Complementing this, Circular No. 03/2025/TT-NHNN introduces clearer provisions on capital remittance and profit repatriation, thereby reducing risks of capital flow restrictions - a critical consideration for EU investors.

Besides, the policies on restructuring Vietnamese administrative units are expected to be a key driver in promoting FDI attraction in the near future. At the 9th Session of the National Assembly, the National Assembly passed Resolution No. 202/2025/QH15 dated June 12, 2025, concerning the restructuring of district-level administrative units. On June 16, 2025, the Standing Committee of the National Assembly also issued 34 resolutions on reordering commune-level administrative units across 34 provinces and cities (Government News, 2025). The administrative consolidation is expected to create a more expansive and interconnected development space, enabling better utilization of regional advantages and resources. These reforms are expected to contribute to building an effective and efficient government, simplifying cumbersome administrative procedures, reducing bureaucratic burdens in licensing processes and investment capital management, and creating a more favorable environment. This reform is anticipated to enhance the attractiveness of localities to foreign investors, especially in strategically important sectors such as manufacturing, logistics, and green energy.

Also, the 9th National Assembly briefed on the plan to establish international financial centers in Ho Chi Minh City and Da Nang in 2025. This initiative aims to help Vietnam connect to global financial markets, attract international financial organizations, and seize opportunities arising from shifting international investment capital flows.

The outlook for attracting FDI from the EU into Vietnam is further strengthened by bilateral relationships between Vietnam and the twenty-seven EU countries. In particular, there are "strategic partnerships" with Germany, France, Italy, and Spain; "comprehensive partnerships" with the Netherlands, Denmark, and Hungary; and "traditional trading partnerships" with East European countries that are EU members. High-level visits and meetings between senior leaders of Vietnam and EU countries—such as the visit of the Prime Minister of Spain to Vietnam in

April 2025, Prime Minister Pham Minh Chinh's participation in the third United Nations Ocean Conference in France, and official visits to the Republic of Estonia and the Kingdom of Sweden in June 2025—as well as visits from top leaders of important EU organizations, including the European Investment Bank in March 2025, have resulted in significant agreements. These developments promise to positively impact the strengthening of the EU's investment inflows to Vietnam in the near future.

Overall, the positive signals, including an increasing number of projects and rising FDI capital, along with improvements in the Business Confidence Index (BCI) of EU enterprises, indicate that Vietnam is increasingly building strong trust among EU investors and is considered an attractive and promising investment destination in Southeast Asia. Moreover, with continued efforts from the government and the entire political system to support and improve the investment and business environment, investment prospects from the EU into Vietnam look promising - particularly in the fields of high technology, clean energy, and the green supply chain. If Vietnam continues to implement strong institutional reforms and improve the quality of its labor force, FDI flows from the EU are expected to rise significantly in the near future.

5. Recommendations and conclusions

It is crucial for the Vietnamese government to remove unnecessary institutional barriers to create a favorable legal foundation for the EU's investment in Vietnam.

Vietnam must consistently encourage the remaining EU member states to expedite the ratification of the EVIPA. While the EVFTA has created favorable conditions for Vietnamese exports to the EU over the past five years, EVIPA has yet to be ratified by all EU countries. Therefore, Vietnam should continue its diplomatic advocacy efforts, conducting high-level meetings and bilateral dialogues to promote the ratification of EVIPA. This would help enhance the credibility of Vietnam's investment environment and foster high-quality capital inflows from the EU.

At the same time, Vietnam needs to continue strong reforms of its domestic investment environment, with a focus on reducing compliance costs, simplifying administrative procedures, strengthening legal enforcement, and increasing transparency. Persistent bottlenecks faced by EU investors—such as delays in issuing investment licenses, and difficulties in visa procedures, land access, and tax-related processes—must be addressed swiftly. Particularly, further research and consideration should be devoted to the potential implementation of a Golden Visa scheme, designed to attract international experts, highly skilled professionals, and ultra–high-net-worth individuals. Such an initiative would aim to mobilize high-quality human capital and premium investment resources, thereby strengthening Vietnam's positioning as a competitive and attractive destination for long-term investment and tourism. Regular dialogue with EuroCham and EU businesses in Vietnam should be maintained to identify problems promptly and offer timely, practical solutions.

The ongoing reorganization of administrative units under Resolution No. 202/2025/QH15 should also be leveraged to streamline the governance apparatus and improve the effectiveness and efficiency of local administrations in supporting and managing FDI, particularly in key investment destinations such as Long An, Binh Duong, and Hai Phong. Accelerating the finalization of this administrative restructuring will help stabilize the investment environment and registration procedures, thereby creating more favorable conditions for foreign investors operating in Vietnam.

Robust policies and strategies are necessary to promote Vietnam-EU trade by enhancing the capacity of Vietnamese enterprises to meet the EU's increasingly stringent non-tariff measures, particularly green and sustainability standards such as CBAM, the EU Green Deal (EGD), and ESG criteria.

The Vietnamese government should prioritize assisting small and medium-sized exporting enterprises (SMEs) in accessing and obtaining international certifications such as ISO 14001, FSC, HACCP and GlobalG.A.P., as well as supporting the verification of rules of origin compliant with EU standards. Concurrently, specialized training programs on CBAM, EGD, and ESG should be established to help businesses understand and adapt promptly to the new regulations of the EU market.

For the Vietnamese enterprises, the full-scale implementation of the CBAM from 2026 is anticipated to generate substantial challenges for Vietnamese exports to the EU. The sectors projected to be most directly affected by the CBAM are steel, cement, and fertilizers, given their exceptionally high emission intensities. In addition, several major export-oriented industries—many of which are labor-intensive—such as textiles and footwear, are expected to be indirectly impacted through the requirement to reduce carbon footprints across global supply chains. Therefore, the Vietnamese enterprises should monitor CBAM developments and prepare response plans, including emissions reporting, cost assessment, and mitigation strategies. Priority should be given to energy efficiency and resource-saving measures, while long-term competitiveness requires investment in cleaner technologies. Accurate emissions calculation and data sharing with authorities are also essential to meet CBAM requirements and support national negotiations with the EU.

Vietnamese enterprises must also expedite the implementation of certification and facilitate access to green finance, especially for SMEs in key sectors like textiles, footwear, electronics, and steel, which are the primary industries most at risk from these non-tariff barriers. Furthermore, Vietnam needs to invest in developing its conformity assessment infrastructure, including EN/ISO-compliant laboratories and testing centers. This will reduce verification costs and timelines, thereby enabling businesses to access the European market more sustainably and effectively.

Vietnam needs to position itself as a potential leading green and high-tech centre in the region, thereby attracting more high-quality investment capital from the EU.

Projects such as the LEGO Group's factory and SYRE's polyester recycling complex (Sweden) are typical examples of successful EU investments. Vietnam should proactively seek similar high-quality projects by planning green industrial zones and developing favorable legal frameworks for circular industries, renewable energy, semiconductors, and high-tech sectors—areas aligned with the priority orientations of many EU corporations.

In addition to traditional sectors, Vietnam should actively explore opportunities for expanding cooperation in emerging fields that align with global development trends and Vietnam's strategic priorities. These include innovation, information technology, digital transformation, green transition, green finance, renewable energy, and the development of a high-quality workforce—areas of shared interest between Vietnam and the EU. It is also essential to accelerate the implementation of the Just Energy Transition Partnership Investment Plan (JETP-IP), with the aim of establishing a comprehensive legal framework and detailed investment list for renewable energy, green industry, and carbon-neutral infrastructure projects. This will pave the way for increased EU investment and deeper participation in Vietnam's energy transition process.

Vietnamese enterprises must proactively adapt to CBAM and green transition requirements to sustain competitiveness in the EU market. Key solutions include investing in energy efficiency, adopting cleaner technologies, and enhancing supply chain transparency. Businesses should also strengthen emissions monitoring and reporting systems, integrate sustainability into production management, and pursue certifications that meet EU standards. For SMEs, partnerships, joint ventures, and government-supported financing will be crucial in overcoming capital and technology barriers.

In the context of the EU's slow economic growth and increasingly stringent trade standards, Vietnam has maintained positive trade and investment relations with the EU, leveraging the advantages of the EVFTA and the growing confidence of European investors. However, to fully exploit this cooperation potential, Vietnam must continue its institutional reforms, promote the ratification of the EVIPA, improve the investment climate, and support enterprises in adapting to the EU's green and non-tariff standards. Simultaneously, it is necessary to accelerate the implementation of the JETP and position Vietnam as a potential regional hub for high-tech and green manufacturing. The proactiveness, decisiveness, and flexibility of the government and the business community will be key factors in helping Vietnam maintain and expand its economic, trade, and investment relations with the EU effectively and sustainably in the coming years.

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