BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN VIETNAM 2023

A REPORT FROM TEAM SWEDEN IN VIETNAM

TABLE OF CONTENTS

KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Vietnam
David Lidén
Huyen Quan
Le Nguyen

Embassy of Sweden in Vietnam
Ann Måwe
Ola Karlman
Phung Banh

© copyright 2023 Business Sweden

+1,400 respondents **22** markets

Current business climate

Positive view on the current global business climate on the rise

Industry turnover

74%

of Swedish companies expect their industry turnover to increase

Future investments

50%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Globally valued success factors

1. Sales competence
2. Cost efficiency
3. Partnerships/ local relationships

Brand Sweden

62%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Infrastructure
3. Service providers

Local conditions with least satisfaction

1. Labour market regulations
2. Corporate tax
3. Licenses and permits

Environmental considerations

36%

of respondents believe the environment is a considerable factor in their customers' purchasing decisions

Corruption

- Moderate to high risk in emerging markets and South Korea
- Low risk in advanced economies

Human rights violation and labour rights abuse

- Moderate risk in emerging markets
- Low risk in advanced economies

FOREWORD

The Business Climate Survey Vietnam 2023 explores Swedish firms' changing dynamic in the aftermath of the Covid-19 pandemic. This year's survey engaged both Swedish-registered and Swedish-owned firms operating in Vietnam of diverse sizes and industries in order to capture the most inclusive perspective into the current business climate. While the concerning global economic outlook for 2023, the majority of surveyed companies recorded an increase in profits in 2022. Almost half of the total respondents stayed positive regarding Vietnamese economic growth towards the end of 2023, which is consistent with their reported interest in further investing in the country.

The survey shows that the post-Covid resumption has presented significant challenges for firms to adapt due to the fundamental shift in manpower management and consumer behaviours. In Vietnam, human resource development is now deemed the most significant key success factor, having surpassed cost control. In addition, customer's growing interest in environment-friendly products is a notable factor to incorporate into product development.

Nonetheless, legislative procedures, protection of intellectual property rights, transparency, and infrastructure development are still issues faced by Swedish companies when doing business in Vietnam. In addition, the current lack of government frameworks and incentivisation packages to catalyse sustainable production and consumption remains a hindrance to internalising the green shift.

Vietnam is a country severely affected by climate change. At The UN Climate Change Conference in Egypt (COP27) in November 2022, Vietnam reiterated its ambitious commitments, which are setting a net-zero emissions target by 2050 and an end date for using coal. To reach its targets, both regulatory reforms and investments are needed. As many Swedish companies in Vietnam have a clear sustainability profile, there is now significant potential to deliver green solutions in response to the country's climate commitments. This is also in line with the growing interest in sustainable alternatives among Vietnamese customers.

Vietnam remains an emerging market which often requires a presence on the ground. The Embassy of Sweden and Business Sweden together play a crucial role in facilitating trade, cooperation, and policy dialogue between industries and governments. We offer global and regional perspectives on local economic development and can highlight potential business opportunities for Swedish enterprises to thrive in this dynamic market. The purpose of this report is to enhance the readers' understanding of Swedish companies' performance in Vietnam and to share insights into the opportunities and challenges that the Vietnamese market poses. Lastly, we would like to extend our sincere gratitude to the participating companies and respondents who have contributed to this report.

Ann Måwe
Ambassador of
Sweden to Vietnam

David Lidén
Trade Commissioner of
Sweden to Vietnam

EXECUTIVE SUMMARY

Sample selection	**36** ↑ Swedish companies in Vietnam participated in the survey **28%** ↑ surveyed companies have been in Vietnam for more than 20 years
Economic outlook	**61%** ↓ surveyed companies were profitable in 2022 **47%** ↓ surveyed companies expected a higher revenue in 2023 than in 2022
Market insights	**44%** ↓ surveyed companies planned to increase investment in Vietnam **23%** ↓ surveyed companies raised concerns about customs procedures
Key success factors	**56%** ↑ surveyed companies considered staff development as the factor to remain competitiveness **78%** ↑ surveyed companies recognised the contribution of the “Swedish brand” to their success
Sustainability	**71%** ↑ surveyed companies acknowledged the trend for environment-friendly purchasing. **56%** ↓ surveyed companies were uncertain about human rights violations and abuses in their network

NOTE: ↑↓ : to indicate the increase or decrease compared to last year’s figure

ABOUT THE SURVEY

Providing an in-depth view of the market in the eyes of the Swedish companies

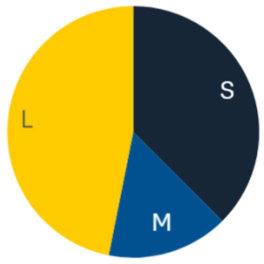
Business Climate Surveys aim to map the opportunities and challenges that Swedish companies face when doing business around the world. The Vietnam survey was conducted in the first quarter of 2023 to study how Swedish companies performed in 2022 as well as their expectations for 2023 and onwards. After a slowdown in 2021 due to the pandemic, Vietnam experienced strong rebound in 2022, with economic growth rate reaching 8.02 per cent, the fastest annual pace since 1997.

Despite the strong economic growth rate in 2022, Swedish companies did not record a similar growth in their business operations, owing to the weakening demand in the US and EU market, coupled with the high inflation and the recession in real estate market in Vietnam. The weakening demand in EU and the US and the risk of global recession have impacted Swedish companies in Vietnam quite strongly, which is well reflected by their investment plan and their perceptions on future outlook in this survey.

There were 36 Swedish companies in Vietnam who chose to participate in this year's survey. This does not give a complete picture of the situation of Swedish companies in Vietnam, but the participating companies represent a broad spectrum. A breakdown of the sample indicates that about 40 per cent of the respondents are large companies with over 1,000 employees globally. Small companies accounted for almost 33 per cent of the respondents. The diverse range of business areas represented in this report are grouped into three main categories: industrial companies (41 per cent), professional services (31 per cent), and consumer companies (28 per cent). Almost 56 per cent are categorised as experienced, starting their operations in Vietnam between 2002 to 2016, 28 per cent are mature companies that were set up in Vietnam before 2001, and 17 per cent are newly established companies with less than five year-presence in Vietnam.

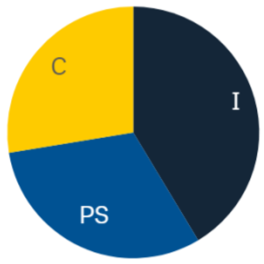
The survey report is structured as follows: Economic outlook, The market, How Swedish companies succeed in Vietnam and Acting sustainably. We hope this report allows you to explore how various companies within different industries were affected by the events in 2022 and their outlook for 2023 and onwards.

SIZE OF COMPANIES



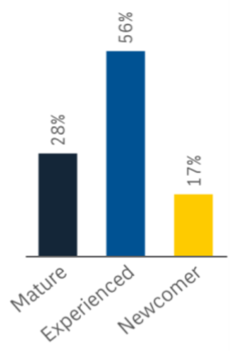
NOTE: Small 0-249, Medium 250-1000, Large >1000.

MAIN INDUSTRY



NOTE: Industrial 41 per cent.
Professional services 31 per cent.
Consumer 28 per cent

AGE OF COMPANIES



NOTE: Mature (-2001).
Experienced (2002-2016).
Newcomer (2017-)

ECONOMIC OUTLOOK

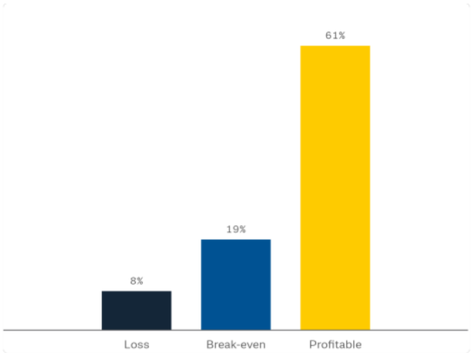
Businesses experienced a challenging year despite a strong economic growth rate

The recovery of economic activities in 2022 has brought positive impacts on Swedish businesses in Vietnam. However, a slowdown in incoming orders for export during Q4-2022 owing to dampening global demand, resulted in business performance in 2022 being weaker than in 2021. This is understandable when inflation in key markets, including the US and the EU, was dampening consumer spending. The weaker-than-expected demand from China's borders reopening also had a spill-over effect on businesses in Vietnam. As a result, in the Q4-2022, S&P Global Vietnam Manufacturing Purchasing Managers Index declined to below the crucial break-even point of 50. In November and December, it hit 47.4 and 46.3, respectively, down from 50.6 in October. This downward trend is well-reflected in our survey. Despite an increase in profitable companies, there were now also companies recording losses for 2022. None of the industrial companies reported a loss in 2021, while eight per cent of them suffered from losses in 2022.

As shown in Graph 1, 61 per cent of the companies participating in the survey reported a profitable financial year, while 27 per cent reported break-even or losses; compared to 63 per cent and 30 per cent, respectively, in 2021. Though the number of profitable firms showed a slight decrease, companies recording a loss was only eight per cent in 2022, which is the smallest proportion in the last three years. Medium-sized companies performed especially well during 2022, with 100 per cent reporting a profitable year, while small companies were those who suffered the most, as 17 per cent reported losses. Newcomers seem to have a successful year in 2022, as 67 per cent enjoyed a profitable year and no firms experienced losses.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN VIETNAM IN 2022?

Graph 1: Financial performance of Swedish companies in 2022



NOTE: The number of respondents for this question was 36. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

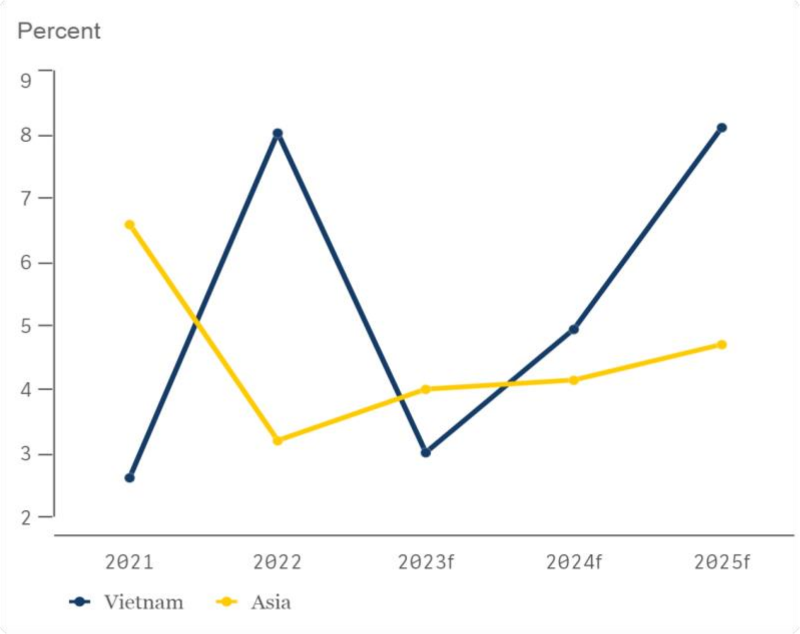
Weakening demand in the EU and the US has hurt the industrial sector in Vietnam

Vietnam's economic growth recovered strongly in 2022, recording a GDP growth rate of 8.02 per cent, outperforming the average growth rate of the Asia region. The growth rate in 2022 is fuelled by the strong increase in the retail segment and solid performance in manufacturing sector. After dramatic growth in 2022, Vietnam's economic growth rate is expected to slow down in 2023 owing to the recession risks and weakening demand in the EU and the US. In the first quarter of 2023, Vietnam's manufacturing export sector faced increasing headwinds due to slowing growth in the US and EU, two key export markets accounting for nearly 45 per cent of Vietnam's goods exports in 2022. Vietnam's goods exports fell by 11.9 per cent year-on-year in the first quarter of 2023. The decline in international orders has led to a sharp slowdown in factory production output and thus, trimming the full-year forecasts of economic growth rate. Oxford Economics forecasts three per cent GDP growth for Vietnam in 2023, down from the eight per cent growth last year. Risks such as high inflation in the EU and the US, turmoil in the real estate sector, and fears of a global recession are primary reasons for the conservative forecast.

However, Vietnam is expected to resume rapid economic growth over the medium-term economic outlook, as Vietnam is a key beneficiary of the shift in global manufacturing supply chains amid the US-China geopolitical tension.

PROJECTED GDP GROWTH IN VIETNAM

Graph 2: Historical and projected GDP in Vietnam compared to Asia region

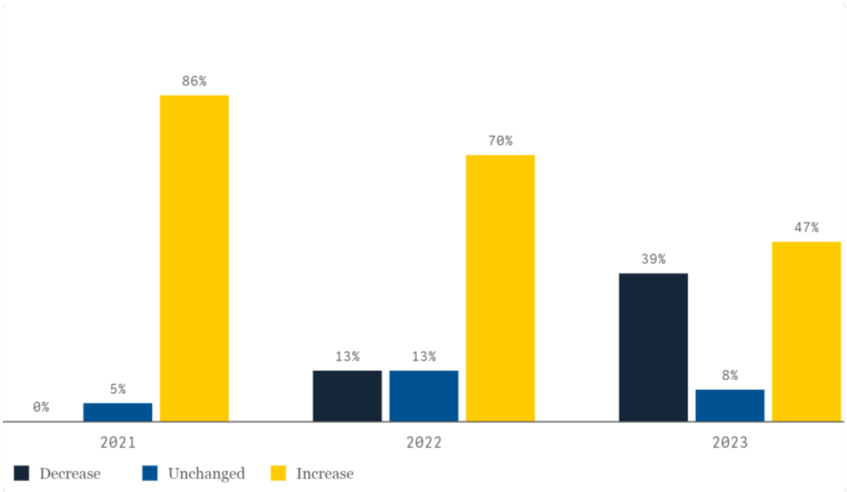


NOTE: Constant prices.
SOURCE: Oxford Economics, GDP, real, annual growth. Last update: 24 April 2023

In line with the conservative outlook for Vietnam's economy in 2023, Swedish companies expressed their concern about their business in Vietnam, with only 47 per cent expecting a higher turnover, compared to last year's responses of 70 per cent. At the same time, 39 per cent of Swedish companies forecast a loss in 2023, which was triple last year's figures. While some uncertainties remain, businesses are still hoping for better performance in the second half of the year as China has relaxed its lockdown, which might help Vietnam to strengthen its trade value.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN VIETNAM REGARDING TURNOVER?

Graph 3 – Turnover projections of Swedish companies



NOTE: Decrease/Increase represents aggregations of slight/significant development changes. The number of respondents for this question was 36. “Don't know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

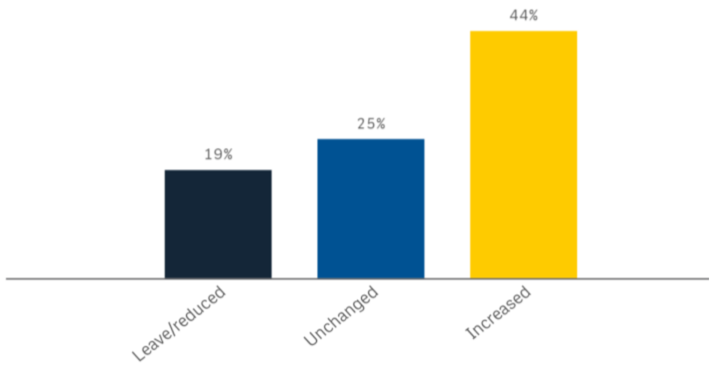
Swedish businesses are eyeing more investment in Vietnam

In the last two decades, foreign direct investment (FDI) into Vietnam has increased at a double-digit growth rate. The country is today considered one of the most open countries in Asia in terms of FDI receipts, owing to its economic reforms and integration with the global economy. The Vietnamese government has a special focus on investment incentives and encourages foreign investment, especially in prioritised industries and businesses. Moreover, transportation infrastructure, industrial parks, export processing zones, and economic zones have seen consistent investment in upgrades to meet the demand of upcoming investors. Building on these favourable conditions, Swedish enterprises in Vietnam have been looking into increasing their investments even during the two years of Covid-19 pandemic.

Despite the slowdown in 2023, Swedish companies are optimistic about the Vietnam economic outlook in the coming 12 months, as 44 per cent of the surveyed companies planned to increase their investment in Vietnam. In particular, in the professional services area, no companies are planning to leave the market, while 56 per cent reported having expansion plans in Vietnam. However, companies in the consumers segment are those who showed the most pessimistic view about the market, as only 25 per cent of them had the plan to further invest in Vietnam, while 17 per cent were planning to leave the market.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN VIETNAM, COMPARED TO THE PAST 12 MONTHS?

Graph 4 – Future investment plans of Swedish businesses in Vietnam



NOTE: Reduced/Increacred represent aggregations of slight/significant changes. The number of respondents for this question was 36. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

THE MARKET

Vietnam remains one of the most attractive markets in SEA for Swedish companies

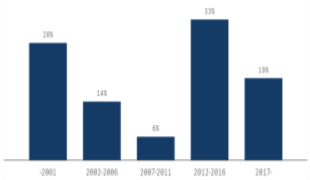
In the latest Business Climate Index report by the EuroCham, around one third of European firms ranked Vietnam among their top five investment destinations on a global scale. Swedish firms are no exception. With a population of 100 million and rapidly expanding middle classes in the Asia-Pacific, Vietnam is one of the key markets in Southeast Asia. It is increasingly emerging as the manufacturing hub in the region, as many foreign companies have shortlisted Vietnam among top destinations for relocating manufacturing plants to lower their dependency on China.

Graph 5 shows that 28 per cent of Swedish companies have been in Vietnam for more than 20 years, while 19 per cent of them have less than five years in Vietnam.

As illustrated in Graph 6, respondents in our survey are present across a wide range of industries, the most prevalent being consumer goods, followed by energy/electricity, healthcare/pharma, industrial equipment, and IT/electronics. These industries also mirror the demand and the focus areas that the Vietnamese government targets for further expansion. With a population of 100 million and being the eigth populous country in Asia, it is understandable that companies in consumer goods accounts for the largest shares of total Swedish companies in Vietnam. Energy/electricity is the backbone of the economy to sustain the growth of manufacturing sectors and services, the high proportion of Swedish companies participating in this segment reflects the sync between Swedish solutions and the market needs. Moreover, as a new national power development plan (PDP8) has recently been approved, new investments into the energy sector, especially in renewable energy, are expected to be booming, which might potentially attract more Swedish companies entering the Vietnam energy market.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN VIETNAM?

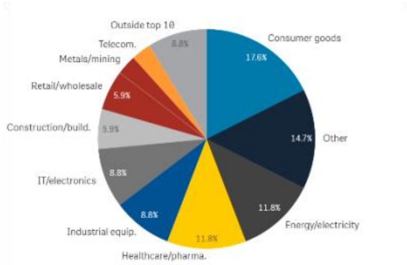
Graph 5 – Swedish companies' year of establishment in Vietnam



NOTE: The number of respondents for this question was 36. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN VIETNAM?

Graph 6 – Swedish companies' main industries in Vietnam

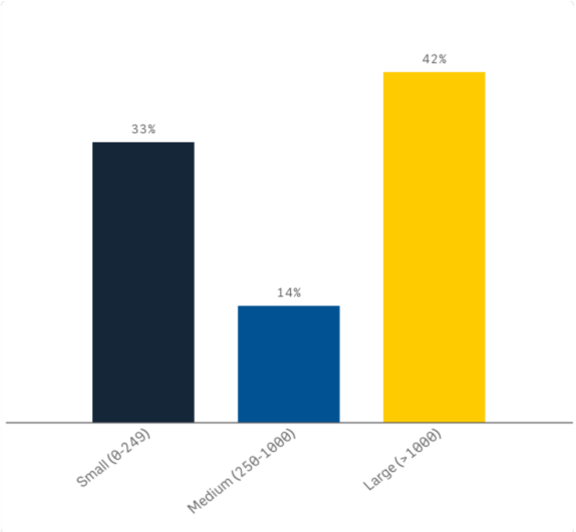


NOTE: The number of respondents for this question was
34. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

Graph 7 indicates that most of the Swedish companies that participated in this survey are large companies with a global outreach (42 per cent of respondents have more than 1000 employees globally). Most of the Swedish company subsidiaries in Vietnam have less than 250 local employees.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN VIETNAM IN 2023

Graph 7 – Swedish companies' local number of employees in Vietnam



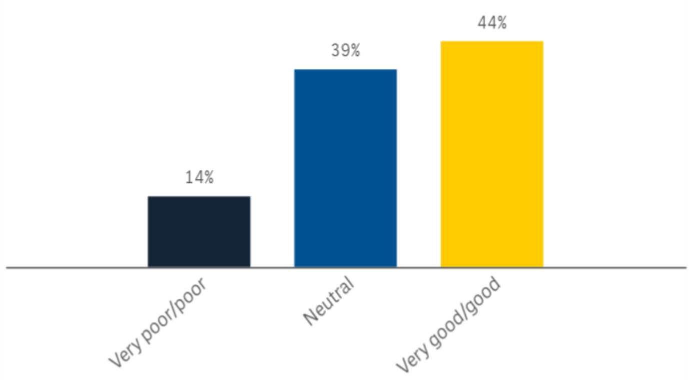
NOTE: The number of respondents for this question was 34. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

An improvement in the business climate is needed to keep investment sentiment strong.

Overall, most respondents remain positive about Vietnam's business climate. However, this proportion has dropped gradually over the years, and the proportion of respondents who perceive the conditions as very poor or poor reached its peak this year. Even though no firms in professional services and consumer goods segments shared that the current business climate was poor/very poor, 42 per cent of firms in industrial segments considered the business climate as very poor or poor. This could be explained by the troublesome customs procedures and transparency.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN VIETNAM?

Graph 8 – Swedish companies' perception of Vietnam's business climate



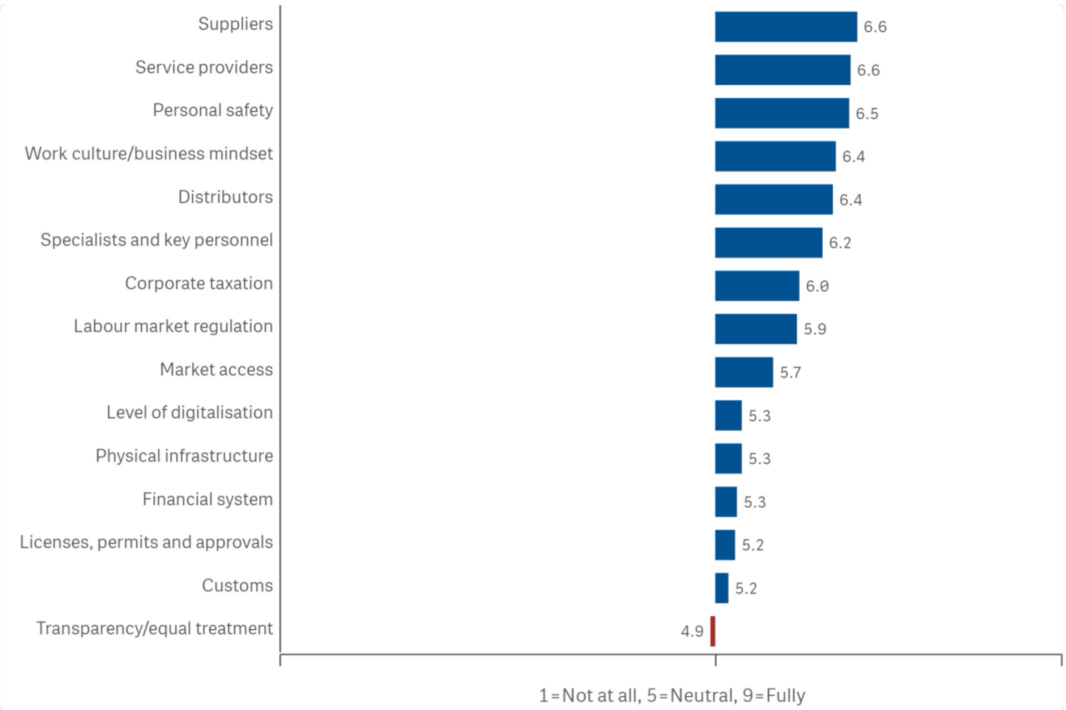
NOTE: The number of respondents for this question was 36. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

Business conditions in Vietnam in general satisfactory but, there is room for improvement.

Most respondents give positive scores for all factors except for transparency/equal treatment. Transparency/equal treatment, license permits and approvals, and customs are factors that need to be further improved to meet the needs of Swedish companies in Vietnam. Many Swedish companies cited that the work permit procedures have been posing challenges to their operations, as they were unable to bring in technical experts and other key personnel from other country offices.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN VIETNAM?

Graph 9 – Swedish companies' satisfaction scale on Vietnam's business conditions



NOTE: The number of respondents for this question was 36.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

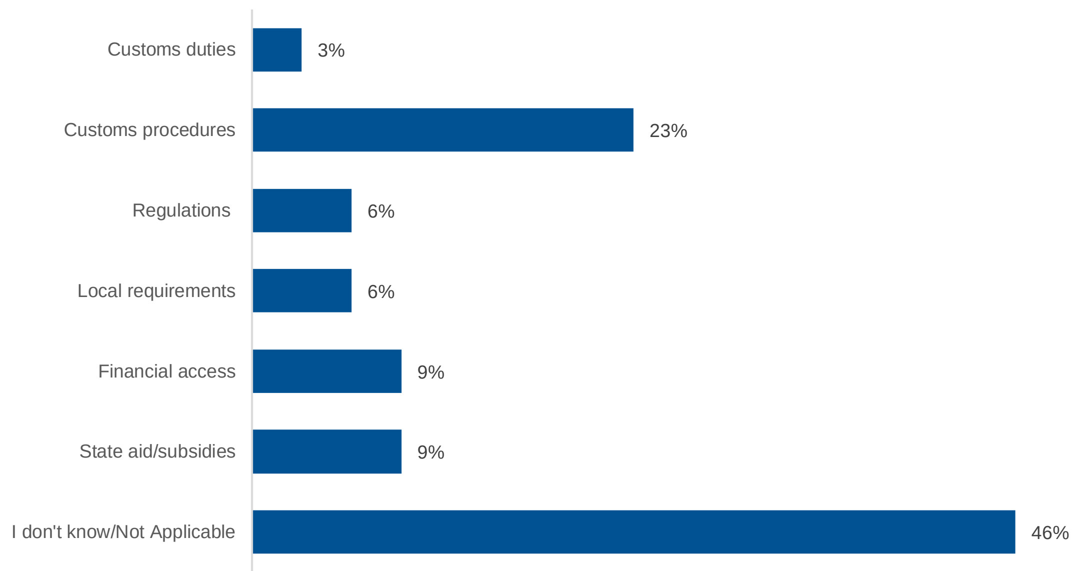
Customs procedures are the key trade barrier

Graph 10 shows that customs duties and procedures remain the key challenges for Swedish companies in Vietnam. Twenty-three per cent of the surveyed companies shared that customs procedures were the main issues that impacted negatively on their operations. Prolonged and inconsistent procedures caused investors tremendous challenges in import-export operations to and from Vietnam. In addition, firms in the electricity and energy sector have stated that state aid or subsidies to domestic competitors were another major barrier that hampered their operations. Meanwhile, technical regulations or standards were also issues faced by Swedish firms in the healthcare and pharmaceutical industry. In the “Other” category, many companies surveyed have also stated that the protection of intellectual property is the main challenge that hit their operation in Vietnam negatively.

In conclusion, the Vietnam market has the potential for foreign companies with relatively good business conditions. However, some areas, such as customs procedures and local regulations, need to be improved. In addition, Swedish companies surveyed also expect more efforts to enhance transparency and enforce the protection of intellectual property.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN VIETNAM WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?

Graph 10 – Trade barriers encountered in Vietnam



NOTE: The number of respondents for this question was 36.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

HOW SWEDISH COMPANIES SUCCEED IN VIETNAM

Swedish companies in Vietnam engage mainly in sales and marketing; a fast rebound of manufacturing activities is expected

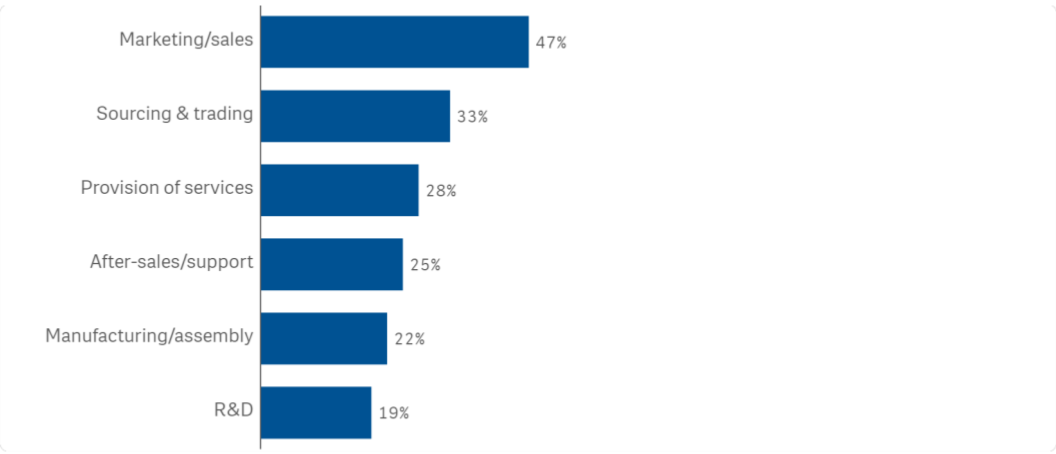
Most categories recorded a plunge in share from last year, possibly due to a larger proportion of respondent companies still navigating their direction on resuming post-pandemic. Nevertheless, the general distribution of types of operation remains the same. A majority of Swedish companies in Vietnam reported that their operations are related to sales activities, followed by sourcing and trading.

Provision of services made a jump to the third position, which might be due to the slowdown of the other two categories, which are After-sales/support and Manufacturing/assembly. The economic slowdown due to rising inflation, higher interest rates, reduced investment, and other disruptions as the result of Russia's aggression against Ukraine has put a halt to a number of diversification plans as well as impeding the selling of mass-consuming goods. The second quarter of 2023 recorded a drop in both export (by 14.2 per cent) and import (by 22.3 per cent) due to weak global demand and business-reducing procurement of raw materials and equipment, respectively.

However, this is expected to be a short-term effect. 2022 still observed a range of expansion of manufacturing facilities from industry leaders, namely Assa Abloy, ABB, Polarium, and Tetra Pak. This is attributed to Vietnam being one of the most dynamic and stable countries in Southeast Asia, notably in terms of economic development, presenting an expanding market size as well as a talented and competent workforce.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET

Graph 11 – Swedish companies' business activities in Vietnam



NOTE: The number of respondents for this question was 36. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

Human development takes over Cost efficiency to become the most critical factor to remain competitive in Vietnam

All listed factors are deemed as having impacts on the success of the Swedish companies surveyed. However, their perceived importance has shifted immensely and become more diffuse since last year, which reflects the changing dynamic in doing business in the new normal. Staff development leads the priority list with 20 per cent ahead of Cost efficiency in terms of the number of responses recorded. Partnership/relationships, although still among the most crucial, now shares its rank with brand awareness and product development.

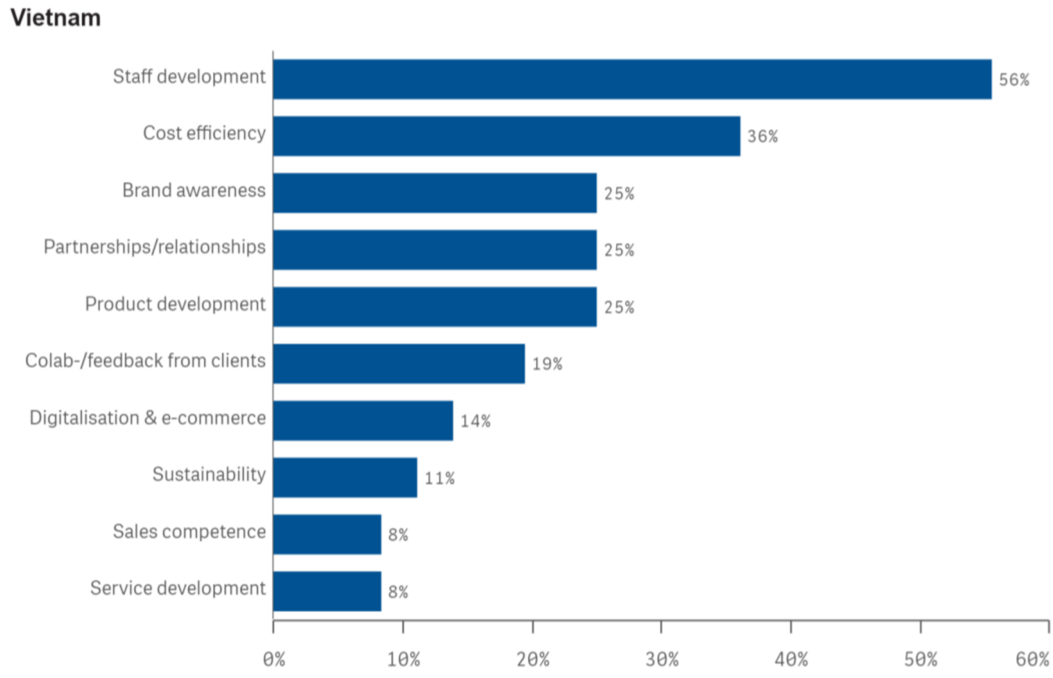
The pandemic has presented a test to employees' commitment and businesses' ability to retain talent. There has been a fundamental shift in the employees' perception and expectation towards the way of working and personal development to not only combat similar future disruptions but also to increase the quality of life by reducing time preparing for work. The slow adaptability to this abrupt shift has caused challenges in recruiting and retaining staff for several enterprises. Hence, human development now becomes the highlight of the corporate agenda.

Cost efficiency continues to be among the most influential factors for Swedish companies in Vietnam. Brand awareness and product development climbed up the ladder, seen possibly as the result of last year's focus on Customer feedback. Consumers' spending habits are driven by 'affordability', 'lifestyle changes' and 'awareness towards health and hygiene' coming out of Covid-19.

Another highlight is that "Sales competence" was among the least reported factor, which is contrary to the global climate report. An explanation for this could be extended from the rising focus on product development and brand awareness. According to McKinsey, consumers continue to become more selective and value-conscious. Therefore, the product itself is more of the decisive factor rather than the marketing of it. In addition, despite being an oligopoly field run by a few players, e-commerce in Vietnam has already provided a relatively sophisticated interactive channel for sellers and buyers.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN VIETNAM?

Graph 12 – Swedish companies' perception on the importance of success factors



NOTE: The number of respondents for this question was 36. "Don't know/Not applicable" responses are included but not shown in figure.

The Swedish brand – Innovative and Sustainable

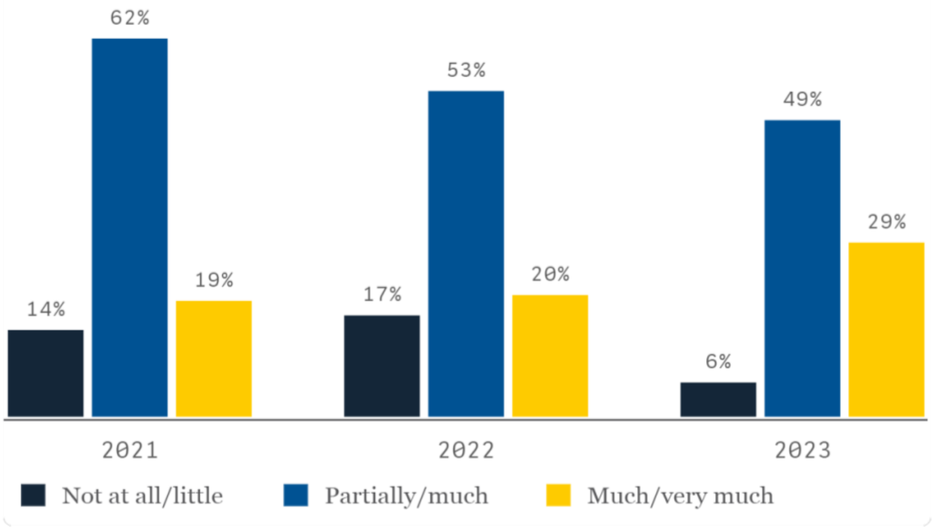
Sweden established a diplomatic relationship with Vietnam already in 1969 and has since been a strong supporter in a variety of sectors' development in Vietnam. Today the relationship has evolved, with Sweden's moves from aid to trade that cemented the trade relationships between the two countries.

As indicated in the two graphs below, the majority of large companies surveyed stated that the Swedish brand contributed to their business "to an extent or great extent", while the contribution for small and medium-sized enterprises is smaller.

Moreover, the confidence in Swedish brands is further enhanced by the perception that the capital of Sweden, Stockholm, is second only to Silicon Valley as the world's leading start-up hub in terms of the number of unicorns per capita, standing out for being innovative and sustainable. In addition, Sweden is consistently ranking high in the Global Innovation Index, being ranked third in 2022. That explains the growing recognition of Swedish brand contribution from the companies participating in the Business Climate Survey during the past three years.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE "SWEDISH BRAND" CONTRIBUTES TO YOUR BUSINESS IN VIETNAM?

Graph 13 – Swedish companies' perception on the importance of "Swedish brand" to their business outcome



NOTE: The number of respondents for this question was 36. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

ACTING SUSTAINABLY

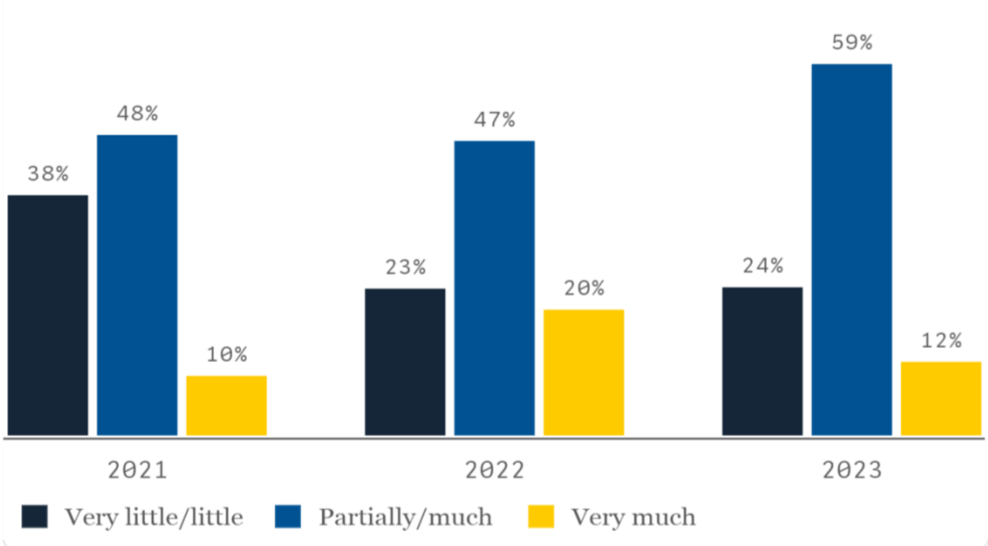
Environmental issues are gaining new interest thanks to the government agenda

Vietnam is among the countries most vulnerable to climate change due to its geographical location and long coastline. Interest in sustainability issues increases in Vietnam, but the level of knowledge varies. As a result of air pollution, mainly in the big cities, as well as major shortcomings in waste management, there is a general understanding of the environmental problems in Vietnam. At the COP27 Climate Summit in 2022, Vietnam's Prime Minister reiterated the strong commitments made in Glasgow one year prior, which was to achieve net-zero greenhouse gas emissions by 2050, further accelerating this development.

By and large, it is noted that customers have become more aware of sustainability and more open to sustainable purchasing behaviour. In response to this, many companies have guidelines on sustainability and related issues; however, the lack of a coherent set of standards and stimulating packages from the government is making it challenging for companies to navigate their practices. On the other hand, despite the growing attention from consumers towards sustainability, the premium cost to pay for environmentally friendly products is a significant hindrance to measurable changes in consumer spending. For example, Swedish companies working in the packaging sector have reported that small businesses frequently use polybags and plastic boxes in their daily use due to their low price and availability. Other problems that have been raised are difficulties in ensuring environmental due diligence throughout the value chain and mismanagement of waste at the source.

TO WHAT EXTENT DO CUSTOMERS IN VIETNAM CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?

Graph 14 – Swedish companies' satisfaction scale on Vietnam's business conditions



NOTE: The number of respondents for this question was 36. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

The corruption landscape recorded significant improvement

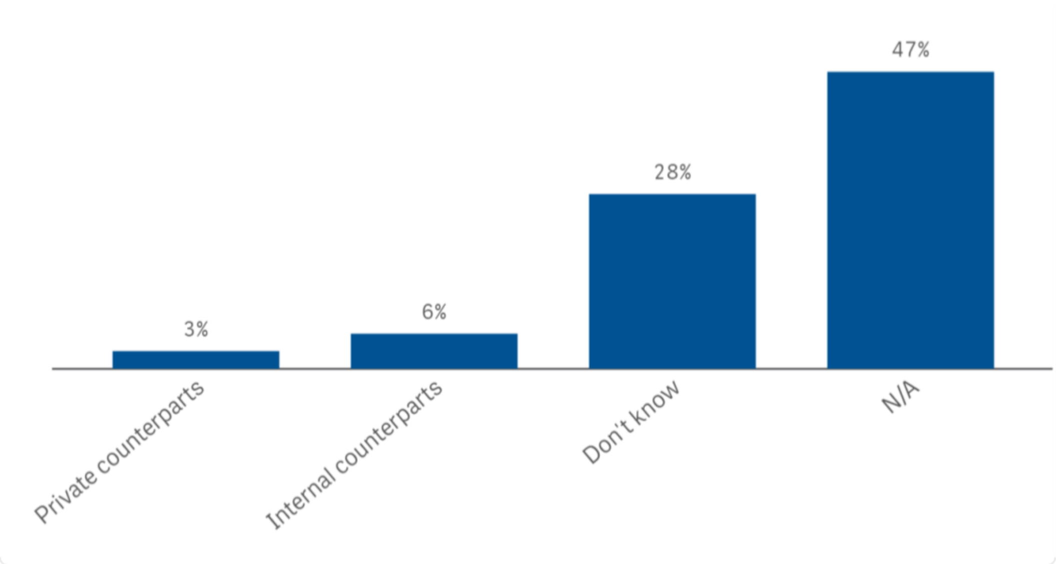
Corruption is still a widespread problem in Vietnam and an area of concern on all levels of society. Measures are being taken to reduce corruption, and the situation is perceived to have improved over the years; however, shortcomings remain when it comes to implementation, efficiency and sometimes the legitimacy of these efforts.

In 2022, Vietnam jumped to 77th place in the Transparency International's league for perceived corruption, compared with the old rank of 104th in 2020, and being above industrial counterparts in the region such as India, Thailand, Indonesia, and the Philippines. This year saw the absence of "Public officials" among the reported categories, compared to 30 per cent recorded from last year's survey. This result is likely due to the anti-corruption campaign conducted by the Communist Party post-Covid-19, which investigated allegations reported in the wake of the pandemic, subjecting a number of ministers, high-level officials, and business heads to disciplinary repercussions.

The positive development is that almost half of those polled said they were not exposed to any corruption activities.

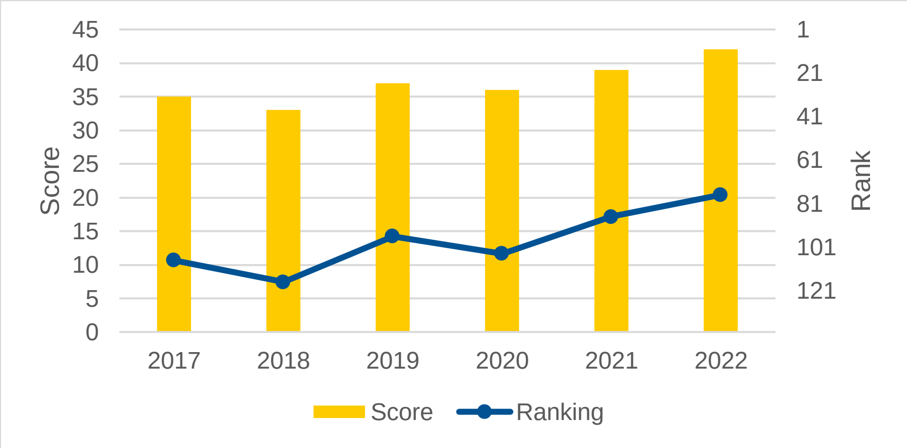
HAS YOUR COMPANY IN VIETNAM BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?

Graph 15 – Swedish companies' experience with corruption when doing business in Vietnam



NOTE: The number of respondents for this question was 36.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

CORRUPTION PERCEPTION INDEX 2022



SOURCE: Transparency International.

Human rights and international labour standards – an area with room for improvement

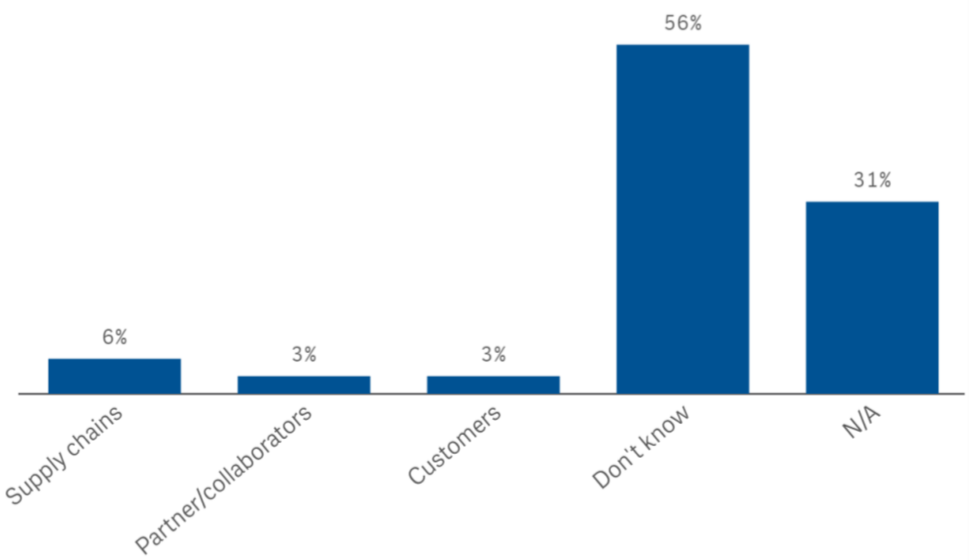
Reports show that violations and abuses of human rights remain challenges in Vietnam, and are under close review by the international community and increasingly by business stakeholders. Stronger respect for the protection of human rights in Vietnam remains a priority issue for international partners, including Sweden. However, the majority of local Swedish businesses responding to the survey (56 per cent) reported that they did not know of such violations or abuses among their business or local business partners. Different from "not applicable", this shows a concerning level of potential negligence when it comes to assessing human rights violations within the business nexus.

Gender equality continues to capture positive change. According to the Global Gender Gap Report 2022 by World Economic Forum, the overall equality index has improved in terms of both score and ranking. This attributes to the improvement in Education Attainment, Health and Survival, and Political Empowerment. However, more work into Economic Participation and Opportunity is required as it saw a decrease from last year. In particular, the labour-force participation rate, estimated earned income, and share of professional and technical workers all went down. The explanation for this could be due to the incomplete resumption and possible shift of the workforce post-pandemic. Workers usually come from outskirt provinces surrounding Hanoi and Ho Chi Minh City where, traditionally, it is more the priority for men to leave their hometown to seek work opportunities while women stay behind to care for the family. Coming out of the two-year disruption, it would understandably require some time for a proportion of female workers to stabilise household matters before returning to the job market.

Another area where steps are being taken is on labour standards. As part of the EU-Vietnam Free Trade Agreement (EVFTA), Vietnam has committed to ratifying the International Labour Organisation's (ILO) convention no. 87, on the Freedom of Association and Protection of the Right to Organise, by 2023. If doing so, Vietnam will have ratified all eight core ILO conventions on international labour standards. Despite positive steps in the country's integration into the international labour standards, ensuring the right to form independent trade unions, streamlining the reporting procedures for employees experiencing violations of these conventions as well as tightening the penalty frameworks are critical steps for governments and businesses in Vietnam to ensure labour rights compliance.

HAS YOUR COMPANY IN VIETNAM ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHT ABUSE IN ANY OF THE FOLLOWING AREAS?

Graph 16 – Swedish companies' experience with human right violation when doing business in Vietnam



NOTE: The number of respondents for this question was 36.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2023.

CONTACT US

BUSINESS SWEDEN
David Lidén, Trade Commissioner of Sweden to Vietnam
David.liden@business-sweden.se

Huyen Quan, Consultant
Huyen.quan@business-sweden.se

Le Nguyen, Associate
Le.nguyen@business-sweden.se

EMBASSY OF SWEDEN
Ann Måwe, Ambassador of Sweden to Vietnam
ambassaden.hanoi@gov.se

Ola Karlman, Head of Trade, Economic and Political Affairs
ola.karlman@gov.se

Phung Banh, Trade Promotion Officer
phung.banh@gov.se

Sweden
Sverige

BUSINESS SWEDEN

Government Offices of Sweden
Ministry for Foreign Affairs

Embassy of Sweden
Hanoi