



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN VIETNAM 2021

A REPORT FROM TEAM SWEDEN IN VIETNAM

KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Vietnam

Embassy of Sweden in Hanoi

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FOREWORD

After the European Union - Vietnam Free Trade Agreement (EVFTA) comes into force in August 2020, Swedish business in Vietnam will embark on a new era. Swedish companies will continue to enjoy several benefits such as 52 unique years of relations between Sweden and Vietnam, Vietnam's robust economic development in the recent decades, and its rapidly growing middle class. The Swedish business community can also look forward to an increased focus on sustainability and innovation.

Despite the continuing Covid-19 pandemic, the *Business Climate Survey Vietnam 2021* illustrates Swedish firms' optimism towards Vietnam's business environment. The quick containment of the 2020 outbreak of Covid-19 allowed Vietnam to continue as a reliable destination for foreign investors, particularly those who are diversifying their supply chains to either move away from China or by adding other markets as alternatives to China. While business operations in 2020 have been affected one way or another, the overall business performance appears to be profitable as reported by more than half of the Swedish companies that took part in the survey. Swedish exports to Vietnam also increased by almost six per cent by 2020 according to the National Board of Trade. This further indicates that Vietnam continues to be a bright spot for Swedish future investments.

Nevertheless, corruption, lack of transparency, cultural obstacles, and intense competition with neighbouring countries in Asia are some of the challenges that Swedish enterprises still encounter while doing business in Vietnam. While great strides have been made in the sustainability agenda, Vietnam still faces challenges on environmental and climate issues, presenting a great opportunity for Swedish firms to provide green solutions.

Vietnam is still a young market economy which often requires presence on the ground. Team Sweden, which consists of the Embassy of Sweden and Business Sweden, plays a crucial role in facilitating trade, cooperation, and policy dialogue between industries and governments. Team Sweden offers 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 increase the understanding of Swedish companies' performance in Vietnam and to share insights into the opportunities and challenges that the Vietnamese market poses.

We foresee a bright future for the trade relations between Sweden and Vietnam, with increasing trade and investment volumes in many segments of the market. It is a high priority for the Swedish government and the EU Commission to implement and take full advantage of the EVFTA. Team Sweden stands ready to offer our support to Swedish companies so that they can tap into the opportunities Vietnam presents.

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



Ludvig Hermansson
Acting Country Manager
Vietnam

EXECUTIVE SUMMARY

SAMPLE SELECTION

21

Swedish companies in Vietnam, represented by **CEOs, Regional Directors, Managers,** and other key decision makers



90 per cent of the respondents are businesses with less than 250 employees

ECONOMIC OUTLOOK



57 per cent of the respondents reported profitability in 2020 despite the Covid-19 crisis



86 per cent of the surveyed Swedish companies expect higher turnover for the coming 12 months

MARKET INSIGHTS



50 per cent of those surveyed operate in industries such as consumer goods, healthcare and pharma, energy, and industrial equipment



52 per cent of the respondents have an optimistic view on the business climate

KEY SUCCESS FACTORS



62 per cent of the sample believe that being a “Swedish brand” contributes to the success of their business



The highest-ranking success factors are **cost efficiency, staff development/training,** and **partnership/local relationship**

ACTING SUSTAINABLY



Mixed answers on whether the environmental aspect influences customers' purchasing decisions



38 per cent of the respondents perceive that corruption affects their businesses to a great extent

ABOUT THE SURVEY

OBJECTIVE: A CLOSER LOOK AT SWEDISH BUSINESSES IN VIETNAM

The Business Climate Survey is a tool used by Team Sweden to map the opportunities and challenges Swedish companies face when doing business across the world. The Vietnam survey was carried out during the second quarter of 2021. This marked one year since the onset of the Covid-19 pandemic which caused the biggest recession since the Great Depression. In 2020, Vietnam's economy was heavily affected by the pandemic due to its extensive economic integration with various markets. Nevertheless, Vietnam has shown considerable resilience as it maintains its macroeconomic stability and was among the top ten fastest growing economies in the world in 2020.

To date, there are around 70 Swedish companies that are present in Vietnam all of which were invited to participate in the survey. The response rate of 30 per cent reflects the trying times which businesses were contending with during a pandemic year. Nevertheless, many the companies that responded have been in Vietnam for more than 10 years and include Swedish multinational corporations such as ABB, H&M, Tetra Pak, SKF, and AFRY. It can be concluded that despite the relatively small response rate and sample size, the data is fairly representative of Swedish companies' presence, their business activities, as well as perceptions of economic developments in Vietnam.

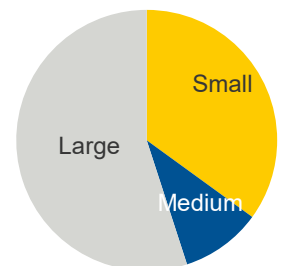
A breakdown of the sample indicates that 52 per cent of the respondents are large companies with over 1,000 employees globally. Ten per cent of the companies are classified as medium sized, with the number of employees between 250-1000, while 33 per cent of the sample are small companies.

The diverse range of business areas represented in this report are grouped into three main categories: industrial companies (29 per cent), professional services (19 per cent), and consumer companies (24 per cent).

The report is divided into the following sections: *Economic outlook*, *The market*, *How Swedish companies succeed in Vietnam and Acting sustainably*. In addition, the report also covers the EVFTA that came into effect on the 1st of August 2020, and specifically Swedish corporations' responses to its impact on their businesses.

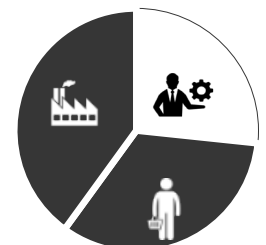
We hope this report allows you to explore how various companies within different industries were affected by the events in 2020 and their outlook for 2021.

SIZE OF COMPANIES



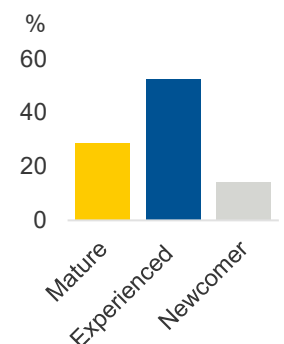
NOTE: Global employees.
Large >1000
Medium 250-1000
Small 0-249

MAIN INDUSTRY



NOTE:
29% Industrial
19% Professional services
24% Consumer

AGE OF COMPANIES



NOTE:
Mature (-2000)
Experienced (2001-2015)
Newcomer (2016-)

ECONOMIC OUTLOOK

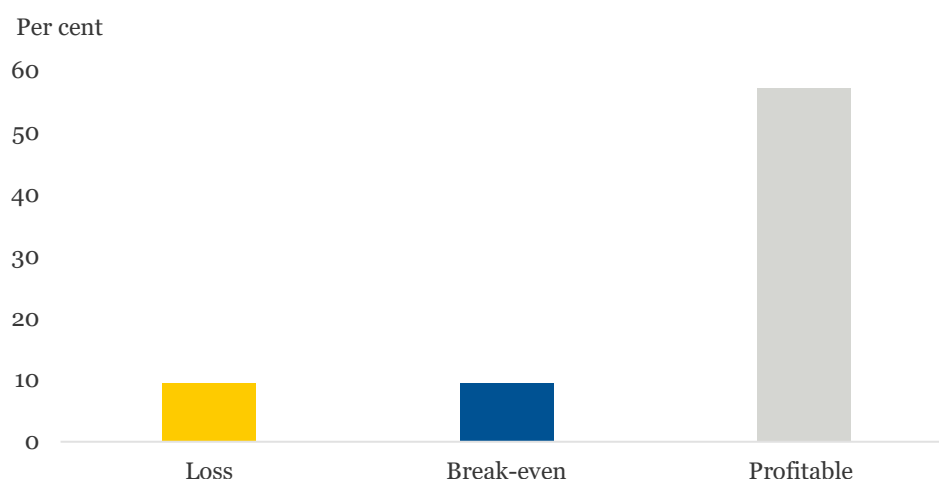
SATISFACTORY FINANCIAL PERFORMANCE

The spread of the Covid-19 pandemic has triggered a global economic crisis. Vietnam, a lower middle-income country with a seemingly vulnerable economy, effectively curtailed the spread of the virus and imposed aggressive tracking of infection in 2020. Even though the economy has taken a substantial hit, the export sector has done remarkably well, to the extent of being hailed by CNBC as “Asia’s top-performing economy during the pandemic.”

Swedish companies operating in Vietnam have benefited from the effective control of the pandemic. Although 2020 presented many difficulties, more than half of the survey respondents still reported a profitable financial year as confirmed by 57 per cent of the sample, while 20 per cent reported break-even or losses. Companies in the industrial and professional services sectors witnessed the most positive financial picture in 2020, while the profitability and loss ratio was 1:1 for the consumer sector. The 2019 survey also showed a similar trend.

The companies that reported losses in 2020 are all mature and experienced players in the market however, they only accounted for one-fifth of all mature and experienced companies in the survey pool. The market still looks quite promising for newcomers, as they all reported a break-even position in 2020, which is a promising start for a new player during a pandemic. It is also noted that there was no correlation between company size and profitability, as all respondents regardless of size experienced the same profit range.

HOW WOULD YOU DESCRIBE YOUR COMPANY’S FINANCIAL PERFORMANCE IN VIETNAM IN 2020?



NOTE: The number of respondents for this question was 21. “Don’t know/Not applicable” responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

When asked about the effect of Covid-19 on their revenue, more than half of the companies surveyed reported that their turnover was affected severely by the event, with five per cent recording an increase in revenue due to Covid-19. This, together with the

“ It is a market of almost 100 million people and has huge potential.

Proprietor

Service provider company

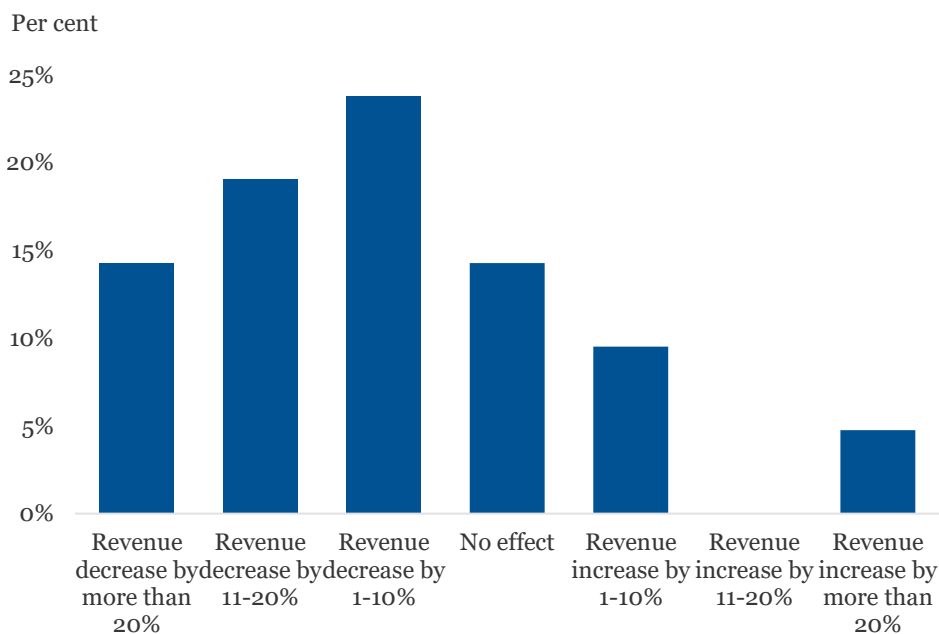
“ [It is] the change of business [that] have had organisational changes and impact on staff.

Country Manager

Global garment company

dominance of profitable companies in the previous survey, leads us to draw the conclusion that while Covid-19 took a toll on businesses, it prompted companies to deploy cost-cutting strategies in order to remain profitable and sustain a healthy cash flow.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS IN VIETNAM?



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

RESILIENCE DESPITE TURBULENCE

Similar to the rest of the world, the pandemic has had an adverse effect on Vietnam. Its economic growth in 2020 was at its lowest in the 2011-2020 period, compounded by the Covid-19 pandemic, natural disasters, and a sluggish global economy. The economy experienced its lowest points during the national lockdown in April and May, as well as during the flooding in October and November. Tourism and aviation are the two sectors that suffered the heaviest losses throughout the year.

However, in the midst of a global economic slowdown, Vietnam's economy has been surprisingly resilient; it is the only Southeast Asian country with positive economic growth (2.9 per cent in 2020). Thanks to the Government's dual targets of containing the pandemic and sustaining economic development, Vietnam has been praised for its containment of the spread of the virus with early, bold, and consistent measures. Consequently, and despite the global supply chain disruption, Vietnam's exports remained strong with the trade surplus reaching USD 19 billion as reported by the General Statistics Office.

Looking to the future, Vietnam's economy is on track to make a V-shaped improvement from the lowest point in 2020 as shown in Table 1. According to the Asia Development Bank (ADB), the projected growth rate for Vietnam is 7.7 per cent in 2021 and 6.7 per cent in 2022, slightly above the Association of Southeast Asia Nations (ASEAN) average. This growth rate is regarded as realistic considering Vietnam has been a major beneficiary of supply chain diversification over the past years, with a notable trend of tech giants such

► **Positive GDP growth in 2020 is a testament to Vietnam's resilience – but will it again hold true after the fourth wave of outbreak?**

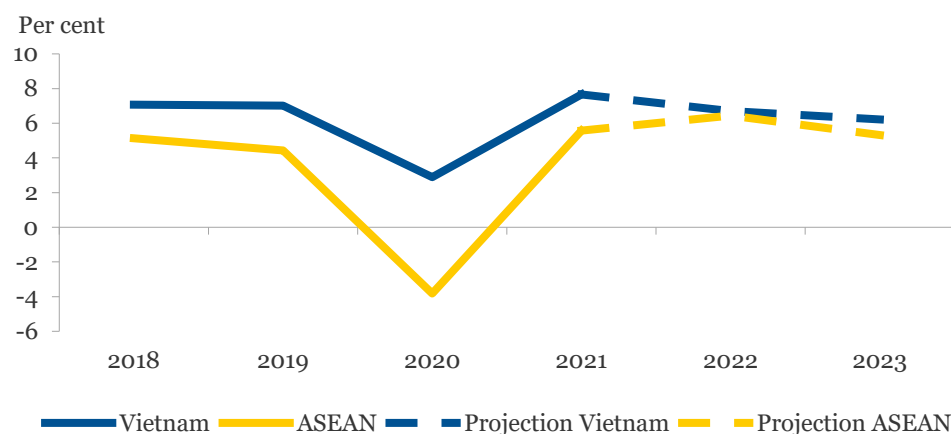
as Apple and Intel investing in Vietnam. Its new trade agreements with the EU and the UK are also expected to help boost local production and trade flows.

Covid-19 is still a threat that cannot be ruled out. Vietnam is currently experiencing the fourth wave, with the number of cases surpassing that of all three previous outbreaks. The current biggest hotspots are in the south, with the economic centre Ho Chi Minh City and the surrounding provinces being the hardest hit, which is problematic since these areas are home to industrial parks and multinational producers. The lockdowns in affected areas have had a tremendous impact on global value chains.

The vaccination rate has been slow, as only approximately 3.5 per cent of the population had received the first dose as of June 2021. Vietnam's successful containment of the spread of the virus is still fragile. The Government is currently seeking to secure sufficient quantities of the vaccine, and Vietnam has successfully negotiated to buy 170 million doses of Covid-19 vaccine from various sources.

PROJECTED GDP GROWTH IN VIETNAM

Table 1 – Historical and projected GDP in Vietnam compared to ASEAN



NOTE: Constant prices.
SOURCE: Oxford Economics 2021-03-31

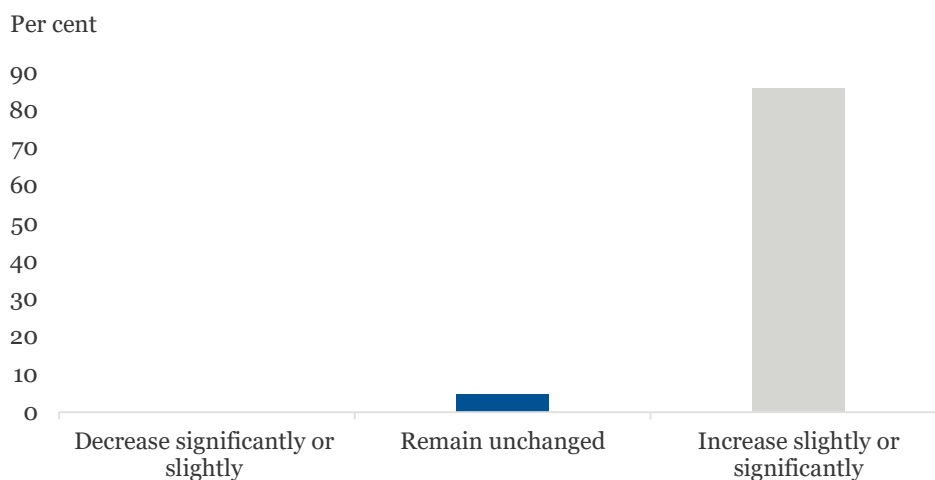
Compared to last year's survey, Swedish companies are much more optimistic regarding their projected sales for the upcoming year. As shown in Table 2, the majority of the respondents i.e., 86 per cent, recorded that they expected a higher turnover. This is more of an optimistic outlook compared to last year where only 50 per cent anticipated the same. It is also noteworthy that none of those surveyed expected their revenues would decrease in 2022, which shows a more optimistic view compared to the 2020 projections where 35 per cent of companies said that they expected a decrease in turnover.

When current data is trended back to previous results, it is evident that companies have improved confidence levels about doing business in Vietnam. This stands to reason given the above-mentioned macroeconomic context such as the resilience of the economy even during the pandemic. Additionally, after 2020, businesses seem to have pivoted and learnt how to adapt their functions to keep on operating during a pandemic. Global supply chains are now re-connected with major material supply sources such as China, which is no longer under strict lockdown. For those reasons, most companies are hopeful of a strong rebound.

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?

Table 2 - Turnover projections

TURNOVER WILL...



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021

FUTURE INVESTMENT SHOWS A BRIGHT OUTLOOK

Swedish enterprises in Vietnam hold an optimistic outlook as they view Vietnam as a lucrative destination for Swedish future investment. Results in Table 3 show that no companies had decided to leave the market, nor reduce their plans for future investments in Vietnam. In contrast, the data reveals that 48 per cent of the surveyed companies plan to increase their investments, while 52 percent intend to keep their current investment capital unchanged. A majority of the companies which invested in Vietnam before the year 2000, expect to ramp up their investments in the near future. Similarly, most companies that have operated in Vietnam for less than five years, also mentioned that they have expansion plans for the coming year.

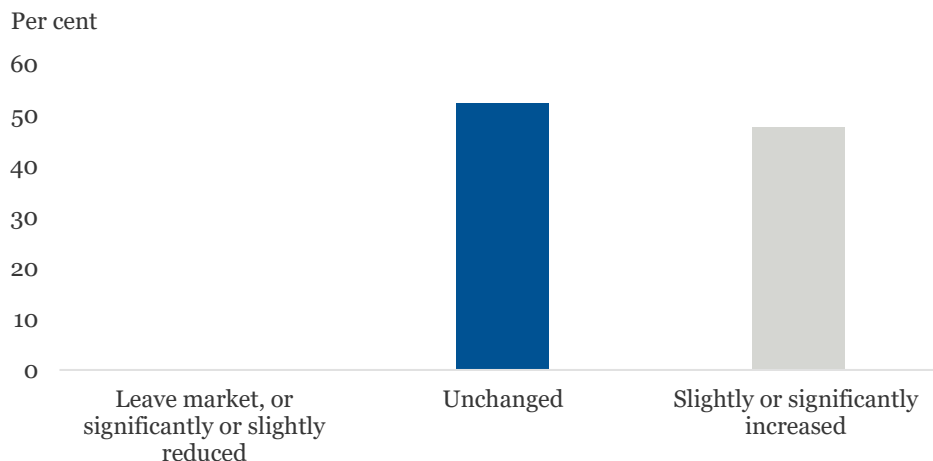
As noted in Vietnam's development strategy, the government will seek high-quality Foreign Direct Investment (FDI) inflows, with an emphasis on FDI projects that employ innovative and environmentally friendly technology. Swedish enterprises are to benefit from this initiative, as they often bring new and smart solutions to their offerings and have sustainability-integrated options in their business plans. Swedish enterprises can also

explore diversifications of sourcing options, as Vietnam will shift focus to the production of competitive goods and might become part of the global manufacturing network and value chain.

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

Table 3 – Future investment plans of Swedish businesses in Vietnam

INVESTMENTS WILL BE...



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

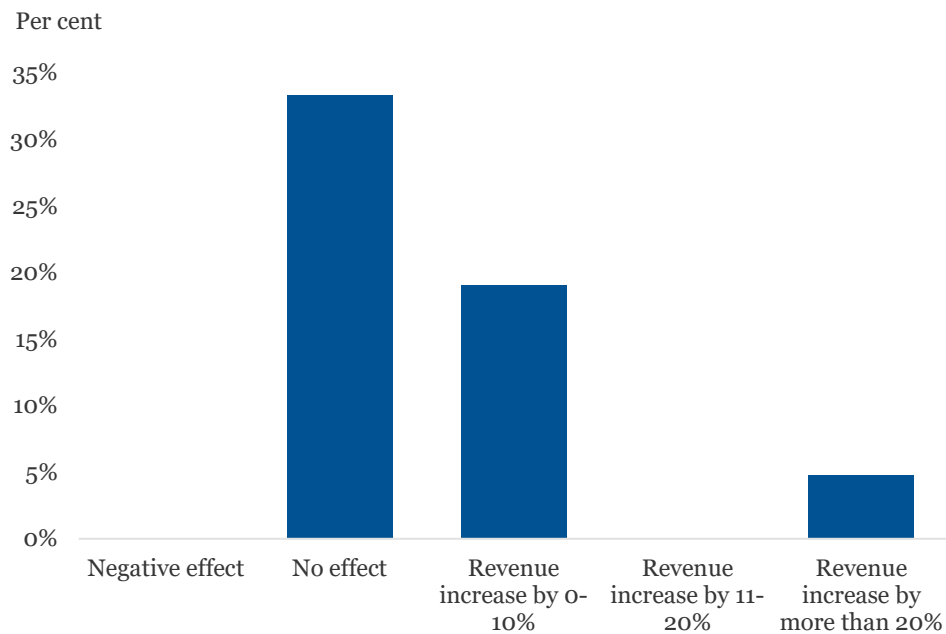
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

One of the highlights for Vietnam's economy in 2020 was the ratification of the free trade agreement with the EU. The EVFTA is expected to facilitate trade between the EU and Vietnam in general, and consequently it will benefit Swedish companies doing business with Vietnam. The National Board of Trade reported earlier this year that Swedish exports to Vietnam increased by almost 6 per cent in 2020 despite the pandemic. As shown in Table 4, on the question of whether the EVFTA influenced the companies surveyed, 24 per cent answered that their revenue increased due to the agreement. At the same time, 33 per cent of the respondents saw no apparent effect of the EVFTA on their business. It must be noted though, that the survey was conducted when the EVFTA had only been operational for less than a year, so more companies are expected to benefit from the agreement over time. The work to fully implement the EVFTA is still ongoing and different sectors will benefit at different speeds from gradual tariff reductions.

EVFTA is expected to bring further opportunities for Swedish companies in the coming years in terms of sales sourcing and investment opportunities. It is likely that Swedish companies will benefit substantially from the EVFTA due to its tariff reductions for machinery and equipment, its sales opportunities in manufacturing, healthcare, and consumer sectors, as well as its opportunities to participate in infrastructure construction and public procurement. Finally, and with regards to production opportunities, Vietnam can serve as a sourcing hub for products such as textile and apparel, furniture, and electronics.

WHAT IMPACT HAS THE EU – VIETNAM FREE TRADE AGREEMENT (EVFTA) HAD ON YOUR BUSINESS?

Table 4 – EVFTA's impact on Swedish businesses in Vietnam



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

In summary, Vietnam has solidified its status as a secure and stable destination for foreign investment due to its investor-friendly policies, stable socio-political system, numerous free trade agreements, and even more so after a successful pandemic year. Swedish companies can thus benefit from these various opportunities, but will the business conditions have what it takes to fulfil the companies' needs? This question will be discussed in detail in the next chapter.

THE MARKET

VIETNAM'S ROBUST GROWING MARKET CONTINUES TO AFFIRM ITS APPEAL TO SWEDISH BUSINESSES

Vietnam has a sizable population of over 95 million and is home to APAC's fastest-expanding middle class which is expected to reach 33 million by 2025. The country thus claims itself a spot on the list of emerging markets in the APAC region. Since the economic and political reforms launched in 1986, the market has witnessed remarkable development and deep integration with the world economy.

As an emerging market, Vietnam has continued to grow thanks to the rapid adoption of cutting-edge technologies, a surging manufacturing hub, and a high degree of market openness. Table 5 shows that nearly half of surveyed firms established themselves in the country before 2007, the year of the financial crisis. Since then, following the world's economic recovery momentum, on average, only three to four Swedish companies were entering Vietnam every year until recently. In 2019, 14 new Swedish businesses registered in Vietnam according to the Ministry of Planning and Investment. This indicates a rapid rekindled interest in the Vietnamese market, explained by the signing of the EVFTA.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN VIETNAM?

Table 5 – Swedish companies' year of establishment in Vietnam



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

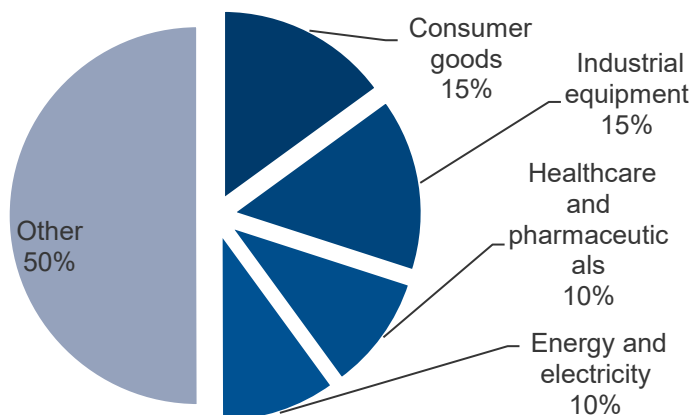
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

▶ The number of Swedish companies entering the Vietnam market quadruples in 2019

The survey sample consists mainly of Sweden's core industries given that 50 per cent of the respondents fell into those categories as noted in Table 6. The "other" segments comprise mostly of Small-Medium Enterprises (SMEs), showing the diversity of business lines of Swedish businesses in Vietnam. This further confirms that the Vietnamese market assists Swedish SMEs and start-ups to enter the market successfully.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN VIETNAM?

Table 6 – Swedish companies' main industries in Vietnam

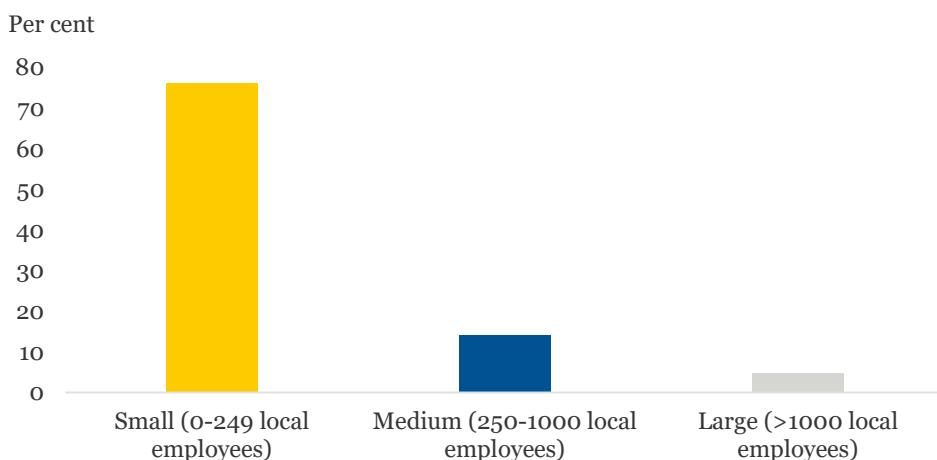


NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.
 SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

The proportion of businesses with less than 250 employees accounted for 90 per cent of the total respondents as illustrated by Table 7. The majority of the Swedish companies in Vietnam are branches, representative offices, or subsidiaries of large global Swedish enterprises. This is to fulfil the local presence requirement, which is much appreciated by the local business culture.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN VIETNAM IN 2021

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



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.
 SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

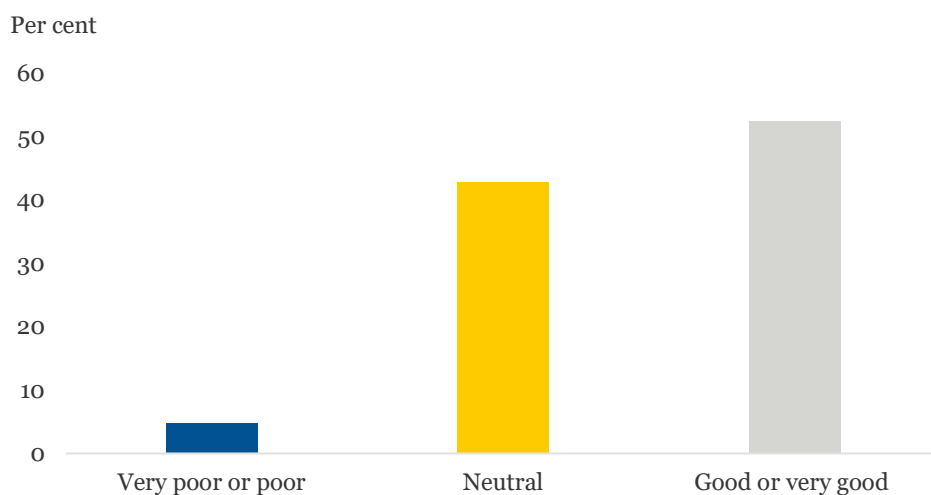
A POSITIVE OUTLOOK ON THE BUSINESS CLIMATE

As shown in Table 8, the majority of respondents remain optimistic about Vietnam's business climate. Only five per cent of the respondents are uncertain of this recovery, which is lower than last year's 10 per cent. Larger companies are the only respondents who regarded the business climate as very poor or poor. All medium companies recorded a neutral response.

The proportion of dissatisfied companies is even lower than the pre-pandemic period, which draws an inference that Vietnam is a reliable alternative for relocation in Southeast Asia. Vietnam's growth trajectory, ratification of important free trade agreements, as well as the improved ease of doing business all affirm the increased foreign investors' confidence in Vietnam's business climate.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN VIETNAM?

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



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

VIETNAM’S BUSINESS CONDITIONS REVEAL WEAKNESSES DURING COVID-19 ERA

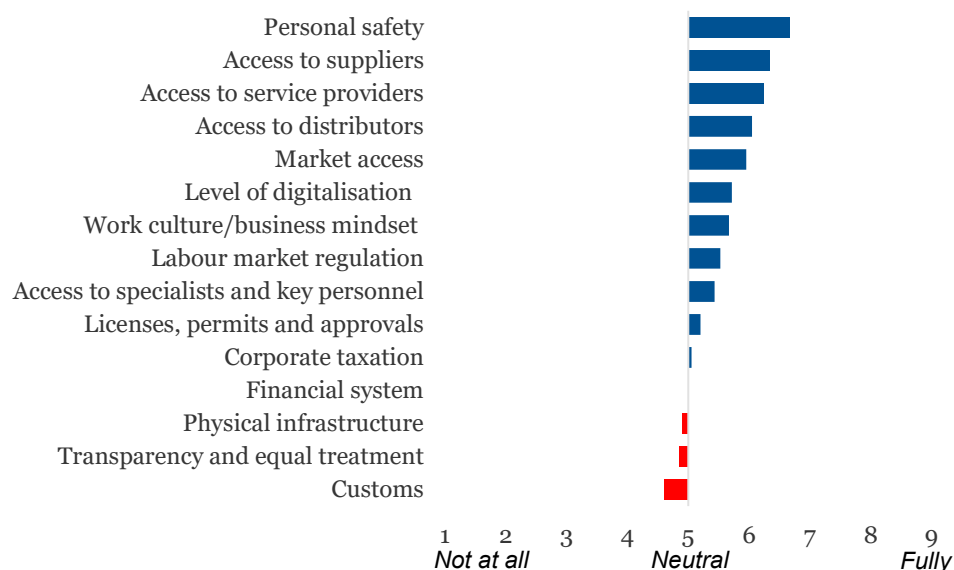
Table 9 shows that, despite an overall high level of appreciation of the business framework in 2020, factors such as customs, transparency, and physical infrastructure did not sufficiently meet the needs of Swedish businesses during the 2021 survey period.

The customs conditions received the most negative feedback, which is assumed to be due to backlogs and policy changes in 2020. New regulations and procedures were announced late during the Covid-19 pandemic, causing a lack of transparency and unfair treatment of several Swedish companies. The structural weakness in the banking sector and public finance has also become an increased concern for Swedish businesses.

▶ **E-government initiative will digitize all public services into an integrated database system, promising huge improvement in business condition in Vietnam**

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

Table 9 – Swedish companies’ satisfaction scale on Vietnam’s business conditions



NOTE: The number of respondents for this question was 21.
 SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

Apart from the previously mentioned shortcomings, most respondents gave positive feedback about the other factors where the highest score was once again rewarded to personal safety. Table 9 also shows that most companies could easily access strategic business partners. The level of digitalisation jumped from being at the bottom in the previous survey of 2020, to be ranked at sixth place in the current year. It testifies that the pandemic has played a role in partially influencing Vietnam's digital transformation, which was also propelled by other initiatives such as the adoption of a *National Digital Transformation Roadmap 2025 in 2020*. In terms of legislation, Vietnam took some steps towards aligning its corporate laws with international standards and improving the legal environment for foreign investors. For example, a new labour code was introduced and took effect in January 2021, together with a new law on enterprises and law on investment.

In summary, Vietnam remains an attractive destination for Swedish companies. Difficulties with customs, trade regulations, and business transparency pose a challenge but overall, the Vietnamese business conditions are favourable. With new legislation in place to strengthen the rights of employees, the self-employed and investors, as well as the introduction of EVFTA facilitating the ease of trade, the future looks promising for Swedish companies. Swedish companies have always positioned themselves towards success, and how they succeed in Vietnam will be depicted in more detail in the following chapter.

HOW SWEDISH COMPANIES SUCCEED IN VIETNAM

ALTHOUGH PRODUCTION IS A GROWING TREND, MOST SWEDISH FIRMS FOCUS ON SALES AND MARKETING

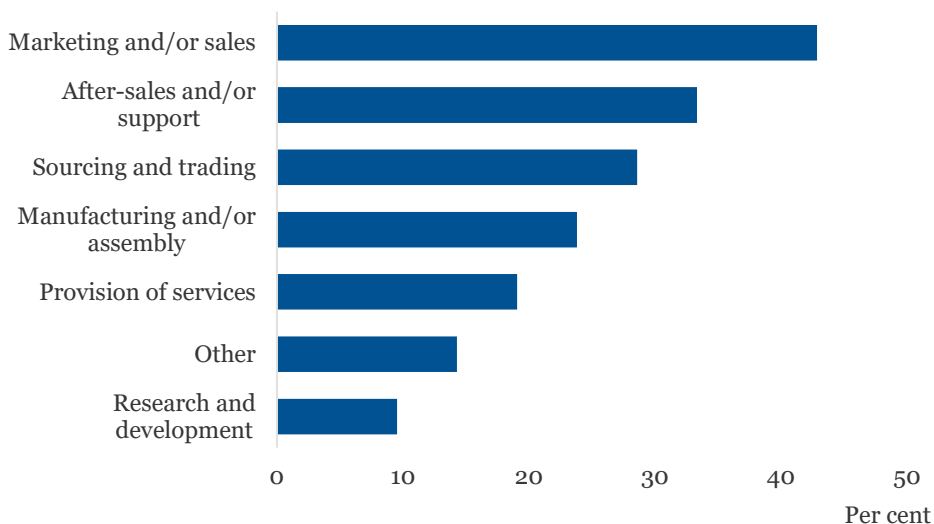
Most Swedish companies which took part in the survey indicated that their operations focus on sales-related activities. The figure is higher than the previous year, likely attributed to the growing consumer market for Swedish products, the rapidly increasing middle class and the growing demand for sustainable solutions.

In addition to marketing and sales, many respondents also work with sourcing and manufacturing. Since last year's survey, the figures for manufacturing and sourcing operations have increased and now stand at 24 and 29 per cent respectively.

Many of the Swedish multinational companies have been present in Vietnam for more than 20 years and are already firmly established with a solid reputation in the market. In addition, Swedish products are regarded as premium which also adds to the success of these businesses.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET

Table 10 – Swedish companies' operations in Vietnam



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

COMPETITIVENESS IS DRIVEN BY COST EFFICIENCY

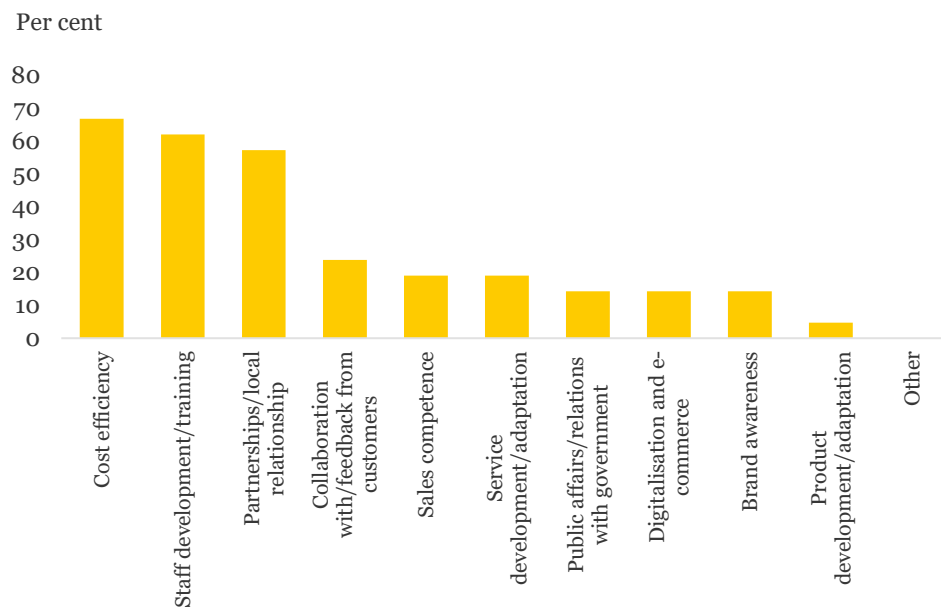
Most Swedish firms interviewed emphasised that cost efficiency is critical to succeed in Vietnam as indicated in Table 11. As the concepts of life cycle cost and circular economy are still in their infancy in Vietnam, Swedish companies need to educate customers about the long-term benefit of their products in order to assure their long-term competitiveness in Vietnam.

Staff development and training was reported to be the second most important factor for maintaining competitiveness according to those surveyed. Despite Vietnam's abundant labour force, there is a shortage of skilled labour, which is why in-house training is recognised as an important success factor.

Partnerships and local relations are also ranked as strong contributing factors to competitiveness. Strengthening the local presence by, for example, setting up a production facility or employing Vietnamese staff often brings benefits such as local customers and support from authorities.

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

Table 11 – Swedish companies' success factors in Vietnam



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

SWEDISH BRAND – TRUSTWORTHY & SUSTAINABLE

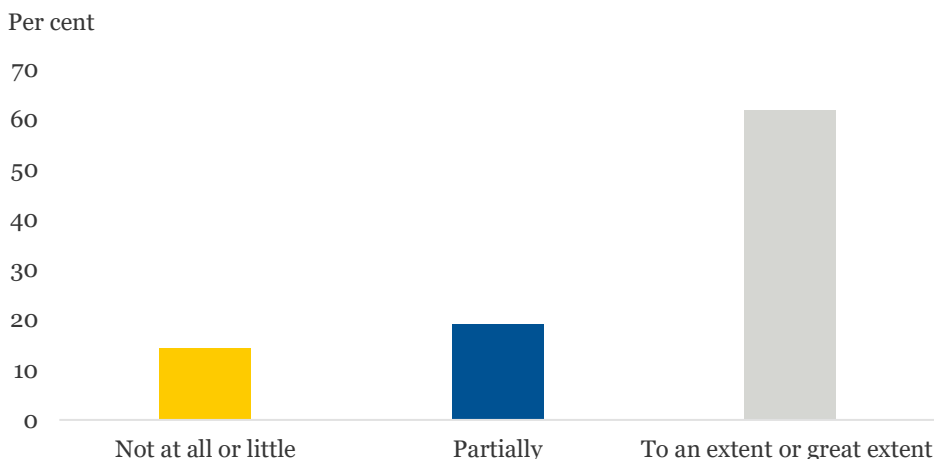
Sweden was not only the first Western country to recognise and establish diplomatic relations with Vietnam, but it was also the leading Western country to support Vietnam with the implementation of economic and political reforms in 1986. This means Swedish businesses are usually welcome due to the halo effect inherited from predecessors which include friendliness and trust from the Vietnamese people and their government.

Confidence in Swedish business is also amplified by the perception that Swedish brands, like other European brands, are premium, innovative, and creative products. This explains why over half of the respondents stated that the Swedish brand contributed to their business “to an extent or great extent”.

Companies such as ABB, Atlas Copco, and AstraZeneca have a strong footprint in most of Vietnam's provinces. Their visibility and good reputation strengthen the existing Swedish brand and pave the way for new Swedish companies to enter the market.

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

Table 12 – The contribution of “Swedish brand” to businesses



NOTE: The number of respondents for this question was 21. “Don't know/Not applicable” responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

To conclude, while focusing on expanding both production and sales activities in Vietnam, many Swedish companies have achieved great successes in the local market. Despite challenges from competitors, the sustainable value of Swedish brand remains a strategic advantage, bringing commercial success to Swedish firms in Vietnam.

ACTING SUSTAINABLY

VIETNAM – ON A LONG ROAD TO SUSTAINABILITY

According to the Global Climate Risk Index, Vietnam has recently placed itself as one of the nations most affected by climate change. In 2020, a historical series of storms and floods in the central region led to significant losses of human lives and infrastructure. Although Vietnam is the only country in the Mekong region with a continuous increase in forest cover over the last three decades, the mass construction of upstream hydropower plants is being blamed for accelerating floods.

Since the early 2000s, Vietnam has experienced rapid urbanisation and become one of the most energy intensive users in the world. As a consequence, the air quality in Vietnam's major cities has greatly deteriorated. WHO estimates that air pollution causes the equivalent of 60 000 deaths per year in Vietnam, of which 40 per cent are linked to the use of fossil fuels. Rapidly increasing domestic waste volumes and poor waste management are additional concerns for Vietnam's environmental pollution. The World Bank estimated that Vietnam generated over 27 million tons of waste in 2018, of which only 10 per cent was recycled. Vietnam ranks fourth in the world in terms of plastic waste volume given that approximately 730 thousand tons of plastic waste is going to the sea every year.

Vietnam is among the top 30 countries with the world's largest greenhouse gas (GHG) emissions, according to Climate Watch 2018. In accordance with the Paris Agreement, Vietnam has submitted National Determined Contributions (NDCs) to consolidate its efforts to mitigate adverse climate change and reduce its GHG emissions. However, the current target of nine per cent reduction in GHG emissions compared to the business-as-usual scenario has been criticised for being modest in a regional comparison.

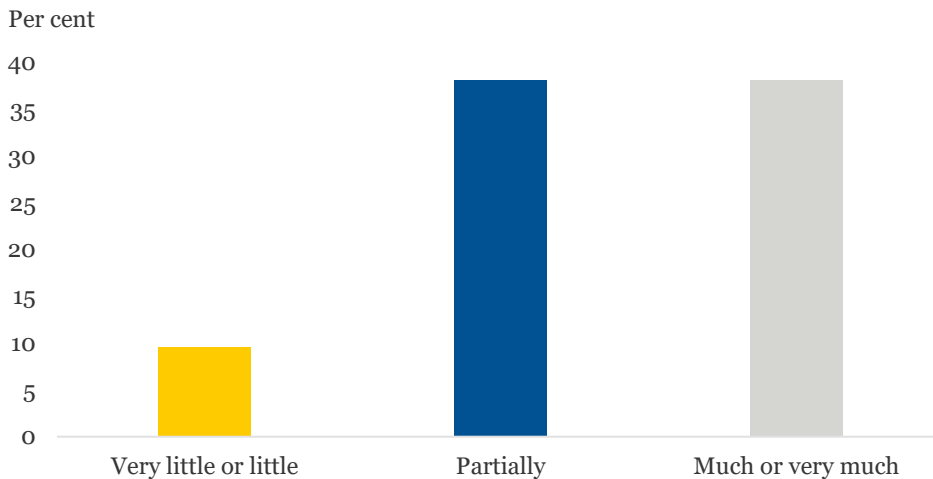
Despite the challenges cited, environmental awareness has been on the rise in recent years, and Vietnamese authorities are looking for international partners to speed up the implementation of new policies in areas such as waste management and renewable energy. Vietnam is expanding the share of renewables within the energy mix at a rapid pace, especially solar energy. Recently, Vietnam has the highest installed solar capacity in South East Asia and an exceptional offshore wind power capacity.

In conclusion, much work remains ahead for achieving resilient and sustainable development in Vietnam. As the Swedish industry is currently working together with the Swedish government to make Sweden the first fossil-free welfare state in the world by 2045, Vietnam has expressed a clear interest in learning from the Swedish experience. At a business fraternity level, given that Swedish firms are at the forefront of the sustainability agenda, there is a great opportunity for Swedish entities to become a part of Vietnam's sustainability journey by offering the latest technologies for green solutions.

CORRUPTION REMAINS AN OBSTACLE

TO WHAT EXTENT DO YOU PERCEIVE THAT CORRUPTION IN VIETNAM AFFECTS YOUR BUSINESS?

Table 13 – Effect of corruption in Vietnam on businesses

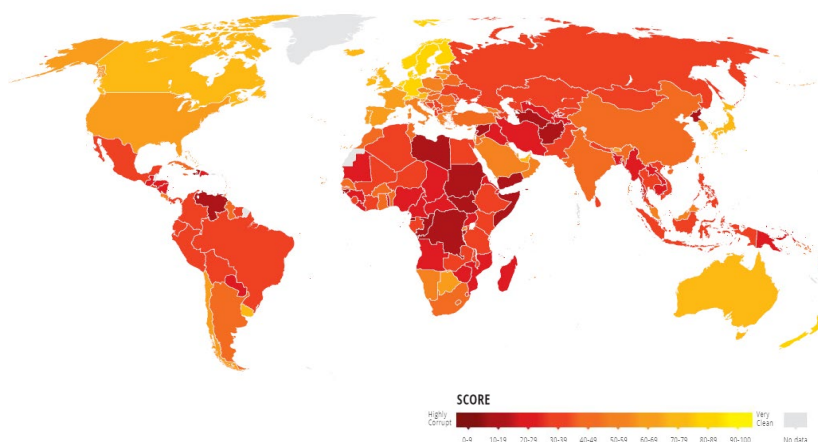


NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.
 SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

Corruption remains a persistent problem in Vietnam. The country ranked 104 out of 180 countries on the Corruption Perceptions Index (CPI) in 2020, with a score of 36 out of 100. This was a one-point decrease from the 2019 index.

Table 13 reveals that the majority of Swedish firms responding to the survey are experiencing corruption which impacts their business in Vietnam, partially or to a great extent. Existing corruption in public procurement discourages Swedish companies from participating in public procurement and prevents the Vietnamese market from being considered open and fair.

CORRUPTION PERCEPTION INDEX 2020

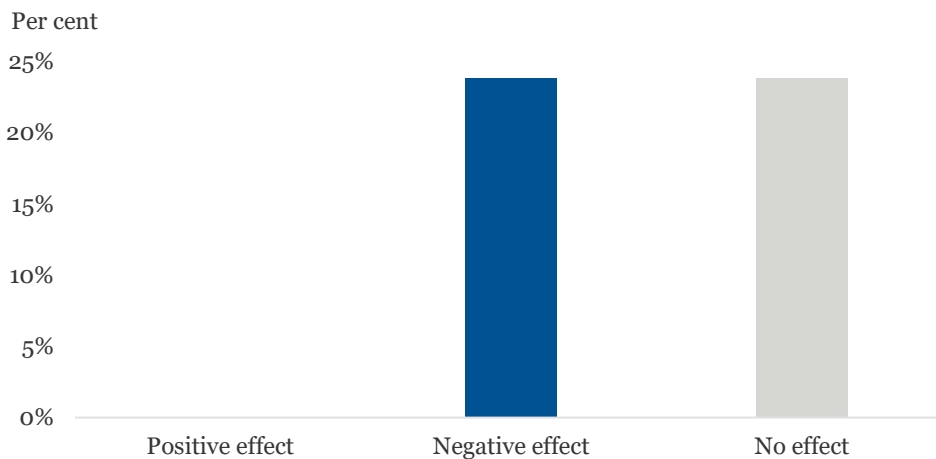


SOURCE: Transparency International.

In January 2021, Vietnam held its 13th National Congress of the Communist Party to elect its new leadership for the period 2021-2025. When asked about how this leadership transition would affect the business, no company answered that they expected the change to have a positive effect. This implies that the government should ensure a stable business climate and avoid any significant changes in policies, especially for foreign investors, as this may disrupt their long-term plans in Vietnam.

WHAT IS YOUR PERCEPTION OF THE POLITICAL ENVIRONMENT POST-ELECTION (VIETNAM'S 13TH NATIONAL CONGRESS 2021)? HOW WILL THE NEW GOVERNMENT AFFECT YOUR BUSINESS?

Table 14 – Effect of the new government on businesses



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

HUMAN RIGHTS ISSUES REMAIN CONTROVERSIAL

Human rights in Vietnam have always been a controversial topic. The Communist Party of Vietnam (CPV) maintains a monopoly on political power, restricting basic rights which include the right to freedom of speech, freedom of association, and the right to a safe environment. According to Human Rights Watch, in preparation for the 13th National Congress of CPV in January 2021, there was a major crackdown on all forms of political dissent. And the delegation of the European Union to Vietnam has repeatedly expressed deep concerns over harassment, intimidation, physical assault, and imprisonment of rights activists and bloggers in Vietnam.

While the majority of local Swedish businesses responding to the survey do not perceive this as having a high impact on their business operations, as shown in Table 15, the risk of encountering human rights violations or abuses is real, and it is always scrutinised by their headquarters at a global level.

Vietnam has ratified the EVFTA, which requires its commitment towards ratifying the fundamental International Labour Organization (ILO) conventions. Until now, Vietnam has ratified seven out of eight fundamental conventions of the ILO. Since 2021, the creation of the new worker representative organisations not affiliated with state-lead Vietnam General Confederation of Labour (VGCL) is a significant legal change. This new regulation is seen

“ Business continuation is key to maintain and sustain the presence in Vietnam; therefore, close contact with government and related agencies are important

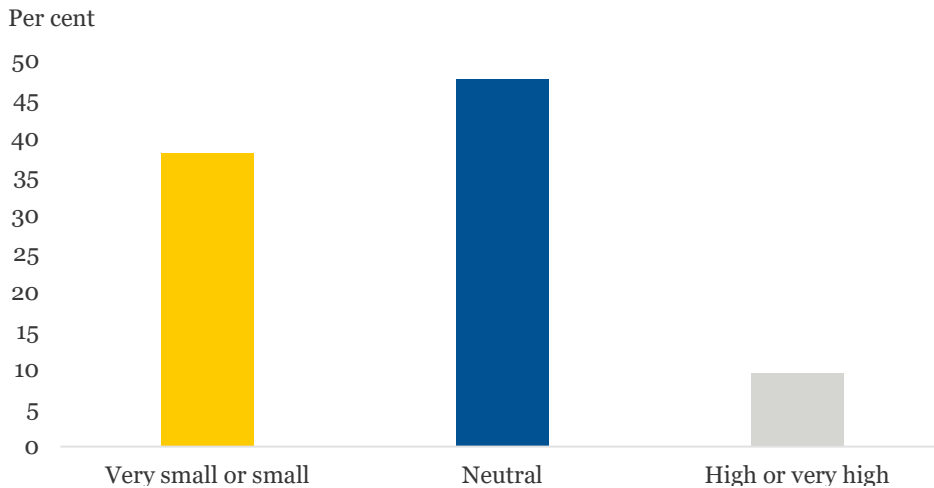
Country Manager

Global garment company

as a rare attempt by the government to reform labour relations institutions, since VGCL has shown its incompetence in protecting worker's rights and interests, leading to hundreds of spontaneous self-organised strikes by workers in Vietnam recently.

HOW DO YOU PERCEIVE THE RISK OF ENCOUNTERING HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES WHEN CONDUCTING BUSINESS IN VIETNAM?

Table 15 – Risk of human rights violations and/or labour rights abuses when conducting business in Vietnam



NOTE: The number of respondents for this question was 21. Don't know/Not applicable" responses are included but not shown in the figure.
 SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

RISING POSITIVITY OF VIETNAMESE CONSUMERS TOWARDS SUSTAINABLE PURCHASING

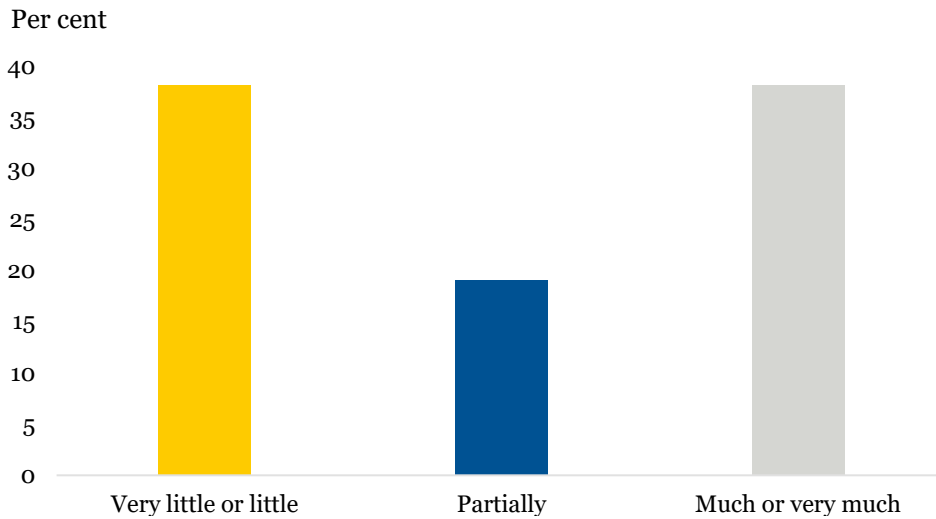
In Vietnam, environmental degradation is increasing rapidly due to unsustainable urbanisation and industrial development. Vietnam is facing increasing environmental pollution, especially air, soil, and water pollution. In this regard, Swedish companies will bring much value with their sustainable and environmentally friendly solutions.

The sentiment of consumers towards environmentally friendly products is quite polarised. According to surveyed Swedish companies, customers either care very little about the environmental aspects or pay significant attention to the damage that their products might cause. However, the series of natural disasters and the Covid-19 epidemic outbreak have brought a positive change to the purchasing behaviour of Vietnamese consumers and it is believed that this will drive an increase in the consumption awareness of environmentally friendly products .

“ It is important that our customers understand that they are not only buying products upfront but also selecting a product that has a long-term sustainable manufacture
 Managing Director
 Global medical enterprise

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

Table 16 – The impact of environmental aspects on customers’ purchasing decisions



NOTE: The number of respondents for this question was 21. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2021.

To summarise, Vietnam is still a long way from achieving sustainable development and there are many factors to be improved. The future sustainability prospects of Vietnam are achievable however, due to the mindsets of both the Vietnamese people and the government changing for the positive. Sweden affirms its readiness and wishes to contribute to Vietnam’s success on its path towards sustainable development.

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