

Growth momentum

AMBASSADOR INSIGHT

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COMMITMENT, patience and efforts to build friendship are greatly rewarded while doing business in Vietnam.

Last year, EuroCham's Business Climate Index (BCI), a regular barometer of business sentiment among European companies operating in Vietnam, climbed up

significantly, hitting a three-year high, reflecting the optimism of foreign investors.

Up to now, the foreign investment sector remained a significant source of growth for the Vietnamese economy, accounting for nearly 20pc of GDP, 22pc of total investment, supplying two-thirds of merchandise exports and providing a quarter of employment in the enterprise sector.

International investors are attracted by Vietnam's political stability, competitive labour costs, a relatively skilled and disciplined workforce, and proximity to Chinese supply chains.

The sectors of most interest for Irish businesses are information technology, agriculture and food processing, dairy products, chemicals, plastics, oil and gas, pharmaceutical, textiles, education, infrastructure development, services, environment technology, energy, tourism, engineering, machinery, and equipment.

The BCI forecast projected that per capita food consumption (in local currency terms) in Vietnam is to grow at a compound annual rate of 18.6pc over the period 2013-2018 – implying that the Vietnamese food industry will offer tremendous growth opportunities.

Vietnam's food sector is less developed than in other countries in Southeast Asia, but it is growing quickly. A youthful population, changes in lifestyle and rising incomes are driving growth of high quality imported food products.

The government is also prioritising the development of food processing, which offers investment, consulting and supply opportunities for Irish businesses in areas such as fruit, seafood and dairy farming.

On top of this, the Vietnamese government is also creating incentives to boost foreign direct investment in the domestic agricultural sector, such as the import duties exemption for all direct investment in domestic agricultural production.

Opportunities can be found in high added value segments in this area such as processing, trade in the value chain of agricultural commodities and the application of science and technology.

Vietnam has set itself the challenge of improving education standards to ensure it has the skills required to support the country's economic and social modernisation.

There is strong potential to continue to grow the number of international students coming to Ireland. Opportunities also exist to develop and deliver education systems in Vietnam such as curriculum development.

The possibility of signing a co-operation agreement on education and training is also worth considering, thus creating the legal framework for strengthening bilateral co-operation in this potential field in the near future.

The most important factors to secure the sustainable development of the Vietnam economy in 2015 and the years ahead are the government's commitment to push forward institutional reform, economic restructuring and strengthen the private sector's competitiveness and its participation in the value chain.

Vietnamese people find closeness to the Irish culture in respect to family and friendship. There is no doubt that Irish people will value the passion for learning that exists in the Vietnam culture. Vietnam and Ireland share many common values that could contribute to strengthening bilateral relations.

ECONOMIC OVERVIEW

The remarkable developments in Vietnam during the past 30 years are coupled with drastic institutional reforms, which by their nature aim to enhance market mechanisms for economic activities, unleash internal strengths and improve competitiveness.

In 2014, the growth rate reached 5.98pc. The current growth momentum lies in the comprehensive economic restructuring on public investment, financial markets, state-owned enterprises and strategic breakthroughs in the market economy, infrastructure modernisation and human resources development.

According to the Doing Business Report published by the World Bank in October 2014, Vietnam's business environment ranking has improved by 21 points to 78/189 versus 99/189 in 2013. Vietnam's competitiveness index has been moved up from 70/148 to 68/148, assessed by World Economic Forum. Large international credit rating agencies have upgraded Vietnam's debt rating, and the outlook was raised from stable to positive.

With the prospect of finalising 14 free trade agreements (FTAs) in 2015–2020, including the ASEAN Economic Community (AEC) and the EU-Vietnam FTA, Vietnam will become an important chain of the wide network of economic linkages involving 55 partners including 15 members of G20.

These are the basic foundations for Vietnam to deepen its regional and international integration, capitalise on the huge external resources for national development, accelerate economic restructuring and deepen its participation in global value chains.

Within the region, Vietnam is not only a potential market with more than 90 million people but also a gateway to access the vast market of ASEAN with 600 million people and GDP of US\$2.31tr (ranked the 9th in the world in terms of scale).

NATIONAL FLAG



The National flag of the Socialist Republic of Vietnam is rectangular in shape, its width is equal to two-thirds of its length, and in the middle of the red background is a bright five-pointed yellow star. It was first used in the 'Southern Uprising' of 23 November 1940 against French rule. The red background represents blood and also the revolution spirit, while the yellow foreground represents 'the colour of our race's skin'. The five points of the star represent the unity of intellectuals, peasants, workers, traders and soldiers.

- **NATIONAL DAY:** 2 September 1945
- **DATE WHEN DIPLOMATIC RELATIONS ESTABLISHED BETWEEN VIETNAM AND IRELAND:** 5 April 1996

Key facts...

- **National population:** 90.3 million
- **List of top five cities and population of each:**
 - Ho Chi Minh city: 7.921 million
 - Hanoi: 7.189 million
 - Hai Phong: 1.978 million
 - Da Nang: 1.051 million
 - Can Tho: 1.298 million
- **Area:** 331,210 sq km
- **Currency:** Viet Nam Dong (VND)
- **Timezone:** GMT + 7 hours
- **Religions** Buddhist 9.3pc, Catholic 6.7pc, Hoa Hao 1.5pc; Cao Dai 1.1pc; Protestant 0.5pc, Muslim 0.1pc
- **Language:** Vietnamese, English, French, Chinese, Khmer
- **Bilateral trade with Ireland:** €182.96m, US\$254.75m
- **Irish exports to Vietnam:** €152.5m
- **Vietnam exports to Ireland:** €73.38m
- **Gross Domestic Product (GDP):** US\$192.090bn
- **GDP (purchasing power parity (PPP)):** US\$509.466bn
- **Real GDP growth:**
 - 5.89pc (2011)
 - 5.03pc (2012)
 - 5.42pc (2013)
 - 5.98pc (2014)
 - 6.2pc (forecast for 2015)
- **GDP per capita (current prices):** US\$2,120
- **GDP per capita (PPP):** US\$4,001
- **GDP share of world total:** 0.414pc
- **GDP sector breakdown:** agriculture (18.2pc), industry (38.5pc) and services (43.3pc)

Sources: IMF, CIA, General Statistics Office of Vietnam



From aid to trade: **Ireland's engagement in Vietnam**

Ambassador of Ireland to Vietnam Damien Cole talks about how the Irish embassy in Hanoi has contributed to Vietnam's development

Since the opening of the Irish embassy in Hanoi in 2005, Ireland has made a major contribution to Vietnam's development story.

One of the most innovative and important elements of the Irish Aid programme has been the Irish Development Experience Sharing Programme (Ideas).

This grew out of a desire by the Vietnamese government to learn how Ireland transformed itself into a modern, open, hi-tech economy.

Since the programme was established, it has helped Vietnam learn about Ireland's industrial and agricultural development and has shared experience of economic governance and growth.

In addition almost 100 Vietnamese students have studied business and related disciplines in Ireland. They will become an important bridge between our two countries as they take up senior positions in industry, financial services and government.

Ideas is specifically designed to promote and provide the skills needed to transform Vietnam into a modern economy.

Most of the candidates on the programme will return to work in the private sector in Vietnam, bringing their experience and abilities to help their companies and therefore Vietnam's economy develop.

The embassy also works closely with Enterprise Ireland to specifically provide targeted training in some key skills gaps for Vietnam, including IT services, marketing and product development.

Since the Irish Aid programme began, we've seen a whole

series of new relationships develop between government and industry in both countries. These relationships, which grew out of the aid programme, have opened up new opportunities in the agri-business sector in particular.

Overall, our trade volumes have grown steadily and are up about 24pc this year. With the conclusion of a free trade agreement with the EU later this year, we expect to see trade grow even more, especially in the agri-business sector, with dairy and pigmeat presenting important opportunities for Irish companies.

A natural evolution will be more trade between Ireland and Vietnam in key market sectors, including agri-business, ICT services, education services and aviation services.

Because we've developed and cultivated strong relationships with government and business in these areas, we should be able to capitalise on them over the next few years. The trend is positive and growing strongly.

In Asia, building and maintaining relationships really matters, both with government and industry. In the embassy, we can help companies tap into a whole network of contacts that we've built up over a decade of activity.

I would encourage companies to use the embassy network to help open doors in Vietnam. The potential is enormous and we'd like to see more Irish companies visit the market and look at how they can seize those opportunities.