

— VIETNAM —

The rising star of Asia

TEXT International Affairs, Chamber of Commerce

PHOTO Peter Hammer / Unsplash



Vietnam

Facts & figures

Political capital: Hanoi

Top Business cities: Ho Chi Minh City (financial hub of Vietnam and emerging city for launching a startup business), Hanoi, Da Nang, and Haiphong (large seaport) are the 4 largest cities in Vietnam

Business languages: Vietnamese (official); English, which is by far the most widespread foreign language and is commonly used alongside Vietnamese in legal documents relevant to foreign trade and foreign direct investment

Business currency: Vietnamese Dong (VND), Dollar (USD) (accepted mostly in tourist regions)

Working days: Monday to Friday; business hours 8am to 5pm

Time Zone: UTC+7

Climate: Tropical in south; monsoonal in north with hot, rainy season (May to September) and warm, dry season (October to March)

Surface: 331,210 sq km

Population: 97,99 million (March 2021)

GDP per capita: USD 8,397, 2019 (est., 129th in the world)

Growth rate: 6.7 (2021 est.)

Inflation rate: 4.0 (2021 est.)

Unemployment rate: 2.4% (2020)

Ease of doing business: 70 (May 2019)

Logistics Performance Index: 39 out of 160 countries, 2018

Corruption indicator: Score 36 Rank 104, 2020

Main economic sectors:

Services: 41.6% of GDP and 35% of total workforce in 2020

Industry: 34.5% of GDP and 28% of total workforce in 2020

Agriculture: 14% of GDP and 36% of total workforce in 2020

Country risk classification (OECD): 4 out of 7, 2021.

Sources: World Bank, IMF, OECD, Grant Thornton: 'Doing business in Vietnam 2020'

In 1975, Vietnam was one of the poorest nations on Earth. Today, it is one of the most dynamic emerging countries in the East Asia region. With an annual growth rate of more than 6% due to labour shifting from agriculture to manufacturing and services, private investment, a strong tourist sector, and accelerating urbanisation, it is one of the fastest growing countries in the world.

———— Vietnam's development over the past decades has been remarkable as it has shifted from a centrally planned to a market economy, effectively transforming the country.

Political-economic context

The economic and political reform launched in Vietnam in 1986, known as *Doi Moi*, translated literally as 'restoration', spurred rapid economic growth and brought profound changes to the country, rescuing it from the failures of central planning and self-isolation adopted after unification of the country in 1975.

Resilience to COVID-19

Given its integration within the global economy, the Vietnamese economy has been hit hard by the COVID-19 pandemic, but it has also shown impressive resilience and is a perfect example of how a country with modest financial means can successfully address a grave health challenge. The initial health impact of the outbreak has not been as severe in Vietnam as in other countries due to proactive measures at the national and subnational levels.

Thanks to its strong foundation, the Vietnamese economy should rebound this year. COVID-19 has also shown the necessity for stronger reforms to help the economy recover in the medium term, such as improving the business environment, promoting the digital economy, and enhancing public investment effectiveness and efficiency, which are some of the key agenda action items for the Government to consider for stronger and faster reform.

Key economic sectors

Renewable energies and circular economy

Vietnam's rapid economic growth comes with environmental challenges and plans to shift to renewable energy production. The country exploits all four big sources of renewable energy: hydroelectricity, wind power, solar power and biomass. By the end of 2018, hydropower was the largest source of renewable energy, contributing about 40% to the total national electricity capacity. It also has great potential for developing wind energy projects, having more than 3,400 kilometers of coastline with high wind speeds.

Although circular economy thinking is still quite new to Vietnam, the Vietnam National Green Growth Strategy (VNGGS) includes many actions that fit perfectly within the transition towards a circular economy.

Healthtech

In response to an increased demand for higher-quality and more cost-effective healthcare services due to economic and population growth, the country has now begun to focus on the technology that will create better healthcare solutions, leveraging on the use of artificial intelligence, blockchain technology, virtual reality/augmented reality, 3D printing, and robotic applications. The Ministry of Health in Vietnam is driving a national agenda towards smart healthcare. Foreign startups may consider partnering with local players to better penetrate and capture this market.

Startups

Vietnam has the 3rd largest number of

Y Ty, Vietnam



startups in Southeast Asia. With accelerator programmes, incubators and co-working spaces, Vietnamese cities are becoming fast-paced innovation hubs, especially Hanoi, Ho Chi Minh City and Da Nang. Today, Vietnam's innovation ecosystem provides exceptional opportunities for investors. One factor driving this innovation ecosystem is a young population. With an average age of just 30, Vietnam's citizens are tech-savvy and digitally active. High rates of internet connectivity and mobile penetration are driving e-commerce and enthusiasm for digital startups.

EU-Vietnam Free Trade Agreement (FTA) benefits for SMEs

Vietnam recently signed a Free Trade Agreement (FTA) with the European Union which entered into force on 1 August 2020. It is the most ambitious and comprehensive FTA that the EU has ever concluded with a developing country. For the first time, European companies will have preferential access to a vibrant economy of almost 100 million inhabitants.

There will be more opportunities for companies on both sides due to tariff removal; reduced regulatory barriers and overlapping red tape; ensured protection of geographical indications; opening up services and public procurement markets; as well as ensuring rules are enforceable.

More information is available here: <https://trade.ec.europa.eu>.

Understanding business culture in Vietnam

Personal relationships play an important role in Vietnamese business culture and require attention and time. Third-party introductions are almost a necessity, as Vietnamese people prefer to work with those they really know and trust. Personal topics outside of business will often be discussed.

For first contact, it is good to follow up emails with a call. By doing so, the email will not be considered spam and the recipient will know that you value doing business with them.

Whenever you meet a potential partner, smile slightly as a sign of goodwill. Handshakes are common when meeting and saying goodbye in Vietnam, otherwise bow your head slightly as a greeting. Following the Confucian tradition, start with greeting the oldest person first.

Giving gifts to business partners is not a must but it is common. Something small and practical is appreciated.

Overall, keep in mind that Vietnam is a modern yet conservative country where traditions and customs are sacred. —

★ Coming Events

★ **Go International: Vietnam Webinar**
 1st semester 2021.

★ **Digital Trade Mission to Vietnam**
 2nd semester 2021.

If you are interested in participating in these events, please contact International Affairs:

- ✉ asia@cc.lu
- 🌐 www.cc.lu/en/gointernational

■ Useful contacts

Embassy of Luxembourg in Bangkok (also covering Vietnam)
 H.E. Mr Jean-Paul Senninger, Ambassador
 Mr Gabriel Baptista, Deputy Head of Mission / Head of the Economic Section
 ☎ (+66) 2 677 7360
 ✉ bangkok.amb@mae.etat.lu

Luxembourg Chamber of Commerce
 International Affairs
 Sabrina Aksil / Na Shi
 ☎ (+352) 42 39 39 374 / 364
 ✉ asia@cc.lu

Sources: OECD, Statec, www.ec.europa.eu, www.austrade.gov.au/Vietnam



Yann-Gaël Montador
 Sales and Business Development Director – SEAPAC, Rotarex Group

What are your trade relations with Vietnam?

Rotarex is a privately-owned 99 year old Luxembourgish company. We are about 1,600 employees worldwide, with our headquarters and main factories in Luxembourg. Being a global leader for high pressure gas equipment; our products are present in a large variety of industries: semiconductors, medical gas, fire protection, automotive, liquefied petroleum gas (LPG), and almost every other industry in connection with high pressure. Vietnam is a new Asian Tiger, and Rotarex naturally followed its industrial development for the last 10 years. At first, we discovered it through our customers. Since 2018, we are directly present with a team operating from Hanoi and Ho Chi Minh. In addition to the trade of our products, we are looking at localising more of our operations to become a long-term member of the Vietnamese business community.

What are the market's opportunities for Luxembourg based companies?

We are talking about a country with 97 million inhabitants, with a massive ongoing investment plan in all of its infrastructure, promoting attractive policies towards Asian and Western foreign direct investment (FDI), and looking at improving its living standards. Every type of opportunity is, or will be, possible in Vietnam. As an example, Rotarex developed a specific business plan to accompany the development of the energy grid, expected to deliver 9% growth until 2030. To do so, we are taking the learnings from mature markets and adapting them to the pace and requirements of Vietnam. Vietnam is also considered the main ASEAN beneficiary of the USA-China trade war, and Vietnam has had an impressive management of the COVID-19 crisis until today, maintaining its development throughout the period.

What are the risks related to this market?

Vietnam remains a developing market, with high price sensitivity. Vietnamese quality standards are evolving in every sector and are influenced by standards from the USA, Japan, Korea, France, Germany and others. For our niche markets, the requirements often change from one project to another, depending on the origin of the customer. Therefore, one must assess one's offer against the present and expected market needs.

What advice would you give to entrepreneurs who are interested in working with Vietnam?

Vietnam has a long and complex history and one of the results of this is an important set of administrative procedures. There are codes and delays to respect, on the national and regional levels. So, I can only advise to be aware of it and ready to learn.