

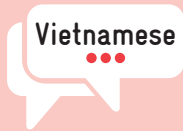


COUNTRY PROFILE

VIET NAM



VIET NAM - Basic Facts



Languages



GDP

Nominal GDP

\$ 340.602 billion

(World Economic Outlook Database, IMF 2020)

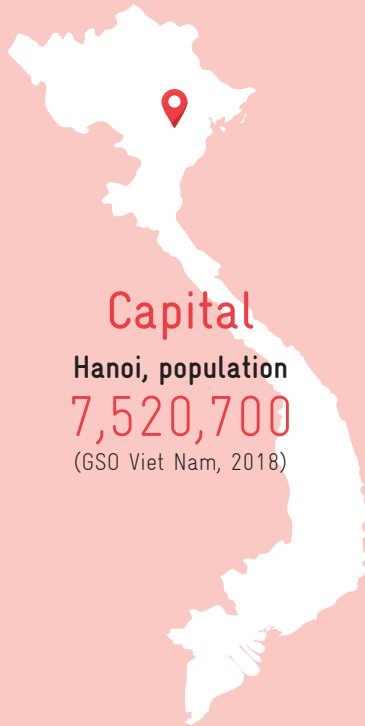
GDP per person

\$ 3,498

GDP growth rate

7.0% in 2019

(World Economic Outlook Database 2020)



Capital

Hanoi, population
7,520,700

(GSO Viet Nam, 2018)



Political system

Unitary Marxist-Leninist
one-party socialist republic



Urbanisation

Urban population

37.3%

of total population
(2020)

Rate of urbanisation:

2.98%

annual rate of change
(2015-20 est.)

www.indexmundi.com



Population

95,545,962

(UNDESA 2019)



Age structure

0-14

years

22.61%



11,733,704 | 10,590,078

15-24

years

15.22%



7,825,859 | 7,202,716

25-54

years

45.7%



22,852,429 | 22,262,566

55-64

years

9.55%



4,412,111 | 5,016,880

65

years
and over

6.91%






2,702,963 | 4,121,969

www.indexmundi.com (2020 est.)







Number of registered SMEs and numbers employed in relation to the total number of registered companies

The Vietnamese SME Support Law that took effect on 1 January 2018, followed by the Decree No. 39/2018/NĐ-CP issued in March 2018 provided a new legal SME definition for Viet Nam. According to those legal documents SMEs are defined into micro, small and medium, based on a combination of capital assets, total revenue and number of employees. To qualify as a micro, small or medium enterprise a company has to meet the respective criteria for the number of employees (have less employees) and have lower revenue or lower total capital. So, a company that meets the criteria in terms of number of employees but has both higher revenue and capital will not qualify in the respective category.

	Indicator	Sector	
		Agriculture, forestry and fishing Industry and construction	Trade and services
	Either total revenue or total capital	<3 billion	<10 billion
	Employees	≤10 staff	<3 billion
	Either total revenue or total capital	<50 billion	<100 billion
	Employees	11-100	<50 billion
			11-50
	Either total revenue or total capital	≤ VND 300 billion (USD 13.2 million)	≤ VND 300 billion (USD 13.2 million)
	Employees	101-200	≤ VND 100 billion (USD 4.4 million)
			51-100

Companies by size (2018)

Size of company	No. of companies	% of companies	No. of employees	% of employment
 Micro	404,178	91.26%		
 Small	30,869	6.97%	Ca. 29,700,000	54%
 Medium	6,333	1.43%		
 Large	1,506	0.34%	Ca. 25,300,000*	46%
Total	442,886	100%	Ca. 55,000,000	100

*Includes state organisations etc.

More detailed information can be found in OECD SME Policy Index: ASEAN 2018



Overview



Viet Nam stretches over 1,650 km along the Eastern Sea from China in the north, bordering Lao PDR and Cambodia, to the Gulf of Thailand in the south. Since the process of Doi Moi (Renovation) launched in 1986, the country has seen enormous economic growth, averaging over 5.5% per year, placing Viet Nam second only to China. In the two decades since the millennium, over 45 million Vietnamese were lifted out of poverty and GDP per capita increased 250%. Figures from Goldman Sachs show the Vietnamese economy becoming the 21st largest in the world by 2025, with a GDP per capital of US\$ 4,357, nearly double that of 2019.

Traditionally reliant upon agriculture, forestry, fishing and mining, the Vietnamese economy has modernised and diversified considerably and manufacturing has become the largest sector. According to the General Statistics Office of Viet Nam, the manufacturing and processing industry drove economic growth in 2019 with production volume increasing 11.29% from the year before. Viet Nam is also currently the third-largest oil producer in South East Asia.

Despite COVID-19, Vietnam's economy has remained resilient, expanding by 2.9% in 2020 - one of the highest growth rates in the world, according to figures from the IMF in March 2021. Growth is expected to accelerate to 6.5% in 2021, partly in response to the Vietnamese government's containment of the pandemic, and government support but also due to strong economic fundamentals, benefitting in part from large increases in manufacturing output, fuelled by the trade war between the USA and China, and increased Chinese production costs.





Opportunities and challenges

As Viet Nam is growing rapidly, there are many good opportunities in the country. The economy is stable, there is low inflation, Viet Nam has signed a number of independent Free Trade Agreements, most notably with the EU, as well as several via ASEAN and is benefiting from Chinese investment into manufacturing industries, driven by increased production costs in China and the need to avoid fall-out from the US-China trade dispute.

The Ministry for Industry and Trade in connection with the Infrastructure Viet Nam trade fair in 2019, estimated that Viet Nam will need over US\$ 600 billion to be invested before 2040 into transport and power systems, irrigation, water supply and wastewater. Much will be done via public-private partnerships and investment by foreign companies is actively sought. In terms of infrastructure, Asian Development Bank (ADB) figures indicate that Viet Nam's public and private infrastructure investment is the highest in South East Asia, contributing 5.7% of GDP.

Metro systems are being built in Hanoi and HCMC to cope with the increasingly urban populations with a budget of US\$ 22 billion. Another US\$ 14 billion was agreed in 2019 to improve highways and train lines between the two cities. It is expected that the **transport infrastructure** industry alone will increase by 4.5% per year until 2025. (Source: Business Monitor, Infrastructure Report Vietnam Quarter 3, 2016). The Vietnamese government is increasingly looking at Build Operate Transfer (BOT) models and has been breaking up state monopolies to allow private service providers. Within the **power sector**, private companies now control 40% of the power capacity in the country, and the model is expected to expand to the road and rail sectors as well. Electricity demand is forecast to grow at an annual average of 10.5% until 2025, and the country is expecting to invest nearly US\$ 80 until 2030 for power generation, transmission and distribution <http://www.erav.vn/>. While transport and power contracts are often mostly suited to larger companies, there are many opportunities for SMEs providing technologies, installation services, plant hire, hoardings, scaffolding, safety equipment, and so on.

The rapidly growing cities have not been able to keep up with modernisation of **water supply and wastewater treatment** and many suburban regions and smaller towns have insufficient water connections. Only 10% of wastewater in cities is treated. The government has launched plans to ensure that all urban cities will have centralised wastewater treatment and collection systems by 2025, treating at least 70% of all wastewater. Opportunities in the water sector include provision of systems and technologies for urban and industrial water, irrigation, smart systems including water accounting and payment, as well as water treatment and monitoring.

According to figures from Business Monitor International (BMI), the **healthcare** market in Viet Nam in 2017 was US\$ 16.1 billion, accounting for 7.5% of GDP and expected to increase by 2021 to US\$ 22.7 billion. This is fuelled by large public expenditure by the government, promoting public-private partnerships to help renovate and modernise public hospitals, replace and update medical surgery and intensive care unit equipment, and improve training and working conditions for hospital staff. In 2019, around 90% of all **medical equipment** was imported as there is simply not sufficient capacity in country to supply these products. Medical equipment carries low import duties and there are no quota restrictions, but can only be imported by businesses registered in Viet Nam, with an import license, and subject to government Decree 36/2016/ND-CP, managed by the Ministry of Health. The demand for medical equipment is expected to continue with demand for high-tech imaging equipment including CT scanners, x-ray machines, ultrasound, MRI, operating theatre equipment, sterilising equipment, and emergency resuscitation systems, as well as for disposables, and hospital furniture. **Pharmaceuticals** are in rapid growth, although the market is heavily protected in favour of domestic Vietnamese producers.



The Vietnamese **tourism** sector contributes around 6% of GDP and attracted nearly 18 million foreign tourists in 2019, according to figures from the Vietnam National Administration of Tourism, an increase of over 15% from the year before. Originally formulated in the 2011 Strategy on Vietnam's tourism development until 2020, vision to 2030, the government has tried to provide guidelines for cities and provinces to promote tourism. The aim was to reach 20 million visitors by 2020 and was broadly on track until the outbreak of the Corona virus in early 2020. By 2025, the government plans to generate US\$ 45 billion in revenue from the tourism industry, increasing the contribution of tourism to 10% of GDP and creating over 6 million jobs. In order to reach this target, there is a need to increase airport infrastructure, enlarge and expand hotels which are at capacity in most regions, and develop new high-value added services for tourists. There is also a need to ensure training for employees in customer services, housekeeping and maintenance departments, where there is a serious shortage of trained personnel. At the end of 2019, the government estimated the shortfall in trained tourism graduates to be around 25,000 per year. Exacerbating this shortfall is the low labour productivity within the industry where Viet Nam ranks 40% and 45% of Thailand and Malaysia respectively. For SMEs, there are very attractive opportunities in Viet Nam including investment in hotels, catering, recreation, travel agency services and recruitment of personnel, as well as training.

Viet Nam is also one of the most attractive markets in South East Asia for consumer products due to its long-term economic growth, increasing industrialisation and low inflation, boosting consumer spending power. According to Euromonitor in 2019, the country's urban consumer market will expand to 46 million consumers and US\$ 169 billion expenditure by 2030, making Viet Nam the third biggest urban market by consumers and the fifth biggest by total spending in South East Asia. There will be 17 million middle-class households with a disposable income of US\$ 9,740.

Total **grocery sales** are growing accordingly, with rates of up to 11.3% until 2021, more than keeping pace with the growing population. Compared with other ASEAN regions, Viet Nam has a low modern trade penetration with only 8% in 2018 according to the Modern Grocery Retailers data, but is expected to increase to 26% by 2025 in line with the modernisation of the retail sector. If it follows the same development pattern of comparable ASEAN countries, the modern groceries market is expected to grow from currently US\$ 4 billion to US\$ 20 billion by 2025. The country continues to modernise its retail sector and figures from the Association of Vietnam Retailers, show that Viet Nam has 800 supermarkets, 150 shopping centres, 9,000 traditional markets and 2.2 million local stores. At present, 40% of food sales are bread, rice and cereals, but the changing demographics and wealth mean that other products including meat, beverages and dairy are seeing large increases with particularly large gains for convenience foods. The retail market is still highly fragmented, but modern retail outlets are dominated by foreign chains, making it easier to export groceries to Viet Nam.

According to the Statista E-commerce report from 2020, the domestic **e-commerce** market in the country is expected to reach US\$ 3,385 million in 2020, an increase of 14.2% from the year before. The sector is expected to grow to US\$ 4,452 million by 2024, reaching a target market of 65 million people.

On the industrial level, a survey from UBM Asia has estimated a 52% growth in the Vietnamese food industry in the five years to 2025, where a significant proportion of **food ingredients** need to be imported. Large processors tend to directly import specific ingredients in larger volumes, while minor ingredients, additives, preservatives and flavours are sourced via importers.



Agriculture in Viet Nam has grown by over 6% per year since 2017 and the country is currently a leading exporter of rice, coffee, seafood, fruit, pepper and cashews. In order to maintain its position as a leading agricultural nation, Viet Nam will have to improve agricultural product quality and yields by utilising technologies, modernising feed, farms and farm management systems, as well as improved food safety and hygiene standards, giving new opportunities for many companies within ASEAN. Within the seafood and aquaculture sector, where Viet Nam has a large production, increasing domestic demand is forcing processing companies to invest in new production equipment for high-end markets and to improve on product safety.

Within the **ICT sector**, business process outsourcing is in rapid development, with 40,000 IT graduates entering the job market every year. There are new high-tech parks in Hanoi, Ho Chi Minh City and Da Nang with fibre optic internet, human resource training centres and access to networks of Vietnamese and foreign software companies. Overall, the sector has grown by 8% per year for the past five years, with 70,000 people employed directly in the industry. A report from AT Kearny ranked Viet Nam as 8th in the world as a software outsourcing destination. According to BMI Viet Nam Information Technology Report 2016, the biggest opportunities can include software segments in banking and finance, oil and gas, as well as aviation and telecoms, which are currently often SOE and in the process of privatisation. Other good potential areas include customer relationship management (CRM), enterprise risk management (ERP) and human resource management, where current market usage is still in undeveloped.

Viet Nam still faces a number of **challenges**. There is a large low-skilled workforce with low productivity making it difficult to expand away from low-cost manufacturing. Many industries are still dominated by State Owned Enterprises, which still form up to 35% of the GDP. While the economy has attracted large foreign direct investment, it is dominated by a relatively small number of large companies such as Samsung, making the market susceptible to sudden political change. Furthermore, according to figures from the World Bank in January 2020, while exports to the USA grew by around 30% during 2019, growth in exports to the rest of the world, grew by only 3.7%, showing the dependence on a single market. Apart from the economic issues, the rapid growth in the economy has resulted in environment degradation to water and air quality which need to be addressed.

Viet Nam ranked 107 out of 180 on Transparency International's 2017 Corruption Perceptions Index, indicating the level of corruption in the country. The problem was originally recognised in 2005 and the Anti-Corruption Law was introduced to combat it, which has improved the issue, although corruption and excessive bureaucracy within the government remains a continued problem for doing business in Viet Nam. Protection of IPR has also been a serious issue. Although down from a high of 92% in 2007, the piracy rates for software were still 74% in 2017 for example. The New Penal Code was introduced in 2018, which significantly improved the legislation with respect to the private sector, including new laws on offering and receiving of bribes, brokerage of bribes and embezzlement and criminalising private bribery. The new law provides criminal liability at corporate level for money-laundering, tax evasion and financing of terrorism.

Summary



The Vietnamese government Ministry of Planning and Investment openly stated in 2018 in the Viet Nam 2035: Toward Prosperity, Creativity, Equity, and Democracy, published together with the World Bank Group that their goal is to raise GDP per capita from the current rate of US\$ 2,740 to US\$ 18,000 by 2035, which will lead to considerable opportunities in the consumer and services sector. Viet Nam is increasingly opening up to more international trade and investment, having recently signed a Free Trade Agreement with the EU and with Canada. It is also becoming increasingly investor-friendly in recent years, reducing bureaucracy and trade restrictions. Viet Nam has shown continued strong economic growth for many decades, and combined with the large young, population and growing middle class, the prospects for the future remain very positive.

Further information and assistance can be obtained from:

- The Agency for Enterprise Development provides updated information and support services to SMEs and SOEs under the national business information portal at: www.business.gov.vn (under upgrading)
- The Vietnam Chamber of Commerce and Industry provides updated English-language information including business news and events: <https://en.vcci.com.vn/>
- The Vietnamese Customs has a document archive of all required import and export paperwork:
- The Vietnam Trade Promotion agency contains useful links to many interesting Vietnamese companies as well as forthcoming trade events: <http://en.viettrade.gov.vn/>

Trade figures by country

● Largest import partner	● Trade value million USD (WITS 2018)	● Partner share %
China	58,533	27.45
South Korea	46,943	22.02
Japan	16,917	7.93
Other Asia	12,710	5.96
Thailand	10,702	5.02

● Largest export partner	● Trade value million USD (WITS 2018)	● Partner share %
USA	41,550	19.31
China	35,394	16.45
Japan	16,792	7.45
South Korea	14,807	6.88
Hong Kong	7,574	3.52

Trade figures by product

● Largest exports by 6-digit HS code	● Value USD (thousands) WITS 2016
852520 Transmission apparatus, for radiotelephones	29,670,036.59
851790 Parts of electrical apparatus for line telephones	15,847,655.26
854219 Monolithic integrated circuits	6,758,767.94
640411 Sports footwear, with rubber or plastic soles	4,663,987.44
080130 Cashew nuts, fresh or dried	3,386,171.80

● Largest imports by 6-digit HS code	● Value USD (thousands) WITS 2016
854219 Monolithic integrated circuits	20,564,383.06
851790 Parts of electrical apparatus for line telephones	15,204,515.77
271000 Petroleum oils, etc. (excl. crude); preparation	7,639,829.89
853400 Printed circuits	3,356,673.85
852990 Parts suitable for use solely or principally with transmission and reception apparatus for radio-broadcasting or television,	3,131,189.51

Source: <https://wits.worldbank.org/CountryProfile/en/Country/VNM/Year/LTST/Summary>

Import restrictions by country, e.g., quotas or non trade-barriers



Trading companies in Viet Nam do not require import or export licenses as part of company incorporation, but are obliged to register at the Department of Planning and Investment (DPI) and acquire an investment certificate starting any import-export activities. All procedures on the investment certificate must be strictly followed.

Under Vietnamese Trading Law, there are restrictions on certain goods:

- Goods banned from export: petroleum oil
- Goods banned from import: tobacco, cigars, newspaper, journals, petroleum oils and aircraft.

For some goods, government import and export permits are required including:

- Goods under export control according to international treaties contracted by Viet Nam
- Goods under export quota implemented by other countries
- Goods under import control according to the international treaties contracted by Viet Nam
- Industrial explosives, explosive pre-substances, and chemicals.

Viet Nam imposes a tax on most imports, which depends on the type of product. Luxury, or consumer goods tend to attract high tariffs, which machinery and raw materials is subject to a lower rate. Imports are subject to import taxes (tariffs), VAT and for certain goods, Special Consumption Tax.

At present, there is a standard VAT rate of 10% in Viet Nam. There are special preferential tax rates which is applied to ASEAN nations under common preferential tariffs (CEPT). Rates are usually 0-5% to ASEAN countries. A searchable database of tariffs can be found [here](#).

Product and Trade indexes

(efficiency of customs clearance, openness to trade and trade tariffs)



The **ASEAN Trade in Goods Agreement (ATIGA)** aims to achieve free flow of goods in the region resulting in fewer trade barriers and closer economic linkages between the ten Member States, lower business costs, increased trade, and a larger market and economies of scale for businesses. The agreement was signed by the Economic Ministers of the Governments of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam, Member States of the Association of Southeast Asian Nations (ASEAN) on 26 February 2009 at Cha-am, Thailand. From 1st January 2010, Malaysia, Brunei Darussalam, Indonesia, the Philippines, Singapore and Thailand) made a complete free trade area and have eliminated import duties on 99 per cent of products in the Inclusion List (except for products listed in the Sensitive and Highly Sensitive Lists). Today, the ASEAN-6 have 99.20% of tariff lines in the Inclusion List at 0% import duty. This means that, only 0.35 per cent of the tariff lines in the Inclusion list incur import duties.

Form D is required in order to benefit from ATIGA preferential tariffs: [download here](#).

Full information can be found [here](#).

On April 23, 2019, the **ASEAN Trade in Services Agreement (ATISA)** was signed at the 25th ASEAN Economic Ministers Meeting in Phuket, Thailand, entering into effect 180 days later. It aims at achieving an improvement of the regulatory standards for the services sector in the region, as well as a reduction of unnecessary barriers to the trade in services within ASEAN, and at increasing regulatory transparency in each of the ten member states. The agreement does not commit to a fixed timetable for implementation and enforcement. More information can be found on

<https://asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/>



Business dynamism index

(financing to SMEs, costs of starting a business, time of starting a business)

On a positive note, Viet Nam maintained 70th place among 190 countries in the World Bank's Doing Business 2020 report, putting it ahead of the regional average. The World Bank reported that reforms in payment of tax and getting credit made it easier to do business.

According to figures from Transparency International in their 2019 Corruption Perceptions Index, Viet Nam is ranked 96th out of 180 countries, improving considerably from the 117th place in 2018, reflecting the successful government intervention. Viet Nam ranks 67th out of 141 countries in the Global Competitiveness Report published by the World Economic Forum in 2018 and is the country with the most improved score currently 61.5 (+10).

Despite the improvements in doing business, setting up a company in Viet Nam ranks a lowly 115th and there are many procedures to follow including:

- Check the proposed company name, obtain the certificates of business and tax registration at the Business Registration Office, Department of Planning & Investment and publish the registration contents on the National Business Registration Portal (NBRP)
- Make a company seal at a local seal maker
- Submit an online notification of the seal-sample at the Business Registration Office
- Open a bank account, using the confirmation stamp of the Business Registration Office, the Charter of the Company, and an Enterprise Registration Certificate (ERC)
- Approve pre-printed VAT invoices with the Municipal Taxation Department
- Pay the business license tax at the local tax office
- Register with the Municipal Department for Labour, Invalids and Social Affairs to declare intended use of staff
- Register employees with the Social Insurance Fund for the payment of health and social insurance.

A full list of the procedures can be seen on the World Bank website.