

VIET NAM

NATIONAL TRADE STRATEGY

Acknowledgements and disclaimer

This document was developed under the aegis of Viet Nam's Ministry of Industry and Trade (MoIT) following the leadership of the Planning & Finance Department and the Foreign Trade Agency with the technical assistance of the International Trade Centre (ITC). The purpose of the document is to orient Viet Nam's future trade development. The findings in the document are based on extensive research and the result of several national and sector stakeholder consultations. The document summarizes the trade and competitiveness performance of Viet Nam and contains a detailed plan of action to guide its further development and future upgrading. This document was shared and taken into the Vietnam National Import-Export Strategy period to 2030, its National and Ministerial Action Plans. The document was developed following the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

This National Trade Strategy was developed following the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Research and Strategies for Export (RSE) section offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and roadmaps are aligned to the trade objectives of a country or region and are oriented to the achievement of specific economic aims, development goals or competitiveness targets, according to the country's priorities.

The views expressed herein do not reflect the official opinion of ITC, SECO or the MoIT. Mention of enterprises, products and product brands does not imply the endorsement of these organizations. This document has not been formally edited by ITC.

Abbreviations and acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars.

DTIS	Diagnostic Trade Integration Study	PoA	Plan of action
EFTA	European Free Trade Association	R&D	Research and development
EU	European Union	SMEs	Small and medium-sized enterprises
FAO	Food and Agriculture Organization	SOP	Standard Operating Procedure
FDI	Foreign direct investment	SPS	Sanitary and phytosanitary measures
FTA	Free trade agreement	STDR	Strategic Trade Development Roadmap
GDP	Gross domestic product	TBT	Technical Barriers to Trade
GNI	Gross national income	TISI	Trade and investment support institutions
GSP	Generalized Scheme of Preference	TSN	Trade support network
GVC	Global value chain	TVET	Technical and Vocational Education and Training
ICT	Information and communication technology	UN	United Nations
IMF	International Monetary Fund	UNCTAD	United Nations Conference on Trade and Development
IP	Intellectual Property	UNDP	United Nations Development Programme
IT	Information Technology	WDI	World Development Indicators
ITC	International Trade Centre	WIPO	World Intellectual Property Organization
LPI	Logistics Performance Index	WTO	World Trade Organization
MNC	Multinational corporation		
MSMEs	Micro, small and medium-sized enterprise		
NES	National Export Strategy		
NGO	Non-governmental organization		
ODA	Official development assistance		
OECD	Organization for Economic Co-operation and Development		

Table of Contents

ACKNOWLEDGEMENTS AND DISCLAIMER	II
ABBREVIATIONS AND ACRONYMS	III
<hr/>	
EXECUTIVE SUMMARY	1
VIET NAM'S ECONOMIC, DEMOGRAPHIC, AND TRADE OVERVIEW	1
STRATEGIC FRAMEWORK AND IMPLEMENTATION FOR TRADE DEVELOPMENT IN VIET NAM. . .	2
VISION AND STRATEGIC OBJECTIVES.	2
KEY SECTORS AND FUNCTIONAL AREAS.	6
NURTURING SUCCESS: IMPLEMENTING THE ROADMAP	7
<hr/>	
TRADE AND ECONOMIC ENVIRONMENT	9
POPULATION AND EMPLOYMENT	9
MACROECONOMIC ENVIRONMENT	12
INTERNATIONAL TRADE FRAMEWORK.	17
TRADE FLOWS: PRODUCTS AND MARKETS.	18
EXISTING NATIONAL TRADE-RELATED STRATEGIES AND DEVELOPMENT PLANS.	30
TRADE SUPPORT STAKEHOLDER NETWORK	34
<hr/>	
TRADE COMPETITIVENESS CONSTRAINTS	38
COMPETE.	38
CONNECT.	43
CHANGE.	47
<hr/>	
THE WAY FORWARD	51
VISION AND STRATEGIC OBJECTIVES.	51
SECTOR PRIORITIES	54
CROSS-SECTOR FUNCTIONAL PRIORITIES.	73

PLAN OF ACTION	83
NATIONAL LEVEL PLAN OF ACTION	84

IMPLEMENTATION MANAGEMENT FRAMEWORK	92
-------------------------------------	----

ANNEXES	95
ANNEX 1: ITC EXPORT POTENTIAL CALCULATION METHODOLOGY	96
ANNEX 2: UNREALISED EXPORT POTENTIAL OF TOP 25 PRODUCTS	98
ANNEX 3: REGIONAL EXPORT TRENDS IN SELECTED SECTORS AND PRODUCTS	99
ANNEX 4: SUSTAINABLE TRADE INDICATORS: INDICATORS USED	100
ANNEX 5: MAIN LOCATIONS OF EXPORT SECTOR ACTIVITIES	101

List of Figures

Figure 0: Strategic and Operational Objectives	3
Figure 1: Population trends	10
Figure 2: Population Distribution	10
Figure 3: Vietnam Urban vs. Rural Population from 1955 to 2020	11
Figure 4: Unemployment in Viet Nam	11
Figure 5: Youth unemployment	12
Figure 6: GDP&GDP growth of Viet Nam	12
Figure 7: Regional comparison of GDP growth	13
Figure 8: GDP by sector	13
Figure 9: Value added	14
Figure 10: Value added per person employed	14
Figure 11: Agricultural land	15
Figure 12: Foreign investment	15
Figure 13: Inflation	16
Figure 14: Core inflation rate	16
Figure 15: Vietnamese exports	19
Figure 16: Exports by product	19
Figure 17: Technology embedded in Vietnamese exports	20
Figure 18: Economic complexity	20
Figure 19: Trade by product and destination	21
Figure 20: Destination markets 2013-2018 as a percentage of growth	22
Figure 21: Imported products 2018	22
Figure 22: Import countries 2018	23
Figure 23: Trade in parts and components	24
Figure 24: Revealed comparative advantage	24
Figure 25: Export potential	25

Figure 26: Export survival	26
Figure 27: Trade balance against selected countries	27
Figure 28: Trade balance	27
Figure 29: Logistics performance index	28
Figure 30: Doing business	29
Figure 31: Doing business country comparison	29
Figure 29: SME Export Competitiveness Grid	38
Figure 32: Viet Nam profile: SME Competitiveness Outlook 2019	44
Figure 33: Way forward at the national level	51
Figure/Graph .: Generic governance structure for implementation [for consideration]	92

List of Tables

Table 1: Summary of RTAs to which Viet Nam is a party/signatory	17
Table 2: Comparison between CPTPP and RCEP	18
Table 3: Embracing digital technologies: Three possible scenarios for Viet Nam	68

List of Boxes

Box 1: The Rationale of RTA/FTA	17
Box 1: Competitiveness constraints at the whole economy level: Compete	39
Box 2: Competitiveness constraints at the whole economy level: Connect	43
Box 3: Towards a harmonized and consistent trade intelligence network in Viet Nam	45
Box 4: Competitiveness constraints at the whole economy level: Change	47
Box 5: ITC Export Potential Indicator	57
Box 6: Viet Nam's activities and potential in selected GVCs	66
Box 7: The definition of environmental goods	71
Box 8: Viet Nam and Trade Facilitation Agreement	75
Box 9: Triple Helix Concept of Innovation	77
Box 10: FDI in skills development	78
Box 11: Unlocking prosperity through women inclusion in trade	79
Box 12: Estimated return on investment of NQI contribution to GDP	80

Executive summary

Viet Nam's Economic, Demographic, and Trade Overview

Viet Nam has experienced remarkable economic growth over recent decades, with its Gross Domestic Product (GDP) increasing 5.4 times between 1990 and 2019 and 2.7 times from 2002 to 2018. The service sector accounted for 41% of the GDP in 2018, reflecting the diversification of the economy.

In terms of demographics, the country's population doubled from 48.7 million in 1975 to 97.3 million in 2020, with only 37% residing in urban areas. This underscores the need for rural and urban development strategies that are responsive to the differing needs of these populations.

After experiencing a period of significant inflation between 2011 and 2012, the annual inflation rates have stabilized, suggesting improvements in the country's economic management.

In terms of international trade, Viet Nam has strategically aligned itself with various free trade agreements, including the ASEAN group and two significant regional deals, the CPTPP and RCEP. These agreements, once fully implemented, are expected to facilitate market access for Vietnamese goods, particularly within the region.

The country's export profile is dominated by textiles and electronics, with the top three export products being broadcasting equipment, telephones, and integrated circuits. The leading export destinations are China (19.6%), United States (18.1%), Japan (7.43%), and South Korea (7.09%), representing over 52% of total exports in 2019.

Despite an overall trade surplus of US\$29 billion, Viet Nam has notable trade deficits with China, Republic of Korea, and the UAE, indicating areas for potential export growth and import substitution.

Trade facilitation has emerged as a crucial element in Viet Nam's export strategy. International reports highlight the need for continued improvements in customs procedures, border procedures cost and time, and logistics competence. These enhancements will further solidify Viet Nam's position in the global trade environment.

Strategic Framework and Implementation for Trade Development in Viet Nam

Viet Nam has established a comprehensive strategic framework for trade development. However, many of these strategies and plans, designed for implementation by 2020, need to be evaluated and updated based on lessons learned.

While private sector participation in policy and strategy setting does occur, there is a clear opportunity for a more inclusive and participatory approach. This engagement would not only ensure strategy relevance but also foster commitment to implementation.

Resource and financial constraints at both national and provincial levels often pose challenges to the implementation of strategies, plans, and schemes. Thus, there's a need for mechanisms that ensure adequate resource allocation and capacity building.

Provincial level authorities can play a crucial role in the implementation process. Encouraging them to be more active and effective in designing and implementing their action plans could have significant benefits in localized trade development.

While the current strategic framework acknowledges the importance of sustainability and environmental protection, initiatives and efforts in this area seem scattered. Greater integration and coherence of sustainable initiatives could help maximize their impact, ensuring that trade development aligns with environmental conservation goals.

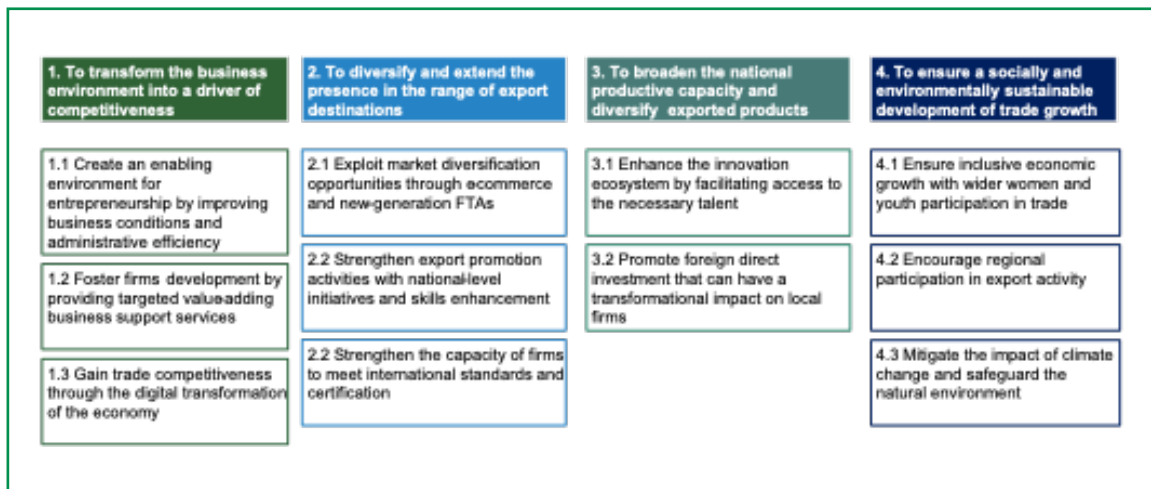
Vision and Strategic Objectives

To guide the implementation of the roadmap in the next five years, the vision statement set out below has been formulated and agreed upon by stakeholders who participated in the consultations for the design of this roadmap. It represents the ambitions of the country as well as a consensus among stakeholders over the role of exports in the economy today and in the near future.

The following is a delineation of the proposed vision and strategic approach in this direction, agreed with the relevant national trade stakeholders in Viet Nam.

“ Catalysing Trade, Inspiring Innovation: The Leap towards Viet Nam’s High-Income Horizon. ”

To realize the vision statement, strategic objectives have been formulated to guide the implementation of the Roadmap in the four strategic areas in Figure 0. The four strategic objectives are as follows:

Figure 0: Strategic and Operational Objectives

1. TO TRANSFORM THE BUSINESS ENVIRONMENT INTO A DRIVER OF COMPETITIVENESS.

This strategic objective focuses on enhancing Viet Nam's business environment into a driver of competitiveness, specifically to spur export development. At the operational level the focus is on three sub-objectives: fostering an environment for entrepreneurship, promoting firms' development, and gaining trade competitiveness through digital transformation.

1.1. Enabling Environment for Entrepreneurship The first operational objective is to improve business conditions and administrative efficiency, making it easier for entrepreneurs to set up and operate internationally exposed businesses. The focus is on:

- Streamlining regulations and procedures.
- Promoting good governance and institutional coordination.
- Eliminating barriers and excessive regulations.
- Improving customer orientation of business support services.
- Streamlining customs procedures and promoting use of electronic customs procedures.
- Harmonizing trade-related rules and regulations across the country.

1.2. Fostering Firms' Development. The second operational objective is to enhance the quality and availability of trade support services to drive firm development. This involves:

- Offering a range of services from trade finance, certification, and testing, that can catalyse the export activity of SMEs.
- Facilitating firms' adaptation to foreign demand.
- Building a network of institutions that can provide effective, value-adding, and affordable services across the value chain and export transaction.
- Encouraging stronger links between firms within and across industries to build stable local supply chains.

1.3. Gaining Trade Competitiveness Through Digital Transformation. The third operational objective is to drive trade competitiveness through digital development. The focus is on:

- Encouraging firm-level digital transformation to reduce production costs and align products with consumer needs.
- Facilitating access to necessary digital infrastructure and providing relevant, affordable services.
- Establishing legislation conducive to digital advancement.
- Prioritizing data in trade-related decision making.
- Promoting entrepreneurship and innovation, particularly among the youth.

By focusing on these objectives, we aim to transform Viet Nam's business ecosystem, fuelling competitiveness and export growth.

2. TO DIVERSIFY AND EXTEND THE PRESENCE IN THE RANGE OF EXPORT DESTINATIONS.

The second strategic objective focuses on expanding Viet Nam's footprint in export destinations to enhance stability and sustainability in export activities. Recognizing the overreliance on a limited number of markets, we will target diversification and penetration into new markets. This will involve raising awareness about sector/market opportunities, building exporters' capacity in trade/market analysis, and exploring opportunities in global supply and value chains, underpinned by international commitments and new-generation FTAs.

2.1. Exploit Market Diversification Opportunities through E-Commerce and New-Generation FTAs. The first operational sub-objective is to leverage technology, trade intelligence, and existing trade agreements for market diversification. This will be achieved by:

- Raising awareness about opportunities in e-commerce and leveraging innovation in ICT to lower the costs of market penetration.
- Promoting use of new-generation FTAs to access and diversify into new markets.

2.2. Strengthen Export Promotion Activities with Proactive National-Level Initiatives and Skills Enhancement. We aim to proactively promote Vietnamese products in new markets and provide comprehensive support to local firms. Our focus will be on:

- Proactively promoting existing Vietnamese products into new destinations.
- Providing support to local firms at all stages of new market penetration.
- Enhancing business and managerial skills and facilitating contacts with potential international buyers.
- Offering training targeting skills, knowledge, and competencies required for success in international markets.

2.3. Strengthen the Capacity of Firms to Meet International Standards and Certification. The third operational sub-objective is to ensure Vietnamese companies are well equipped to meet international standards and certification requirements. We will:

- Raise awareness about certification requirements of target destination markets.
- Provide support to enable companies to meet these standards, which are often prominent non-tariff barriers to trade.
- Prioritize awareness about internationally recognized or private product standards, which are essential for assessing the feasibility and commercial viability of export activities.

By diversifying and extending our export destinations through these operational sub-objectives, we will enhance the stability and sustainability of Viet Nam's international trade.

3. TO BROADEN THE NATIONAL PRODUCTIVE CAPACITY AND DIVERSIFY THE RANGE OF EXPORTED PRODUCTS.

The third strategic objective aims to address the concentration of Viet Nam's exports on a limited range of products, a factor that contributes to high susceptibility to disruptions affecting these products. This strategic goal targets a large-scale transformation of the export basket.

We will focus on internal competitiveness factors at the enterprise level, including enterprise agility, access to inputs for innovation, and exposure to competitive international firms. The proposed approach involves direct support to enterprises and attracting selective, knowledge-enhancing foreign investment to stimulate knowledge spillovers, technological upgrades, and business practice development.

3.1. Enhancing the Innovation Ecosystem by Facilitating Access to Necessary Talent. This operational sub-objective recognizes that access to high-quality skills is a prerequisite for innovation. Our actions under this sub-objective will include:

- Creating a legal and financial framework that streamlines access to a world-class talent pool and knowledge.
- Encouraging collaboration between the government, academia, and business sectors to better match the skill needs of businesses.

3.2. Promoting Foreign Direct Investments (FDIs) That Have a Transformational Impact on Local Firms. FDIs possess the potential to contribute significantly to value chain activities, investment capital, skills, technology, and international market connectivity. Recognizing their potential role in trade, we aim to use FDIs as a tool for technological, operational, and skills upgrades and as a driver to fast-track strategic reforms. Specific actions under this sub-objective will involve:

- Enabling positive spillover effects from FDIs.
- Ensuring quality contributions from FDIs to economic development.

Through these operational sub-objectives, we aim to diversify and strengthen Viet Nam's export product portfolio, enhancing the resilience and stability of the country's export revenue.

4. TO ENSURE THE SOCIALLY AND ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT OF TRADE GROWTH.

The fourth strategic objective focuses on fostering environmental sustainability and inclusive growth in the context of improving export competitiveness. This approach seeks to provide equitable opportunities across regions and industries, ensure socioeconomic development, and share the benefits of export-led growth widely across the population. Furthermore, it emphasizes that trade growth should not compromise environmental sustainability, preserving resources for future generations.

4.1. Ensuring Socially Inclusive Economic Growth with Wider Women and Youth Participation in Trade The first operational sub-objective seeks to distribute the benefits of trade equitably among the Vietnamese population. This will involve:

- Promoting social goals such as hunger eradication, poverty reduction, employment generation, economic empowerment, and social justice.
- Ensuring inclusion of wider segments of the population, particularly women and youth, in trade activities.

4.2. Encouraging Regional Participation in Export Activity The second sub-objective aims to mitigate socio-economic disparities among provinces that intensify economic activity concentration around main cities. Our focus will be on:

- Unlocking and stimulating the business potential of regions beyond the main economic clusters.
- Connecting communities to value chains to foster domestic market development.

4.3. Mitigating the Impact of Climate Change and Safeguarding the Natural Environment

The third operational sub-objective is geared towards integrating sustainable development perspectives into trade practices, while maintaining a focus on demand-led initiatives. Key areas of focus include:

- Promoting sustainable sourcing and business practices.
- Encouraging the adoption of green technologies.
- Defining the role of trade in climate change mitigation and adaptation.

By implementing these operational sub-objectives, we aim to ensure that Viet Nam's trade growth is socially inclusive and environmentally sustainable.

Key Sectors and Functional Areas

This document aims to improve the capacity of Viet Nam's private sector to compete in international markets, enhance the business ecosystem and strengthen the country's ability to use trade as an engine for growth. Setting this process in motion requires channelling resources for maximum impact.

To effectively utilise limited resources and efforts, a focus on specific sectors and cross-sector functional areas can yield significant contributions towards the roadmap's objectives. The document identifies the following pivotal sectoral areas:

1. **Electronics:** A sector with a strong hold on global markets, contributing to both economic growth and technological innovation.
2. **Furniture:** A sector with high domestic participation rates and employment impacts, indicating great potential for expanded market reach.
3. **Environmental Goods:** Aligning with government's green energy priorities, this sector represents high export potential and opportunity for cross-industry benefits.
4. **Agri-tech:** By merging agriculture with technology, this sector represents innovation, productivity, and sustainability potential.
5. **Functional Textiles:** A specialized sub-sector of the textile industry with significant potential for expansion and innovation.

Alongside these sectors, the following cross-sector functional areas are identified for their broad-ranging impact on trade competitiveness:

1. **Digital Transformation for Trade Competitiveness:** Leveraging digital technologies to boost the efficiency, accessibility, and resilience of trade operations.
2. **Trade Facilitation:** Streamlining customs procedures, improving logistics competence, and enhancing the ease of doing business for increased trade efficiency.
3. **Innovation and Entrepreneurship:** Cultivating a dynamic business environment that supports entrepreneurial initiatives and fosters innovation.
4. **Inclusive and Sustainable Trade Competitiveness:** Prioritising equitable economic growth and environmental sustainability in trade development strategies.
5. **Standards, Certification, and Quality Requirements:** Focusing on compliance with international standards and certifications to ensure quality and enhance market access.



Links, pexels-julius-silver-753331.jpg

Nurturing Success: Implementing the Roadmap

Realising the strategic vision of Viet Nam's trade development necessitates concerted efforts from both public and private stakeholders, calling for coordinated actions, progress monitoring, and resource mobilisation. The strategy acts as a compass, guiding the country's trade trajectory while the implementation of priority areas and consistent public-private dialogue are key to transitioning from strategic design to impactful activity execution.

To facilitate this, an enabling environment and solid framework must be cultivated. The success of the roadmap's implementation hinges on five pivotal conditions:

1. **Strong Commitment:** Endorsement and high-level commitment from all relevant stakeholders.
2. **Coordinating Platform:** Establishment and operationalization of a public-private platform for collaboration and coordination.
3. **Proactive Networking:** Consistent engagement and sensitization of implementing institutions.
4. **Resource Mobilization:** Preparedness of both public and private sectors to allocate and mobilize necessary resources.
5. **Effective Monitoring:** Implementation of a robust mechanism for monitoring progress and performance.



Trade and economic environment

Viet Nam's export performance needs to be analysed in the wider geopolitical and economic development context. The country has benefited greatly from its participation in various regional economic initiatives in Southeast Asia. Viet Nam joined the Association of Southeast Asian Nations ("ASEAN») in 1995, gaining access to the market under the ASEAN trade agreement. Furthermore, through its membership in ASEAN, which turned into a regional hub, Viet Nam gradually became a party to several other trade agreements. Together with a set of domestic reforms, this allowed the country to successfully integrate into global value chains and increase exports and inward investment.

Viet Nam is also a member –since 1998– of the Asia-Pacific Economic Cooperation (APEC). This inter-governmental organisation is a forum for Asia-Pacific states aimed to support sustainable economic growth and prosperity, including through free and open trade, in the region. APEC represents a solid platform to communicate member state's economic interests into the regional agenda.

The rapid economic development is to a large extent related to a series of comprehensive domestic economic reforms, based on market liberalization. In 1986, a programme of domestic reforms, known as Đổi Mới, was

endorsed by the Viet Nam Communist Party. These reforms transformed Viet Nam from a centrally planned to a multi-sector, market-oriented economy. They focused on agricultural development, improving domestic consumer goods' market and encouraging trade and foreign investment. The milestones of the reforms were: 1) increasing the role of market forces in the coordination of economic activity between enterprises and the government, 2) allowing for private ownership of small enterprises, and 3) creating a stock exchange for state and non-state enterprises.

The development was further underpinned by the land reform and deep transformations in the agriculture sector, resulting in poverty reduction. The new land legislation granted some individual property rights, subsequently leading to the creation of a land market. This was complemented by agricultural reforms which included an "abolition of centrally planned targets and prices, an option for farmers not to join cooperatives and permission for farmers to sell produce on the open market».

As a result of these efforts, between 1990 and 2019, GDP per capita in Viet Nam increased 5.4 times, reaching over US\$2,082 in 2019 (in constant prices). The stable economic growth has led to further domestic changes.

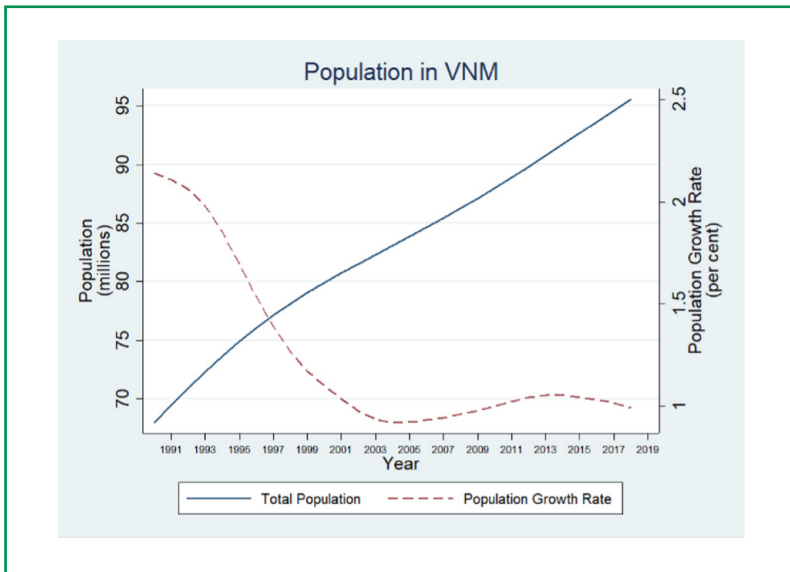
Population and employment

Viet Nam represents around 1.25% of the total world population. By 2020, the population of Viet Nam doubled to 97.3 million, compared to 48.7 million in 1975.

However, the population growth rate has slowed down in the last decades, with an average increase of 1%. The country has also been facing a common trend of a gradually ageing population. Over 60 million people in Viet Nam are between 15 and 64 years of age with the median age being 32.5 years. The World Bank assesses that Viet Nam's life expectancy of around 76 years is the

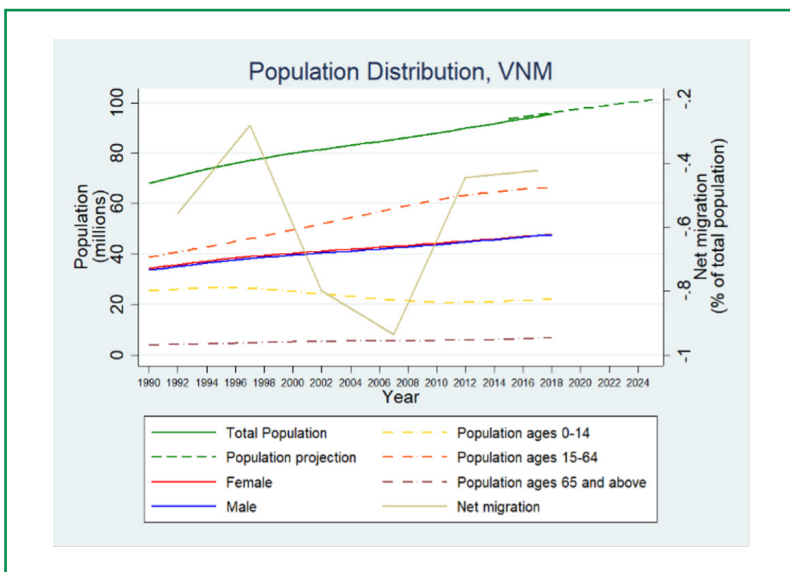
highest among countries in the region at similar income levels. The gender ratio of the Vietnamese population is balanced.

Figure 1: Population trends



Source: World Bank website. World Development Indicators. Population, total, Population growth (annual %).
 URL: <https://databank.worldbank.org/source/world-development-indicators>

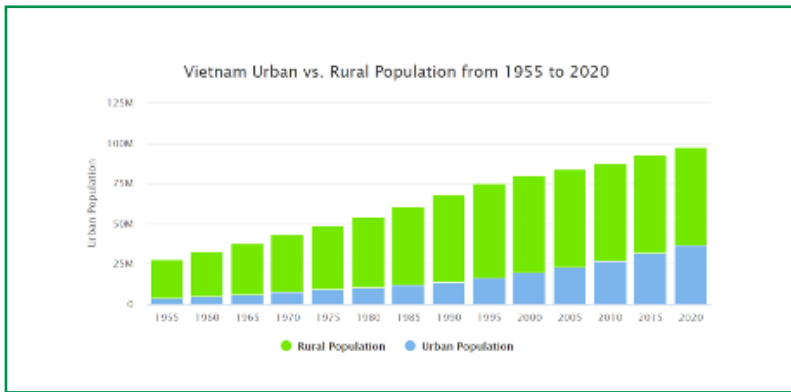
Figure 2: Population Distribution



Source: World Development Indicators

Economic growth has led to rapid urbanisation, although the majority of the population still live in rural areas. By 2020, the share of people residing in urban areas accounted for 37%, demonstrating a solid upward trend since 1955. However, the rural population represent a predominant part of the society. This will be a contributing factor when determining the export potential of various industries.

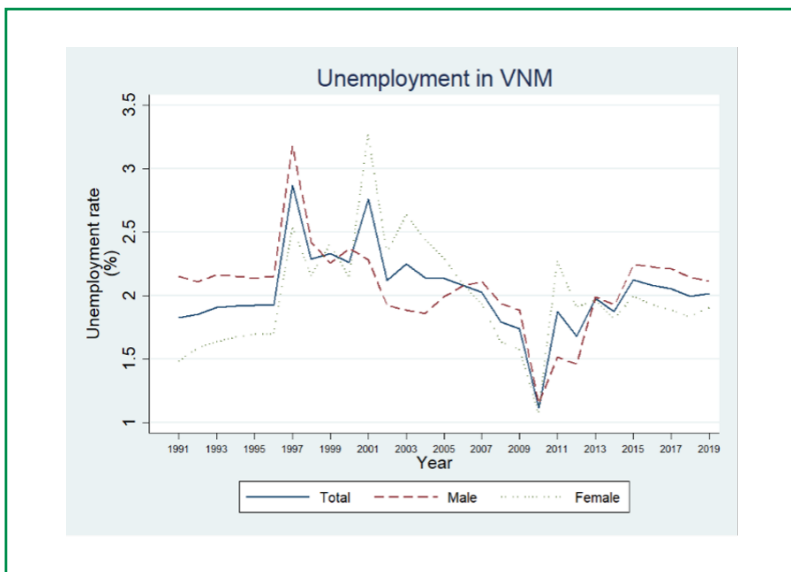
Figure 3: Vietnam Urban vs. Rural Population from 1955 to 2020



Source: <https://www.worldometers.info/demographics/vietnam-demographics/>

Unemployment has remained relatively stable after a sharp increase in 2010. Since 2015 it remained at around 2% and has been slowly declining. The unemployment rate appears much higher for men than it is for women.

Figure 4: Unemployment in Viet Nam



Source: World Bank website. World Development Indicators Unemployment, total (% of the total labour force) (national estimate). URL: <https://databank.worldbank.org/source/world-development-indicators>

Foreign-owned factories with above minimum wage salary represent only around 2.1 million jobs while registered domestic firms provide no more than 6 million jobs. Meanwhile, a great majority of jobs in Viet Nam – estimated at around 38 million – are in family farming, household enterprises, or uncontracted labour industries. Such jobs, commonly in low productivity industries, are often associated with low profits, few benefits and weaker worker protection. They engage disproportionately ethnic minorities, women and unskilled workers.

Youth unemployment has been growing in Viet Nam. In 2020, it reached 7.23%, which is more than two times higher of the minimum observed in 2010.

In 2020, the country ranked 38 out of 174 countries on the human capital index (HCI), second in ASEAN after Singapore. The index looks at factors such as health and education for labour productivity. Viet Nam’s score is higher than the average for the Asian Pacific region and for other lower-middle-income countries. Furthermore, the country ranked before some emerging economies, including Russia (41st place), China (45th) and India (116th).

Figure 5: Youth unemployment



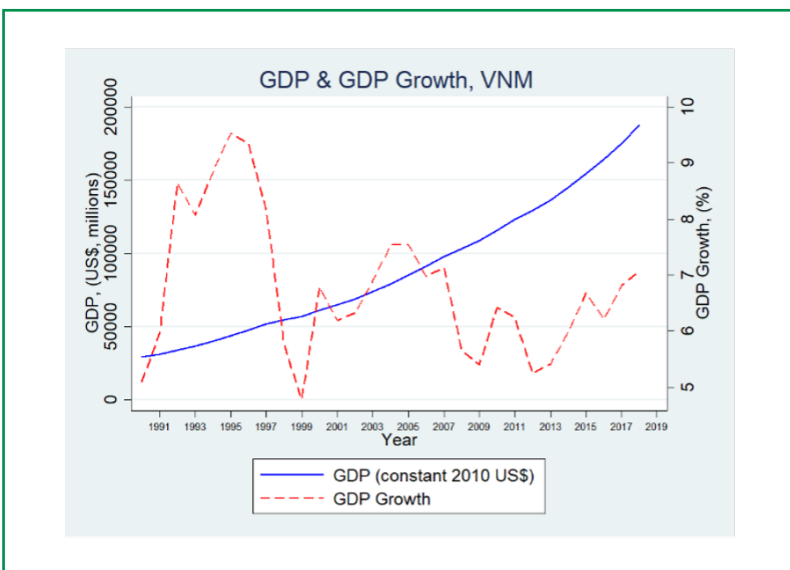
Source: Statista based on ILO estimates

Macroeconomic environment

Viet Nam's GDP increased 5.4 times between 1990 and 2019. Over the period of 2002 – 2018, the increase was 2.7 times. In the same period, 45 million people were lifted out of poverty, with poverty rates declining from over 70% to below 6% (US\$3.2/day PPP). As a result, Viet Nam was categorized as a lower-middle-income country in 2010.

However, due to the sanitary and economic crisis caused by the coronavirus outbreak, the economic growth of the country is expected to slow down to 3-4% in 2020 (compared to 6.5% pre-crisis projections).

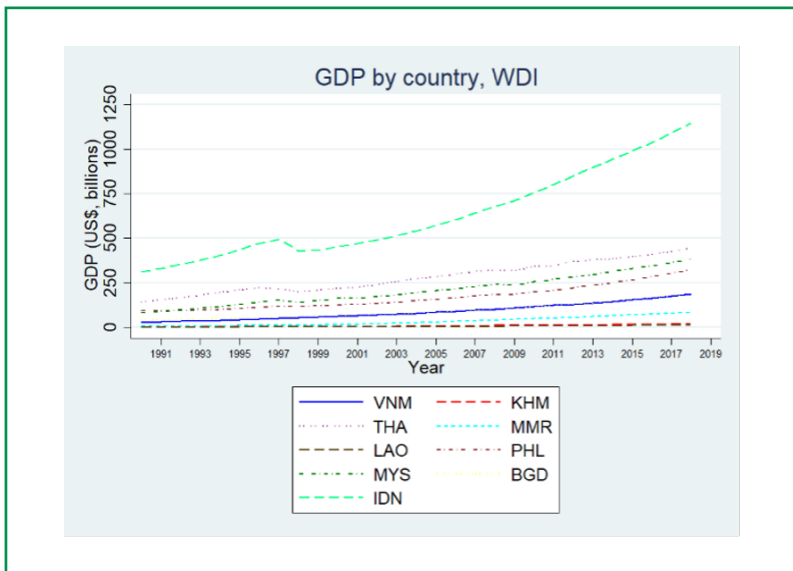
Figure 6: GDP&GDP growth of Viet Nam



Source: World Development Indicators

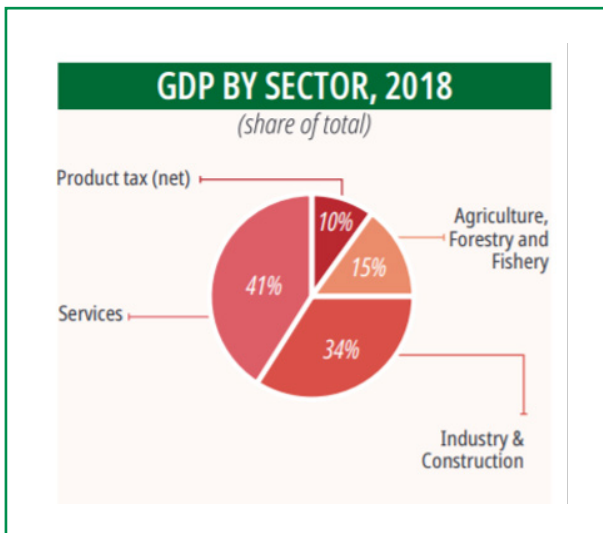
This quick GDP growth is in line with what can be observed in the region. Viet Nam's GDP remains far behind that of Indonesia and follows the trajectory similar to that of Thailand, Malaysia and the Philippines.

Figure 7: Regional comparison of GDP growth



Source: World Development Indicators

Figure 8: GDP by sector

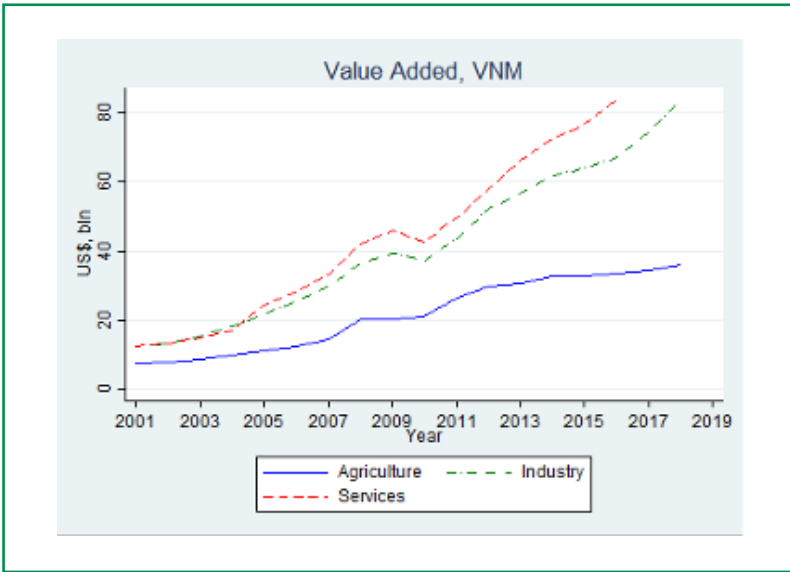


Viet Nam's emerging middle class, which currently accounts for 13% of the population, is expected to reach 26% by 2026. Over the past two decades, the median household income quadrupled and extreme poverty dropped from 50% to about 2%.

In terms of sector contribution to the GDP, in 2018 services had the largest share, accounted for 41%. Industry and construction sectors came second with around 34% of the GDP, followed by agriculture, forestry and fishery industries.

Source: <https://www2.deloitte.com/content/dam/Deloitte/vn/Documents/tax/vn-tax-vietnam-doing-business-2020.pdf>

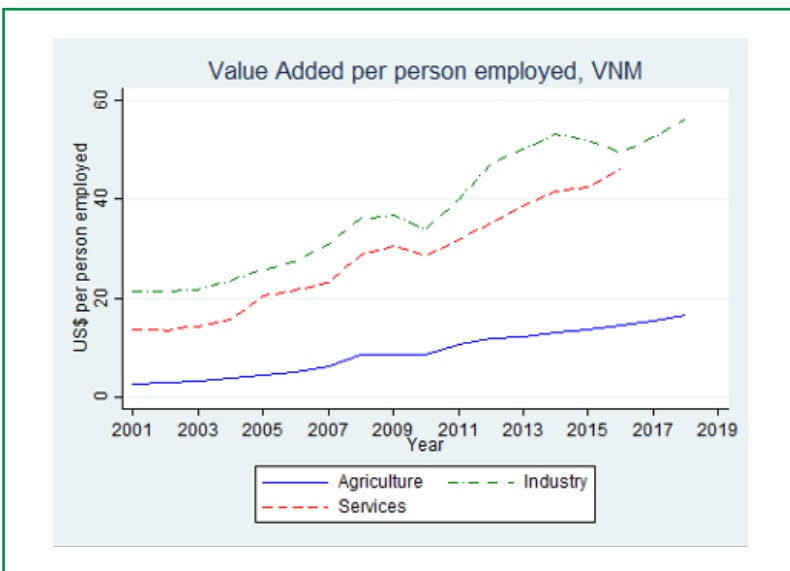
Figure 9: Value added



Source: World Development Indicators, Agriculture, forestry, and fishing, value added (current US\$), Industry (including construction), value added (current US\$), Services, value added (current US\$).
 URL: <https://databank.worldbank.org/source/world-development-indicators>

Regarding the sector value-added over the past 20 years, there has been a sharp increase of the value added by the services and industry sectors, with the former taking a dominant position. The value added by the agriculture sector remains relatively low.

Figure 10: Value added per person employed

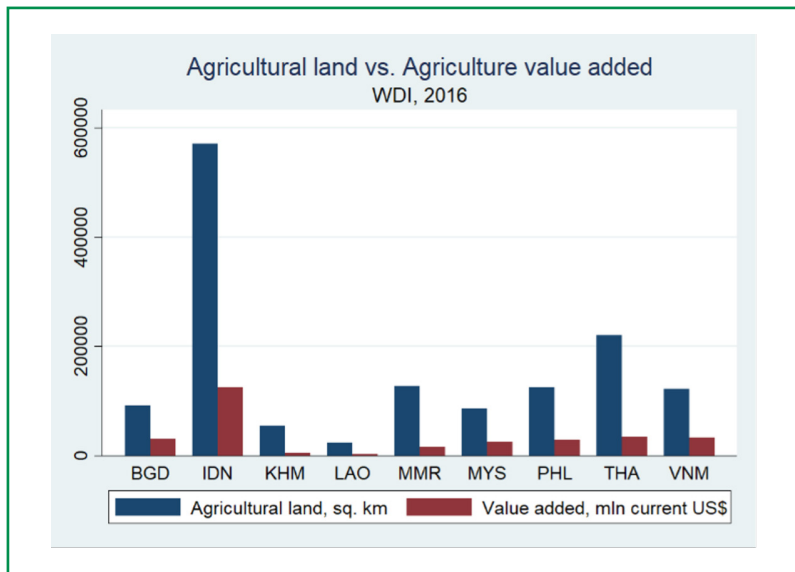


Source: ITC calculations based on: World Bank website. World Development Indicators. Agriculture, forestry, and fishing, value added (current US\$), Industry (including construction), value added (current US\$), Services, value added (current US\$), Employment in agriculture (% of total employment) (modelled ILO estimate), Employment in industry (% of total employment) (modelled ILO estimate), Employment in services (% of total employment) (modelled ILO estimate).
 URL: <https://databank.worldbank.org/source/world-development-indicators>.

Based on the value-added per person employed, industry sector is slightly ahead of the service sector, with the data for the services not being available from 2016 onwards. Agriculture remains the industry with the lowest value-added.

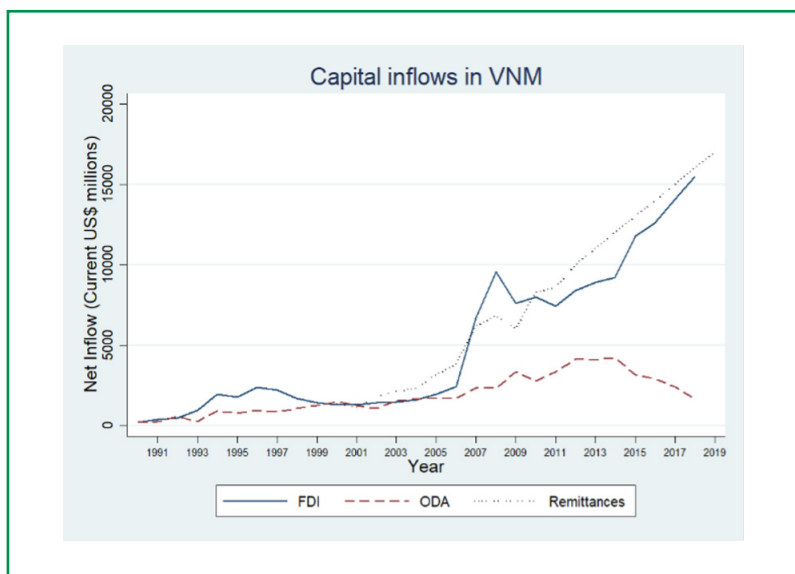
The ratio of the agriculture value-added per square meter in Viet Nam is comparable to other countries in the region. However, the sector represents a higher percentage of the GDP than in other neighbouring countries. In 2018, this share in Viet Nam was 15%, while it accounted for 13% in Indonesia, 9% in the Philippines, and only 8% in Thailand and Malaysia.

Figure 11: Agricultural land



Source: World Bank website. World Development Indicators. Agricultural land (sq. km), Agriculture, forestry, and fishing, value added (current US\$). URL: <https://databank.worldbank.org/source/world-development-indicators>

Figure 12: Foreign investment



Source: World Bank website. World Development Indicators. Foreign direct investment, net inflows (BoP, current US\$), Net official development assistance and official aid received (current US\$), Personal remittances, received (current US\$). URL: <https://databank.worldbank.org/source/world-development-indicators>

Foreign direct investment (FDI) and remittances were the two largest sources of capital inflows, with official development assistance declining as the country's economic growth accelerates. Foreign investors have registered projects at an average of almost US\$3 billion per month. Viet Nam's strong FDI performance can be explained by a number of investment determinants,

including a relatively inexpensive factors of production. Further, Viet Nam has also been one of the "winners» of the US-China trade war and benefited from increased inward investment.

Annual inflation rates have stabilised in recent years after a significant spike between 2011 and 2012.

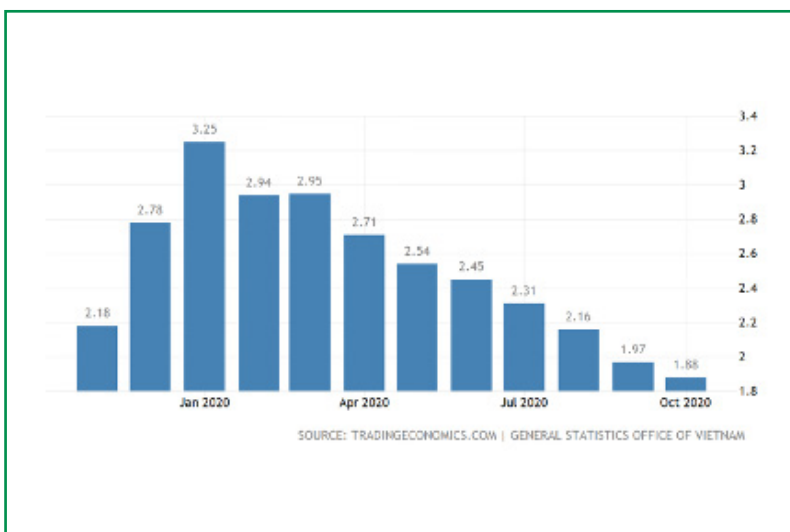
Figure 13: Inflation



Source: Available here: <https://tradingeconomics.com/vietnam/inflation-cpi>

Looking at 2020, after an initial increase to 3.25% in January, Viet Nam's monthly inflation rate decreased to 1.88% in October.

Figure 14: Core inflation rate



Source: Available from <https://tradingeconomics.com/vietnam/core-inflation-rate>

International trade framework

Viet Nam is an active member of regional and multilateral trade blocks and organisations. Viet Nam became a member of the WTO in 2007, integrating into the multilateral trading system. The country is also a signatory to 16 regional trade agreements (RTAs), as in July 2021.

Box 1: The Rationale of RTA/FTA

Trade agreements allow countries to trade a majority of products tariff-free provided that the goods being traded between the FTA partners meet rules of origin. These rules are in place to ensure that goods from third countries are not transhipped via the FTA territory and obtain the same preferential tariff treatment as the goods manufactured within the FTA territory. As such rules of origin set out the minimum processing or local value-added for the product to be considered originating in the FTA territory.

Once the product is considered originating it can be traded under preferential tariff. As a result, trade deals support countries' integration into wider supply and value chains. FTAs also include a range of other provisions that support trade in goods and services between parties as well as provisions that are designed to support investment flows. These provisions will differ depending on how "deep" or comprehensive the agreement is.

Table 1: Summary of RTAs to which Viet Nam is a party/signatory

	RTA	Coverage G=Goods S=Services	Effective date		RTA	Coverage G=Goods S=Services	Effective date
1	ASEAN FTA	G	1995 (for Viet Nam)	9	Viet Nam – Republic of Korea	G and S	2015
2	ASEAN – China	G and S	2005 (G) 2007 (S)	10	Viet Nam – EAEU	G and S	2016
3	ASEAN – Japan	G	2008	11	CPTPP*	G and S	2018
4	Viet Nam – Japan	G and S	2009	12	ASEAN – Hong Kong, China	G and S	2019
5	ASEAN – Australia – New Zealand	G and S	2010	13	Viet Nam – Cuba	G	2020
6	ASEAN – Republic of Korea	G and S	2010	14	Viet Nam – EU	G and S	2020
7	ASEAN – India	G and S	2010 (G) 2015(S)	15	Viet Nam – UK	G and S	2021
8	Viet Nam – Chile	G	2014	16	RCEP**	G and S	Not into force

Source: WTO RTA database, Viet Nam Trade Policy Review (TPR) Report 2021

Note: Viet Nam has also other bilateral trade agreements (with some 40 partners), concluded before accession to the WTO.¹

* Comprehensive and Progressive Agreement for Trans-Pacific Partnership

** Regional Comprehensive Economic Partnership

1.– Viet Nam Trade Policy Review, Secretariat Report, WTO, July 2021, p.37 <https://docsonline.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/S410R1.pdf&Open=True>

Membership in comprehensive trade deals creates additional opportunities for Vietnamese exporters of goods and services. Viet Nam is already perceived as an important regional hub, substantially integrated into regional value chains. The recent two large regional partnerships, CPTPP and RCEP, can further strengthen Viet Nam's position in the context of export promotion and market diversification.

Global economic and political developments may also have impact on country's trade performance. In the case of Viet Nam, the country was one of the accidental beneficiaries of the trade tensions between China and the US. Managing emerging risks, region-based companies switched parts of their production to Viet Nam to avoid additional tariffs (foreign investors have registered projects at an average of almost US\$3 billion per month²).

Table 2: Comparison between CPTPP and RCEP

	CPTPP	RCEP
Entry into force	2019 (for Viet Nam)	Signed, not yet in force
Members	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam	ASEAN, Australia, China, Japan, New Zealand and South Korea
Size	495 million people and a combined GDP of \$13.5 trillion.	2.2 billion people (about 30% of the world's population) and \$26.2 trillion (30% of global GDP)
Scope	Greater elimination of tariffs (ca 95-99%), removal of non-tariff measures, higher-level labour and environmental standards.	Less ambitious when it comes to eliminating tariffs and non-tariff barriers for trade in goods and services.
Rules of origin	Allows for trading qualifying goods across all parties – full cumulation.	Allows for trading qualifying goods across all parties – diagonal cumulation.

Source: ITC

Trade flows: products and markets

Viet Nam ranked as the 19th largest exporting country in the world. In 2018 the overall value of exports from Viet Nam was US\$274 billion, with exports of services accounting for US\$ 16.6 billion³. Textiles and electronics were the top two categories of exports.

fuels, ores and salts (US\$5.86 billion), transport vehicles (US\$3.87 billion), stone, glass and ceramics (US\$2.55 billion). Exports of other goods constituted US\$ 13.8 billion.⁴

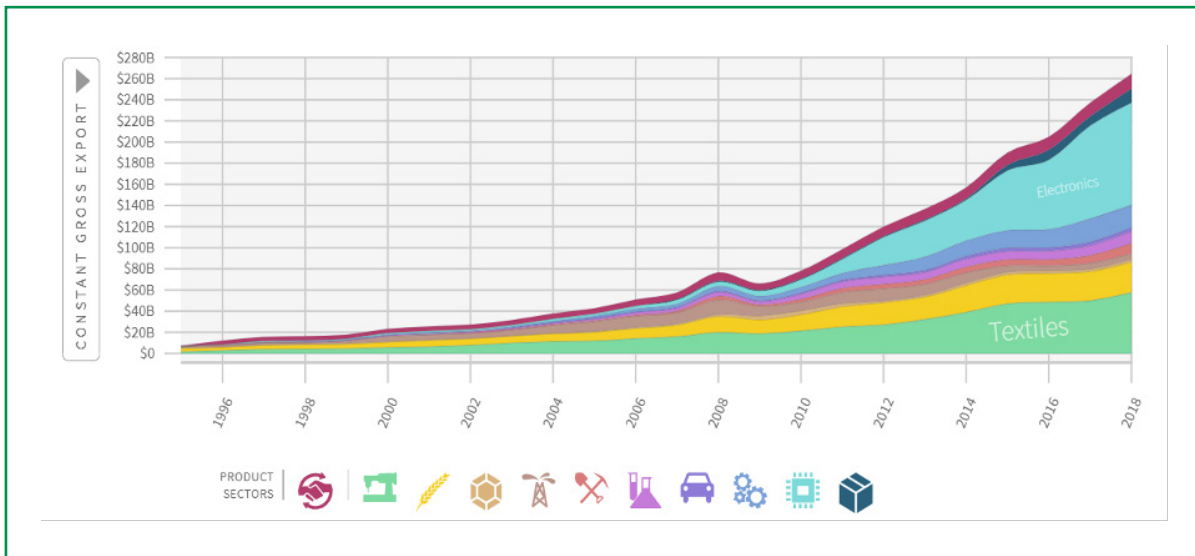
As for the export composition of Viet Nam, the most exported products were electronics (with the current gross export of US\$ 102 billion) and textiles, garments and footwear (US\$61.4 billion). Other important categories of exports were vegetables, animals, wood and paper (US\$30.6 billion), machinery and instruments (US\$22.8 billion), services (US\$ 14.8 billion), chemicals and plastics (US\$ 11.7 billion), metals (US\$10.4 billion), minerals,

2.– World Bank. (2019). *Taking Stock. Recent Economic Developments of Vietnam. Special Focus: Vietnam's Tourism Developments: Stepping Back from the Tipping Point-Vietnam's Tourism Trends, Challenges, and Policy Priorities*. World Bank. URL: <http://documents1.worldbank.org/curated/pt/821801561652657954/pdf/Taking-Stock-Recent-Economic-Developments-of-Vietnam-Special-Focus-Vietnam's-Tourism-Developments-Stepping-Back-from-the-Tipping-Point-Vietnam's-Tourism-Trends-Challenges-and-Policy-Priorities.pdf>

3.– OEC.world

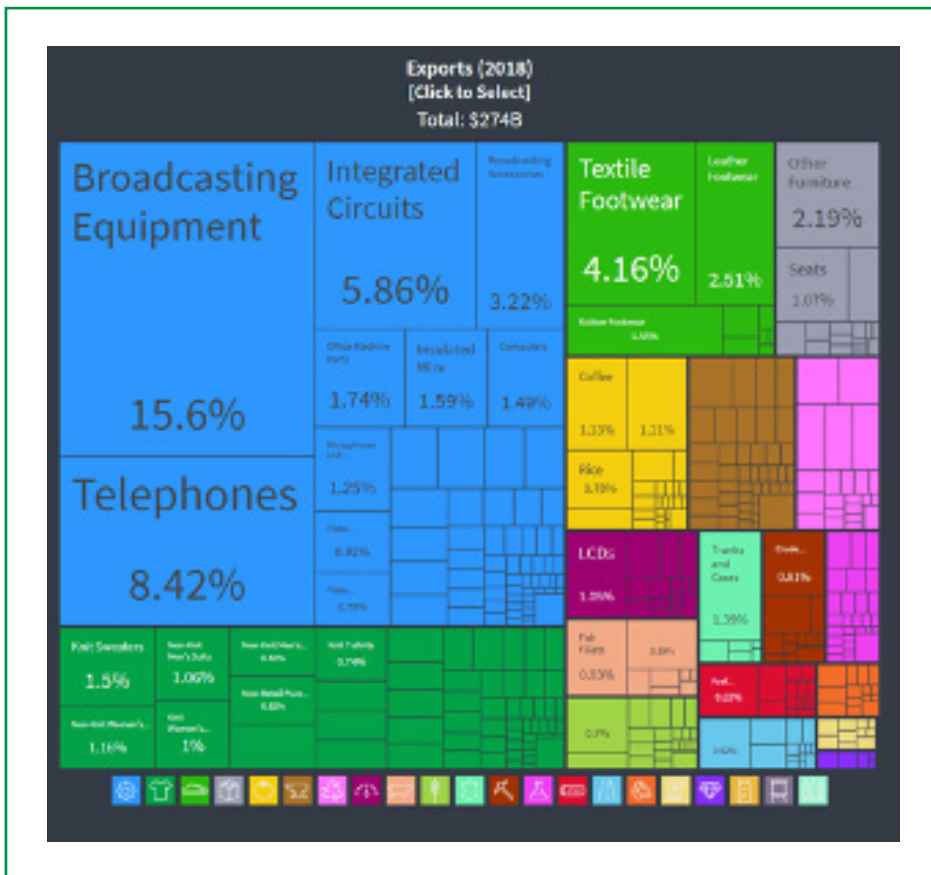
4.– ATLAS of Economic Complexity. *What did Vietnam export between 1995 and 2018?* URL: <https://atlas.cid.harvard.edu/explore/stack?country=239&year=2018&startYear=1995&productClass=HS&product=undefined&target=Product&partner=undefined>

Figure 15: Vietnamese exports



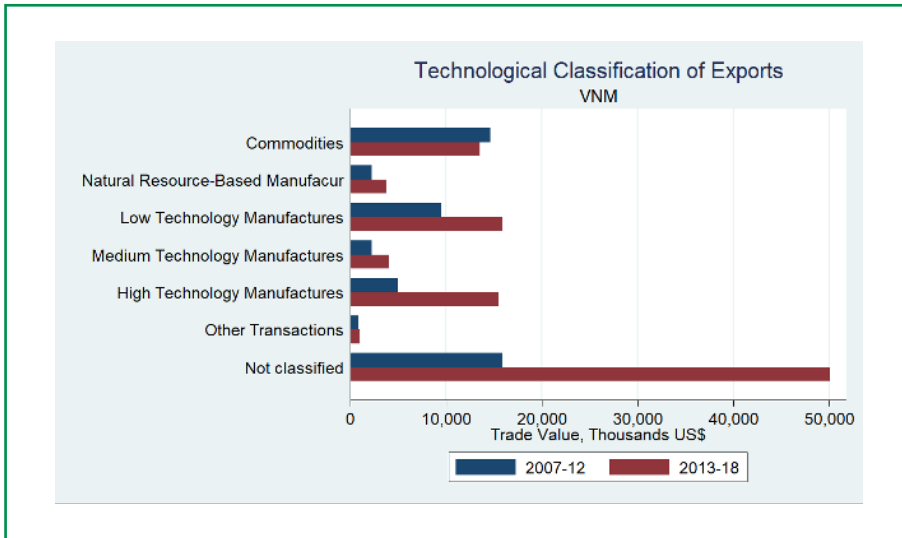
Source: ATLAS of Economic Complexity. What did Viet Nam export between 1995 and 2018? URL: <https://atlas.cid.harvard.edu/explore/stack?country=239&year=2018&startYear=1995&productClass=HS&product=undefined&target=Product&partner=undefined>

Figure 16: Exports by product



Source: OEC

Figure 17: Technology embedded in Vietnamese exports

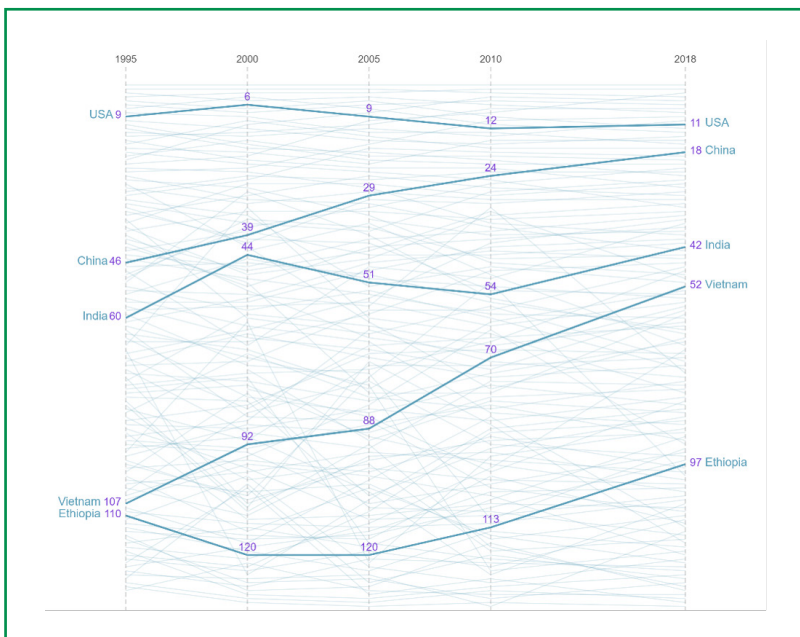


Source: ITC calculations based on World Integrated Trade Solutions (WITS)

Machinery goods exported from Viet Nam were classified under the three main HS headings: broadcasting equipment (HS 8525 worth USD 42.8 billion), telephones (HS 8517 worth USD 23.1 billion) and integrated circuits (HS 8542 worth USD 16 billion). The annual growth of world imports of electrical machinery and equipment (HS85) and machinery and mechanical appliances (HS84) between 2015 and 2019 was approximately 5%.⁵

The value of exports of both low tech and high-tech products have increased significantly since 2012. High technology manufacturing in particular (electronic goods) has been increasing by an average of US\$ 12 billion per year – rising from US\$ 12 billion in 2011 to US\$ 132 billion in 2019.⁶

Figure 18: Economic complexity



Source: ATLAS of Economic Complexity country and product complexity ranking <https://atlas.cid.harvard.edu/rankings>

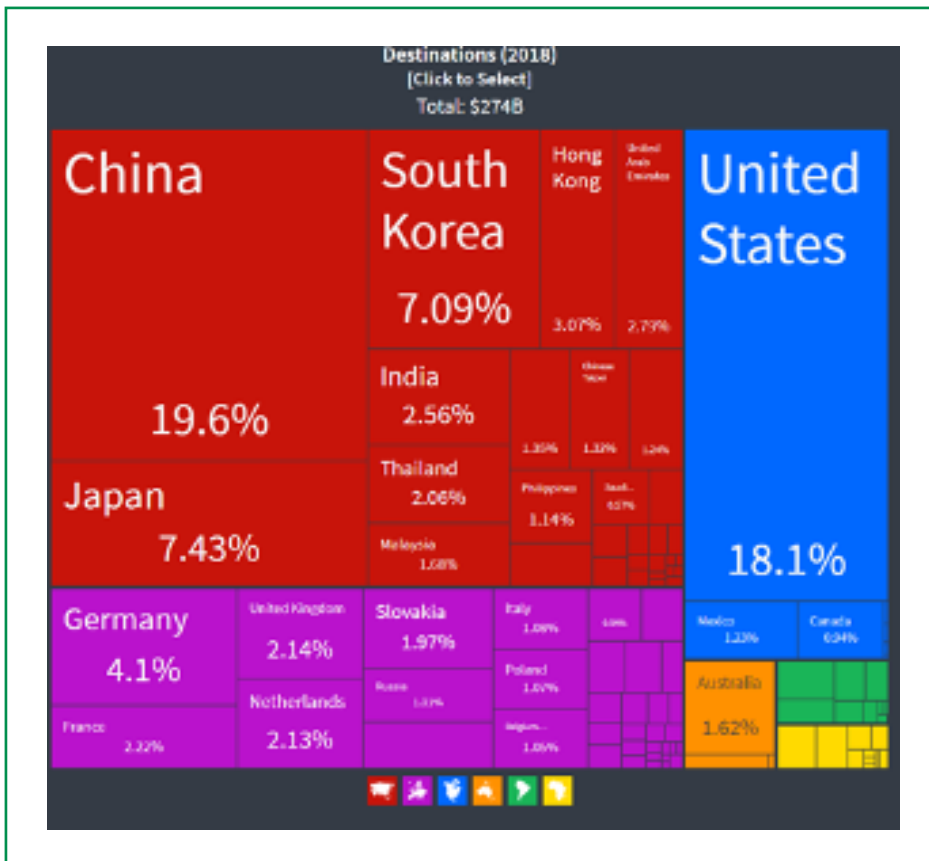
5.– International Trade Centre. ITC Trade Map. URL: <https://www.trademap.org/>

6.– International Trade Centre. ITC Trade Map. URL: <https://www.trademap.org/>

According to Harvard's ATLAS of Economic Complexity⁷, Viet Nam's economy has increasingly diversified in the period between 2000 and 2018. The country leaped forward from 92nd to 52nd place in the index, demonstrating a visible improvement in industrial capabilities and knowhow.

In terms of export destinations, the top four markets are: China (19.6%), United States (18.1%), Japan (7.43%) and South Korea (7.09%) – represented over 52% of total exports in 2019. Viet Nam has close links to these markets through the trade blocks and bilateral trade agreements, which qualify certain Vietnamese products to enter tariff-free.

Figure 19: Trade by product and destination



Source: OEC

Regarding other regions of Viet Nam's export, Europe appears another important export market after Asia. When combined with data for Switzerland and Russia, exports to the European market accounts to the share comparable to the US.

India and the Philippines) as well as trading partners in Europe (e.g. Slovakia and Poland).

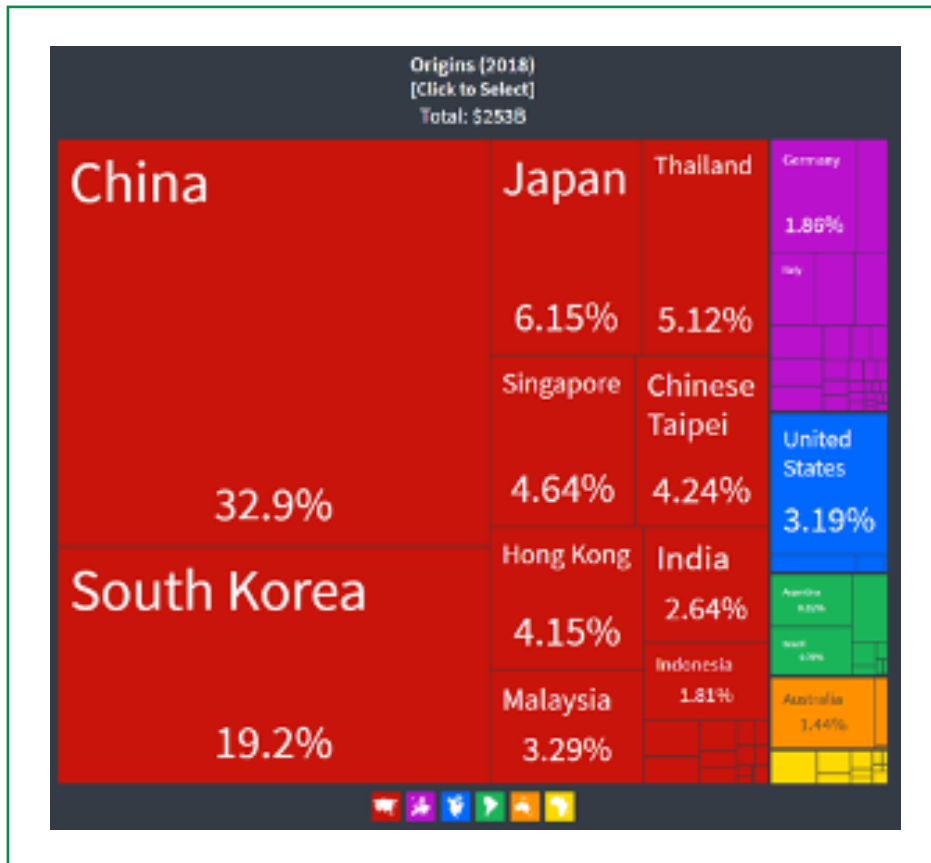
All of the top four destinations markets grew in the period between 2013 and 2018, with a quicker increase in China (252%) and South Korea (175%) than in the other two destinations. During the past decade, the share of export to Japan has been slightly decreasing, making way to the Chinese market. At the same time, there was a rapid growth of other export markets in the region (e.g.

7.- The ranking is based on the number and complexity of the products successfully exported by each country.

In terms of imports, machinery, textiles and metals were the three industries with the highest values of imports, with integrated circuits (HS 8542) accounting for a prominent share. The composition of imports in the machinery sector differed from Viet Nam's exports in this sector; it was dominated by parts and components.

Viet Nam imports came mainly from its regional partners, with one-thirds entering from China. Other significant import partners were South Korea, followed by Japan, Thailand, and Singapore. Among visible non-Asian imports markets, there were the US and Germany.

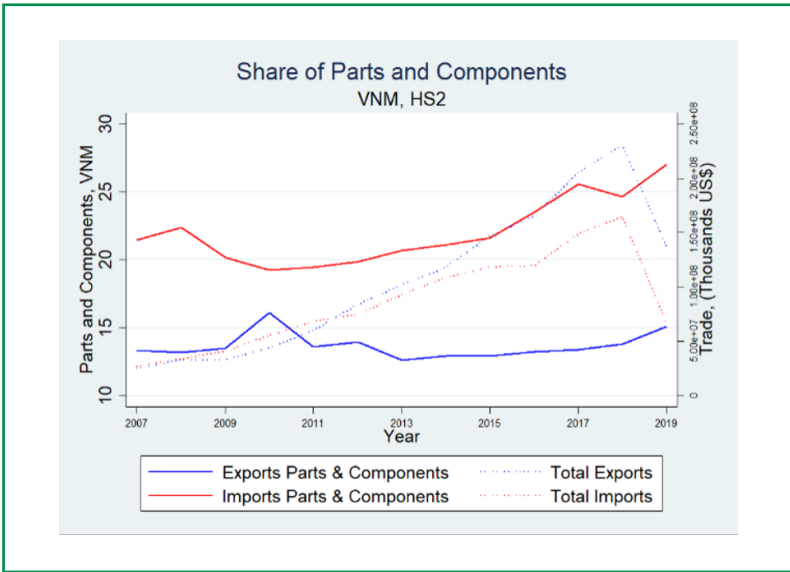
Figure 22: Import countries 2018



Source: OEC

Trade in parts and components is of crucial importance for Viet Nam, in particular in imports. The figure X shows a relatively low value of parts and components in Viet Nam's exports, suggesting that Viet Nam plays a significant role in the final assembly of goods or in the production of intermediate goods. This can be further explored, especially under the recent regional trade agreements – CPTPP and RCEP – to import qualifying parts and components from partner countries at preferential rates.

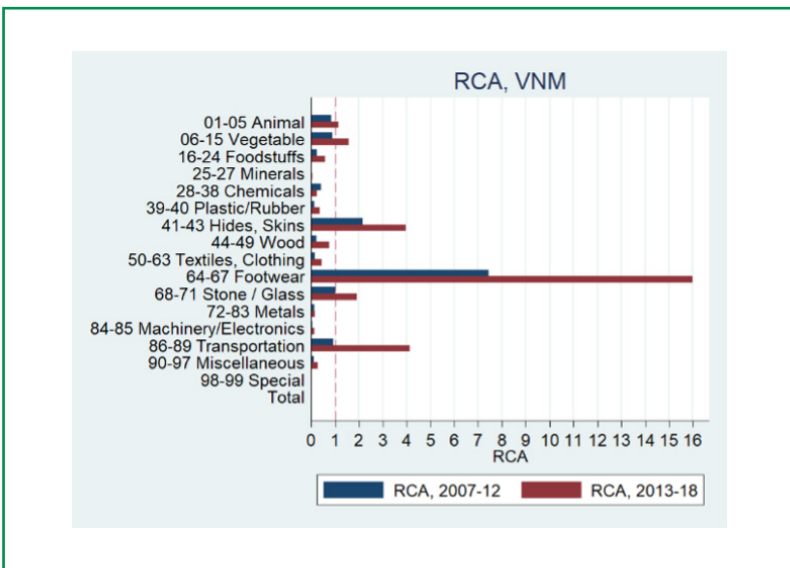
Figure 23: Trade in parts and components



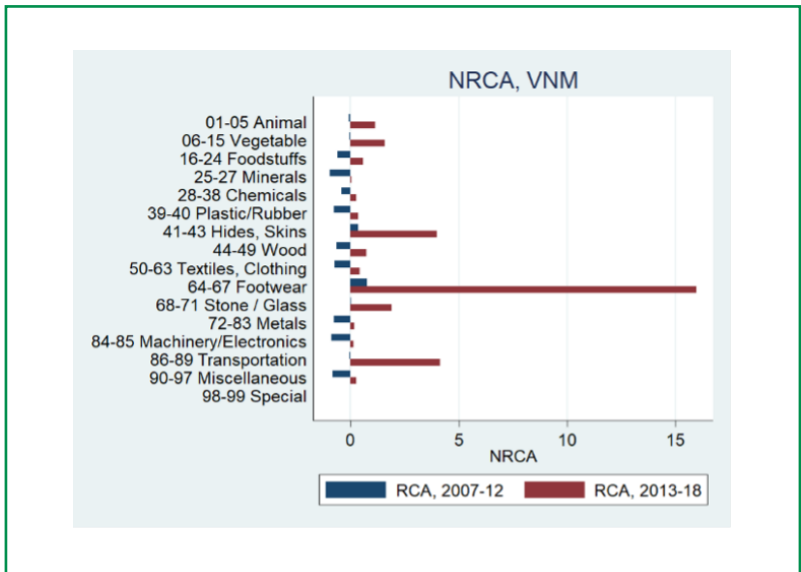
Source: ITC calculations based on World Integrated Trade Solutions (WITS).
 Source: World Bank website. World Integrated Trade Solutions (WITS). URL: <https://wits.worldbank.org/>

The revealed comparative advantage index suggests that Viet Nam has a significant and increasing comparative advantage in footwear (HS 64-67), hides and skins (HS 41-43), transportation goods (HS86-89), vegetables (HS06-15), and animals (HS 01-05).⁸

Figure 24: Revealed comparative advantage



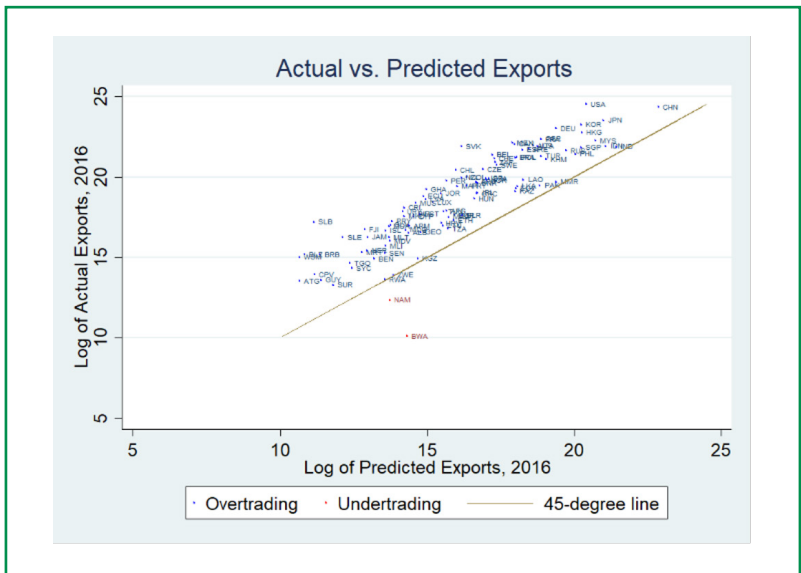
8.– ITC calculations based on: World Integrated Trade Solutions (WITS). Source: World Bank website. World Integrated Trade Solutions (WITS). URL: <https://wits.worldbank.org/>



Source: ITC calculations based on World Integrated Trade Solutions (WITS).
 Source: World Bank website. World Integrated Trade Solutions (WITS). URL: <https://wits.worldbank.org/>

Viet Nam’s actual versus predicted exports indicate that the country has a stronger than expected export relationship with almost all trading partners other than Namibia and Eswatini (formerly known as Swaziland).⁹

Figure 25: Export potential



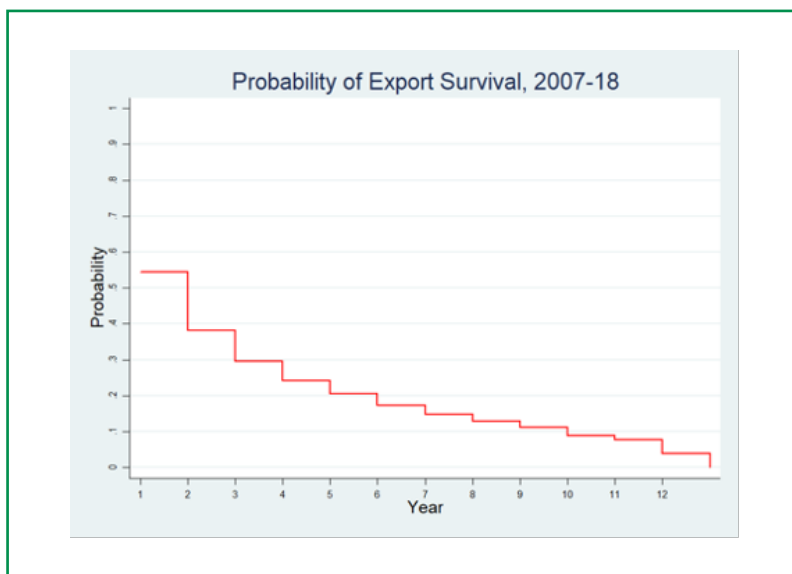
Source: ITC calculations based on World Integrated Trade Solutions (WITS).
 Source: World Bank website. World Integrated Trade Solutions (WITS). URL: <https://wits.worldbank.org/>

9.– ITC calculations based on: World Integrated Trade Solutions (WITS). Source: World Bank website. World Integrated Trade Solutions (WITS). URL: <https://wits.worldbank.org/>

In terms of the number of products in the export basket, in 2019 Viet Nam exported 4,504 products (at the 6-digit), which is slightly less than Thailand (4,694 products), but more than Indonesia (4,204).¹⁰ During the last decade, Viet Nam has also significantly diversified its export markets. In 2008 only a few products reached more than 80 markets, while in 2018 the number increased to 50 products, with some being exported to over 100 markets.¹¹

However, continuous economic diversification remains crucial for Viet Nam. The survival graph (based on Kaplan-Meier survival function, Figure 23) shows that the probability of a Vietnamese export relationship surviving a year is less than 54% and maintaining a relationship for more than two years is less than 38%.¹² This indicates that support to existing exporters is still necessary.

Figure 26: Export survival



Source: ITC calculations based on World Integrated Trade Solutions (WITS).

Source: World Bank website. World Integrated Trade Solutions (WITS). URL: <https://wits.worldbank.org/>

As for the trade balance, Viet Nam runs a trade surplus of US\$29 billion – the value of the country's exports slightly exceeds its imports. In recent years, the biggest trade deficits were recorded with China (US\$34 billion, US\$7 billion accounts for HS85 and US\$9 billion for HS84), the Republic of Korea (US\$27 billion, US\$15 billion accounts for HS85), UAE (US\$11 billion) and Thailand (US\$6.6 billion, US\$1 accounts for HS84). Meanwhile, the US\$47 billion trade surplus was observed with the USA.¹³

10.– ITC calculations based on: International Trade Centre. *ITC Trade Map*. URL: <https://www.trademap.org/>

11.– ITC calculations based on: World Integrated Trade Solutions (WITS). Source: World Bank website. *World Integrated Trade Solutions (WITS)*. URL: <https://wits.worldbank.org/>

12.– ITC calculations based on: World Integrated Trade Solutions (WITS). Source: World Bank website. *World Integrated Trade Solutions (WITS)*. URL: <https://wits.worldbank.org/>

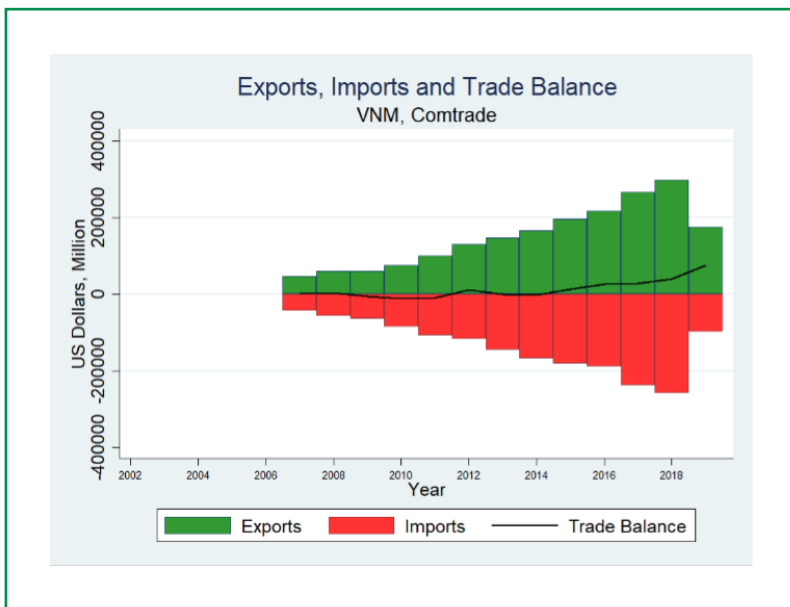
13.– Source: International Trade Centre. *ITC Trade Map*. URL: <https://www.trademap.org/>

Figure 27: Trade balance against selected countries



Source: Viet Nam's trade balance with main partners 2011 – 2018, unit: US\$ billion, source: https://trade.ec.europa.eu/doclib/docs/2016/june/tradoc_154622.pdf

Figure 28: Trade balance



Source: ITC calculations based on World Integrated Trade Solutions (WITS). Source: World Bank website. World Integrated Trade Solutions (WITS). URL: <https://wits.worldbank.org/>

OPENNESS TO TRADE AND TRADE FACILITATION

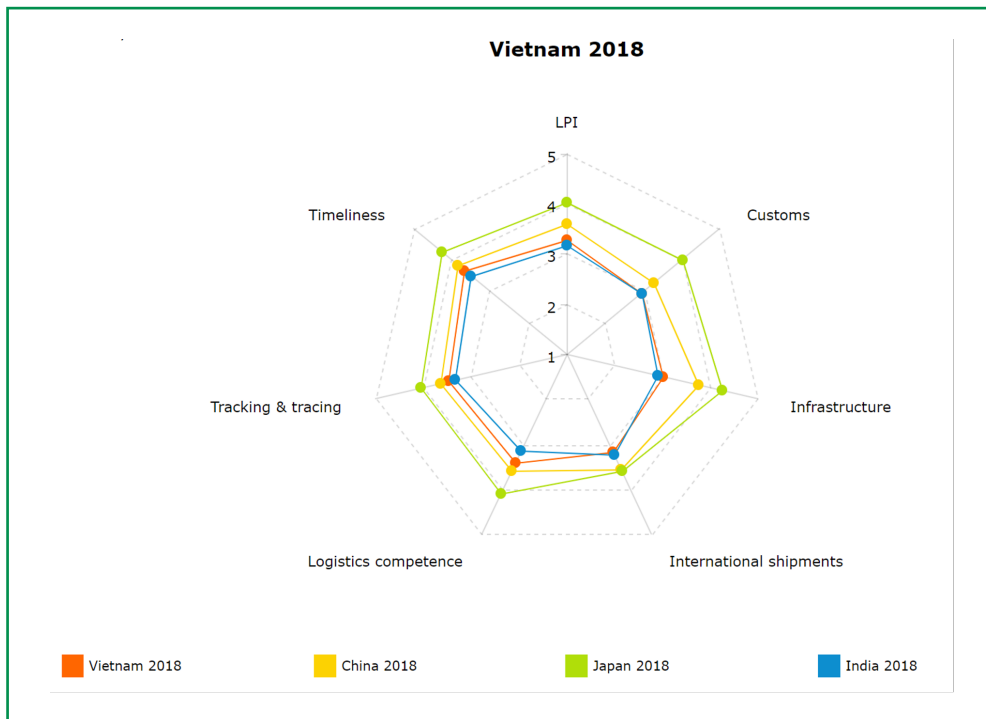
Viet Nam’s economy appears fairly open, compared to its regional peers. Viet Nam is among the countries that apply the lowest import tariffs in the region. The average (trade-weighted) tariff for all products was 2.69% in Viet Nam, which is lower than in China (3.4%), Thailand (3.5%), Bangladesh (11.8%), Malaysia (4.02%), Cambodia (9.77%), the Philippines (2.11%), India (4.88%), Sri Lanka (8.72%), but slightly higher than in Indonesia (2%), Myanmar (1.72%) and Laos (1.65%).¹⁴

A wider participation in recent regional and mega-regional trade agreements may further remove import tariffs, especially on raw materials. In 2017 the capital goods had the lowest weighted average import tariff (1.1%), while the import tariff on the intermediate and consumer goods accounted for 2.49% and 5.0% respectively. However, the average import tariff on raw material accounted for 5.66% in 2018, compared to 1.21% in China, 0.76% in Indonesia, and 2.07% in India.¹⁵

Viet Nam does not apply export tariffs on most of the products, apart from a few products such as minerals or forest products, with the duty rates ranging up to 40%.¹⁶ Also, Viet Nam is one of the very few countries in the region that allows 100% foreign ownership for most sectors.¹⁷ The application of this regulation could, however, be in practice constrained by bureaucratic frictions, limiting foreign control in some sectors.

Customs and trade facilitation appear an important factor in building Viet Nam’s export strategy. According to the 2018 Logistics Performance Index (LPI)¹⁸, the country outperforms some ASEAN members, while it appears visibly behind other regional partners, namely Japan and China. The 2020 WB Doing Business report, ranking Viet Nam 104th in the list, confirms the need to strengthen the country’s approach to trade facilitation activities. The gaps are particularly revealing when comparing Viet Nam’s results with those of other countries in the region (Figures XX – XX).

Figure 29: Logistics performance index



Source: World Bank website. About LPI The Logistics Performance Index. URL: <https://lpi.worldbank.org/about>

14.– World Bank website. World Integrated Trade Solutions (WITS). Country Profiles. URL: <https://wits.worldbank.org/>

15.– World Bank website. World Integrated Trade Solutions (WITS). Country Profiles. URL: <https://wits.worldbank.org/>

16.– World Bank website. World Integrated Trade Solutions (WITS). Country Profiles. URL: <https://wits.worldbank.org/>

17.– Deloitte. (2020). Doing business in Vietnam 2020. Investing in Vietnam, Engaging the world. Deloitte.

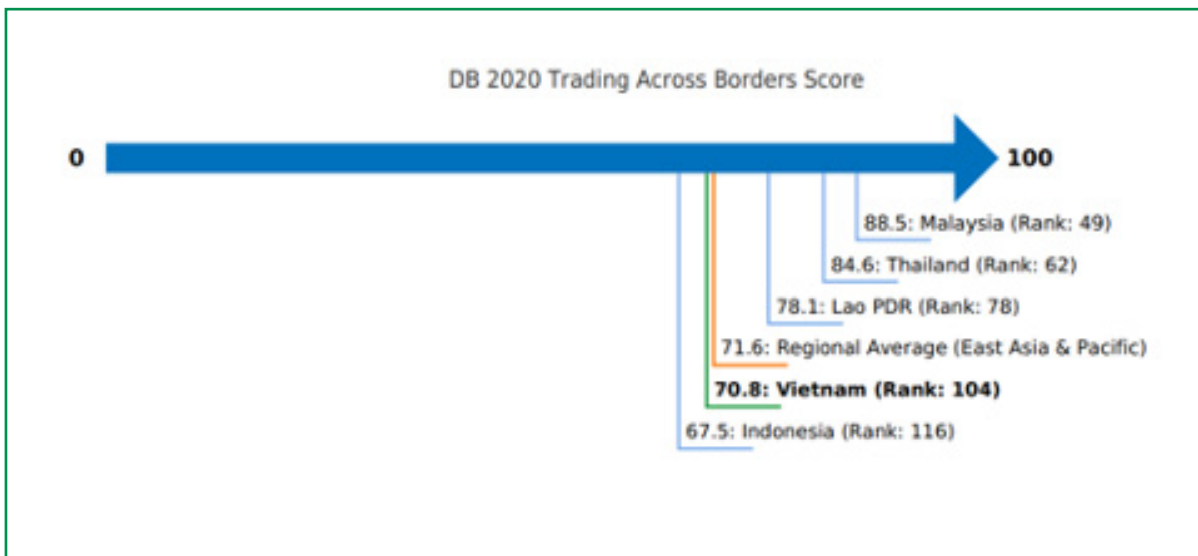
18.– The LPI provides qualitative evaluations of a country in six areas – including customs performance, infrastructure quality, and timeliness of shipments – by its trading partners i.e. logistics professionals working outside the country.

Figure 30: Doing business

Trading across Borders (rank)	104
Score of trading across borders (0-100)	70.8
<i>Time to export</i>	
Documentary compliance (hours)	50
Border compliance (hours)	55
<i>Cost to export</i>	
Documentary compliance (USD)	139
Border compliance (USD)	290
<i>Time to export</i>	
Documentary compliance (hours)	76
Border compliance (hours)	56
<i>Cost to export</i>	
Documentary compliance (USD)	183
Border compliance (USD)	373

Source: *Doing Business 2020. (2020). Economy profile Viet Nam. World Bank Group.*
 URL: <https://www.doingbusiness.org/content/dam/doingBusiness/country/v/vietnam/VNM.pdf>

Figure 31: Doing business country comparison



Source: *Doing Business 2020. (2020). Economy profile Viet Nam. World Bank Group.* URL: <https://www.doingbusiness.org/content/dam/doingBusiness/country/v/vietnam/VNM.pdf>

Key takeaways

- Viet Nam has undergone a period of rapid economic development with GDP increasing 5.4 times between 1990 and 2019 and 2.7 in between 2002 and 2018. Services accounted for 41% of GDP in 2018.
- The country's population doubled between 1975 (48.7 million) and 2020 (97.3 million). Only 37% of Vietnamese people live in urban areas.
- Annual inflation rates have stabilised in recent years after a significant spike between 2011 and 2012.
- Viet Nam is a party to a number of free trade agreements. This includes the ASEAN grouping and two large regional deals – CPTPP and RCEP, which yet to be implemented. These agreements will further facilitate the market entry of Viet Nam's goods, especially within the region.
- Textiles and electronics were the top two categories of exports. Top 3 groups of export products were: broadcasting equipment, telephones and integrated circuits.
- The top four markets: China (19.6%), United States (18.1%), Japan (7.43%) and South Korea (7.09%) represented over 52% of total exports in 2019.
- Viet Nam has an overall trade surplus of US\$ 29 billion, however a significant trade deficit with China, Republic of Korea and UAE.
- Trade facilitation appears an important factor in building Viet Nam's export strategy. Several international reports confirm the need for further improvement in such areas as customs, cost and time of border procedures, logistics competence.

Existing national trade-related strategies and development plans

Existing national programmes, plans and strategies emphasize on such sectors as agricultures, tourism and supporting industries. Specific agenda/strategies, aligned with the 10-year National Socio-Economic Development Strategy, have been developed for each sector by relevant ministries. They focus on higher value-add products, building national brands, enhancing human resources, applying hi-tech in production, and supporting digital technology solutions.

Environmental protection is referenced in most strategic documents, although its implementation appears less targeted. The reference to sustainable economic development and environment indicates an increasing awareness and acknowledgement of the issue. However, despite repeated emphasis, there is no specific action plan to achieve this target. The activities on preservation of natural land-scape and environment have remained unfocused, while real estate and tourism projects – that are generally perceived as potentially impactful – have been growing in the recent years.

Up to date, the policy/strategy-setting process has engaged the private sector; their participation throughout the process, however, may have been limited. The voice and needs of the private sector, in particular MSMEs, lay the foundation of the strategy, its relevance and subsequent implementation. Once the strategies are approved by the central government, each province issues their detailed action plan accordingly. The authorities further

face the issue of implementation; their effort is limited due to available resources and financial capacity.

The Government initiated the development of the National Import-Export Strategy (NIES) 2021–30. Two agencies were assigned to lead its design: the Agency of Foreign Trade (AFT) and Viet Nam's Institute of Industry and Trade (VIOIT). This strategy, based on the statistical analysis of the current situation, will target the desired level of the trade balance, export sectors composition, export market identification, import rationalization and diversification. The NIES will propose pragmatic solutions within a comprehensive framework, ranging from production development, restructuring economic sectors, market development to design new financial policies, logistic service development, HR training (adjusts from NIES 2011 – 2020). The Strategy will also provide realistic actions for investment, finance, and human resources to position Viet Nam in the global production chains. Building on the lessons learnt, it will provide framework for "sustainability dimensions" such as environmental protection, anti-climate change and social responsibility. On top, the strategy will define the implementation structure and management system to ensure a coordinate, whole-of-government approach to its effective realization.

The following is an overview of the recent national economic and trade development studies, policies and strategies in Viet Nam.

IMPORT AND EXPORT STRATEGY 2011-20

With a vision to 2030. To develop exports according to a model of sustainable and reasonable growth between width and depth, both expanding the scale of exports, while focusing on increasing export value-added.

- To rationally restructure export goods towards industrialization and modernization, focusing on rapidly increasing the proportion of high added value export products, deeply processed products, and products with high technology content, environment-friendly products in the structure of export goods.
- Group of fuels and minerals (which have advantages in natural resources but limited in supply). Orientation of the proportion of this group of goods in the structure of exports from 11.2% in 2010 to 4.4% in 2020.
- Agricultural, forestry and aquatic products (the group of goods with long-term advantages and competitiveness but low added value): Improving productivity, quality and added value; to shift the structure of export goods strongly to deep processing, to develop export products with the application of advanced science and technology. Orientation of the proportion of this group of goods in the export structure from 21.2% in 2010 to 13.5% in 2020.
- Industrial goods for processing and manufacturing (with potential development and demand in the world market): Developing products with a high technology and gray matter content; to develop supporting industries, increase the domestic value ratio, and reduce dependence on imported raw materials. Orientation of the proportion of this group of goods in the structure of exports from 40.1% in 2010 to 62.9% in 2020.
- New group of goods (among other groups): Reviewing new items with low current turnover but with high potential for growth in the coming time to have policies to encourage development, creating



Links, pexels-pixabay-236748.jpg

a breakthrough. export. Orientation of proportion in the structure of exports from 12% in 2010 to 19.2% in 2020.

- Diversification of export markets; consolidating and expanding the market share of Vietnamese goods in traditional markets; creating a breakthrough to expand potential new export markets.
- Promoting Viet Nam's role and position in international and regional organizations and enhancing economic diplomacy to expand export markets.
- Make good use of foreign market opening opportunities and tariff reduction roadmap to boost exports and improve the efficiency of exporting Vietnamese goods to markets that have signed FTAs.
- To organize the construction and step-by-step development of the Vietnamese goods distribution system in foreign markets.
- Orientation on market structure to 2020: Asia accounts for 46%, Europe about 20%, America about 25%, Oceania about 4% and Africa about 5%.

ACTION PROGRAM FOR IMPLEMENTATION OF IMPORT AND EXPORT STRATEGY FOR THE PERIOD 2011–2020, WITH ORIENTATION TO 2030

- Production development, economic restructuring, including manufacturing industry and agriculture production, in which focus on:
 - +) Manufacturing industry: construction materials, petrochemical products, rubber products, plastic products, electronics, cell phones, textiles, footwear, furniture, electronics, mechanics.
 - +) Agriculture: rice, coffee, rubber, seafood
- Promote market development & trade promotion. Participate/Engage in free trade agreements...
- Improve trade, finance, credit and investment policies for export production development
- To invest in developing infrastructure, services for import and export of goods and accelerate the socialization of logistics services
- Human resource training and development
- Import control

Improve the competitiveness of businesses and the role of industry associations

OVERALL PLAN FOR NATIONAL E-COMMERCE DEVELOPMENT FOR THE PERIOD 2021–2025

Building and supporting businesses to apply digital technology solutions (barcode technology, QR code, NFC chip, blockchain technology ...) to trace the origin of products, build online branding and product marketing in an electronic environment.

Building national pavilions on big international e-commerce platforms; organize Viet Nam booth where prestigious brands with high localization content; state management of appraisal and guarantee of product origin on domestic and international e-commerce platforms.

STRATEGY ON DEVELOPING VIET NAM'S RICE EXPORT MARKET FROM 2017 – 2020, WITH ORIENTATION TO 2030

To develop rice export markets with a reasonable, stable, sustainable and efficient scale, market structure and product structure; consolidate traditional and key export markets and develop new and potential export markets; strengthening production linkages with markets along the value chain, ensuring quality of rice exported from production, and deeply participating in the global rice value chain.

Increasing the introduction of Vietnamese rice products into direct distribution channels in markets; enhance value, ensure export efficiency; affirming the prestige and brand of Vietnamese rice in the market, promoting exports, contributing to consuming all paddy and commodity rice at favorable prices for farmers, implementing the rice export management objectives and principles.

VIET NAM NATIONAL BRAND PROGRAM FROM 2020 TO 2030

- Raising social awareness about the role of brands in production, sales and investment.
- Improve the capacity of building, developing, and managing brand names for businesses to meet the criteria of the Program.
- Promote the national brand of Viet Nam associated with the brand promotion of products with the National Brand of Viet Nam.

The program's target is to identify products/brands that meet certain standards/requirements to represent Viet Nam products for specific sectors in the international market. After assessment of the product/brand qualifications, the product/brand receive a "National Brand of Viet Nam» trademark for 2 years before its renewal process. Products/brands achieved the trademark also receive certain support from the Government in terms of trade promotion or legal support in case of dispute.

NATIONAL TOURISM PROMOTION PROGRAM FOR THE PERIOD 2013–2020

Promote national and local destinations, outstanding products and services of overseas Vietnamese tourism in order to boost the number of international visitors and

increase the stay duration and spending rate of international visitors.

FISHERIES DEVELOPMENT STRATEGY OF VIET NAM TO 2020

- Continue to effectively implement trade promotion to consolidate and develop traditional markets, major markets (EU, Japan, America) and expand markets in Eastern Europe, the Middle East, and the Middle East. Korea, Korea, ...
- Strengthen trade promotion activities for aquatic products in key markets (exhibitions, fairs, propaganda, advertising...). Improve the capacity to exchange and access market information and trade in aquatic products for businesses, managers, and producers.
- Build brands and quality standards for several key seafood products for export, to meet the quality, design and specification requirements of seafood products of importing countries.

VIET NAM TOURISM DEVELOPMENT STRATEGY TO YEAR 2030

- Sustainable and inclusive tourism development, based on green growth, maximizing tourism's contribution to the United Nations' sustainable development goals; effective management and use of natural resources, environmental protection and biodiversity, proactive adaptation to climate change, ensuring national defense and security.
- Diversify the international tourist market.
- Continue to attract tourists, expand the market with rapid growth, large source of tourists, high spending, and long stay.
- Focus on attracting tourists from markets: Northeast Asia, Southeast Asia, Australia, North America, Western Europe, Northern Europe, Eastern Europe, and Russia.
- Pay attention to developing new potential markets: Middle East, Southern Europe, South America, South Asia (India); to expand and develop potential markets, with an annual increase in the number of tourists going abroad
- Develop quality tourism products; promote and build national tourism brands; promote international tourism cooperation.

STRATEGY FOR SUSTAINABLE DEVELOPMENT OF VIET NAM'S MARINE ECONOMY TO 2030, WITH VISION TO 2045

By 2030, develop successfully and breakthrough marine economic sectors in the order of priority: (1) Tourism and marine services; (2) Marine economics; (3)

Mining oil and gas and other marine mineral resources; (4) Aquaculture and fishing; (5) Coastal industry; (6) Renewable energy and new marine economic sectors.

ACTION PLAN FOR IMPLEMENTATION OF EVFTA

- Raising awareness and conducting trainings for all related stakeholders especially individuals affected by the Agreement: farmers, fishers, managers from state to provincial level; Enhance capacity for local authorities and enterprises on CO, tax, custom, trade defense, intellectual property, environment protection.
- Designing regulations to support the implementation; address different navigators from different ministries for each chapter of the Agreement.
- Enhancing associations' role and identifying enterprises' difficulties and issue via associations.
- Establishing Commission of Trade and Sustainable Development according to Trade and Sustainable Development Chapter of the EVFTA.
- Enhancing competitiveness and HR resources.
- This Action Plan came with series of sub-projects in different topics such as: production development, economic restructure in mechanics, garment, leathers, agriculture, forestry, and fishery products.

SCHEME OF RESTRUCTURING INDUSTRY AND TRADE FOR INDUSTRIALIZATION, MODERNIZATION AND SUSTAINABLE DEVELOPMENT MISSION TO 2020, WITH A VISION TO 2030

a) Heavy industry

Continue to invest and innovate technology in order to restructure such sectors: mechanics – metallurgy, chemicals and rubber; Focus on developing supporting industries in electronics and mechanics; Continue to effectively implement key mechanical development program; Encourage investment in: steel, non-ferrous metals, mineral exploitation, chemicals.

b) Light industry

Continue to invest and innovate technology in order to restructure: textiles, garments, footwear, plastics, beverages, cigarettes, paper, vegetable oil, among other; Build master plan for concentrated industrial parks with wastewater treatment to ensure the environment quality; And focus on the development of raw materials and accessories in the textile, garment and footwear industries; Focus and create all favorable conditions for the development of raw material zones for: milk, tobacco and paper.

STRATEGY FOR THE DEVELOPMENT OF VIET NAM'S AUTO INDUSTRY TO 2025, WITH A VISION TO 2035

General goal is to develop Viet Nam's auto industry to become one of the most important industry; meeting local demand; participating in export; boost other related

industries; enhance competitiveness to become an automobile accessories exporter in the worldwide automobile manufacturing chain.

Key takeaways

- Viet Nam has got a comprehensive strategic framework for trade-development. Many of these strategies and plans, with implementation period by 2020, have to be evaluated and updated, based on lessons learnt.
- Policy/strategy setting involves some participation of the private sector. More inclusive participatory approach would ensure the relevance and commitment to strategy implementation.
- The implementation of strategies/plans/schemes often face lack of resources and financial capacity at both national and provincial level.
- Provincial level authorities can be more active and effective in designing and implementing their action plans.
- Current strategic framework recognizes the importance of sustainability and environmental protection; however, the initiatives and effort appear scattered.

Trade support stakeholder network

The Ministry of Industry and Trade (MOIT) acts as the highest focal authority to coordinate all trade-related government institutions, departments, and agencies. Within the MOIT, the Viet Nam Institute of Industrial and Trade Policy and Strategy (VIOIT) functions as the researcher and designer for strategies, plans, schemes, projects, programs, and policies. Whilst Viet Nam Trade Promotion Agency (VIETRADE) performs its role as the operator to implement strategic documents. MOIT keeps a daily-basis working mechanism among its departments/agencies and institutions/associations. Each state department/agency also manages and gives guidance to local departments of industry and trade according to its own function/sector. However, for each sector-specific program or project, MOIT collaborates with other ministries and stakeholders such as Ministry of Planning and Investment (MPI), Ministry of Finance (MOF), Ministry of Agriculture and Rural Development (MARD) for implementation. This case-by-case working mechanism has shown its limitation on communication within the public sector.

Viet Nam Chamber of Commerce and Industry (VCCI) is the key player that represents the private sector voice. The non-profit organization had effectively initiated to establish the Advisory Committee on International Trade Policy in 2010. This is the organization that comprising representatives from both public and private sectors, where committee's members are experts from VCCI,

professional associations and experts from ministries. The Committee has been providing regular quality recommendations on important trade policy issues for Viet Nam, including country's position for policy advocacy and international trade negotiations Recognizing the Committee's effectiveness, Viet Nam Government had issued Decision 06/2012/QĐ-TTg signed by the Prime Minister in 2012, noting a mandatory consultation mechanism between the Government negotiating body and the private sector. The Decision had assigned VCCI as the focal point to receive comments, propose issues related to the negotiation plan, content or requirements. VCCI is the official channel for the Vietnamese business community (through business associations) to voice their views to the competent authorities and be listened to by these agencies.

The Table on pp. 31 – 33 provides detailed information on key public and private sector stakeholders.

Key takeaways

- Viet Nam has an established institutional framework for the trade development. This framework requires a more structured and coordinated approach to communication within and between the public and private sectors.
- The VCCI is a legitimate focal point for the private sector, representing their interests and concerns in policy/strategy setting process, according to Decision 06/2012/QĐ-TTg.
- The Advisory Committee on International Trade Policy, established in 2010 and composed of public and private sector representatives, serves as a consultative body for trade-related issues.

I. PUBLIC SECTOR

1. GOVERNMENT AUTHORITIES

Ministry of Industry and Trade (MOIT)

Planning Department:	Perform the function of advising and assisting MOIT in state management in the field of construction, management and implementation of strategies, planning and plans; statistical; invest; industry development programs and schemes.
Foreign Trade Agency	Advise and assist MOIT in state management and law enforcement in the fields of import and export activities, origin of goods, international goods purchase and sale, purchase agent, selling, processing and transiting goods with foreign countries.
Science and Technology Department	Advise and assist MOIT in the state management of science and technology; innovation; food safety; biotechnology; biological safety; product standards, measurement and quality; intellectual property in industry and trade.
Asia and Africa Market Department	Consult and manage policies and development of economic, trade and industrial relations of Viet Nam with countries, territories, regions, economic and trade organizations in specific regions.
America and EU Market Department	
Multilateral Trade Policy Department	Advise and assist the Minister in State management of economic and trade integration within the framework of cooperation with WTO, ASEAN, between ASEAN+; APEC; ASEM; UNCTAD and other international economic and trade organizations and negotiating international trade treaties.
Domestic Market Department	Responsible for trading activities and domestic market development.
Legal Department	Perform activities related to developing, evaluating, reviewing, systematizing, examining and consolidating trade related legal documents; monitor law enforcement and inspect law implementation in industry and trade.
Competition and Consumer Protection Agency	Exercise state management in the field of competition, anti-dumping, anti-subsidy, application of safeguard measures to goods imported into Viet Nam; protect the interests of consumers; deal with lawsuits in international trade related to dumping, subsidies and safeguard measures.
Trade Remedy Authority of Viet Nam (TRAV):	Exercise state management and law enforcement in the areas of anti-dumping, anti-subsidy and self-defense; organize and manage public service activities.
Viet Nam Trade Promotion Agency (VIETRADE)	Provide consultancy, management and supervision of trade & investment promotion activities. VIETRADE's main office is in Hanoi (North Viet Nam). It has 5 representative offices in Da Nang city (Middle Viet Nam), Ho Chi Minh city (South Viet Nam), New York City (USA), Chongqing city (China) and Hangzhou province (China). VIETRADE is leading all trade promotion activities.
Centre of Technology Application in Trade Promotion (INTEC)	Provide IT services to support the Trade Promotion Agency and local trade promotion unit in promotional activities to diversify export markets, customers, and partners.
Local Trade and Industry Agency	State management in formulating, managing, organizing the implementation of strategies, planning and plans; statistical; invest; programs and schemes. Responsible for monitoring trade offices in 63 cities/provinces of Viet Nam
E-Commerce and Digital Economy Agency (iDEA):	Function management in e-commerce and digital economy activities; organizing and managing public services serving the State management

Ministry of Planning and Investment (MPI)

1. GOVERNMENT AUTHORITIES	
Enterprise Development Agency	Support development of small and medium-sized enterprises, business development, and innovation.
Foreign Investment Agency	Formulate strategies, plans, mechanisms and policies on foreign and offshore investment; organize investment promotion activities, guide investment procedures.
Ministry of Agriculture and Rural Development (MARD)	
International Cooperation Department	Advise and synthesize country's official positions for related international cooperation and international integration.
Agricultural Processing and Market Development Department	(AGROTRADE) Responsible for market development for agriculture, forestry and fishery products; coordinate market development activities.
Ministry of Finance (MOF)	
International Corporation Department	Manage cooperation programs and projects with foreign funding.
Agency of Enterprise Finance	Provide state management on enterprise finance; perform finance management.
2. INSTITUTIONS	
Viet Nam Institute of Industrial and Trade Policy and Strategy (VIOIT)	Coordinate with relevant organizations to formulate strategies, plans, schemes, projects, programs and policies for the development of industries and fields in industry and commerce.
Centre of Industry and Trade Information (VITIC)	VITIC has function of collecting, synthesizing, analyzing and providing information about economy, industry, trade, market, traders for state management.
Central Institute for Economic Management (CIEM)	Scientific research organization under the MPI, conducts research on mechanisms and policies for economic management and enterprise development; conducts consultancy activities.
Institute of Agricultural and Rural Development Policy and Strategy (IPSARD)	Provide multi-dimensioned and multi-media information to support decision-making process in management, production, trade, and investment relating to agriculture and rural development.
Commission for the Management of State Capital at Enterprises (CMSC)	Represents State owner for enterprises of which 100% charter capital is held by the State and the state capital invested in joint-stock companies, multi-member limited liability companies.
3. STATE ENTERPRISES	
Viet Nam National Textile and Garment Group (VINATEX)	Biggest among textile & garment sector, it has 45 member companies, up to 80,000 employees. Its export revenue is USD 3 billion.
Viet Nam National Coffee Corporation LTD (VINACAFE)	VINACAFE has 45 member companies and accounted for 30% of Viet Nam's coffee bean export share.

II. PRIVATE SECTOR

ASSOCIATIONS	
Viet Nam Chamber of Commerce and Industry (VCCI)	Promote the development of the business community; promote and support trade and investment activities; and perform other business activities for the business community in Viet Nam and abroad. Represent the business community participating in the process of developing legal documents, related to enterprises and commercial business activities.
Viet Nam Textile and Apparel Association (VITAS)	Group of enterprises working in the field of professional textile, garment and apparel production, export, consumption and services in Viet Nam.
Viet Nam Leather, Footwear and Handbag Association (LEFASO)	A social – professional organization of Vietnamese organizations and citizens, doing business in leather – footwear – handbag industry.
Viet Nam Steel Association (VSA)	VSA is a NGO which includes manufacturing, processing and trading of steel products, raw materials and service organizations related to the steel industry in Viet Nam. Its purpose is to promote cooperation among its members and provide trade promotion for its members.
Viet Nam Association of Seafood Exporters and Producers (VASEP)	VASEP members include leading Vietnamese seafood producers and exporters with companies providing services in seafood sector. VASEP aims to coordinate and link enterprises operations, to improve value, quality and competitive capacity of Vietnamese seafood producers, to enhance source of raw material for seafood export, to represent and to protect legal interests of members.
Viet Nam Association of Small and Medium Enterprises (VINASME)	VINASME is a social – professional organization which aims to enhance cooperation and support among its members. VINASME is also a link between SME and the government, representing member interests in policy/strategy setting process.

ASSOCIATIONS	
Viet Nam Association for Supporting Industries (VASI)	An independent, non-governmental and non-profit organization representing manufacturing and supporting industries in Viet Nam. The activities of VASI mainly include: improving member capacity through training and counselling; business matching with domestic buyers and exporters; providing business intelligence. Members contribute ideas to the Government, major corporations and other partners.
Viet Nam Automobile Manufacturer Association (VAMA)	Encourage the development and progress of the Vietnamese automotive industry; Engage in automotive research and development programs as well as to ensure high environmental protection in Viet Nam.
Viet Nam E-Commerce Association (VECOM)	VECOM is a social organization consisting of companies, organizations and individuals conducting business in e-commerce; applying e-commerce in their operating process; researching and providing e-commerce services. The Association operates on a voluntary and non-profit basis, for the purpose of gathering, uniting, cooperating, and supporting members to develop e-commerce.
Viet Nam Beer – Alcohol – Beverage Association (VBA)	NGO of businesses and individuals working in beverage production, processing and service business. Its purpose is to link, cooperate and support economically – technically; increase product value; represent and protect the legitimate interests.
Viet Nam Logistics Business Association (VLA)	VLA is a professional associated organization established voluntarily by the organizations, enterprises and citizens of Viet Nam, which have registered to operate in the freight forwarding and trade logistics industry. VLA's purpose is to cooperate, associate and help each other in developing professional activities, improving business efficiency and protecting the legal interest of the members and interacting with professional organizations in the region and the world.
Viet Nam Plastic Association (VPA)	VPA is a voluntary NGO of businesses operating in the field of scientific research, production and sales of plastic products. The purpose of the Association is to link, cooperate and support each other in terms of economics and technology in research, production, business, service, and product value enhancement; represent and protect the legitimate interests of members.
Viet Nam Pulp and Paper Association (VPPA)	The main objective is to gather, organize and create conditions for members to cooperate, join forces and support each other; provide advisory services; provide related domestic and international information in engineering, environment, markets, manufacturing, sales, management, training and investment.

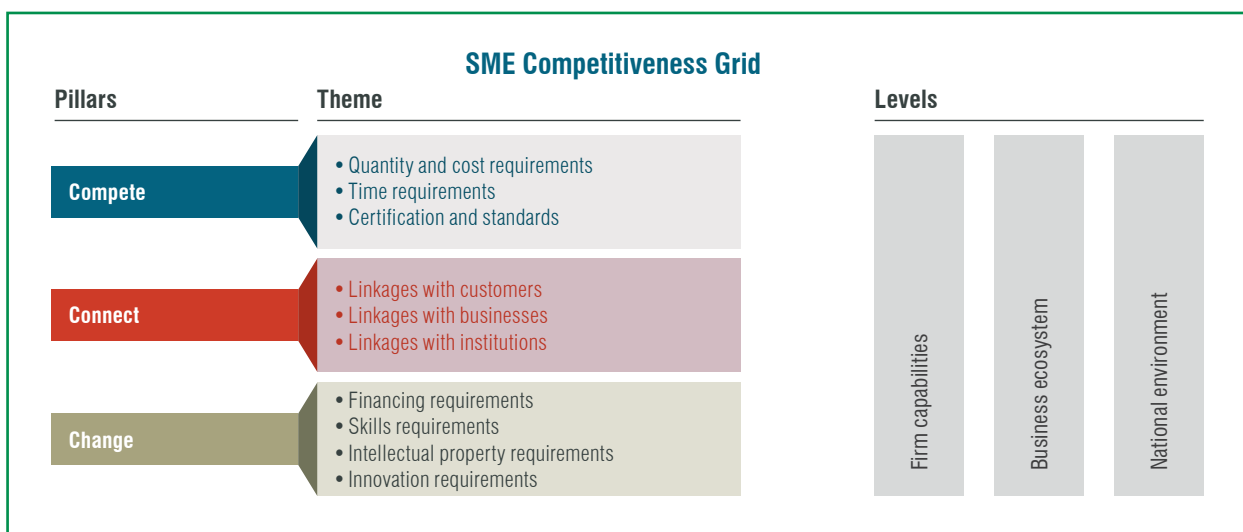
III. INTERNATIONAL ORGANIZATION

1. INTERNATIONAL CHAMBER OF COMMERCE	
British Chamber of Commerce (BBGV)	Business matching; business advisory; market studies, export opportunities; business in Viet Nam.
European Chamber of Commerce (EUROCHAM)	
Australian Chamber of Commerce	Business matching; business advocacy activities.
American Chamber of Commerce	Development of trade and investment between the United States and Viet Nam; business matching; collaborate with other international & local organizations on mutual interest.
Nordic Chamber of Commerce	Facilitate and increase two-way investments, business and trade flows between Viet Nam and the Nordic countries.
Viet Nam Business Forum (VBF)	VBF was established in 1997 as a not-for-profit, non-political platform for a public-private dialogue. Key VBF objectives include creating pathways to long-term and sustainable business performance, promoting the interests of national and international business community in Viet Nam, and enhancing investment and trade in local and overseas markets. VBF works to provide research, legal analysis, identification of problems and practical solutions.
2. TRADE-RELATED PROJECTS	
ARISE+ Project	The EU funded project "Technical Assistance for the ARISE+ Programme in Viet Nam», of which this assignment is a part, aims at providing technical assistance to the Vietnamese Government to maximise Viet Nam's benefits from preferential trade regimes. It has a focus on regional agreements and the EU-Viet Nam Free Trade Agreement (FTA) and the Investment Protection Agreement (IPA). The total budget is EUR 6 million for the duration of 5 years.
USAID Trade Facilitation Program	The five-year USAID Trade Facilitation Program (2018 – 2023) aims to support the Government of Viet Nam (GVN) to adopt and implement a risk management approach to customs and specialized inspection agencies. This program will strengthen the implementation of the World Trade Organization's Trade Facilitation Agreement (TFA) of which both Viet Nam and the United States are members. In total, the USAID Trade Facilitation Program has over 20 ongoing activities, including work related to the National Single Window, supporting customs in improving e-customs, analysis of TFA implementation in Viet Nam, developing reforms of AEO system, etc. Total budget for the five-year project is \$21.7 million.

Trade competitiveness constraints

Competitiveness is the demonstrated ability to design, produce and commercialize an offer that fully, uniquely and continuously fulfils the needs of targeted market segments, while connecting with and drawing resources from the business ecosystem and achieving a sustainable return on the resources employed.¹⁹

Figure 29: SME Export Competitiveness Grid



Source: ITC

The ITC SME Export Competitiveness Grid provides a methodology for analysing the current situation and export capabilities and identifying key challenges and issues.

- 1. Compete** – covers items related to industries' ability to compete such as productivity, quantity, cost, timeliness, consistency, etc.
- 2. Connect** – the ability to connect to information, public-private collaboration, private-private collaboration,

institutional coordination, communicating with clients, product branding, etc.

- 3. Change** – capacity of industries to access the right skills, innovation, attracting investment, intellectual property requirements, etc.

Based on the ITC SME Competitiveness Grid, challenges across the three levels and three dimensions of competitiveness of Viet Nam's exports were analysed.

Compete

“Compete» assesses whether current production is efficient and meets market requirements. The competitiveness of exporting sectors in Viet Nam is undermined by

several factors related to the firms' capabilities, institutional support and national environment.

19.– SMECO, 2015.

Box 1: Competitiveness constraints at the whole economy level: Compete

Compete in national and foreign markets

Firm capabilities

- SMEs have insufficient marketing and promotional capacities which results in indirect access to foreign markets through aggregators;
- Companies often lack sound and realistic business plans to guide their early stages of development;
- Companies lack realistic export development strategies that are based on a solid understanding of overseas markets;
- Companies have insufficient understanding and knowledge of export and import procedures;
- Companies struggle to adapt their products to foreign market requirements;
- Lack of awareness of standard and product regulation impedes Vietnamese SMEs from competing on foreign markets;
- SMEs face difficulties in complying with product regulation and private standards because of high related costs.

Business ecosystem

- Disparities in the provision of administrative services through regions and institutions lead to delays and arbitrary decision-making by officials;
- Bureaucracy and complexity act as barriers to trade for domestic companies.
- The need for improving customs and border procedures in Viet Nam appears crucial to facilitate cross-border trade flows.
- Companies have limited understanding and knowledge of market access requirements which limits their capacity to export successfully;
- The prevalent informality impacts foreign investors and affects the development of export-oriented companies.

National environment

- Frequent regulatory changes and lack of predictability and clarity in compliance with rules and requirements result in a challenging business environment.
- The rapidly changing regulatory environment in the logistics industry burdens service providers and impacts the time and cost required to move goods across the border;
- National regulatory bodies are not often implementing international good practices that would reduce the unnecessary burden to businesses;
- More efficient procedures to obtain health certificates and related documents to comply with SPS rules would reduce the time needed to export perishable products;
- The requirement of export permits constrain existing and potential exporters.

FIRM CAPABILITIES

SMEs have insufficient marketing and promotional capacities which results in indirect access to foreign markets through aggregators. Most SMEs lack direct access to international markets and have to sell to aggregators. Given their size and capacity, they experience difficulties to differentiate their products and promote them directly in target markets. SMEs struggle to access international markets, in large part, because they have limited human and financial resources. Working with aggregators can have disadvantages. If there are issues with the product quality or its safety (especially in seafood products) from one seller, all the other sellers who are part of that shipment are affected. SMEs also lose control of the branding of their products. This longstanding issue has implications for SMEs who comply with export procedures and product standards and puts their brand at risk.

- **Plan of Action reference:** Activity 1.2.1 and 1.2.2

Companies frequently lack sound and realistic business plans to guide them through the early stages of development. There is a culture of improvisation amongst entrepreneurs. This is especially visible with SMEs. Very often businesses make important financial investments and decisions without a sound business plan or viability study. This problem is particularly pronounced in the agriculture sector where firms change their crops with a high frequency.

There is a strong culture of entrepreneurship in Viet Nam, however many enterprises cease their operations shortly after the establishment. Approximately, 130,000 new enterprises are formed every year. But between 80,000 and 90,000 do not survive the first year. Some of the main reasons for this are a lack of strategic planning, insufficient market and financial analysis and a certain degree of prudence. Companies also often do not take a sufficient amount of time to properly understand client's needs and competitors' offer. In addition, there is a certain propensity to "cut corners" on quality.

The culture of limited business planning by Vietnamese SMEs also result in weaker linkages with FDI. Foreign investors are used to long-term planning, predictability, and transparency in operations to ensure that they achieve returns on investment. In the absence of sufficient predictability, SMEs do not realize potential benefits that could be created by linking to FDI.

- **Plan of Action reference:** Activity 1.2.2. and 2.2.2

Companies lack realistic export development strategies that are based on a solid understanding of overseas markets. The lack of strategic planning discussed in the previous point extends to export development. The level of understanding of foreign markets is low among SME managers. Companies do not necessarily take the time required to understand the demand and product regulation on foreign markets. Vietnamese firms often depend on foreign buyers telling them what to produce.

A successful export strategy requires an understanding of the local market, including product adaptation to the target market and conformity to specific regulations/quality. Lack of this analysis can lead to poor customer satisfaction and reputational damage, even if products manage to enter the local market.

A proper assessment of financial needs that export activities entail is another success factors. Exports typically result in longer payment periods and require a large upfront investment which needs to be reflected during the financial planning stage. Improvisation when exporting can have an impact on the quality of the products and services as well as the company's finances.

- **Plan of Action reference:** Activity 2.2.1 and 2.2.2

Companies have insufficient understanding and knowledge of export and import procedures. The international business process is a complex activity that require a certain familiarity with customs operations. Vietnamese companies underestimate the risks and difficulties associated with exporting. For example, topics like rules of origin are widely misunderstood. An incorrect certificate of origin can lead to either import being rejected in the final market or the client having to pay full tariffs. That can have significant implications for customer satisfaction and brand reputation. While a customs broker facilitates export and import procedures, the information still needs to come from the exporter or the producer.

BUSINESS ECOSYSTEM

Disparities in the provision of administrative services between regions and between regional and national institutional levels lead to delays and arbitrary decision-making by officials. There is a difference in the type and quality

- **Plan of Action reference:** Activity 1.1.5

Lack of awareness of standards and product regulation impedes Vietnamese SMEs from competing on foreign markets. Products for export have to conform to the legislation established by the destination market. The knowledge of this legislation enables companies to assess the feasibility and economic viability to enter new markets. The export activity may require a change in production process or technology to successfully compete abroad. For example, Vietnamese companies are still using pesticides prohibited by an increasing number of markets. There is a shortage of information on such topics available and a resulting lack of awareness. One example is Maximum Residues Limits (MRLs) requirements set by various markets. Many Vietnamese companies are not aware of the existing thresholds.

- **Plan of Action reference:** Activity 2.3.1

SMEs face difficulties in complying with product regulation and private standards because of high related costs.

There are specific regulatory requirements for each product entering foreign markets. Private standards and related certifications are standards designed, owned and managed by non-governmental entities. They are voluntary for companies to comply with, however, they are often made necessary to enter certain markets.

According to ITC's NTM survey conducted in 2020, companies often have to adjust their production process to meet the destination market's regulations. The certification of compliance is normally verified and granted by a third-party certifying organisation. Hiring a recognized third party to audit and issue such certificates can be extremely time-consuming and costly, especially for SMEs.

Private standards may refer to various aspects of company operations, ranging from common food safety/quality to workplace standards. For example, Vietnamese companies are often required to comply with the Business Social Compliance Initiative (BSCI) standards that focus on workplace standards across the global supply chain or Forests For All (FSC) standards that focus on forest management. Application procedures may be both costly and time-consuming, given limited resources of SMEs.

- **Plan of Action reference:** Activity 2.3.2

of administrative services offered at the national and local levels as well as between different regional offices. According to ITC's 2020 NTM survey and stakeholders' consultation, some services that the VCCI offers can only

be processed in certain regions, forcing companies to take long trips and to allocate extra time and money. The tax office in Hanoi can give a totally different quotation of taxes than in Ho Chi Minh city. The lack of clear guidance in the areas covered by these procedures and the differences in interpretation leads to subjectivity and lack of transparency.

- **Plan of Action reference:** Activities 1.1.1 and 1.1.3

Bureaucracy and complexity act as barriers to trade for domestic companies. There are various domestic barriers to trade related to the complexity of bureaucratic procedures. For example, the VCCI authorization for the self-certification mechanism (Registered Exporter System – REX) is subject to many documents, takes months to be granted and often causes delays. In the meantime, companies cannot export to the EU under preferential tariffs. Certain simplifications are also mostly applicable and feasible to larger companies. As in many countries, the Authorized Economic Operators (AEO) status and related benefits are hardly available to SMEs because of the turnover threshold requirements.

- **Plan of Action reference:** Activity 1.1.2

The need for improving customs and border procedures in Viet Nam appears crucial to facilitate cross-border trade flows. Inefficient customs and border controls, also confirmed by international rankings such as the WB 2020 Doing Business, cause delays in deliveries. The country is implementing various trade facilitation projects and activities. However, certain areas call for a structural reform, including digitalization. Border procedures still remain time-consuming and inefficient; many of them are predominantly paper-based. Border controls should incorporate a risk-based assessment mechanism for imports and exports. Further, stronger institutional cooperation would benefit to exporters. The issuance of Certificate of Origin (CO) is delayed as the Customs Department and the CCI sometimes have a difference approach in application of HS codes.

- **Plan of Action reference:** Activity 1.1.4

NATIONAL ENVIRONMENT

Frequent regulatory changes and lack of predictability and clarity in compliance with rules and requirements result in a challenging business environment. According to ITC's NTM (non-tariff measures) survey, the lack of

Companies have limited understanding and knowledge of market access requirements which limits their capacity to export successfully. Despite the proliferation of trade portals under different projects, companies still lack the necessary trade intelligence to make informed exporting and investment decisions.

First, the existing trade-related portals need consistency and harmonization under a country-wide trade intelligence service network to facilitate the navigation through these information channels.

Second, some essential sector – and market-specific analytics and requirements seem less developed. Issues such as SPS and TBT requirements are generally viewed as the biggest non-tariff barriers to trade. Comprehensive information on market requirements and access conditions is crucial, especially for SMEs with limited experience in exporting to foreign markets.

Third, companies do not appear to be well aware of the available resources, databases, and business intelligence repositories. Additionally, the use and understanding of some analytical tools integrated into the trade portals – such as ITC trade map or standards map – require some preparation and training to fully benefit from their intelligence.

- **Plan of Action reference:** Activity 2.1.2 – 2.2.2

The prevalent informality impacts foreign investors and negatively affects the development of export-oriented companies. Foreign investors find that high informality in business operations and lack of transparency in rules and regulations impede their activity and potential business expansion in the country. This is particularly visible in border formalities, however the lack of clarity and transparency is omnipresent in many areas of Vietnamese regulation – for example in the areas that relate to land and licensing.²⁰ While these issues affect all companies, the consequences for smaller and foreign companies seem to be disproportionate.

- **Plan of Action reference:** Activities 1.1.1, 1.2.1, and 1.2.2.

a stable and predictable operational framework affects many areas. For example, taxes imposed by different road transport authorities and certain charges applied by customs offices are not homogeneous across the

20.– One of the key challenges for the private sector is promoting integrity and consistency in the behavior of officials, administrative staff and border officers. A great disparity in income levels means that officers with a monthly salary of about 250\$ are often responsible for making decisions that will affect shipments worth millions of dollars each day. Coupled with the lack of clarity about rules and procedures, this creates incentives for a less than consistent decision-making process. The economic context and the lack of clarity around rules (i.e. scope for interpretation) should be addressed.



Links, T&G 9.jpg

country. The regulations and processes seem to be further complicated by the specificity of the sector. This appears particularly pronounced in the software development, where companies require additional support to understand and comply with tax regulations and practices.

- **Plan of Action reference:** Activity 1.1.5 and 1.2.1

The rapidly changing regulatory environment in the logistics industry burdens service providers and impacts the time and cost required to move goods across the border. According to ITC's NTM survey, the frequently issued circulars and updates to the existing legislation cause confusion and interruptions in the operation of freight forwarders and transport providers. For example, freight transport providers cannot take full advantage of the vehicle's performance because of the new requirements on the axle and total cargo load, set by circular 46/2015/TT-BGTVT. Restrictions related to hours of operations of the road network and terminal points change without prior notice, leading to delays for transport service providers and increasing operating costs.

- **Plan of Action reference:** Activity 1.1.4

The adaptation and implementation of international good practices for the functioning of national regulatory bodies would reduce an unnecessary burden to businesses. The bureaucratic processes appear excessively burdensome in Viet Nam. One example can be lengthy inspections and controls at the border caused by the involvement of multiple agencies, duplication of tasks and lack of modern risk-analysis procedures. Products can often get damaged during the process of border

inspections. Another example may refer to the time and number of documents required for the VCCI authorization for the Registered Exporter System (REX). Further, the lack of sufficient product regulation and product standards leads to a general lack of expertise on how to comply with the high technical requirements set by clients in partner countries.

- **Plan of Action reference:** Activity 1.1.2

More efficient procedures to obtain health certificates and related documents to comply with SPS rules would reduce the time needed to export perishable products.

According to ITC's NTM survey, obtaining health-related certificates for agricultural, fisheries and food products is a cumbersome process at the National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad). The Vietnamese Plant Protection Agency also has a lengthy procedure to issue the phytosanitary certificate. Unclear testing criteria and limited resources affect the compliance with national hygiene and safety standards, leading to delays in business operations and the use of informal payments to speed up procedures.

- **Plan of Action reference:** Activity 2.3.2

Export permits constrain exporters. Conducting export transactions for a limited number of products requires permits (for example minerals, animals, and cosmetics). These are especially costly for SMEs. It is also revealed that decisions on issuing permits seem to be made in a less structured and transparent manner.

- **Plan of Action reference:** Activities 1.1.3 and 1.1.4

Connect

The connect dimension has to do with the connectivity aspects of competitiveness. To be competitive, enterprises must link to customers, businesses, institutions, and be literate in information and communications

technologies. Critical factors constrain the ability of Viet Nam's export sector to connect and maintain commercial relationships.

Box 2: Competitiveness constraints at the whole economy level: Connect

Connect
<p>Firm capabilities</p> <ul style="list-style-type: none"> • The lack of cooperation amongst SMEs results in limited joint business ventures and hampers the development of local supply chains; • There are limited linkages among sectors to generate additional business opportunities; • The private sector lacks channels to communicate their interests via the Chambers of Commerce to impact government's policy; • Companies are lagging behind in using basic ICT tools to connect with customers and suppliers; • There is vague awareness about available trade support services among SMEs which prevents from further development of export activities.
<p>Business ecosystem</p> <ul style="list-style-type: none"> • The proliferation of trade databases and portals may lead to overlaps and confusion within the private sector; • The level of awareness about trade preferences remains low among companies, which leads to unrealized potential under the available trade agreements; • Business associations differ in terms of the quality of service provision, the extent of member representation, and the level of organisation across sectors and regions; • Companies receive insufficient guidance on the implementation of customs circulars and regulations, creating different interpretations throughout the system; • A limited scale of promotional activities results in low visibility of Vietnamese products and services in regional and international markets.
<p>National environment</p> <ul style="list-style-type: none"> • Customs and trade-related regulations are published without clear guidance and interpretation, leading to inconsistencies in implementation; • Lack of process harmonization and coordination between different ministries results into duplication of checks and controls, including at the border; • Complex visa requirements obstruct the entrance of foreign professionals and tourists to Viet Nam; • Lack of cooperation and dialogue between the private sector and the government translates into insufficient reflection of business needs in policy/strategy-setting.

FIRM CAPABILITIES

The lack of cooperation amongst SMEs results in limited joint business ventures and hampers the development of local supply chains. Cooperation between companies with complementary skills, products or services usually generates value-added, which could hardly be achieved on a stand-alone basis. Expanding potential for business development, business linkages and cooperation are particularly important in a country like Viet Nam, dominated by SMEs with limited financial, human and management capacity. To encourage cooperation between local companies, especially between large enterprises with small businesses, appropriate institutional, training and promotional actions need to be undertaken.

■ Plan of Action reference: Activities 1.2.3 and 2.2.2

There are limited linkages among sectors to generate additional business opportunities. Connecting companies in different industries, at different stages of supply chains, and of domestic and foreign ownership can create opportunities and lead to the development of new business opportunities. However, in Viet Nam, scarce inter-sectoral linkages limit opportunities for the transformation of the local economy. Growth in one sector does not translate into growth in related sectors. In addition, SMEs face difficulties in creating links with foreign companies in Viet Nam, including due to a technological and

business culture divide. Amongst other issues, according to the Global Competitiveness Report 2017-2018, this disconnection limits potential technological, knowledge, and business practice advancement.

- Plan of Action reference: Activities 1.2.3 and 3.2.1

The private sector lacks channels to communicate their interests via the Chambers of Commerce to impact government’s policy. Companies have a limited capacity to raise issues and advocate for matters that concern them. The VCCI, recognized as the representative of the business community, is a large, powerful organisation, capable of introducing initiatives and taking action. However, this organisation is a quasi-governmental body and, as a result, it is not fully able to position the private sector’s interests. Other business associations find it also challenging to represent and effectively advocate for the

interests of their members. Moreover, there is limited co-operation between business associations across industries, even if the issues affecting businesses that they represent might be similar.

- Plan of Action reference: Activity 1.2.5

Companies are lagging behind in using basic ICT tools to connect with customers and suppliers. In the digital era, investment in e-tools and skills are indispensable for businesses to connect with actual and potential customers/suppliers. Company e-mails and websites are digital “business cards» and most common tools for communication with business partners. The digital presence allows to increase business outreach, enabling companies to connect directly with international clients, and build brand awareness and visibility.

Figure 32: Viet Nam profile: SME Competitiveness Outlook 2019



Add a legend, explaining what correspond to small, medium, and large companies.

The utilisation of emails and websites in Viet Nam is above average – with the use of emails being much higher than websites.²¹ However, there are significant differences in the level of utilisation between small, medium and large companies. As shown in Figure 30, small companies struggle to keep up with the utilisation of both emails and websites. The improvement of digital

and language skills could enable companies to realize potential for export development in the digital space. Additionally, marketing and branding skills would contribute to the promotional activities of SMEs, in particular by reaching distant clients in foreign markets.

- Plan of Action reference: Activities 1.3.1 and 1.3.2

21.– SME Competitiveness Outlook 2019, International Trade Centre

There is vague awareness among SMEs about available trade support services which prevents from further development of export activities. There are already established business support services in Viet Nam– whether as online tools, databases and portals or direct support offered by business associations, Chambers of

Commerce and the government. However, these services seem underutilised as SMEs are often not aware of their availability, types, or service provider.

- Plan of Action reference: Activities 1.2.1

BUSINESS ECOSYSTEM

The proliferation of trade databases and portals, with overlapping functions, may lead to unintended confusion within the private sector. A well-developed, coherent, and harmonized trade intelligence service network is an essential facilitator of business operations and development. Currently, there are several trade portals and tools, already available or in progress²² for existing and potential exporting/importing companies. Some of them were created to fulfil international obligations, such as

those under the ASEAN framework. Developed by different institutions, these tools seem to feature duplicated functions and significant information overlaps, which may lead to uncertainty and differences in interpretation. This unintended complexity, coupled with a limited online support offered by website administrators, adds to a low level of the utilization of trade information services.

- Plan of Action reference: Activities 1.2.1 and 2.1.2

Box 3: Towards a harmonized and consistent trade intelligence network in Viet Nam

There are three main trade portals that have been developed and updated recently. The potential benefits of these portals include reduction of time and costs to search for export and import-related information, enhanced transparency and predictability of trade procedures, and strengthened public-private dialogue.

1. Vietnam Trade Information Portal: <https://www.vietnamtradeportal.gov.vn/>

VTIP provides information on tariffs, legal documents and procedures related to export, import and

transit in Viet Nam. The narrative explains the process from registration, licensing to actual

customs procedures, with identification of relevant external links.

2. Info Viet-Trade Portal: <https://infoviettrade.vn/>

This Portal is an online platform providing step-by-step description of import and export procedures from the trader's point of view. The Portal is intended as a one-stop-shop providing useful, clear, precise and up-to-date information on trade procedures and documents in an easily accessible manner.

In addition, the Portal integrates a suite of trade and market-relevant analytical tools such as ITC-established databases and repositories.

3. Free Trade Agreement Portal: <https://fta.moit.gov.vn/>

FTAP provides smart online lookup tools for interested audiences about commitments of all FTAs to which Viet Nam participates, including commitments on taxes, rules of origin, services and investment, as well as other essential information for business processes such as the situation market, import and export regulations, sustainable development etc.

It is essential to ensure the harmonization and consolidation of the provided trade-related information under a country-wide trade intelligence network. A well-curated content builds clarity and predictability of business operations, adds value with refined trade statistics and market information, and responds to firms' enquiries. In addition to user-friendly, informative "front-end" trade portals, the system requires strong "back-end" processes, including good coordination between governmental bodies, systematic update, maintenance, and administration of quality information, a responsive enquiry management system.

Further, the trade intelligence network could enable a smooth user-experience with integration of interactive options, capacity building, and promotion activities. A formalized enquiry response service facilitates the methodical capture of trade enquiries and dissemination of relevant trade information in a timely manner. The organization of capacity building on trade and market analysis for trade professionals and companies would also increase the benefits of existing service. At the same time, promotion activities – through different platforms and communication channels – would reach wider audience and ensure higher utilization of provided information.

22.– A new trade intelligence tool is being developed in partnership with the British cooperation.

The level of awareness about trade preferences remains low among companies, which leads to unrealized potential under the available trade agreements. Viet Nam has an extensive network of trade agreements, bilateral, regional and international. Yet companies are not sufficiently aware of the preferences and opportunities, provided under the existing trade agreements. As such, the benefits of these agreements, particularly for SMEs, stay largely unexplored. Lack of knowledge does not only prevent the local companies from developing export-oriented product strategies, but also impedes the design of national export policies and marketing campaigns.

- Plan of Action reference: Activity 2.1.2

Business associations differ in terms of the quality of service provision, the extent of member representation, and the level of organisation across sectors and regions. Business associations play an important part in supporting the private sector, in particular SMEs. Their support covers daily business operations, trade-related rules and regulations as well as the representation of industry's interests in domestic trade policy formulation. While in some sectors – for example coffee – the associations are well-organised and active in advocating for the interests of their member companies, in others – e.g. many representing the fresh produce sectors – they are less vocal. In addition, there are significant differences in the way such business associations function at the national and regional level.

- Plan of Action reference: Activity 1.1.3

Companies receive insufficient guidance on the implementation of customs circulars and regulations, creating different interpretations throughout the system.

NATIONAL ENVIRONMENT

Customs and trade-related regulations are published without clear guidance and interpretation, leading to inconsistencies in implementation. Companies and service providers are struggling to keep up with regulatory updates. In addition, ongoing developments are not accompanied with efficient awareness raising campaigns and clarifications, which result into inconsistent application by responsible agencies and institutions. As a prominent example, there is limited predictability related to the time required for border clearance as well as the need in manual verification. A clear interpretation and implementation guidance on laws and regulations will save time and resources for businesses. The introduction of e-procedures and e-customs services will facilitate cross-border trade flows.

- Plan of Action reference: Activity 1.1.4

According to the 2020 ITC's NTM survey, the lack of clarity and harmonization with the new customs circular 39/2018/TT-BTC (addressing the issues with tax and customs procedures under circular 38/2015/nd-cp), leads to inconsistencies in its application across customs offices in different provinces. Inefficiencies, such as manual verification, create an inadequate implementation of the new eCustoms system. The interpretation and implementation of fire prevention and fighting law (27/2001/QH10) create excessive paperwork and delays. Unclear testing criteria and limited resources affect the compliance with national hygiene and safety standards, leading to delays in business operations and the use of informal payments to speed up procedures. The Certificate of Origin (CO) issuance is delayed as the Customs Department and the Chamber of Commerce sometimes do not agree on the HS code.

- Plan of Action reference: Activity 1.1.4

A limited scale of promotional activities results in low visibility of Vietnamese products and services at regional and international markets. Local businesses have not established a strong international presence and visibility. Companies – SMEs in particular – are often limited in skills (digital, language, marketing, etc) and resources to effectively promote their goods and services. This gap is further widened by the lack of national-level promotional activities. A distinctive national brand, promotional campaigns, facilitation of company's participation in domestic and international fairs, organisation of trade missions, business outreach through trade representations overseas – these are constituent parts of a national trade promotion strategy.

- Plan of Action reference: Activity 2.2.1 – 2.2.3

The lack of process harmonization and coordination between different ministries results into duplication of checks and controls, including at the border. There is a need for mutual recognition of procedures across different ministries in Viet Nam. At present, government bodies and agencies demand parallel checks, permits and documents for some products. The lack of recognition leads to duplication of effort at different stages of export process, including at the border where checks are conducted separately by each department involved.

- Plan of Action reference: Activity 1.1.5

The complex visa requirements obstruct the entrance of foreign professionals and tourists to Viet Nam. According to ITC's NTM survey, the current tourist visa exemption programme appears insufficient. The limited coverage,

paperwork required, capacity to process the applications in peak season and issues in obtaining a visa extension affect tourism services providers. In addition, visa requirements imposed by the Vietnamese immigration office on foreign IT experts seem excessively demanding and not adapted to the reality of the ICT sector. The introduction of e-visa for 70 countries, recently discussed, has been shifted a later date. An assessment of possible visa process simplifications could be implemented, in close cooperation with the private sector, to tailor solutions to pressing needs.

- **Plan of Action reference:** Activity 3.1.1

Lack of cooperation and dialogue between the private sector and the government translates into insufficient reflection of business needs in policy/strategy-setting. Public-private dialogue (PPD) mechanisms enable companies to involve into a constructive information exchange with decision makers and raise their concerns and needs. Input from the private sector allows

the government to elaborate relevant policies, addressing real limitations, introduce reforms to strengthen the business environment, as well as develop the country's position for trade negotiations.

However, building an effective and continuous PPD mechanism takes time and requires effort from both sides. Viet Nam requires a more structured approach to build a well-functioning system, involving the public and private sectors. There are frequent, yet rather ad-hoc consultations between customs authorities and the private sector within the VBF or Chambers of Commerce. Workshops and consultations are organized when a change is about to be introduced. However, there are already some initiatives, such as the one implemented by the USAID programme, to systematically collect concerns from the private sector. Further efforts in this direction would contribute to the formulation of more targeted trade actions and solutions.

- **Plan of Action reference:** Activity 1.2.5

Change

Change is the dynamic dimension of competitiveness. It assesses whether enterprises have the capacity to make human and financial investments and to adapt to

fast-changing markets. Viet Nams' export sector currently has a limited capacity to innovate and to tap into emerging trends and markets.

Box 4: Competitiveness constraints at the whole economy level: Change

Change, innovate and tap into emerging trends

Firm capabilities

- Limited access to loans for SMEs impedes business development, including export potential;
- The level of technology and companies' R&D capacity affects product and process innovation;
- Business administration and managerial skills impact the reactivity and business operations of firms.

Business ecosystem

- An emerging innovation ecosystem requires more dynamic and responsive support to efficiently generate successful start-ups.
- Vietnamese certificates are not recognised by many trading partners; the absence of local certification bodies translates into higher costs and time to streamline export process.

National environment

- The R&D sector appears rather small to have a positive impact on the level of domestic innovation;
- The current legal and technological framework for the digital economy limits the adoption of new technologies;
- Climate change is an ongoing threat to the economy;
- The youth appear to be disproportionately affected by unemployment;
- The gender gap has been reduced, although it is still quite significant in terms of economic participation;
- Doing business process constrain further attraction of foreign investors and development of domestic companies.

FIRM CAPABILITIES

Limited access to loans for SMEs impedes business development, including export potential. While Viet Nam ranked quite high in terms of access to credit in the WB Doing Business ranking, access to finance and credit remains an issue for SMEs. This is particularly relevant in light of the Covid pandemic, with many businesses in need of additional sources of financing. Traditionally SMEs are financed in informal ways – for example, via borrowing from family and friends. External sources of business financing are not popular amongst SMEs, possibly indicating limitations of the financial sector whose current offer does not reflect the needs of the private sector. The 2017-2018 WEF Survey listed the soundness of banks as one of the key issues in this area.²³

- **Plan of Action reference:** Activity 1.1.2 and 1.2.2

The level of technology and companies' R&D capacity affects product and process innovation. Viet Nam was ranked 79 out of 137 in the overall technology readiness, featuring 112th for the availability of the latest technologies and 93rd in firm-level technology absorption in the Global Competitiveness Report 2017-2018. Other prominent issues include broadband and mobile internet usage.

BUSINESS ECOSYSTEM

An emerging innovation ecosystem requires more dynamic and responsive support to efficiently generate successful start-ups. A well-functioning system for innovation is normally a result of a coordinated and collaborative action of multiple interconnected actors. It creates favourable conditions – including hard and soft infrastructure, education, network, incentive programmes – and encourages innovative mindset to generate and implement ideas with transformative impact. At present, the business incubation system and related services in Viet Nam are at its nascent stage. Further, the links between principal actors: the universities, the government and business – are not sufficiently developed to promote innovation. A low level of cooperation is also observed with international innovation centres that could spur a transfer of know-how and capital. The current innovation ecosystem limit companies in the development of innovative products and services.

The factors affecting the Vietnamese innovation system include the structure of the local economy – dominated by low-skill and labour-intensive sectors, the weak financial situation of companies, limited research at the firm level and lack of skills and experience. In addition, insufficient cooperation between universities and business further limits R&D activities.

- **Plan of Action reference:** Activity 1.1.6 and 3.1.1

Business administration and managerial skills impact the reactivity and business operations of firms. The quality of management schools in Viet Nam puts the country at 120th place out of 137.²⁴ The limited number of employees with comprehensive managerial skills results in efficiency of business management practices, the lack of business strategy, the informality of doing business, etc. Given limitations in high-quality training programmes and financial resources for continuous professional development, on-the-job training remains the most common method for people to improve their skills. An incentive programme for employers to encourage staff training could address pressing issues.

- **Plan of Action reference:** Activity 2.2.2

- **Plan of Action reference:** Activities 1.1.6

Vietnamese certificates are not recognised by many trading partners; the absence of local certification bodies translates into higher costs and time to streamline export process. Export certificates are commonly used for products to demonstrate its compliance with the applicable standards of the destination country. The certifications from Vietnamese-based laboratories²⁵, providing services of food and environment testing, are not easily accepted by partner countries.²⁶ With a limited certification capacity in Viet Nam, the expertise of external organisations is often required, which require additional resources from existing and potential exporters.

- **Plan of Action reference:** Activity 2.3.2

23.– The Global Competitiveness Report 2017-2018, World Economic Forum, available here: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>

24.– The Global Competitiveness Report 2017-2018, World Economic Forum, available here: <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>

25.– Such laboratories include, for example, Eurofins or the Quality Assurance and Testing Centre in Vietnam.

26.– ITC NTM's Survey 2020

NATIONAL ENVIRONMENT

The R&D sector appears rather small to have a positive impact on the level of domestic innovation. Companies do not consider R&D as an essential part of their development; they rarely invest (or rarely could afford to invest) in R&D. The situation is further exacerbated by a low level of cooperation between universities and businesses. Moreover, foreign direct investments located in Viet Nam – as a potential source of innovation, technologies, and skills – seldom contain R&D facilities or involve in innovation activities. Additional, national-level efforts to strengthen domestic innovation and boost R&D activity should be considered.

- Plan of Action reference: Activities 1.1.6

The current legal and technological framework for the digital economy limits the adoption of new technologies.

Transformation towards the digital economy has the potential to significantly impact Viet Nam's economy and companies' ability to compete and reach new markets. There are some foundational prerequisites that must be in place to increase the technological level of local firms, such as affordable access to a stable Internet connection. The slow development of ICT infrastructure significantly impedes the development of innovative sectors and the application of export-oriented e-solutions within companies. The improvement in necessary infrastructure should be coupled with a relevant legislative framework in areas such as data protection, cybersecurity, e-commerce, digital finance, competition, or intellectual property legislation.

- Plan of Action reference: Activities 1.3.1 and 1.3.2

Climate change is an ongoing threat to the economy.

According to the 2018 Report by the Intergovernmental Panel on Climate Change,²⁷ Viet Nam is one of the nine countries that is particularly susceptible to the risk of climate change. This results from a diverse geography and the location of the towns and villages along the coastline. Climate change and the ensuing extreme weather conditions, like tropical storms and typhoons, landslides and flooding, pose a serious threat to the local economy. Agriculture is especially vulnerable to such changes. Deterioration of natural conditions combined with the dominance of low-skill subsistence agriculture will require immense financial and technological investment/upgrade.

- Plan of Action reference: Activities 4.3.1

The youth appear to be disproportionately affected by unemployment. Youth unemployment reached 7.23% in 2020, in comparison to the overall unemployment rate of 2%, as discussed in Chapter 1. In addition, young people are also often employed on informal, non-permanent contracts. Their wages are generally lower than the wages of other employees. Some issues refer to skills gap and access to affordable education. There is further a mismatch between labour market needs and skills obtained from formal education and vocational training.

- Plan of Action reference: Activities 4.1.1

The gender gap has been reduced, but it is still quite significant in terms of economic participation.

Viet Nam was placed 87th out of 156 countries in the 2021 WEF Global Gender Gap Report.²⁸ Viet Nam scored 26th under the category “economic participation and opportunity». It captures the difference between women and men in labour force participation, remuneration gap, the ratio of women to men among legislators, senior officials, managers, technical and professional workers. However, according to the ITC NTM survey, 74% of Vietnamese companies are both owned and managed by men. Enabling more inclusive participation in trade will create additional economic opportunities for women's well-being, creating new jobs, enhancing consumer choice, and increasing women's bargaining power.

- Plan of Action reference: Activity 4.1.1

Doing business process constrains further attraction of foreign investors and development of domestic companies.

Viet Nam was ranked 71st out of 192 in the overall ease of doing business category of the 2020 WB Doing Business framework. The results were not consistent across all categories. Viet Nam performed well in dealing with construction permits (25), getting credit (25) or getting electricity (27). At the same time, the country was placed down the list for other factors: 122nd in resolving insolvency, 109th in paying taxes, 104th in trading across the border, 115th in starting a business²⁹. This indicates that there is significant room for improvement in terms of the domestic business environment and attracting foreign investors.

- Plan of Action reference: Activity 3.2.1

27.– Global Warming of 1.5°C, Intergovernmental Panel on Climate Change, 2018, Available here: <https://www.ipcc.ch/sr15/>

28.– World Economic Forum, 2021, available here: http://www3.weforum.org/docs/WEF_GGGR_2021.pdf

29.– World Bank, Doing Business ranking, available here: <https://www.doingbusiness.org/en/rankings>



Photo: Links. EEM 1.jpg

The way forward

This section is based on the comprehensive analysis of key aspects of Viet Nam’s socio-economic development: trade performance, national economy, innovation, and investment framework, institutional landscape, development plans, and its competitiveness factors. The

“way forward» lays down the strategic framework of the roadmap, comprising the vision statement, the strategic and operational objectives, a selection of priority sectors and cross-sector functions, as well as the Plan of Action (PoA).

Vision and strategic objectives

To guide the implementation of the roadmap in the next five years, the vision statement set out below has been formulated and agreed upon by stakeholders who participated in the consultations for the design of this roadmap.³⁰ It represents the ambitions of the country as well

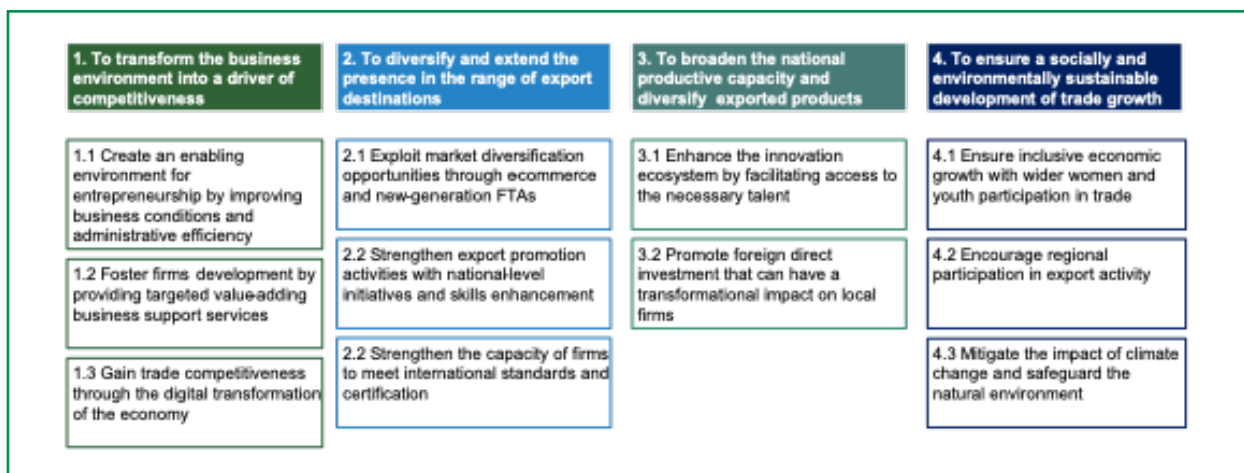
as a consensus among stakeholders over the role of exports in the economy today and in the near future.

The following is a delineation of the proposed vision and strategic approach in this direction, agreed with the relevant national trade stakeholders in Viet Nam.

“ Catalysing Trade, Inspiring Innovation: The Leap towards Viet Nam’s High-Income Horizon. ”

To realize the vision statement, strategic objectives have been formulated to guide the implementation of the Roadmap in the four strategic areas. The four strategic objectives are as follows:

Figure 33: Way forward at the national level



30.– These consultations took place online between September 2020 to March 2021.

1. TO TRANSFORM THE BUSINESS ENVIRONMENT INTO A DRIVER OF COMPETITIVENESS.

The quality of the business ecosystem is central to the development of competitive firms. A well-functioning business ecosystem eases the effort for entrepreneurs and investors and boosts their competitiveness by lowering their costs.

The aim of this strategic objective is to create a business environment that can become a transformative force to drive export development. The support should focus on building and strengthening firms' capacity to innovate, to participate in e-commerce, to advance the digital economy, to connect with multinational corporations, to improve the quality of their products, to increase their efficiency, and to raise the value-added embedded in their products.

To move forward, Viet Nam should strengthen further the capacity of trade support institutions to provide affordable, yet relevant high-quality services to the firms. Addressing the external factors of firms' competitiveness is paramount. These include simplifying and streamlining customs procedures, aligning the education system to the industry needs, and fostering entrepreneurship to successfully realize business ideas.

At the operational level, there are the following sub-objectives:

- **Create an enabling environment for entrepreneurship by improving business conditions and administrative efficiency.** This objective aims at the simplification of regulations and procedures required to set up and effectively run a business with international exposure. Good governance, institutional coordination, coupled with removing barriers and excessive regulations and processes, is a priority. The way forward involves improving the customer orientation of business support services, sensitizing policymakers and finance providers on trade issues, streamline customs procedures, harmonize trade-related rules and regulations

across the country, and increase the use of electronic means in customs.

- **Foster firms' development by providing targeted value-adding business support services.** This operational objective focuses on improving the quality and availability of trade support services for enterprises. A coherent range of services, offered by trade support institutions, can make a difference for export activity of SMEs, in particular in areas such as trade finance, certification, and testing. The business community will also benefit from support in practical considerations to identify foreign demand and adapt products/services accordingly. The way forward involves the development of a coordinated network of institutions – including public-private sector dialogues – that can provide effective, value-adding and affordable services along the entire value chain, and export transaction. Encouraging closer links between companies within and across industries is also essential to establish stable local supply chains.
- **Gain trade competitiveness through the digital transformation of the economy.** This objective aims to promote digital development in the public and private sector. The firm-level digital transformation can boost competitiveness by lowering production costs and ensuring a better product adaptation to the needs of consumers. The public sector can support the digital advancements by facilitating access to necessary infrastructure, providing relevant tailor-made affordable services, and creating a conducive legislation. Data, as a fundamental feature of the digital economy, should be at the core of trade-related decision-making. The way forward involves ensuring the collection and dissemination of relevant data for policymakers, investors, and businesses to ensure an effective evidence-based decision-making. Stimulating entrepreneurship and innovation among the youth is an important consideration of this operational objective.

2. TO DIVERSIFY AND EXTEND THE PRESENCE IN THE RANGE OF EXPORT DESTINATIONS.

Currently, Vietnamese exporters rely on a relatively limited number of markets, which pose a risk for stability and sustainability of export activities. Viet Nam's 10 largest export markets account for nearly 69% of total exports. Similarly, the 10 largest import markets currently account for 75% of total import turnover. The entry to new markets, coupled with the expansion of export share in already existing market destinations, will strengthen Viet Nam's position in international trade.

This objective targets awareness raising about existing sector/market opportunities, capacity building of exporters on trade/market analysis, exploring the potential of global supply and value chain opportunities and preferences, provided by international commitments and new-generation FTAs.

At the operational level, there are the following sub-objectives:

- **Exploit market diversification opportunities through e-commerce and new-generation FTAs.** This operational objective aims to make exporters aware of opportunities, offered by technologies, available trade intelligence, and a network of existing trade agreements. Innovation in information and communication technologies have lowered the costs of penetrating new markets. E-commerce has a crucial role in reaching new clients and diversifying export destinations.
- **Strengthen export promotion activities with proactive national-level initiatives and skills enhancement.** This operational objective focuses on a proactive promotion of existing Vietnamese products into new destinations and the provision of substantive support to local firms throughout all the stages of new market penetration. In this context, it is crucial to increase business and managerial skills as well as facilitate contacts with potential international buyers. The training dimension targets the skills, knowledge, and competencies required to succeed in international markets.
- **Strengthen the capacity of firms to meet international standards and certification.** This operational objective is aimed at ensuring that Vietnamese companies are aware of certification requirements of target destination markets and enabled to obtain relevant support. Standards are generally known as one of the most prominent non-tariff barriers to trade worldwide. The awareness about internationally recognised or private product standards is a significant factor in assessing feasibility and commercial viability of export activities.

3. TO BROADEN THE NATIONAL PRODUCTIVE CAPACITY AND DIVERSIFY THE RANGE OF EXPORTED PRODUCTS.

Viet Nam's export basket is concentrated on a handful of products. The country's 10 largest export products account for nearly three quarters of total export turnover. As a result, export revenue is highly susceptible to disruptions affecting these products. Hence, this objective aims at generating a large-scale transformation of the export basket.

Policy action should be geared to raise competitiveness at the enterprise level. Expanding the national productive capacity ultimately hinges on the enterprises' capacity to effectively undertake new tasks and projects. This includes strengthening the enterprise agility and responsiveness to the changes in their environment, facilitating access to necessary inputs to innovate and pilot new product ideas, and exposing entrepreneurs to competitive international firms.

The emphasis of this objective is placed on the internal factors that affect the competitiveness of the firms. The proposed way forward involves direct support to enterprises and attracting selective knowledge-enhancing foreign investment. Creating linkages between domestic firms and foreign productive investors could contribute to knowledge spillovers, technological upgrade, and business practice development.

At the operational level, there are the following sub-objectives:

- **Enhance the innovation ecosystem by facilitating access to the necessary talent.** The availability of high-quality skills is a prerequisite for innovation. The activities under this section intend to create the right legal and financial framework to streamline access to world-level talent pool and knowledge. Further, fostering collaboration between three categories of actors – the government, academia, and business – is foundational to match the skills needs of business.
- **Promote foreign direct investments that can have a transformational impact on local firms.** Foreign direct investment (FDI), collectively, possesses all the value chain activities, investment capital, skills, technology, and international market connectivity to which a country might aspire. In the context of trade, FDI could be a tool to address technological, operational, and skills upgrade as well as a driver to fast-track implementation of strategic reforms. Targeted actions are required to enable positive spillovers effects and quality contribution to the economic development.

4. TO ENSURE THE SOCIALLY AND ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT OF TRADE GROWTH.

This strategic objective focuses on environmental sustainability and inclusive growth, providing a level playing field across regions and industries. Improving export competitiveness should go hand-in-hand with socio-economic development, enabling and economically

empowering the country's population. Ensuring that the benefits of export-led growth reach a wider share of population is a crucial component of this strategy.

Further, trade growth should be considered in the context of environmental sustainability. It is important to ensure that the increase in trade and economic activity does not compromise the environment for future generations. Today's growth cannot happen at the expense of tomorrow's development opportunities. Future growth depends on the preservation and rejuvenation of resources.

At the operational level, the following sub-objectives have been defined:

- **Ensure socially inclusive economic growth with wider women and youth participation in trade.** Inclusiveness is fundamental to achieve a reasonable distribution of the benefits from trade among different segments of the Vietnamese population. This operational objective is designed to promote and contribute to social goals such as hunger eradication, poverty reduction, employment generation, economic empowerment, and social justice;

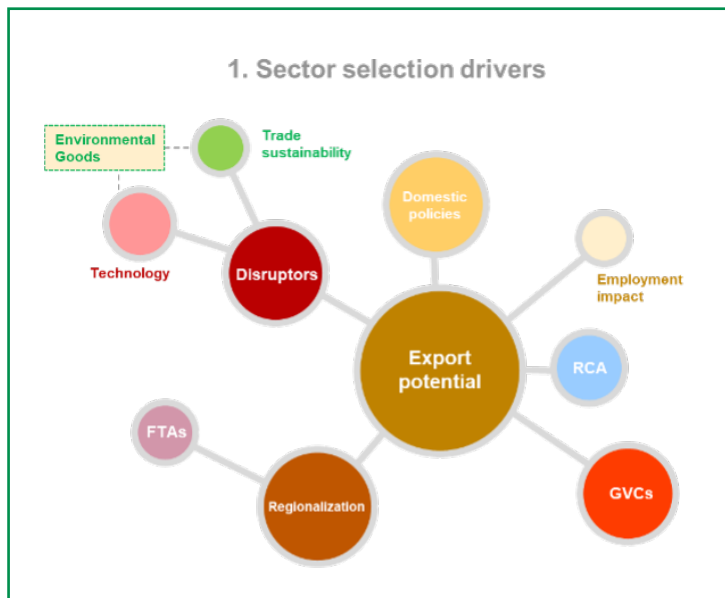
- **Encourage regional participation in export activity.** Socio-economic differences among the different provinces intensify the agglomeration of economic activity around the main cities and can hinder the development of the domestic market. Hence, it is important to unlock and stimulate business potential of regions beyond the main economic clusters, connecting communities to value chains;

- **Mitigate the impact of climate change and safeguard the natural environment.**

The objective is tailored to integrate the sustainable development perspective into trade practices, while maintaining the focus on demand-led initiatives. This perspective evokes a range of topics, including sustainability of sourcing and business practices, green technologies, and related incentives, defining the role of trade in climate change mitigation and adaptation.

Sector priorities

INTRODUCTION AND APPROACH



Focusing on particular sectors and sub-sectors allows to focus limited resources and efforts on the most commercially viable options to contribute significantly to the Roadmap's objectives. This section presents the approach taken to identify such sectors and targeted sub-sectors.

The analysis covers sector-specific issues and potential cross-cutting factors that affect all or most export sectors. Exports, as parts of global value chains, (GVCs) have been increasing in importance in recent years, and these now account for more than half³¹ of Vietnamese goods exports. The positioning of key export sectors in GVCs as well as potential for increasing added value in

31.– Measured by total of forward and backward participation, OECD TiVA database

the medium-term are important considerations. In this context, cross-sectoral functions, such as digitization, automation, and trade sustainability have the potential to both impede and strengthen export competitiveness.

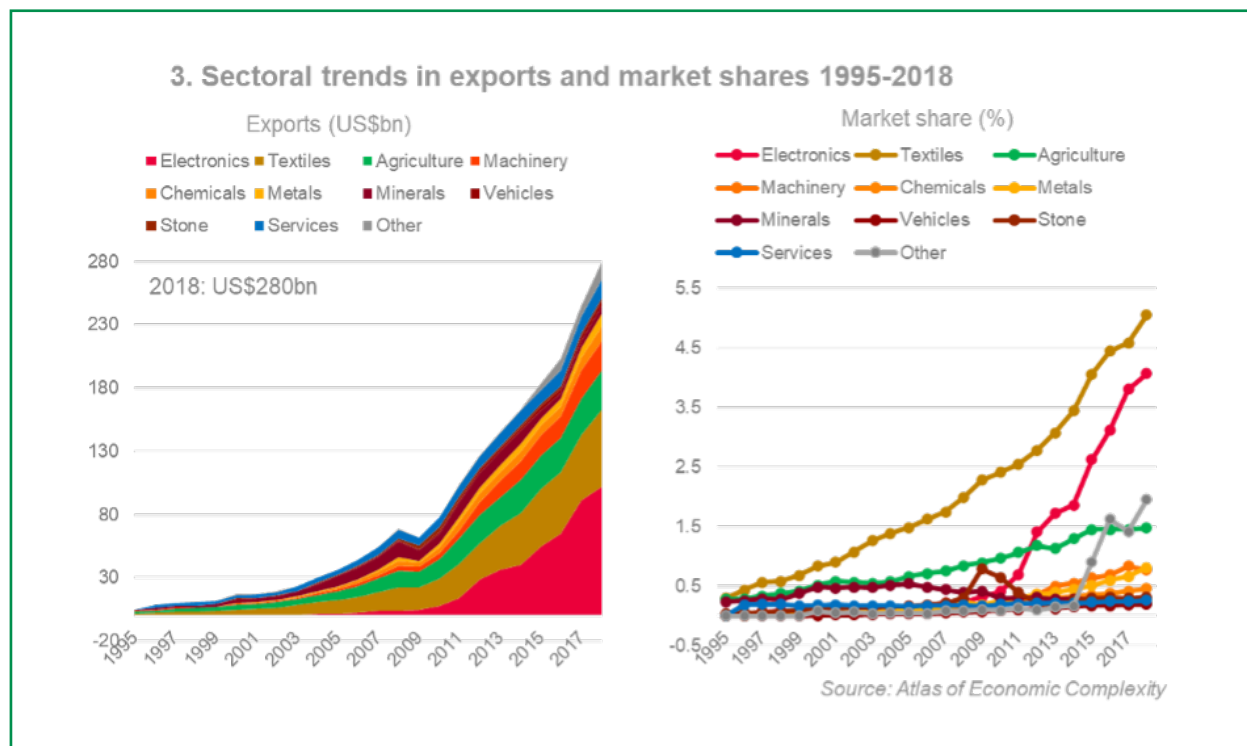
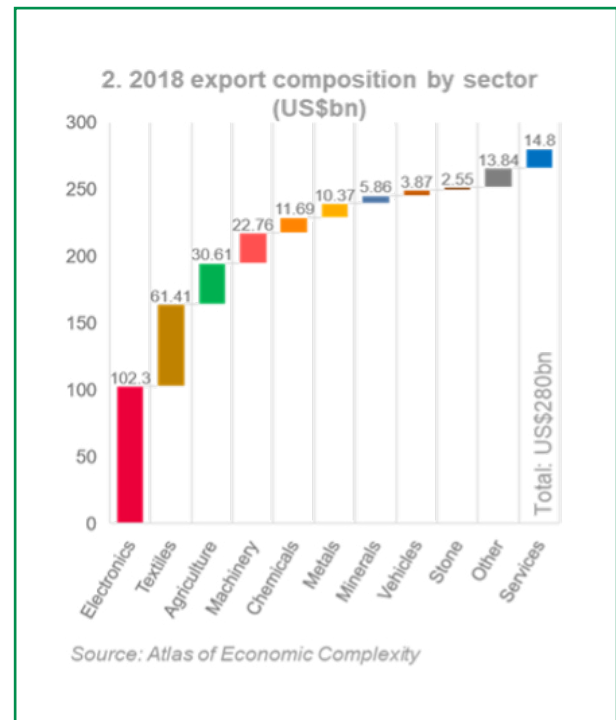
The focus of the Roadmap is on goods, although, as highlighted later, services are increasingly embedded as components of goods GVCs. Environmental goods (EGs) present an opportunity arising from increased focus on climate change and high technology in exports.

CURRENT EXPORT PERFORMANCE OF KEY SECTORS

Viet Nam’s total exports in 2018 were US\$280bn, of which end-delivered services constituted US\$15bn (5%).

The three sectors: electronics, textile, and agriculture – account for almost 70% of the Vietnamese export of goods. In particular, the electronic and electrical machinery and equipment, comprises a significant (36%) share of exports. Apparel (US\$25.7bn) and footwear (US\$19bn) account for 73% of textiles exports. The other significant component of textiles exports is furniture (US\$8bn, 13%). The three main components of agricultural exports are: fish (US\$4.9bn, 16%); coffee, tea and spices (US\$3.9bn, 13%); and fruits and nuts (US\$3.9bn, 13%).³²

In addition to the current export position of the various sectors, recent trends in export volumes and market shares reinforce the importance of these sectors.



32.– <https://atlas.cid.harvard.edu/explore?country=239&product=undefined&year=2018&productClass=HS&target=Product&partner=undefined&nodeSizing=None&startYear=undefined>

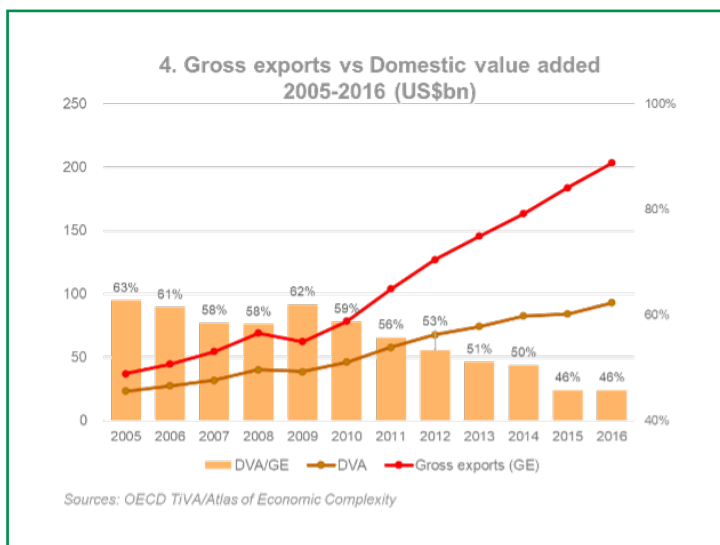
Between 2010 and 2018, the three export-leading sectors of electronics, textiles and agriculture saw volume growths of 1,256%, 183% and 99% respectively. The services saw an increase of 99%. Other sectors such as metals and machinery were on rise with respective 259% and 351%, albeit from very low bases. Minerals and stones experienced the downward trend. Within the leading sub-sectors, footwear, apparel, and coffee/tea increased by 225%, 182% and 60% respectively over the same period.³³

A similar narrative holds with respect to global export market shares in the key sectors. Between 2010 and 2018, the share of electronics increased significantly, from 0.4% to over 4%. Over the same period global export shares of textiles grew from 2.4% to over 5%, and the agriculture export expanded from less than 1% to almost 1.5%. However, although it increased in absolute terms, the share of agricultural exports (aquaculture, rice, vegetables and fruit, and coffee) decreased from over 20% in 1997 to about 10% in 2017. All of the other export sectors have market shares of less than 1%, with services at 0.26%.³⁴ Exports from labour-intensive value chains like leather and footwear and textile and garment,

on the other hand, maintained their share in total exports (around 10% percent from leather and footwear and about 20% percent from textile and garment).

Viet Nam is the world's fourth largest apparel exporter, third largest exporter of shoes and handbags and largest exporter of Robusta coffee. The foreign direct investment (FDI) plays an important role in these value chains' export, accounting for 60% of textile and garment exports, 70% of leather and footwear exports, and almost 100% of electronics exports.

Two particular features of Viet Nam's exports should be noted. Firstly, while the proportion of exports that are part of GVCs has increased (see Section 9), the share of value that is added to exports domestically has fallen steadily. As Chart 4 highlights, domestic value added (DVA) now accounts for less than half of the value of exports. Secondly, in key sub-sectors such as apparel, footwear, furniture, agro-processed produce and coffee, Viet Nam's exports are targeted at the lower cost/quality segments of the respective markets, so the unit cost of exports is relatively low. Both factors represent significant opportunities to capture greater gains from these sectors.



The top three sectors by export volume: electronics, textiles and agriculture account for 70% of exports and have also demonstrated among the highest growth rates and increases in recent years. Within the textiles sector, the footwear and apparel sub-sectors have grown most rapidly. Outside the top three sectors, the machinery sector has relatively high export volumes and has also been growing rapidly. The current relatively low DVA and low quality/cost positioning of key textiles and agricultural sector exports offers a significant opportunity to increase value of exports, beyond increasing volumes.

33.– <https://atlas.cid.harvard.edu/explore/stack?country=239&year=2018&startYear=2010&productClass=HS&product=undefined&target=Product&partner=undefined>

34.– <https://atlas.cid.harvard.edu/explore/market?country=239&product=undefined&year=2018&productClass=HS&target=Product&partner=undefined&startYear=2010>

SECTOR EXPORT POTENTIAL

The ITC Export Potential Indicator (EPI) estimates the potential for countries to export particular products or groups of products globally or to targeted regions or countries, based on supply, demand and ease of trade (see Box 1 for an overview and Annex 1 for details of the export potential methodology). The tool assesses the total potential for exports, from which actual exports are deducted to calculate the unrealised potential.

ITC EPI analysis³⁵ suggests Viet Nam's total export potential in goods is an estimated US\$427bn, of which US\$220bn currently remains unrealised. At the sector level, electronics represents the largest unrealised potential for exports at US\$76.7bn (reflecting 35% of total untapped potential), followed by agriculture (12%),

textiles (11%, almost entirely comprised of Apparel) and footwear (10%). Together these four sectors or sub-sectors account for 68% of Viet Nam's unrealised export potential for goods. As highlighted in Section 2, these four sectors with the highest export potential have also demonstrated the highest growth in recent years. Environmental goods represent 6% of untapped export potential and is explored further in Section 12.

Annex 2 lists the individual products, which together account for 54% of the total unrealised export potential. Within each of the top four sectors, the top product with unrealised export potential is: a) electronics: telephone sets and parts; b) agriculture: coffee; c) textiles: jerseys; and d) footwear: sports footwear.

Box 5: ITC Export Potential Indicator

The EPI aims to support established export sectors in increasing their exports to existing and new markets. Inspired by a gravity-type framework, the EPI identifies products in which the exporting country has already proven to be internationally competitive and which have good prospects of export success in a given target market. It combines data related to trade flows, tariffs, land endowment, sea access, distances to market, price elasticities, GDP and population. Broad categories of data included in EPI calculations include:

- **Market share:** world market share; world tariff preference; X/M ratios; relative expected growth of exporter GDP
- **Ease of trade:** bilateral trade corrected to account for complementarity of supply and demand.
- **Market access:** market access; tariff preference in target market and product-specific sensitivity to distance.
- **Demand:** demand in value; estimated import demand resulting from expected GDP per capita growth.

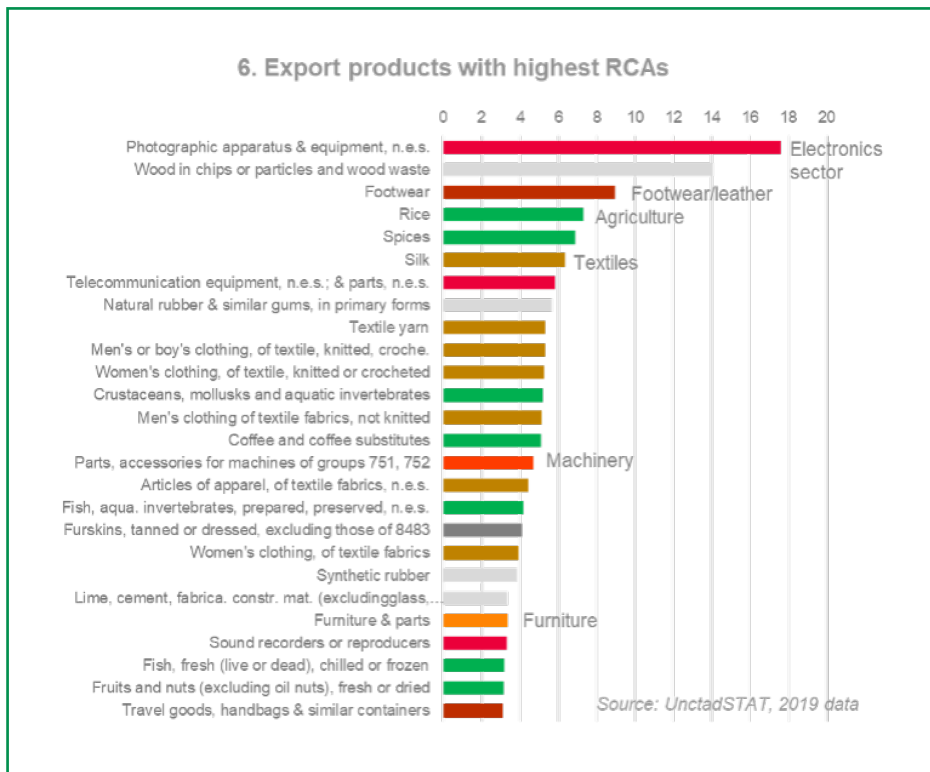
EPI analysis suggests that there is latent demand to satisfy an estimated additional US\$220bn (almost 80% of 2019 exports) of Vietnamese goods exports. The top five sectors or sub-sectors: electronics, agriculture, apparel, footwear and environmental goods account for almost 75% of this unrealised potential.

REVEALED COMPARATIVE ADVANTAGE

The RCA of a country's export of a particular product seeks to highlight the relative competitive advantage the country has in exporting that product. It is defined as the ratio of the share of a country's total exports of the product in its total exports, to the share of world exports of the same commodity in total world exports. A country is

deemed to have a comparative advantage in exporting a product if the latter's RCA is more than one.

35.– The export potential results in this analysis rely on trade data between 2015 and 2019, with projections for up to the year 2025. Data on export values are sourced from the ITC Trade Map databased, while information for tariff data comes from the ITC Market Access Map. Geographic distance, a proxy for transport costs, is taken from a database prepared by the *Centre d'études prospectives et d'informations internationales* (CEPII), gross domestic product (GDP) from the International Monetary Fund (IMF) World Economic Outlook, and population projections from the ILOStat database.



For Vietnamese exports, the sectoral export attractiveness indicated by the EPIs is further confirmed by the RCAs of products. Chart 6 lists the top 25 export products ranked by their RCAs, with products within the same sector colored similarly. Textiles and agriculture sector products feature prominently in the list. Photo apparatus

(electronics) and footwear have among the highest RCAs. As with their export potential, the RCA of furniture, with a relatively high RCA of 3.4, ranks lower down the list. Machinery and electronic equipment, which also has a relatively high EPI, is also represented with accessories for machinery showing an RCA of 4.7.

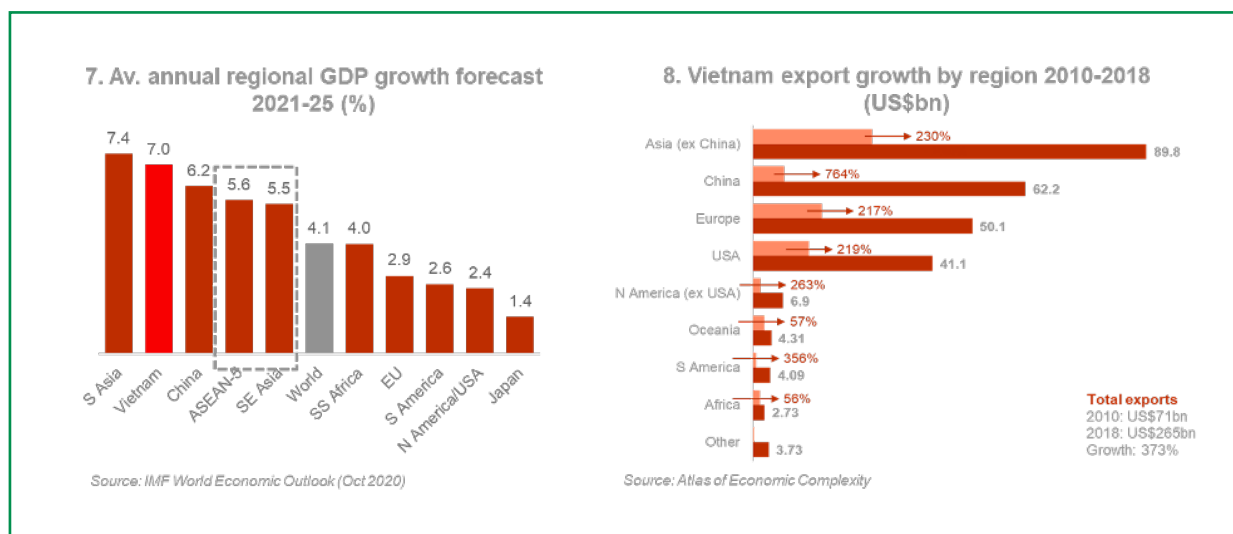
RCAs, which are calculated at an export product level, highlight Viet Nam's comparative advantage in exporting products from the electronics, footwear, agriculture, textiles, machinery and furniture sectors. This analysis confirms the earlier sector positioning, defined based on EPI assessment.

REGIONAL EXPORT CONSIDERATIONS

Geographic proximity has significant influence on trade flows and will continue to play a determining role in Viet Nam's export strategy. This is particularly important given Viet Nam's positioning within the region that is economically dynamic and is projected to have one of the strongest growth globally in the medium-term (Chart 7). The economic growth potential of the different regional export markets also need to be considered in tandem with their sizes and Viet Nam's recent track record in them (Chart 8).

Asia (excluding China) accounts for 34% of total exports, and if China is included, this share accounts for 57%. Of the US\$ 194bn rise in exports between 2010 and 2018, US\$63bn (32%) has been accounted for Asia excluding China and US\$55bn (28%) by China. Europe and the USA account for 18% and 15% of the increase respectively. The rest of the world accounted for only 7% of increase in exports between 2010 and 2018 and 8% of 2018 exports.³⁶ Sectors and their components targeting these high potential regions where Viet Nam has established a strong export record therefore merit particular attention in the Roadmap, albeit not exclusively.

36.– Atlas of Economic Complexity, ITC analysis.



The overall regional export market size and growth is further reinforced by export performance at sector and sub-sector levels (see Annex 3). China has been the highest growth market for all the selected sectors and the second largest export market for electronics. The rest of Asia is

the largest electronics and agriculture (excluding coffee) export market. Exports to Europe and the USA have been growing relatively slowly, but Europe remains the largest market for footwear and coffee, while the USA is the largest market for apparel and second largest for footwear.

Viet Nam's unrealised export potential by region and sector							
	E Asia*	EU/W Europe	N America	SE Asia	S Asia	ROW	Total
Electronics	39.1	9.5	12.8	8.7	3.4	3.1	76.7
Agriculture	9.1	6.7	4.9	2.4	0.4	2.9	26.4
Textiles	4.8	9.6	5.6	0.9	0.2	4.1	25.2
Footwear	4.9	5.3	7.9	1.0	0.3	2.4	21.9
Environmental goods	7.1	1.5	1.1	1.1	0.5	1.2	12.5
Furniture	0.9	1.0	0.4	0.4	0.2	0.9	3.7
Other	20.6	8.9	6.8	7.3	2.6	7.3	53.5
	86.5	42.5	39.5	21.8	7.6	21.9	219.9
	39%	19%	18%	10%	4%	10%	

*East Asia includes China.

EPI analysis of unrealised export potential of the key sectors (accounting for over 75% of total untapped potential) also highlights the importance of regional neighbours in Asia. East Asia accounts for 39% of all unrealised export potential, particularly in respect of

electronics, agriculture and environmental goods. East and Southeast Asia share almost 50% of total unrealised export potential. Europe and North America (principally USA) together account for another 37%.

The regional analysis suggests that sectors and their components that have particularly high potential in Asia (in particular, China and Southeast Asia): electronics, agriculture and environmental goods – should be prioritised. Europe and the USA could be considered for orientation for textiles and footwear respectively.

DOMESTIC POLICIES

The government's domestic sector development priorities are an important criterion for selecting targeted export sectors. A strong domestic industry would be more competitive in export markets, whilst international competitive pressure could improve the sector's overall efficiency

and facilitate adoption of new technologies and work practices.

The government's Industrial Development Strategy through 2025, with a vision toward 2035³⁷ identifies the following priority sectors and sub-sectors:

Industry/sector	Priority to 2025	After 2025
Mechanical engineering and metallurgy	Machinery and equipment serving agriculture, automobiles and mechanical spare parts, and steel for production	Shipbuilding, nonferrous metals and new materials
Chemicals	Base chemicals, petro-chemistry and manufacture of technical plastics and rubber	Pharmaceuticals
Agricultural, forestry and fishery product processing	Increase the processing ratio of key agricultural, fishery, aquatic and timber products. Apply international standards to the production and processing of agricultural products, to build the trademarks and raise Competitiveness of Vietnamese agricultural products.	
Garments, textile, leather and footwear	Raw and auxiliary materials serving production for domestic market and export	Fashion clothing and luxury shoes
Electronics and telecommunications	Computer equipment products, telephones and components	Development of software, digital content, information technology services and medical electronics
New energy and renewable energy industries	New energy and renewable energy such as wind energy, solar energy and biomass	Atomic energy and renewable such as geothermal energy, ocean wave energy, etc.

The Import and export strategy for the period 2011 – 2020, with a vision to 2030 highlighted the following sectoral objectives:

- **Industrial goods for processing and manufacturing:** Developing products with a high technology and intellectual matter content; to develop supporting industries, increase the domestic value ratio, and reduce dependence on imported raw materials. Increase in share of exports from 40.1% in 2010 to 62.9% in 2020.
- **Agricultural, forestry and aquatic products:** Improve productivity, quality and added value; shift the structure of exports to deep processing, to develop export products with the application of advanced science and technology. Share of exports to reduce from 21.2% in 2010 to 13.5% in 2020.
- **Fuels and minerals:** reduce share of exports from 11.2% in 2010 to 4.4% in 2020.
- **New group of goods:** Reviewing new items with low current exports but with high potential for high growth

in the future with supportive policies. Share of exports to increase from 12% in 2010 to 19.2% in 2020.

Action Program for Implementation of the Import and Export Strategy for the Period 2011 – 2020, with orientation to 2030 had additionally highlighted the following specific sectors for support:

- **Manufacturing industry:** construction materials, petrochemical products, rubber products, plastic products, electronics, cell phones, textiles, footwear, furniture, electronics, mechanics.
- **Agriculture:** rice, coffee, rubber, seafood.

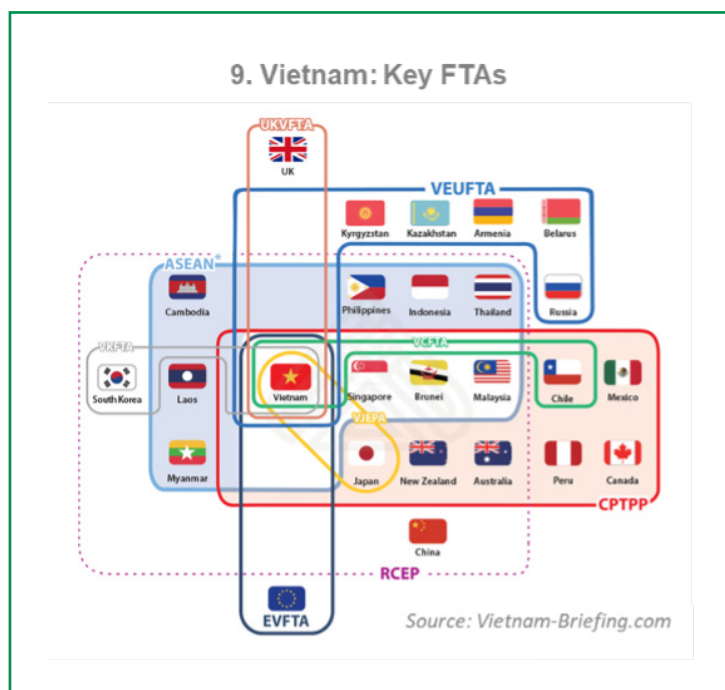
Additionally, the Decision No. 32/QĐ-TTg approving the synchronous development and upgrading of competitive industries, sectors and value chains was approved by the Prime Minister in 2015. The five sectors identified were: i) electronics and IT; ii) textile and garments; iii) food processing; iv) agricultural machineries; and v) tourism and related services.³⁸

37.– <http://www.chinhphu.vn/portal/page/portal/English/strategies/strategiesdetails?categoryId=30&articleId=10054959#:~:text=Viet%20Nam's%20industrial%20sector%20will%20develop%20to%20be%20environmentally%20friendly,to%20meet%20standards%20of%20developed>

38.– <https://english.luatvietnam.vn/decision-no-32-qd-ttg-dated-january-13-2015-of-the-prime-minister-approving-the-synchronous-development-and-upgrading-solution-for-the-industries-s-92213-Doc1.html>

The government's domestic priorities cover multiple important sectors and value chains. The most relevant sectors – given Viet Nam's current export performance and the potential to add value – are electronics, agriculture, textiles, machinery, chemicals (including pharmaceuticals) and potentially environmental goods (with a focus on renewable energy).

FREE TRADE AGREEMENTS



As part of its internationalization strategy, Viet Nam has actively pursued bilateral and regional FTAs, particularly since the early 1990s. As of July 2021, it had signed 16 FTAs, either directly or as part of ASEAN.³⁹

The lion's share of all exports goes to the countries, with which Viet Nam has FTAs. Of the 2015-2019 average exports of US\$207bn, US\$188bn (91%) has been to FTA partner countries. More importantly, 91% of the untapped export potential of US\$220bn is also in the FTA countries. The unrealised potential of major export sectors in these markets ranges between 80% and 94%.^{40, 41} Given this relatively high coverage of important markets and products under the FTAs, this criterion is not considered determinant.

FTAs could significantly contribute to the overall export growth as well as to specific sector development. In particular, the new generation FTAs: the EU – Viet Nam

Free Trade Agreement (EVFTA); the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); and the Regional Comprehensive Economic Partnership (RCEP) agreement are far-reaching in scope and coverage. While these ambitious trade arrangements could expose Vietnamese enterprises to more competition, they are widely expected to benefit the country through further integration into GVCs, more FDIs and expanding trade relations with important markets such as China.

In this context, the Ministry of Planning and Investment (MPI) estimates that the EVFTA will increase exports to the EU by 43% by 2025 and 44% by 2030. Significant increases are expected in certain agricultural products such as rice (up by 65% in 2025) (seafood has also been mentioned by Fitch as being positively impacted⁴²); and especially textiles (67%), garments (81%) and footwear (99%). The export growth is expected to

39.– <https://wtocenter.vn/thong-ke/13814-vietnams-ftas-summary-as-of-april-2019>

40.– Electronics: 94%; Footwear: 92%; Agriculture, Environmental goods: 90%; Textiles: 89%; Other: 87%; Furniture: 80%.

41.– ITC analysis

42.– EU-Vietnam FTA: Vietnamese Seafood, Particularly Shrimp and Prawn, Is Well Placed To Benefit. Fitch Solutions. Sep 2020

increase employment with the following sectors benefiting the most: textiles and garments, 2.4% (72,600/year) by 2030; and leather and footwear by 3.8%. As electronic and computing products are currently taxed by the EU at 0% (or in any event at less than 10%), the EVFTA is unlikely to have a major direct impact on this sector's exports (although indirect benefits, such as through increased FDI/technology transfer, may accrue). Other sectors, such as machinery and spare parts, pharmaceuticals, are expected not to benefit in particular, or be at a competitive disadvantage.

As for the mega-regionals, the CPTPP overall impact could be dampened due to already existing FTAs with individual members⁴³; however, deeper and more sustainable benefits are foreseen. The MPI estimates that the CPTPP would lead to an additional rise in exports of 4% by 2035, while the World Bank has forecast that by 2030, Viet Nam's exports to CPTPP countries will increase from US\$54bn to US\$80bn. The main sectors expected to benefit are food, beverage, tobacco, textiles, chemicals, plastic products and leather goods, transportation equipment, machinery and other equipment industries. In contrast to the EVFTA, the CPTPP is expected to play a key role in boosting exports of high-technology goods such as computer processors, smart phones and hi-tech home appliances. The main contributor to

this trend is expected to be through strengthening Viet Nam's position in GVCs, as they restructure and reposition regionally.

The RCEP is considered to provide more opportunities to enter new markets and strengthen its position in GVCs. The Agreement, covering the largest global trading block, encompasses a market of 2.3 billion people and US\$26.2 trillion in global output, accounting for around 30% percent of global population and more than 25% of world exports. It offers Viet Nam an export market twice the size of the CPTPP and, in particular, easier access to the important Chinese market. Major export sectors that are expected to benefit include IT, footwear, agriculture and fisheries, automobiles and telecommunications. The inclusion of China and South Korea, major trading partners, and single rule of origin provisions should additionally strengthen Viet Nam's position in GVCs.⁴⁴ The simplification of trading rules are seen to be particularly attractive to domestic firms, especially small and medium-sized enterprises (SMEs), and could over time potentially reduce the country's reliance on the FDI sector for exports.

To take full advantage of these opportunities, Vietnamese producers need to significantly enhance their performance in areas such as quality control and compliance with labour and environmental standards.

The modern generation of FTAs of EVFTA, CPTPP and RCEP offer increased export opportunities across a range of sectors and sub-sectors. These include in particular textiles (apparel and footwear); agriculture (especially rice, seafood and agro-processing) and electronics. Other products with enhanced prospects are machinery, chemicals, plastic products and telecoms. Producers will need to improve their production processes and compliance with standards to fully realise these opportunities.

EMPLOYMENT IMPACT

A key government objective is to increase the level of formal jobs and improve the quality of such jobs, contributing to descent income. Exports provide an important avenue to achieve this objective, and Viet Nam has already experienced some of its benefits. According to the World Bank reports for 1989–2012, the total number of direct and indirect jobs supported by Viet Nam's exports – taking into account both the direct and indirect jobs – increased from 5.3m to 20.5m, or from less than 20% to more than 40% of employment (19% employed directly by exports and another 21% indirectly).

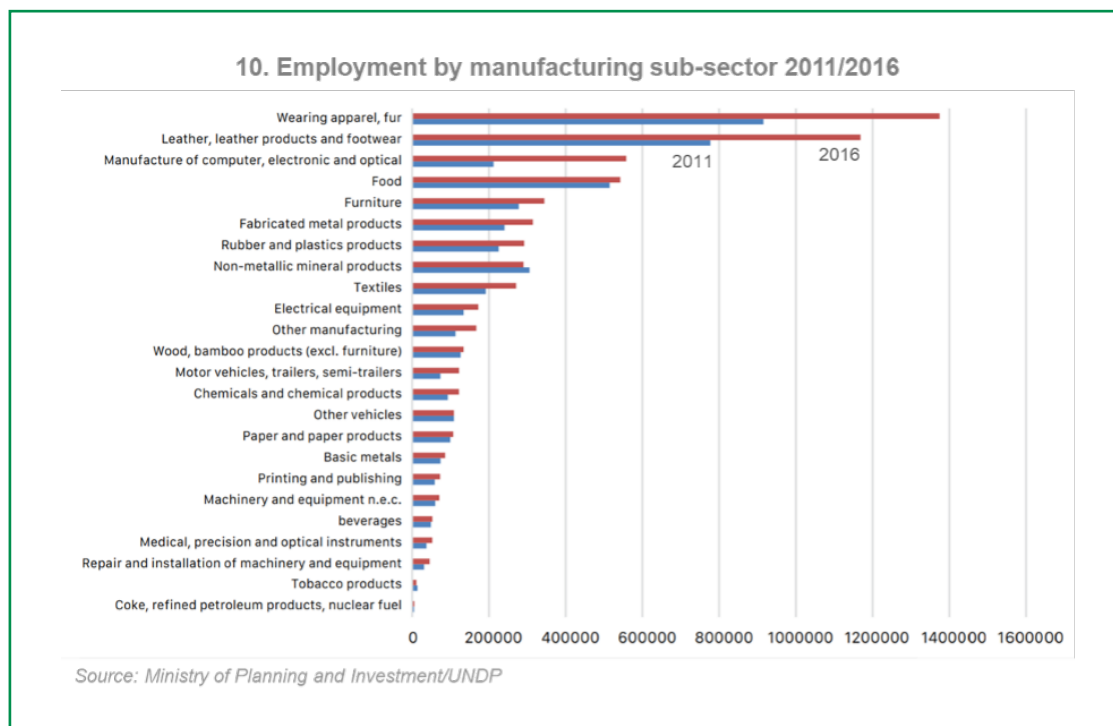
The manufacturing sector dominates the number of jobs in exports, accounting for 58% of total export jobs, more than a 12-fold increase over the period, albeit a majority, 71%, were indirectly related to exports.⁴⁵

Within the main manufacturing export sectors, apparel, footwear, electronics, food processing and furniture ranked as the top employers; with the exception of food, a significant proportion of their production is exported. The textile and garments industry (a labour-intensive sector) generated 1.6m, or 25% of manufacturing jobs in 2016,

43.– Viet Nam already had FTAs with 7 out of the 10 CPTPP countries

44.– Vietnam Economy Set to Continue Powering Ahead in 2021. Fitch Solutions. 28 Dec 2020 and How Does Vietnam Benefit by Joining the RCEP? Vietnam Briefing. 17 Nov 2020.

45.– Global Value Chain Development Report 2019: Technological Innovation, Supply Chain Trade and Workers in a Globalized World. April 2019. World Bank.



adding an average of 100,000 jobs annually since 2010. Leather and footwear (around 80% of exports are of footwear), had a 18.5% share of manufacturing jobs in 2016, increasing by 700,000 from 2010 to 1.2 million. The electronic sector's share of jobs increased from 100,000 in 2010 to 600,000 in 2016. The wood processing and furniture sector accounted for 500,000 jobs in 2016, with numbers remaining relatively static since 2010. In the same year, the fruit and vegetable processing sector employed 16,000 for planting and nearly 60,000 in 2016, but this sector has seen a decline in employment since 2011. 40% of the employees for this sector live in rural area. The number of employees engaged in the coffee sub-sector in 2016 comprised 23,728 employees were engaged in planting and 52,023 in processing.⁴⁶ Together these sectors represented over 60% of all manufacturing employment in 2016.

The textiles, electronics, footwear and to a lesser extent agro-processing and furniture sectors are most associated with GVCs. There is evidence that manufacturing density and value-chain concentration have a positive interrelationship with income, exports, and employment in local areas.⁴⁷ Firms involved in GVCs in Viet Nam, especially foreign firms, are larger than non-GVC firms. GVC firms and provide more jobs. However, employees

in GVC firms are less productive and receive lower average wages than those in non-GVC firms, reflecting the low capital intensity and skill intensity of GVC activities in Viet Nam.⁴⁸

*In addition, foreign and domestic firms in GVCs have higher female employment shares than non-GVC firms.*⁴⁹ Foreign subsidiaries have created more formal jobs for unskilled female workers than domestic firms (>10% vs 7%). ITC analysis further suggests that the textiles sector is the most favourable to the participation of female labour, followed by footwear, furniture and environmental goods.⁵⁰

Many of the jobs in the main export sectors are at risk to technological advancement. A 2016 ILO study⁵¹ finds that in the next two decades among the ASEAN-5 (Cambodia, Indonesia, the Philippines, Thailand and Viet Nam), the share of formal jobs with a high risk of automation is lowest in Thailand (44%) and highest in Viet Nam (70%). Within the average of 70.4% of all Vietnamese jobs assessed at automation risk, the most vulnerable export-oriented sectors/sub-sectors are: i) agriculture, forestry and fisheries (83.3%), manufacturing (74.4%), food and beverages (68%), garments (85%) and electronics (75%).

46.– Numbers differ from chart in this analysis as a broader definition of sectors has been adopted.

47.– Vietnam: Connecting value chains for trade competitiveness. Duc Minh Pham *et al.* World Bank Group. December 2019

48.– Global Value Chains and Industrial Development: Lessons from China, South-East and South Asia. UNIDO. Undated

49.– Global Value Chains and Industrial Development: Lessons from China, South-East and South Asia. UNIDO. Undated

50.– Based on World Bank Enterprise Surveys.

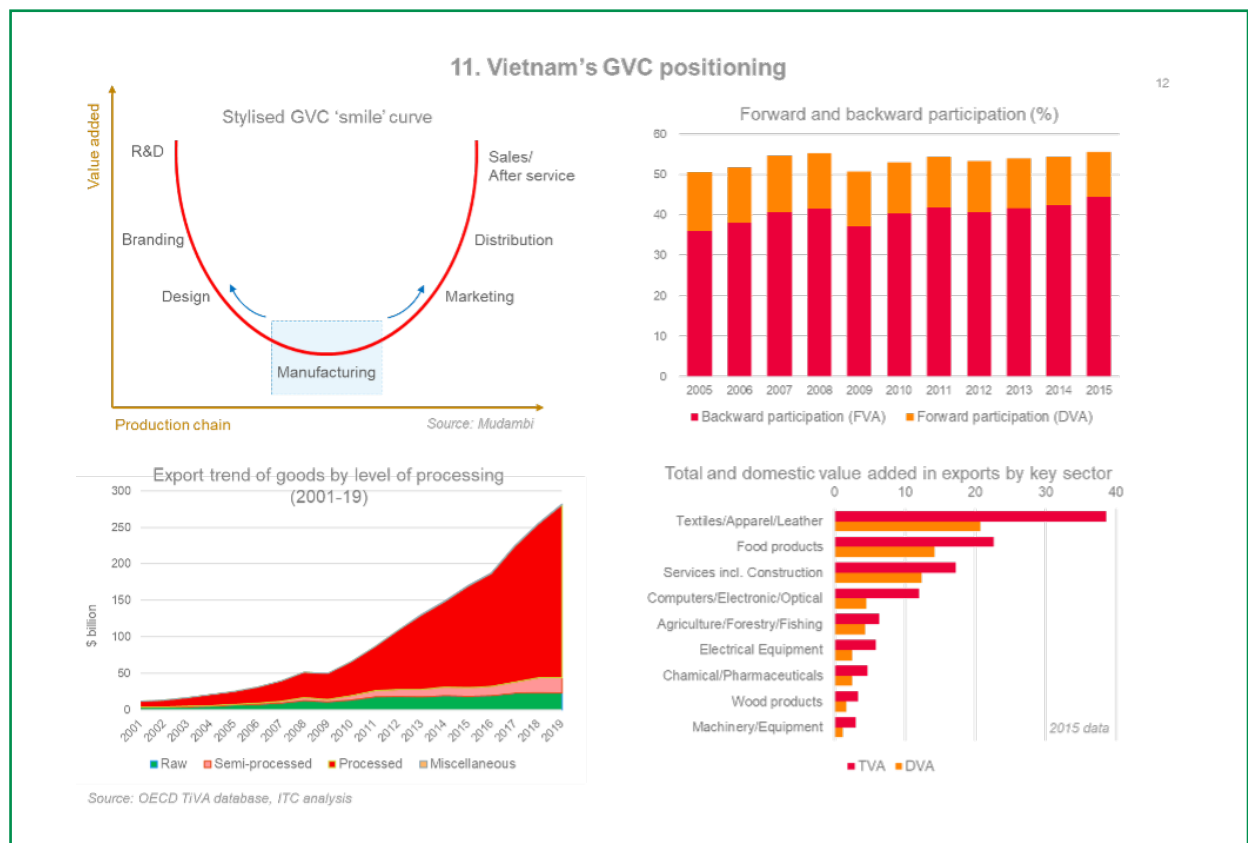
51.– ASEAN in Transformation: The Future of Jobs at Risk of Automation. Jae-Hee Chang and Phu Huyn. ILO July 2016, quoted in Productivity and Competitiveness of Viet Nam's Enterprises. Volume 1: Manufacturing. UNDP and MPI. March 2019

There are certain provinces or cities where a higher proportion of export sector activities are centred, generating most of the employment (Annex 5). The situation is relatively dynamic, as over time provincial specialisation of activities shift, or new locations attract large manufacturing or processing capacity. In apparel, for example, Binh Duong and Dong Nai have the largest employment, but other provinces, such as Thua Thien Hue and Tien Giang specialise in the segment more, albeit with lower number of employees. Moreover, the entire value chain of a sector may be spread in different provinces. In footwear, Binh Duong and Dong Nai are considered as the

hubs; in electronics, there is concentration in the northern provinces, in Bac Ninh, Bac Giang, Vinh Phuc and Thai Nguyen, due to the presence of Samsung and its suppliers; furniture and wood products concentrated in Binh Duong and Dong Na; coffee planting and processing mainly in the highlands; and in fruit and vegetables processing Binh Phuoc had the largest labour force.⁵² The largest export sectors therefore appear to have concentrations in different parts of the country, with relatively wide spans nationwide once the entire chain of related activities is taken into account.

Apparel, footwear, electronics, food processing and furniture are the highest-ranking sub-sectors with respect to manufacturing employment. Mainly exporting sectors, together with coffee, they account for 60% of manufacturing jobs and are therefore important for the country's employment-related objectives. GVCs make a positive impact on employment. They are associated with higher employment levels in their host provinces, but the jobs they offer are usually low-income and semi or low skilled. GVCs also make a positive impact on improving gender equity. A significant proportion of Vietnamese export jobs across all key sectors are however under threat to automation; mitigating action needs to be taken to alleviate this potential negative impact. The regional impact on employment by export sectors is dynamic as provinces shift focus on various sectors. The largest export sectors appear to concentrate in different parts of the country, with relatively wide spans nationwide once the entire chain of related activities is taken into account.

GLOBAL VALUE CHAINS



52.– Vietnam: Connecting value chains for trade competitiveness. Duc Minh Pham et al. World Bank Group. December 2019



Links, EEM 2.jpg

All the key Vietnamese export sectors are well integrated in GVCs. More than 50% of exports⁵³ are made as part of GVCs and this trend has been rising in recent years (Chart 11).

Vietnamese exporters participating in GVCs are almost exclusively positioned in the manufacturing segment, at the bottom of the GVC value-added 'smile' curve. Most of the value is currently added (and extracted) at either end of the curve outside the country: in more upstream activities such as R&D, branding and design; and further downstream activities such as marketing, distribution and branding. Most South-east Asian peers have repositioned themselves at higher levels of the value-added curve, usually with different sectors shifting at different times.

Within the manufacturing segment itself, exporters are typically active at the more downstream end, carrying out final assembly of components or assembling imported parts (see Box 2). This is reflected in the high backward participation rate, highlighting the foreign value-added share of gross exports. Between 2005 and 2015, this rate has increased steadily from 36.1% to 44.5%, with a short dip after the 2007/8 financial crisis. By comparison, Thailand had a backward participation rate of 33.6%; Malaysia, 36.9%; Cambodia 26.9%; and Indonesia 12.9%.⁵⁴ This more downstream positioning is also reflected by the significant increase in the proportion of

processed goods, which now account for 84% of goods exports.

The value added domestically varies significantly by sector, reflecting the structure of the respective GVCs and Vietnamese exporters' positioning within them. The agriculture and food products add the highest (68% and 62% respectively); textiles and apparel at 54%; wood products at 48%; electrical equipment at 41% and computers, electronic and optical equipment at 38%,

Viet Nam's current position reflects its relatively late entry into GVCs compared with its peers. Capitalizing on low-cost and semi-skilled factors is unsustainable in the medium-to long run, as other lower-cost countries improve their attractiveness to global manufacturers (just as Viet Nam has attracted manufacturers to relocate from countries such as China in electronics and Bangladesh in apparels). Technology and sustainability-related issues, covered later in this document, are also potentially important threats in this segment. At the same time, GVCs offer the country to reposition itself by adding other services and moving up the smile curve to more value-added activities. Strengthening better linkages between the FDI exporters and domestic firms would be one step to facilitate this process through improved knowledge and technology transfer. Improving local logistics, infrastructure, and supply capacity that meets the requirements of international manufacturers would also be important.

53.– Measured as a total of backward and forward participation.

54.– OECD TIVA database, 2015 data (latest available)

Box 6: Viet Nam's activities and potential in selected GVCs

Electronics is dominated by branch plants of multinationals and FDI enterprises such as Samsung, Microsoft, LG and Intel account for almost all of the sector's exports. In 2017, more than half of the sector's exports were of telephone sets.¹ The sector is at an early stage of development compared with its regional peers and is mainly engaged in low-value assembly of intermediate goods imported from regional countries, mainly China and South Korea. Opportunities exist in introducing higher value-added services, such as design, R&D and component manufacturing. As a step toward this, better linkages need to be developed between the multinationals and local enterprises to transfer knowledge and value, whilst the latter need to improve their managerial and technical knowledge, quality standards and increase scale.

The apparel industry is strictly divided between domestic producers that produce lower quality products for the local market, and FDI enterprises, mainly from South Korea and Taiwan, that focus on exports. Around 80% of inputs are imported from overseas (domestic producers not being able to meet required standards) and sales are coordinated from the headquarters. Vietnamese manufacturers concentrate on low-value-added, labour intensive 'cut-make-trim' activities and the outputs are aimed at the lower-cost segments of the export market. Improvements in labour standards; improving backward links toward accessing more higher quality inputs; and developing capacity for supporting services such as sourcing design, product development and marketing provide opportunities for moving to greater value-added parts of the apparel GVC. There is some risk that the sector may find it difficult to meet and benefit from the CPTPP and EVFTA rules of origin given its current sourcing practices.²

In footwear, historically textile shoes generated the most value, but in recent years leather, rubber and plastic ones have increased in importance. Vietnamese exporters are mainly engaged in the labour-intensive stages of assembling and export processing. In 2015, 77% of export value in the footwear industry was generated by FDI companies.³ The sector is highly dependent on imported pre-fabrics, mainly from China, South Korea and Taiwan. Raw material inputs account for 80% of footwear value and Vietnamese enterprises produce very limited low-value inputs, such as labels and laces. 60% of raw materials are imported, mainly from Asian countries. Labour productivity is also relatively low. As with the apparel sub-sector, opportunities exist for increasing the quantity and quality of locally produced inputs and adding services to the value chain. Repositioning to higher value/quality segments is also possible. Importantly, Viet Nam needs to strengthen its reputation about the quality of its footwear exports.

The agro-processing sector has been increasing the proportion of DVA, but faces challenges in meeting international quality standards (Vietnamese Good Agricultural Practices do not meet the global equivalents and are below that required by importers). Quality issues have particularly affected exports of important products such as rice and seafood. The coffee sub-sector exports nearly exclusively exports Robusta coffee (which are cheaper and easier to grow than Arabica) 95% of which is dry processed and exported as relatively low-grade green beans. Whilst the focus over the last decade has been on increasing market share, more future emphasis on processing and increasing quality (and therefore price) of raw beans would improve export performance.

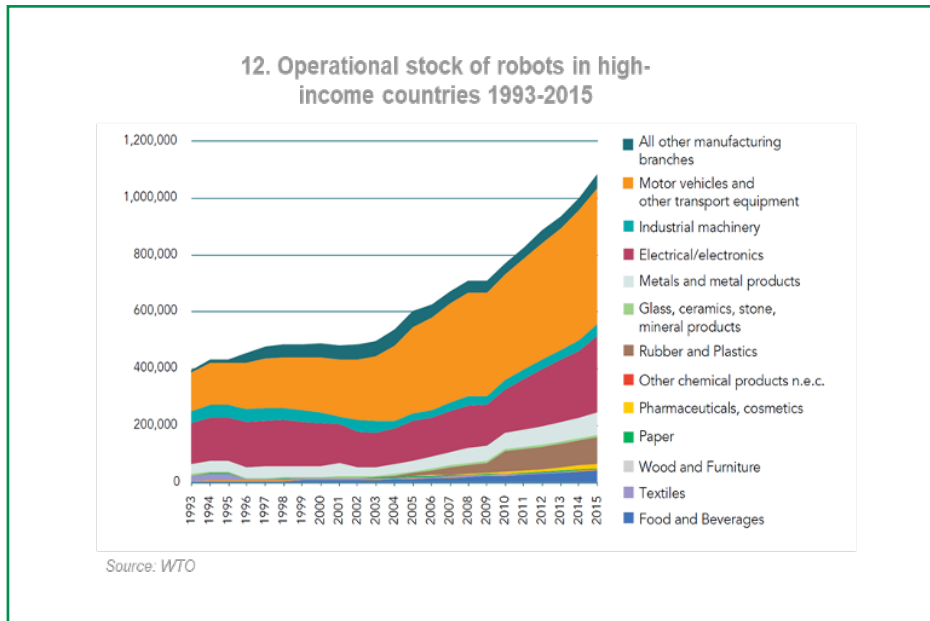
1.– Viet Nam: Connecting value chains for trade competitiveness. Duc Minh Pham et al. World Bank. December 2020

2.– *Ibid*

3.– Viet Nam in the Global Economy Development through Integration or Middle-income Trap? Friedrich Ebert Stiftung. September 2016

Viet Nam is positioned in key export GVCs at the lowest value-added segments. There is a risk that this position is unsustainable due to emerging lower cost competitors and technology and sustainability issues. At the same time, GVCs offer significant opportunities in all key sectors to capture greater value. This can be realized through inter alia developing linked services for other segments of the value chains, strengthening linkages with FDI firms, improving the quality and consistency of local supplies, logistics and transport that, tailored to GVC needs.

TECHNOLOGICAL CHANGES

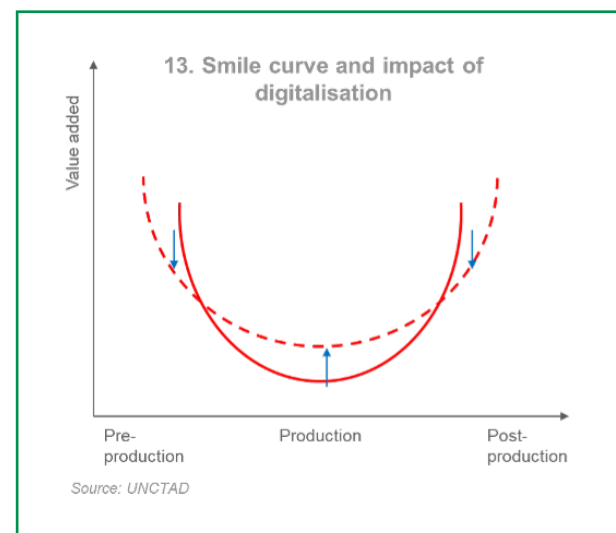


Automation and digitalization entail challenges and opportunities for Viet Nam.⁵⁵ Rapid development in digital technologies such as 3D printing, programmable micro-controllers and second-generation computer numerical control milling and routing enable manufacturers to quickly design and produce customised high-quality products more efficiently. Advanced robots, being deployed exponentially, increase productivity, and bring down production costs. The internet enables closer, seamless collaboration throughout supply chains and reduce time and costs associated with finding and reaching suppliers / customers. It affects co-location, cost sharing and geographic specialisation.

With reference to Viet Nam's key export sectors, the manufacturing of electronic and electrical equipment is particularly open to automation (Chart 12). The automation in sectors such as furniture, textiles and agro-processing appear lower even in developed countries, however this has been gradually changing, with increase in automated activities.

The consolidation of GVCs within fewer countries and firms is one of the likely consequences of such technological change. Automation is likely to further accelerate the trend of reshoring in manufacturing. At the same time, the related value-added is likely to decrease with the growth of embedded services and automated processes, while the value addition of pre- and post-production increases.

In the production process, the growth of services is likely to increase process automation. This is likely to impact Viet Nam, given the reliance on low-cost, low and semi-skilled labour as a key competitive advantage. In the meantime, an increase in digitised services will mainly occur in the pre-production stage (e.g., increased use of design software and data-driven services) and in the post-production stage (e.g., services embedded in software and enhanced after-sales services).⁵⁶



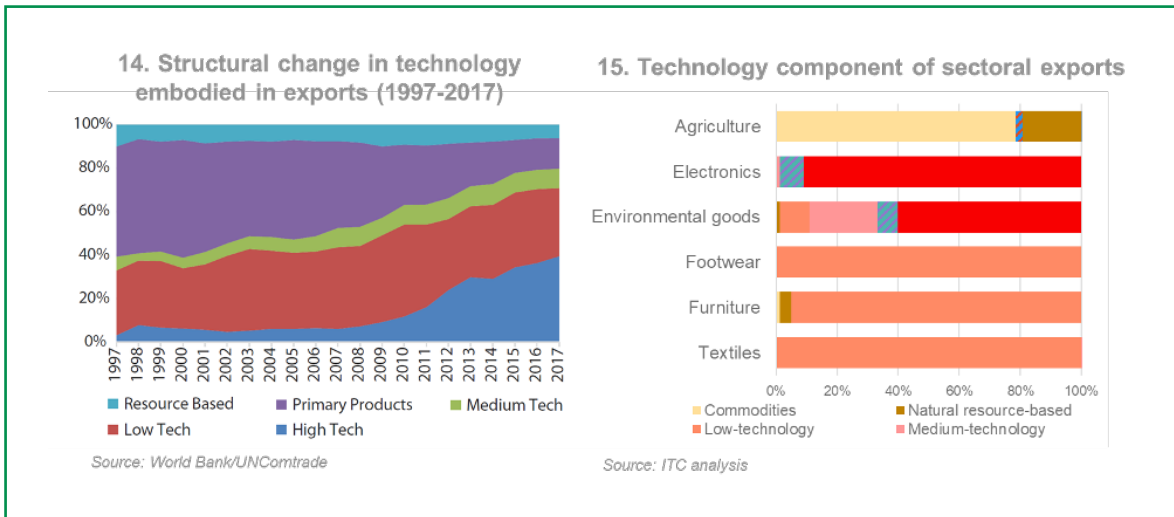
A timely response of Viet Nam, embracing rapid technological changes, can include: a) increasing its exports with technology components; and b) introducing wider digitisation, automation and information technology in

55.– Viet Nam 2035: Toward Prosperity, Creativity, Equity, and Democracy. World Bank Group and Ministry of Planning and Investment of Viet Nam. 2016

56.– Digital Economy Report 2019. Value Creation and Capture: Implications for Developing Countries. UNCTAD. 2019

the economy, especially in the key export sectors. Over the last decade, the high-tech component of Vietnamese exports has been rapidly increasing, predominantly in

the electronics and associated products, including environmental goods (Charts 14 and 15).



With respect to technology and digital readiness, Vietnamese firms have been progressing, but slower than their peers. The electronics and components sector has applied IT solutions the most, whilst the agricultural and agro-processing featured with the opposite result (Chart 16). Viet Nam ranks lower than its regional

peers, including Cambodia, on technology absorption and transfer. Heavy reliance on the FDI sector for technology introduction, coupled with the lack of linkages between FDI and domestic firms, is a major factor of this gap (Chart 17).

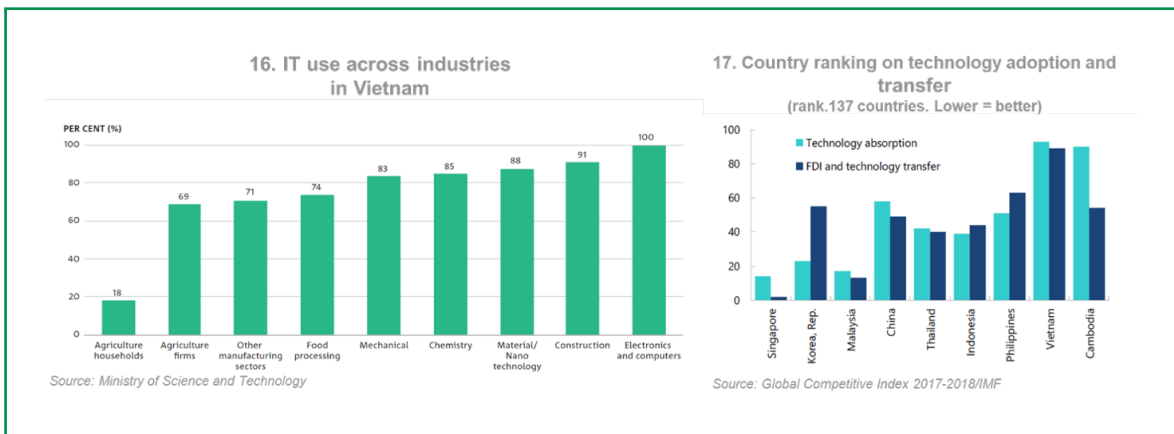


Table 3: Embracing digital technologies: Three possible scenarios for Viet Nam

Scenario	Description	Accumulated additional GDP until 2045	Impact on annual growth	Current jobs at risk of transformation or disruption
Digital consumer	Broad industrial transformation across Vietnamese industry, but ICT industry has struggled and ICT exports are not a significant component of Viet Nam's exports.	US\$102.8bn	0.63%	38.1%
Digital exporter	Slow industrial transformation but fast-growing pockets of ICT industry. Overseas companies use Viet Nam ICT workers due to their low-cost labour.	US\$66.9bn	0.45%	19.1%
Digitally transformed	Major digital transformation across all industries and government services. Growth in exports of ICT products and services.	US\$168.6bn	1.1%	28.9%

Source: Ministry of Science and Technology, Viet Nam's Future Digital Economy: Towards 2030 and 2045, 2019.

Readiness to possible trade-offs and appropriate pacing are needed to balance the effects of digitisation, including its impact on employment. It is important to keep up with technological advancements to secure competitiveness in international markets. The progress could have its costs for certain jobs. However, without the adoption of technology in the key export sectors, the risk of job losses may be higher. The country may lose its current comparative advantages to other countries that have embraced technology and can respond to market needs quicker, with higher quality, and at a lower cost.

Viet Nam has already outlined an overarching nationwide orientation for the technological development with the National Hi-tech Development Program to 2030. It aims to 'research, master, develop high technologies, efficiently apply high technologies to serve socio-economic development, ensure national defence and security, protect the environment, manufacture products, and provide services; to form and develop a number of hi-tech industries, high-tech agriculture and enterprises operating in these fields. Relevant to this Roadmap, it

seeks to implement a programme of research, mastering and development of high technologies in sectors such as ICT, biotechnology, automation, and new materials and facilitate technology transfer. There is further focus on developing an ecosystem of enterprises producing high-tech products, providing high-tech services, deeper participating in the global supply chains, meeting the needs of the logistics market, digital economy, and developing e-commerce. Finally, high-technology adoption in agriculture is separately identified as a priority.

Opportunities to increase export competitiveness through introducing technology exists in all key export sectors. In the electronics sector, such opportunities are more attributable to potential suppliers of global manufacturers, rather than the main production facilities where the FDI owners are likely to upgrade technology. The apparel, footwear and machinery production and agro-processing industries would benefit in varying degrees from greater introduction of technologies, including real time data analytics, robotics and automation, 3D printing and process monitoring and control technology.

The introduction of high technology presents both opportunities and threats to Viet Nam's export competitiveness. The country should be ready to find a balance between potential effects of the technological development. High-tech production and processes allow to modernise capacity, increase quality, consistency, and efficiency of all manufactured exports. The technological upgrade is also likely to be a key component of Viet Nam's efforts to increase value retention in the country from GVC activities.

TRADE SUSTAINABILITY

Sustainability in trade has been increasingly gaining importance for countries, accompanied by the need to meet related standards under FTAs. The governments introduce environmental measures as non-tariff measures. At the same time, large GVC leaders (with support from their financiers, customers, and other stakeholders) are proactively adopting similar Environmental, Social and Governance (ESG) standards. The standards apply to all participants of their GVCs. Addressing sustainability issues in export industries would also benefit the country's businesses and population in meeting a wide range of domestic needs.

The 17 UN Sustainable Development Goals for 2030 often form underlying high-level goals for national trade policies. These goals are either directly trade-related (e.g., Goal 17, related to trade and export); or indirectly linked

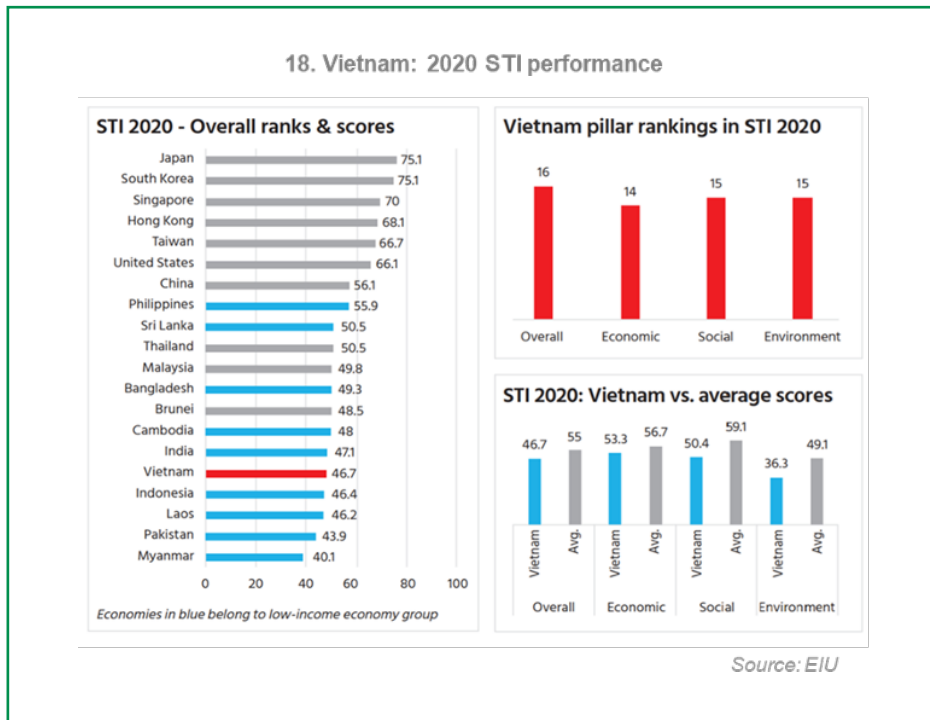
to business processes and practices. The latter include promoting sustainable agriculture (2); ensuring health and well-being (3); sustainable inclusive economic growth (8); reducing inequality (10); conserving sustainability of oceans, seas and maritime resources (14); and protecting, restoring and promoting the sustainable use of terrestrial ecosystems and halt biodiversity loss (15).⁵⁷

As an example, the EU law requires all relevant EU policies, including trade policy, to promote sustainable development. EU trade policy aims to ensure that economic development goes hand in hand with: a) social justice; b) respect for human rights; c) high labour standards, and; d) high environmental standards.

Viet Nam has developed and started implementing certain plans and strategies to address the SDGs⁵⁸. It ranks

57.– Trading into Sustainable Development: Trade, Market Access, and the Sustainable Development Goals. UNCTAD 2016

58.– Viet Nam is driving sustainable development through the following plans and processes: the Strategic Orientation for Sustainable Development (Viet Nam Agenda 21), the Strategy for Sustainable Development 2011-2020, the National Strategy on Green Growth 2011-2020, the Vision 2050 and most recently the SDG National Action Plan (NAP) including the 17 SDGs and 115 specific targets aligned with national conditions and development priorities. One of the NAP's main objectives is to integrate the SDGs in the formulation of annual Socio-Economic Development Plans (SEDPs) in order to influence and change laws, policies, strategies and action plans by ministries, agencies and provinces. From <https://sdghub.com/vietnam-vbcscd/>



49 out of 193 countries in progress in implementing initiatives to meet the SDGs, behind Thailand and China (ranked 41 and 48, respectively) but ahead of Malaysia (68), Philippines (99) and Indonesia (101).⁵⁹

According to the Sustainable Trade Indicators (STIs),⁶⁰ Viet Nam is featured with a low performance, reflecting existing gaps in various pillars. These include a) Economic pillar – gross capital formation, technological innovation, and growth in labour force; ii) Social pillar – educational attainment mainly, but also labour standards and human trafficking; iii) Environmental pillar – principal deforestation and water pollution (Annex 4).

With respect to social development, improvement in educational attainment and reskilling, together with adequate level of labour standards, are critical for Viet Nam to meet its wider objectives. Education and skills are foundational to improve positioning in GVCs, developing better linkages between domestic firms and the FDI, enabling more effective technology transfer and value capture. Labour standards have been evolving into a particular focus for international firms. This development is going to particularly affect the low-cost labour-intensive sectors such as textiles and footwear.

Viet Nam is among the top five countries likely to be most affected by climate change.⁶¹ Climate issues may pose significant risks to the agricultural sector and its entire value chain, especially rice production and aquaculture and fisheries. Soil degradation is expected to make big parts of currently productive coffee growing areas unusable by 2050. In addition, raw material sourcing of sectors such as apparel, footwear, extractives, and energy sector may face adverse effects, with the latter two also being affected operationally.

At the same time, many of the key export industries are producing severe negative impacts on the environment and climate, with agriculture at the front. Agriculture is the second highest contributor to GHGs in the country, with rice bearing the largest share within it.⁶² Deforestation, air pollution, and land degradation are consequences of unsustainable farming and livestock practices. Farming, livestock, and aquaculture is mainly undertaken by smallholders with limited knowledge of best practices and access to resources, incentives to increase production and relatively lax enforcement of regulations. Significant water pollution in surrounding areas including nearby cities resulting from the dumping or leakage of pesticides. The agro-processing industry further contributes to environmental impacts through the manufacturing process and often-inefficient use of energy, water, and other natural resources.

59.– <https://dashboards.sdgindex.org/rankings>

60.– STIs are produced by the Economist Intelligence Unit.

61.– Viet Nam 2035: Toward Prosperity, Creativity, Equity, and Democracy. World Bank Group and Ministry of Planning and Investment of Viet Nam. 2016

62.– An Overview of Agricultural Pollution in Vietnam: Summary Report 2017. Emilie Cassou et al. World Bank. Jan 2017

Other sectors, including textile and electronics, also cause significant environmental pollution. Textile dyeing causes in unjustifiable water waste and odor. The inefficient use of energy also contributes to greenhouse gas emissions (GHG) and reduces competitiveness by increasing costs.⁶³ Waste from footwear and handbag industry is difficult to decompose in the natural environment and is extremely toxic if not handled properly.⁶⁴ Although generally considered clean, the electronics

also produce waste that are difficult and expensive to process. Although the majority of non-recyclable waste from the industry are handled by the authorities, a proportion is burnt to extract scraps of metals, causing air pollution. This results from the lack of standards (and their implementation) for the classification, storage, collection and transportation of solid waste as well as those for the reduction and recycling of waste.⁶⁵

Sustainability issues such as labour and environmental standards have become important in exports in recent years. They are likely to become critical requirements for global manufacturers and importing country governments.

Vietnamese exports are currently challenged with the introduction and implementation of sustainable practices in major sectors.

It is critical that the Roadmap prioritises the implementation of relevant standards to ensure Viet Nam's compliance with recent FTAs, access to key markets and attractiveness to global manufacturers.

ENVIRONMENTAL GOODS

Box 7: The definition of environmental goods

There is no general internationally agreed definition of environmental goods. The OECD/Eurostat defines it at an industry level, as: 'The environmental goods and services industry consists of activities which produce goods and services to measure, prevent, limit, minimise or correct environmental damage to water, air and soil, as well as problems related to waste, noise and eco-systems. This includes cleaner technologies, products and services that reduce environmental risk and minimise pollution and resource use.'¹

The list of goods that would be included in the scope of definition is being negotiated by a number of countries over an extended period at the WTO as part of an Environmental Goods Agreement (EGA), which would see a significant reduction or elimination of tariffs and non-tariff barriers on such products. The negotiations seek to build on a list of 54 goods² agreed upon by APEC in 2012, broadly categorised as those relating

to renewable energy; environmental monitoring, analysis and assessment; environmental protection; and environmentally preferable products. The OECD has a longer list of environmentally friendly products and it estimated global trade of such products at US\$ 1.3trn in 2016.

Based on the narrower APEC list, world trade in EGs in 2018 was estimated at €540bn (US\$656bn at current exchange rates). The breakdown has been estimated as: i) renewable energy plants (€252bn); ii) environmental monitoring, analysis and assessment equipment (€120bn); iii) management of solid and hazardous waste and recycling systems (€79bn); iv) waste water management and potable water treatment (€43bn); v) air pollution control (€34bn); vi) environmentally preferable products (€11bn); and vii) natural risk management (€3.8bn).³ Based on its longer list of environmentally friendly products, OECD estimated global trade in EGs in 2016 at US\$ 1.3trn.

1.– Environmental Goods: A Comparison of the APEC and OECD Lists. Ronald Steenblik. OECD Trade and Environment Working Paper No. 2005-04. OECD. 2005

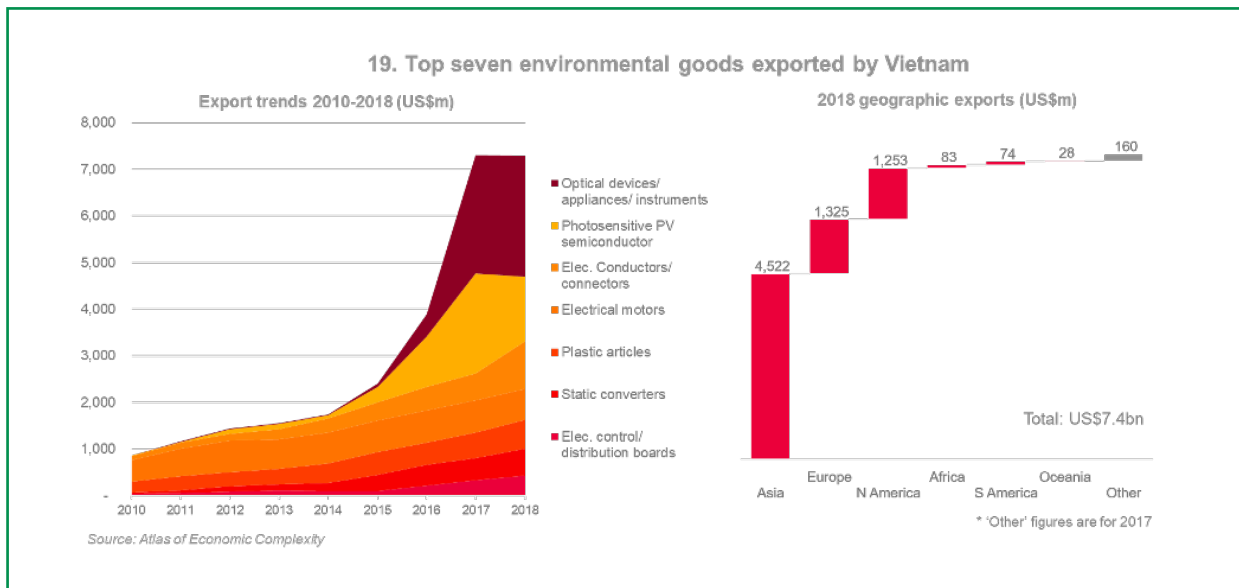
2.– https://www.apec.org/Meeting-Papers/Leaders-Declarations/2012/2012_aelm/2012_aelm_annexC.aspx

3.– <https://www.exportplanning.com/en/magazine/article/2019/01/30/world-trade-in-environmental-goods/>

63.– <http://kinhtedothi.vn/loi-lo-o-nhiem-tu-nganh-det-may-352852.html>

64.– <https://vsi.gov.vn/vn/tin-cong-nghiep-ho-tro/rac-thai-da-giay-can-duoc-xu-ly-an-toan-c2id1073.html>

65.– <https://nhandan.com.vn/khoa-hoc/nguy-co-o-nhiem-chat-thai-ran-nganh-dien-tu-438893>



Environmental goods present an attractive export category for Viet Nam. EGs cut across many of the sectors where Viet Nam has export strengths, including electronic equipment, machinery and optical products. It also represents an opportunity to export high technology embedded products as well as tap into the growth in climate adaptation initiatives.

The top seven EGs accounts for over 60% of the total EG exports. Between 2010 and 2018, exports of these products rose significantly, from US\$862m to US\$7.3bn.

Moreover, over 60% of these goods are sold to Asia, an important growth market (Chart 19).

ITC analysis estimates that EGs have an export potential of over US\$20bn, with average export of EGs between 2015 and 2019 at US\$11.5bn. High technology products constitute 67% of EG export potential, with the most prominent being: i) photosensitive semiconductor devices (US\$4.3bn); ii) liquid crystal devices (US\$3.1bn); iii) electric motors <= 37.5W (US\$1.5bn); iv) static converters (US\$1.2bn); and v) other machinery (US\$796m).

Environmental goods, with an estimated export potential of US\$20bn, offer an attractive export growth opportunity. Viet Nam can leverage strong export sectors such as electronics and machinery, increases Vietnam's high-tech exports and capitalise on growing focus on climate and environment-friendly policies around the world.

OVERALL FINDINGS RELATED TO SECTOR SELECTION

Parameter	Assessment
Export performance	Top three sectors, electronics , textiles and agriculture account for 70% of exports and have grown rapidly. Footwear and apparel sub-sectors also demonstrate strong performance. Machinery sector is a strong performer.
Export potential	The top five sectors or sub-sectors: electronics , agriculture , apparel , footwear and environmental goods account for almost 75% of unrealised export potential.
Revealed comparative advantage	Products from the the electronics , footwear , agriculture , textiles , machinery and furniture sectors show the highest RCAs.
Regional	Sectors aimed at Asia would have potentially greatest natural growth opportunity: Electronics , agriculture and environmental goods . Apparel and footwear , aimed at Europe and the USA, also worth consideration.
Domestic policies	A wide range of sectors and GVCs is prioritised. Most relevant ones for export are considered to be: electronics , agriculture , textiles , machinery , chemicals (including pharmaceuticals) and potentially environmental goods (with a focus on renewable energy) .

Parameter	Assessment
FTAs	A wide range of sectors and sub-sectors potentially benefit. Most important ones assessed to be: textiles (apparel and footwear); agriculture (especially rice , seafood and agro-processing) and electronics . Other products with enhanced prospects are machinery , chemicals , plastic products and telecoms . Producers will need to improve their production processes and compliance with standards to fully realise these opportunities.
Employment impact	Apparel , footwear , electronics , food processing and furniture are the highest-ranking sub-sectors with respect to manufacturing employment. Many jobs in these sectors are under threat from automation, so action needed to address the challenge.
GVCs	Significant opportunities across all GVC sectors to improve domestic positioning and capture greater value.
Technology	Introduction of high-tech is potentially a threat but also an opportunity to strengthen Vietnamese export competitiveness across all sectors.
Trade sustainability	Important weaknesses for Vietnamese exporters in areas such as compliance labour and environmental standards in all key sectors, especially apparel, footwear and agriculture. Needs to be addressed to improve potential, especially given ESG and FTA requirements.

Based on the multiple criteria, electronics, agriculture and the textiles sub-sectors of apparel and footwear appear as strong candidates for support under the Roadmap.

Within the agricultural sector, at the product level, coffee has the highest unrealised export potential and is a major employer. Furniture has a high RCA, a large employment impact and benefits from having a high domestic participation rate. Environmental goods are cross-cutting and therefore there is limited data to assess them under all the criteria. They, nevertheless, have a high export potential, consistent with the government's green energy priorities, and can potentially leverage strengths in sectors such as electronics and machinery.

Of other sectors, machinery appears promising for prioritized export development. The sector, with the second highest domestic participation rate, is just behind the top

three –electronics, agriculture, and textiles– and could merit consideration.

Whilst services are excluded from consideration in this analysis, tourism and manufacturing services could be highlighted for further assessment and prioritization. ITC analysis suggests that export potential in services represent US\$41bn (around 10% of that of goods), where travel accounts for US\$21bn and manufacturing services for US\$11bn. Together these two sectors account for almost 80% of services export potential. Tourism, in particular eco-tourism, could represent a promising export development direction, given its focus on climate and environmental factors. Further, manufacturing services, could benefit Viet Nam's export of goods through added 'servicification' in GVCs.

Cross-sector functional priorities

DIGITAL TRANSFORMATION FOR TRADE COMPETITIVENESS

In the context of trade, the integration of digital solutions and tools in operations, including in business processes, is a modern-day requirement to stay competitive domestically as well as internationally. The digitalization refers to all dimensions and stakeholders of trade development, including the government, business support organizations as well as business community.

Sound, comprehensive, and reliable trade information, furthered by appropriate trade promotion tools are among key elements for companies to tap into their trade potential and penetrate new markets. Trade information provides private sector players with an overview of existing and potential markets, trends, and the various requirements necessary to access them (tariffs, standards,

technical requirements, restrictions, import bans, etc.). Trade intelligence allows local firms to design, develop, and adapt their strategies and products based on the requirements of target markets.

The definition of trade information is extremely broad. It can refer to such areas as:

- Statistics, such as prices, import and export data, and other demand trends
- Market intelligence, such as enterprise surveys, market studies and country reports
- Description of regulatory procedures, such as customs requirements, and
- Voluntary standards and buyers' requirements.

A well-organized nation-wide trade intelligence network is a function of key front – and back-end variables. The front-end is normally represented by a suite of interconnected websites/ a consolidated trade portal to provide relevant, cutting-edge information to exporters and potential buyers. It serves as a country's business card, available to users twenty-four hours a day, seven days a week. A presentable front-end requires consistent and systematic “internal» efforts. These include regular information provision/administration/management, coordinated mechanisms, and approached between relevant institutions, a responsive formalized enquiry management system as well as capacity building and promotion activities. Please refer to pp. 41-42 for more detailed information.

Trade promotion initiatives go one step further by focusing on improving trade performance of a specific economic area and can be location – or sector-based. Apart from technical side of internationalization, it is crucial to establish and implement an effective marketing programme to position products/services as competitive in target markets. A strong branding/marketing message, based on a convincing value proposition, needs to be accompanied by promotional campaigns organized through media communication, membership in international programmes/associations and participation in sector-relevant events.

Marketing and global positioning of country's competitive sectors influence their visibility and recognition abroad. Common vision and strategy for the development and promotion of a country's brand abroad can facilitate the internationalization and export promotion of domestic products/services.

Promotion activities based on a pro-active trade policy, regular communication between businesses and trade missions, and coordination between relevant institutions could substantially improve the image and perception of Vietnamese products/services abroad.

The digitalization of MSME business functions opens new business opportunities and fosters resilience. Online platforms appear central in the digital transition, and the pandemic has strengthened their role. They provide important channels for growth to enterprises “going digital». The digital presence enables network growth, increase in customer base, greater access innovation opportunities, assets, digital solutions, and business intelligence services. At the time of COVID-19, online platforms facilitated new sales and sourcing channels for SMEs, contributing to the survival and expansion of both existing and nascent SMEs. E-commerce sales, teleworking capabilities, and direct connection to buyers/suppliers remotely have positive effects on business operations.

Yet, digital transformation of MSMEs has been lagging relatively larger firms, despite the evidence of improved productivity by leveraging online platforms. According to OECD studies, the impact on productivity is disproportionately larger the smaller the firm. However, the lack of digital literacy and the need to adapt business models can be important barriers. Moreover, there can be some risks associated with cyber security, reputational damage, competition distortion and possible lock-in effects.

To unlock the potential of the digital transformation for MSMEs, the Government can facilitate greater digital uptake among enterprises. Depending on the current level of IT integration and skills, possible solutions, applied by countries, include awareness raising campaigns, consultancy vouchers, self-assessment tools, and capacity building.

The development of e-Government has increasingly become a priority and a strategic requirement in the country's agenda, prompted by the pandemic reality. Internet-based government services can improve the ease of doing business with better accessibility, time and cost savings, standardization of fees and forms, and stronger internal coordination across government agencies. In the context of export development, the digitalization of government-based services is particularly referred to replacing paper-format customs procedures with electronic procedures to create a more efficient and modern customs environment.

It is essential to understand current government processes, simplify them, and assess the feasibility/ rationality of their convention into the digital format. Simplified electronic licensing, application and registration processes are important for reducing red tape, especially for MSMEs. Viet Nam endorsed its first e-government development strategy 2021-2025 towards the digital government with a vision to make the country one of the top 30 countries in the world in terms of e-government. This overarching strategy can serve as the framework for creating the basic framework for creating a paperless environment for customs and trade, laying down the objectives, as well as the structure, means and major deadlines.

In prioritizing the implementation of e-governance for trade, Viet Nam may refer to the experience of ASEAN countries. In particular, the results of Korea's e-government services are widely recognized as the best practices. For example, there is the e-Customs system called UNI-PASS, which computerizes customs procedures and provides for the automation of the clearance process, as a solution to overcome the increase in trade volume and travellers, given the limited resources available. The system is the accumulation of experience and the high-level know-how. It enables electronic processing of 430 million declarations and 50 million travellers per year.

TRADE FACILITATION

Trade facilitation measures aim to simplify, harmonize, standardize and make more transparent international trade procedures. The definition of trade facilitation can be narrow (for example, focused on customs operations), or broad (including behind the border regulations and measures). The OECD estimates that border-related costs can add 2% to 15% of the value of goods traded.

A consolidated trade facilitation strategy could lead to significant benefits for Vietnamese traders across multiple priority sectors and industries. There are already various, yet not systematic initiatives focusing on trade facilitation in Viet Nam, which need further development and expansion, as discussed during stakeholder consultations.

There is room for improvement in the ease of doing business, facilitating trade across borders, and information on customs formalities and checks, especially across provinces.

Trade facilitation has a significant potential to further support the development of supply chains. For example, many Vietnamese exporters rely on imports of parts, components or materials that are used in the production of the final product exported from Viet Nam. The improvements related to time spent on border procedures, consistency of information, predictability, and regulation of checks are among the most pressing, yet important issues, often cited by traders.

Box 8: Viet Nam and Trade Facilitation Agreement

Viet Nam is currently one of 154 WTO Members, who have domestically ratified a Protocol of Amendment on 15 December 2015, adding the TFA into the WTO commitments. The Government has taken significant steps to implement the TFA, with 26.9% of commitments already met. The final implementation of all category commitments is scheduled for 2025.

The TFA is a result of the urgent need and multilateral effort to reduce trade-related barriers. It contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also defines measures for effective cooperation between customs and other appropriate authorities and contains provisions for technical assistance and capacity building in this area. The TFA will benefit MSMEs by reducing trade costs, expediting goods clearance and cutting red tape.

According to existing estimates, two-thirds of the gains from the TFA would accrue to the developing countries. The full implementation of the Agreement could reduce trade costs by an average of 14.3% and boost global trade by up to \$1 trillion per year. For Viet Nam, an effective implementation of the

TFA could reduce trade costs even more, by as much as 20%. Moreover, simplification and harmonization of export and import processes would enable the country to capture a big share of the trade expansion, diversify their exports, entering new markets and selling a wider array of products. It could also strengthen the integration into global value chains (GVCs).

Hence, a coordinated, targeted approach to trade facilitation emerges as an important item in the country's agenda. There are already ongoing initiatives, both domestic and facilitated by development partners, directly contributing to the TFA implementation. Those include standardization of policies and procedures for export and import, trade information provision, strengthening national and provincial coordination, and building the capacity of provincial customs officers. However, certain aspects of the trade facilitation remain partially or completely uncovered, in particular testing procedures and methods, intra & inter agency information exchange, risk management policy.

Reference to PoA: Activity 1.1.4 and 1.1.5

Sources: WTO TFA database; Remarks by WTO Director-General.

Trade facilitation also allows companies to export more efficiently to foreign markets. Trade facilitation focuses on speed, reliability and ease with which companies can move good across borders. As such, it's an integral part of any national export strategy. While trade facilitation is often discussed in relation to import procedures, it has a significant impact on export procedures as well. Export formalities are often less complex than import formalities. However, this also requires an in-depth understanding of customs rules and local procedures. Access to

information and the efficiency of the bureaucratic process are important factors.

One example that emerged during the initial round of stakeholder consultations was obtaining the certificate of origin. Viet Nam has a wide network of trade agreements, yet the utilisation of these deals remains low. The simplification and facilitation of certification procedures could significantly contribute to exploring the potential of preferences, provided under FTAs.



Links, I and E 5.jpg

Availability and access to information on import and export requirements is another pressing element, often mentioned by traders as a barrier to successful exports. The improvement in the information provision is nowadays inextricably linked to the digital transformation and automation. The update and maintenance of continuously evolving requirements need strong coordination mechanisms and channels between relevant institutions. Moreover, to navigate through this information flow, there should be a well-functioning internal enquiry management system that would connect all the portals and respond timely and effectively to exporter queries.

The review and harmonization of customs procedures and related guidelines would also facilitate the export process. Mapping of existing rules and practices lays a ground to eliminate discrepancies between the

normative documents and their practical application. Many Vietnamese processes are still paper-based and inefficient; controls and formalities are often duplicated. Providing traders with accurate, up-to-date, and credible information about requirements and formalities, digitalization of services, and unified implementation across the country can significantly support export strategy efforts.

As a result, focusing on trade facilitation as one of the cross-sector functional priorities offers a range of potential benefits. Trade facilitation is of critical importance for MSMEs export development, especially in developing countries. The strategic approach will enable Vietnam to develop a more attractive and predictable trade and investment climate for domestic enterprises as well as international traders and investors.

INNOVATION AND ENTREPRENEURSHIP

Innovation is a key contributor to economic growth through improving productivity, generating employment, development of new businesses and enabling economies to react flexibly to emerging global trends.

This cross-cutting functional priority focuses on promoting innovation. Innovation is the implementation of a new or significantly improved product, or process, or marketing method, or organizational method in business practices, workplace organisation or external relations. Supportive innovation environment requires a range of institutions working together within a coherent National Innovation System (NIS); and coordinated government policies that encourage innovation by facilitating the effective development and interaction between the institutions in the NIS and incentivise innovative activities. A

NIS can be broadly categorised under: a) entities that create demand for innovation; b) suppliers of innovation; and c) the enabling business ecosystem and government policies.

Demand for innovation typically comes from local and overseas consumers, governments, and firms (for example, as part of value chains). Firms are the main suppliers of innovation. However, the government and business organisations play an important role in providing the right environment to foster innovation. This ranges from an educational system that supports the development of the right skills, through financing for innovation to supporting innovative businesses. It can often also involve creating innovation clusters and incubators.

Box 9: Triple Helix Concept of Innovation

Cooperation within government, business, and academia is a facilitating factor to build the foundations of a strong national innovative industry. This tri-lateral network of collaboration, also known as the Triple Helix concept, aims to address the need to overcome the fragmentation of knowledge as a key element of innovation. The establishment of broad-based multistakeholder networks strengthen the science-policy-industry interface to generate, apply, and commercialize knowledge and solutions for sustainability.

The model has been extensively explored and applied in many regions around the world since the second half of the 1990s. One of the most prominent and successful concept applications is observed in Eindhoven, the “innovation capital” of the Netherlands. It represents a unique case of an organized system of innovation, led by a strategic leadership on the lines of the tri-lateral network. Twenty-one municipalities in and around Eindhoven have collaborated under a “Triple Helix” organization model called “Brainport”. With its strong regional approach and an active co-operation model, it is the fastest growing economy in the country (4.9% vs 3.2% in the Netherlands).

The model requires adaptation and localization to the needs and realities of the given environment. One of the concerns, related to this concept, is its feasibility and viability for the developing

countries. The functioning of the model is built on a strong, coordinated, highly organized between- and intra-connection among three helices to enable knowledge transfer network and innovation development. Some possible challenges may entail lack of incentives for institutions and reluctance of information exchange.

Viet Nam has already engaged in piloting this concept at a provincial level, to increase the value of the industry and inclusive development. Learning from the model of Eindhoven (Netherlands), Binh Duong Province has implemented an overall action plan, “Binh Duong Navigator 2021”, based on the Triple Helix model. The new city already includes Eastern International University, a world-class academic institution, as well as six industrial parks and the region’s first accelerator. The project is strongly contributing to the socio-economic development of Binh Duong province, especially in integration, expanding international relations, attracting investment partners, and gradually securing Binh Duong’s position into the international stage.

Based on lessons learnt and success from the domestic and international experience, Viet Nam could consider replicating or scaling-up a localized Triple Helix model in different provinces or industries.

Sources: Kesar, Purushottam, Eindhoven: From an Entrepreneurial Led to Organised Innovative Region (February 7, 2016); Brainport Eindhoven (official website); Becamex: The Smart City Project of Binh Duong.

Innovation can contribute to fulfilling Viet Nam’s strategic objectives by enabling the development of new and improved products and services. It can also enable Vietnamese exporters to introduce new products on international markets as well as improve the quality of existing ones. This, in turn, can support diversifying the range of exports and exporting more innovative products leading to more local value-added. In this way, innovation can support the competitiveness of the country’s exporters. In the longer term, it can help Vietnamese companies move further up in the global value chains. Innovation in the production process can lead to increased efficiency and help to achieve savings throughout the supply chains. As such, efforts to increase innovation can underpin the national export strategy and bring tangible results for local traders. Innovation strategy would enable Viet Nam to leverage domestic talent and entrepreneurial spirit.

The work of innovative enterprises is facilitated by a supportive educational system that also engages in fundamental and applied research and development (R&D) and intermediaries that can, for example, assist in the commercialization of R&D. The government’s science, technology and innovation policies, wider economic policies, and the country’s business ecosystem (increasingly importantly, the ICT infrastructure technology readiness of firms) provide critical foundations and catalytic impetus to the innovation system. A key prerequisite for a successful NIS is that its different components coordinate and collaborate effectively. An effective national innovation policy typically seeks to: a) create a skilled workforce to provide the foundation for innovative activities; b) establish a supportive business ecosystem; c) develop a strong and efficient system for knowledge creation and diffusion; d) implement policies to directly encourage forums to engage in innovation and entrepreneurial activities; and e) institute an effective governance and monitoring system to implement and assess the efficacy of STI initiatives.

Skills are integral to continued growth within various sectors as they underpin productivity and innovation. It is, therefore, essential to understand current skills needs within priority sectors and to identify any skills shortages and gaps which could inhibit growth now and in the future. Increased demand for key skills across all sectors has resulted in greater competition for a limited pool of skilled workers. Difficulties recruiting certain skills to the sector in a competitive market, coupled with a lack of workforce training and continuous professional development, exacerbate existing skills gaps and shortages.

Continuous professional development of staff in the workplace provides a mechanism for addressing skills gaps

and shortages. However, a high proportion of SMEs and sole traders, due to limited capacities, only access training when an immediate need arises. A persistent mismatch of technical and vocational skills, required by the industry and provided by educational institutions, limits labour productivity. Enterprises are challenged with finding the skills that they require. This suggests a mismatch between the supply and demand for labour resulting from a detachment of the education system from industry.

The formal education system and vocational curricula often do not cater for the development of strategic and innovation-oriented competencies. In this context, educational institutions need to adopt new approaches to include entrepreneurial and business – relevant skills.

Box 10: FDI in skills development

Foreign direct investment (FDI), collectively, possesses all the value chain activities, investment capital, skills, technology, and international market connectivity to which a country might aspire. In the context of strategic trade development, private productive investment can be

- as a tool to address persistent gaps in priority sector value chains, sector growth and diversification;
- as a driver to fast-track implementation of strategic trade reforms.

Investor-targeting is one of the most effective investment promotion tools exercised by good practice investment promotion agencies (IPAs) worldwide. It allows a government to pursue whom it deems the most desirable and feasible of companies from among the entire global pool of investors. It is the means by which an IPA exerts maximum influence on the type, quantity and quality of investment its country receives.

Proactive policies to attract FDI in higher education and vocational training could be beneficial for bringing about higher

quality in universities and technical schools, particularly in developing countries. Related benefits could include access to knowledge and know-how, improved training and exposure to multiculturalism, spillover effects, and improved capacity for R&D.

Proactive targeting of foreign educational institutions has proved useful in many countries, including in China, Malaysia, and Singapore. The direct involvement of FDI has led to the adoption of international standards in tertiary education, and the creation of high-quality specialized professional and technical training institutes. At the outset of its development, the Singaporean Government realized a clear strategic link between FDI attraction and skills targeting. The targeted approach involved selecting particular companies that would bring in higher value-adding activities and the associated skills. As a result of these proactive actions, Singapore has spurred the development of the electronics and aerospace industry.

PoA reference: Activity 4.1.1.

As STI covers many various areas and touches upon different areas of policy (e.g., finance, education, science) it works best as part of an integrated, holistic national trade and export strategy. Supporting business innovation and developing human resources and skills for innovation are emerging as some of the most important priorities for Viet Nam.

INCLUSIVE AND SUSTAINABLE TRADE COMPETITIVENESS

Promoting sustainable and inclusive growth is an imperative of the modern-day society. Trade and export development can create opportunities to engage all actors of the economic activity, including those that are most vulnerable and susceptible to economic shocks. At the same time, it is paramount to ensure that current resources and reserves are mobilized and used effectively.

The overall objective of the strategy is to improve trade performance and international competitiveness of SMEs through enhanced favourable framework for trade, public-private dialogue mechanisms, and a strengthened ecosystem for dynamic export promotion. Ensuring that this objective also contributes to sustainable and inclusive economic growth and poverty reduction in the country is the focus of this stand-alone cross-sector function. This relates to an environment where SMEs and all groups within the society can participate in economic growth and have access to opportunities.

Box 11: Unlocking prosperity through women inclusion in trade

Helping more women-led firms to export is key to unlocking more prosperity for communities around the globe. Women-owned businesses represent approximately 32% of enterprises globally, they are prevalent in less productive sectors and largely invisible in global value chains. Women entrepreneurs tend to grow their businesses faster and employ more people – both men and women – which can contribute to economic growth, innovation, productivity, poverty reduction and development.

Women encounter numerous challenges in starting, growing and managing their businesses. These include discriminatory legislation, lack of access to finance, weak financial and management capacity, and lack of access to markets and networks for expanding internationally.

Enabling women in business takes a consistent and targeted action, including through building network and partnerships, domestic and international. A case study from Indonesia builds on the partnership between the government of the Netherlands, a Dutch dairy multinational enterprise (MNE), an agricultural nongovernmental organization, a public university, and local dairy cooperatives. The aim is two-fold: to achieve gender equality (SDG 5) and decent work and economic jobs (SDG 8), by providing training and farm management support to local dairy farmers.

Although almost half of the dairy workforce in Indonesia is female, women are found substantially less productive due to the lack of access to training and finance. This results into a productivity gap between men and women and, more generally, less recognition for the role women play on the farm. The partnership has addressed these issues by facilitating household dialogue, offering financial literacy and business capacity training, supporting the increased participation of women in cooperatives, and offering leadership modules for women. This initiative has enabled investment in equitable relationships between men and women and a more socially enabling environment.

Currently, Viet Nam is one the beneficiary countries through the UPS Women Exporters Programme, empowering women to overcome pressing issues in trade. Leveraging expertise in facilitating cross-border trade and e-commerce for small and medium-sized businesses, the programme provides the training and networks necessary to enable women entrepreneurs to engage in trade. The programme has trained more than 6,000 women entrepreneurs through 35 events in markets around the globe. In Vietnam, 78% reported that they increased their capacity and understanding on how to finance their business.

Sources: UNCTAD, Multinational enterprises and the international transmission of gender policies and practices, 2021; ITC SheTrades Programme; The Netherlands: Partnerships in agriculture and horticulture.

The domestic private sector (and SMEs in particular) has been underdeveloped due to the growth led by FDI and the large state-owned enterprise sector. While there is a large proportion of SMEs in Viet Nam, these are also the companies that are facing the most significant

challenges when it comes to exports. Access to information, support and guidance is not necessarily equal to the one offered to larger, international firms. Smaller firms also face more challenges when it comes to exports. The relative cost of complying with requirements

on local markets is much higher and the learning curve much steeper. SMEs in most countries often require additional support from the government. In Viet Nam, this would be particularly important given the high number of SMEs as well as the high turnover and short life cycle of many SMEs. It shows that there is a significant potential for the development of the SME sector but that there are also significant challenges and that these companies require additional resource and support.

Reconciling trade and environmental diversity, including through climate change adaptation and promoting green growth, is another call, prompted by modern developments and events. Underlying principles include mobilizing available resources efficiently, applying sustainable business practices, particularly in agriculture, utilizing sustainable energy sources, enabling the use of modern machinery and IT technology.

It is highly beneficial for fast-growing country as Viet Nam to ensure social inclusion, in particular traditionally vulnerable groups of economically active population. The country can capitalize on the following facts: (i) the population is quite young, with a median age of 30.4, though it is getting older (the median age has already increased from a low of 18.2 in 1970), and (ii) the demographic window can benefit economic development though the increased savings of the relatively large working-age population, opportunities for human capital development among the young, and the low dependency ratio.

Inclusive and sustainable growth and trade competitiveness can support Viet Nam's export trade strategy and enable new economic operators to start exporting and build their business.

STANDARDS, CERTIFICATION, AND QUALITY REQUIREMENTS

This cross-cutting functional priority consists of promoting the quality of products and services. Compliance with standards, whether of the “mandatory» or “voluntary» kind, is therefore fundamental to gain and maintain market access, and hence very much part and parcel of the quality envelope of all products, whether innovative or not.

It is becoming increasingly evident that high quality alone does not guarantee sales in the export market. The quality level is now rather an order-qualifier, i.e. quality is a basic expectation by the buyer without which market entry is

unlikely. In addition to high quality, innovation is becoming fundamental to marketing success as competition is getting fiercer due to globalization. Innovation has its own challenges, e.g. faster product development cycles to beat rapid changes in global markets, productive partnerships with suppliers, well-trained workers, optimized quality costs and a strong, strategic hands-on management approach. But even the most innovative products have to comply with standards, especially those related to health and safety. Similar arguments hold true for products that have to integrate with existing systems, such as electrical or communication products.

Box 12: Estimated return on investment of NQI contribution to GDP

A well-developed National Quality Infrastructure (NQI) is a prerequisite to allow MSMEs and larger companies to comply with domestic, regional and international market requirements. As part of the business operational process, it entails some costs as well as benefits, not only at the enterprise, but also at the national level. Based on the methodology applied across various countries (about 15 countries in Central Asia, Caucasus, Balkans, and East Europe), it was observed that NQI has a significant impact on and contribution to GDP. In particular, the review shows that

- the NQI can affect more than 75% of GDP, since it has a major role in production and services especially trade, health, and security.

- the contribution of NQI-related activities in an economy may range from 3 to 16% of GDP, while for agriculture dominant economies, this figure is 3-8%.

This calculation is based on an assessment of the value generated by the NQI function, namely the contribution of NQI conformity assessment services, contribution of NQI to new or improved products or services, value added taxes along the value chain and the direct revenues generated by NQI institutions.

Considering the basic scenario with the lowest GDP contribution, Viet Nam might gain around \$7.5 billion (based on the current GDP) with the establishment of a well-functioning quality infrastructure.

Source: World Bank (2017) - LKA NQI Gap Assessment; World Bank Viet Nam profile; ITC calculations.



Links, I and E 2.jpg

A country's national quality infrastructure can be understood as 'the totality of the institutional framework (public or private) required to establish and implement standardization, metrology (scientific, industrial, and legal) and the accreditation and conformity assessment services (inspection, testing, and product and system certification). It is necessary to provide acceptable evidence that products and services meet defined requirements, whether these are imposed by the authorities (in technical regulations and sanitary and phytosanitary measures) or the marketplace (i.e. contractually or inferred).

A solid cross-cutting strategy in quality requirements contributes to a country's export competitiveness by: (1) removing technical barriers to trade by harmonizing import and market access requirements; (2) providing a basis for trade agreements; and (3) by promoting innovations and competitiveness by increasing quality standards.

A well-functioning and enabling quality management environment requires structured and coordinated interactions between institutions and their functions. The starting

point is the overview of domestic and foreign standards and product regulations, aimed to qualify products/services for a particular target market – either domestic or foreign. Many of the requirements are product and industry-specific, which also differ between destination markets.

Awareness of foreign product regulation and standards as well as compliance with them are one of the most common barriers to trade, especially for SMEs. In practice, producers need to understand local requirements to be able to manufacture, market and place their products on the market. This is even more complex when it comes to exporting goods to foreign markets. The list of requirements may vary significantly from the domestic rule and exporter will not be able to sell their products if they don't comply.

Focusing on improving awareness, knowledge, analytical skills, and support services in this area could help Viet Nam to significantly boost exports.



Photo: Links, Cover 2_Photo by Ian Turnell from Pexels.jpg

Plan of action

To achieve the vision and strategic objectives discussed above a robust, actionable, and realistic strategic plan of action is required. The plan of action is structured along the three strategic objectives and their respective operational objectives. For each objective, the plan outlines detailed activities and their implementation modalities, which include:

- Timeframe: The approximate level of priority for the activity.
- Implementing partners: One single accountable lead institution per activity and several supporting partners. The institution can restrict itself to an oversight and coordination role but also can have a technical role.

Existing programmes or cross-linkages and references to other parts of the strategy: Any relevant background information for the implementation of the activity is included at the bottom of each activity description.

National level Plan of Action

Strategic Objective 1: To transform the business environment into a driver of competitiveness.		Executing agency	Timeframe
Operational objective	Activities		
1.1. Create an enabling environment for entrepreneurship by improving business conditions and administrative efficiency	<p>1.1.1. To improve the ease of doing business by streamlining existing regulations and procedures</p> <ul style="list-style-type: none"> Analyse the latest Doing Business detailed report, especially in the areas of starting a business, dealing with permits, paying taxes etc. Develop procedures and legal acts improving doing business framework based on the above key challenges and enact new procedures and legal acts and ensure their enforcement. Where the difficulties result from lack of information or lack of understanding of procedures, design and carry out training and promotional activities for local stakeholders/ users. Review the possibility of signing mutual recognition agreements between departments to promote greater transparency and coordination and to provide a better business environment for domestic and foreign enterprises. <p>This activity is an initial step towards improving the ease of doing business. It is designed to lay the foundation for developing a more conducive business ecosystem. It aims to simplify regulation and procedures around various business activities such as setting up companies, obtaining information and relevant permits as well as financial support. It should also help to minimise the administrative burden for existing companies and attract new foreign investment. This activity should start in the short term as it is one of the fundamental efforts that will underpin all other activities.</p>	Ministry of Industry and Trade, Ministry of Finance	Short term
	<p>1.1.2 To ensure customer orientation of business services providers by sensitizing policymakers and finance providers on trade issues</p> <ul style="list-style-type: none"> Conduct a review of domestic business-facing procedures to ensure a user-centric approach and simplify and remove layers of bureaucracy. Reduce the time required to obtain various trade and business-related authorisations and approvals. Use existing structures to create a forum allowing the policymakers to liaise with the finance providers on how to better support domestic businesses. <p>This action is another initial step towards reducing bureaucracy and simplifying procedures. It is designed to support more targeted and specific actions in the following activities. It is also designed to raise awareness of trade-related issues and the need to support businesses. Actions listed in other activities will depend on this awareness and the ability of all stakeholders to understand the importance of these steps for economic development. This activity should start in the short term as it will underpin further efforts.</p>	Ministry of Industry and Trade	Short term
	<p>1.1.3 To ensure that administrative services are homogeneous between regions and between regional and national institutional levels</p> <ul style="list-style-type: none"> Review the gap between national services and those available at a regional level and ensure that vital services are available closer to where businesses are located. Ensure that services provided on a regional and national level are consistent and harmonised. Review the gap between services offered by offices in different regions and harmonise unless a strong case for providing localised services exists (specialised services for local industries). Strengthen internal guidance to ensure that the services provided by regional offices are based on the same internal guidance and interpretation of legislation to prevent situations where different offices provide varying advice. <p>This action is designed to ensure that services offered by regional and national offices are homogenous and advice provided consistently. This will allow companies to obtain the necessary advice and services locally without having to travel long distances. This activity should be a medium-term focus as it will require additional internal training and restructuring.</p>	Ministry of Industry and Trade	Medium term
	<p>1.1.4 To make trade-related rules and regulations harmonized across the country by ensuring regulatory and procedural clarity and predictability</p> <ul style="list-style-type: none"> Review existing customs and trade-related guidance to ensure it is fit for purpose: it outlines the correct interpretation of the legislation and implementation notes. Make trade-related guidance and accompanying implementation notes easily available both for government officials, the general public and companies for increased transparency. Create internal mechanisms for harmonization of existing rules and regulations and their application across industries and regions/provinces. Develop a well-functioning internal enquiry management system – linked to existing trade portals – to ensure effective and timely response to business needs. <p>This activity aims to ensure transparency, consistency and clarity of trade and customs guidance. The aim is to ensure uniform application of the legislation which will provide consistency and predictability for traders and investors alike. This will in turn improve the business environment and support export promotion activities. As difficulties with guidance and lack of clarity and predictability were one of the most cited difficulties for SMEs, this activity should commence in the short term. The government should ensure that all future circulars are consistently implemented. This activity should start in the short term.</p>	Ministry of Industry and Trade	Short term

Strategic Objective 1: To transform the business environment into a driver of competitiveness.		
Operational objective	Activities	Executing agency
1.1. Create an enabling environment for entrepreneurship by improving business conditions and administrative efficiency	<p>1.1.5 To facilitate cross-border trade by streamlining customs procedures and increased use of electronic means</p> <ul style="list-style-type: none"> Develop an online inventory of all the required customs formalities and procedures that are necessary to export. Map the end-to-end process for exports and imports including various permits and licenses where appropriate. Develop a one-page export guide outlining steps and procedures – general and sector-specific – to start export activities. The guide should be easily available and include practical information such as addresses, contact details, websites, video tutorials, etc. Assess the feasibility of digitalising customs processes to minimise the number of paper-based formalities. Set up an inter-ministerial task force with the mandate to harmonize and simplify the requirements to support the export promotion. Review the border procedures to identify overlaps and duplications and streamline procedures. Work with local customs agents to disseminate information, encourage compliance and simplify procedures. Develop and introduce risk and intelligence-based assessment mechanisms to limit the number of physical border checks and reduce the length of time goods spend at the border. Increase usage of e-administration tools by government, customs brokers, and companies to facilitate exports. Establish a helpdesk with a hotline staffed with adequately trained personnel that can assist companies uncertain about customs procedures or information they need to provide. The helpdesk will also support companies in providing their customs data such as customs classification, valuation, and origin. <p>This activity is designed to facilitate cross-border trade by simplifying customs procedures. Currently, a customs clearance takes more time than required due to overlapping activities and numerous checks by different departments due to the lack of mutual recognition agreements between various ministries and agencies. This occurs both at import as well as export. This activity would support export promotion by making it easier for Vietnamese companies to export their products abroad. It is also related to the various trade facilitation programmes already in progress. Given the number of changes requires, this activity is designed for the medium term.</p>	<p>Ministry of Industry and Trade</p>
	<p>1.1.6 To promote business innovation by creating conducive conditions and services</p> <ul style="list-style-type: none"> Review best practices of innovation and business incubator centres around the world. Identify the needs of local businesses regarding incubation centres and perform a gap analysis of the currently available support. Develop an innovation and business incubation centre concept – including a feasibility study – focused on export industries. Ensure gender-balanced participation of key stakeholders including government, businesses and universities. Implement the concept and ensure appropriate financial and human resources to make the centre operational. Provide co-working space, office infrastructure and advisory services (and help with access to financing when possible) to allow SMEs and start-ups to grow and profit from the ability to interact with other similar companies. Develop partnerships between Vietnamese universities and research institutions with international leading universities to drive innovation and R&D. Apply incentive initiatives to encourage the R&D activities. Provide targeted funding for specialized R&D, new product development, innovation, testing and certification, and IP protection and commercialization for priority sectors. <p>This activity aims to promote business and product innovation which are crucial for diversification of the economy and to enable companies to move up the value chains. The activity is proposed for the medium to long term. This activity aims to develop an ecosystem of innovative firms centred around the export sectors that are the most promising. Providing firms in such sectors with an environment that can help them boost innovation and improve their overall productivity. This activity should start in the medium to long term as it will build on other activities within this plan, such as efforts to improve the business ecosystem.</p>	<p>Ministry of Industry and Trade, Ministry of Science and Technology</p>

Strategic Objective 1: To transform the business environment into a driver of competitiveness.		Executing agency	Timeframe
Operational objective	Activities		
1.2. Foster firms' development by providing targeted value-adding business support services	<p>1.2.1 To support local SMEs by providing effective, value-adding and affordable services along the entire value chain and export transactions</p> <ul style="list-style-type: none"> Promote existing services already available to SMEs at both the national and regional level. Develop an exhaustive directory of the agencies and government departments with trade-related functions, map out the services they offer to businesses and maintain updated records. Develop and implement a nationwide promotion campaign in both traditional and online media, to inform SMEs and exporters of available TIP services, and present the focal institutions at national and regional levels. Harmonise existing trade portals under a consolidated trade intelligence network to facilitate navigation through resources and requirements and appoint a working group to coordinate trade information provision. Develop and roll out a standardized training course, periodically, to build the capacities of sector associations and regional chambers in online research, data collection, market profiling, marketing/promotion techniques, and preparation for trade fairs. <p>This activity is designed to ensure that SMEs have access to an effective and value-adding set of services that support their development and enable them to start, grow or diversify exports. It supports other activities aiming at helping SMEs as well as other exporters become more familiar and comply with market access conditions in target markets. The activity should take place in the medium term.</p>	Ministry of Industry and Trade	Medium term
	<p>1.2.2 To support export growth by improving access to finance for SMEs and start-ups</p> <ul style="list-style-type: none"> Set up a working group on access to finance, consisting of representatives of government, Central Bank of Viet Nam, financial supervisory authority, businesses as well as banking and non-banking financial institutions. Diagnose access to business loans for companies and individuals from the perspective of (1) financial institutions, (2) businesses and (3) financial supervisory authority. Consider specific mechanisms, including incentives for financial institutions, to create financing options, oriented to women-led enterprises. Introduce or adjust export finance solutions to improve exporters' competitiveness, based on the diagnostics. Some options may include value chain financing, special credit schemes targeting first-time exporters, in particular MSMEs, as a special group. Launch promotional, advisory, and training activities to ensure interested parties are aware of the changes. Support and facilitate the development and proliferation of alternative private-sector sources of financing such as credits and loans. <p>This activity will ensure that companies, existing and new, that wish to export have better access to finance options. Access to finance is an important part of export promotion as companies often need to invest to increase the volume of production as well as to expand to new markets. The aim of this activity is to offset the tendency for informal private funding and to provide an offer aligned to SMEs' needs. This activity should start between the short and medium-term.</p>	Ministry of Finance	Short term
	<p>1.2.3 To promote export diversification by designing a support programme for enterprises in new, higher value-added sectors</p> <ul style="list-style-type: none"> Identify these emerging sectors where Viet Nam could have a comparative advantage: smaller, emerging, value-adding, innovative sectors. Develop a set of facilitation and support activities for companies in these sectors – this could include dedicated innovation hubs, access to financing, advice or tax reliefs or simplified domestic or border procedures. <p>This activity will support the development of new, value-adding sectors that will enable Viet Nam's exports to move up the value chains. It will help to diversify the export basket and economy. This activity focuses on a small, emerging subsector of the industry. This activity will start in the medium term.</p>	Ministry of Industry and Trade	Medium term
	<p>1.2.4 To support the emergence of local and international supply chains by strengthening intra – and inter-sectoral linkages along the value chain</p> <ul style="list-style-type: none"> Support the development of links between companies providing goods and services at different stages of production. Organise domestic business matching events and fairs to encourage intra – and inter-sectoral business deals, networking, and partnerships. <p>This activity focuses on creating stronger connections between Vietnamese companies. This includes encouraging companies to work with each other and learn from each other's experience promoting skills and know-how transfer. This activity is designed for the long term.</p>	Ministry of Industry and Trade	Long term

Strategic Objective 1: To transform the business environment into a driver of competitiveness.		
Operational objective	Activities	Executing agency Timeframe
1.2. Foster firms' development by providing targeted value-adding business support services	<p>1.2.5. To improve access to information and cooperation between companies and the government by creating public-private dialogues</p> <ul style="list-style-type: none"> • Set up an independent, inclusive, and de-politicised public-private dialogue platform for export development. • Establish regular meetings between representatives from several government departments and organizations with private sector bodies to discuss challenges and the latest developments. This is to go beyond the current stakeholder engagement done by portfolio committees. Including gender concerns in a regulatory framework for public-private partnerships as part of the institutionalised public-private dialogue. • Facilitate a meeting /workshop to discuss the adequacy of existing businesses/export support. Aim to ensure that participants can share their concerns without consequences. <p>This activity aims to develop a strong and stable public-private institutionalised dialogue that would enable the continuous exchange of views and information. The ability for businesses to share their feedback and concerns as well as gather information from the government will support the formation of better export and trade policies. This activity should start in the short term and the public-private partnership should support the implementation of this strategy.</p>	<p>Ministry of Industry and Trade</p> <p>Short term</p>
	<p>1.3.1 To boost competitiveness by firm-level digital transformation</p> <ul style="list-style-type: none"> • Promote the use of digital tools among MSMEs by organising capacity building programmes and promotional campaigns. • Create a list of trusted providers (private-sector firms) that support companies in creating and setting up their online presence (website, email, social media). <p>This activity aims to help companies to access new markets and connect with new clients by using digital tools such as a website or social media. Digital transformation is an important feature of export strategy and SMEs need additional support and awareness to be able to use these tools. This activity is closely related to the next one – the development of ITC infrastructure will enable companies to make the transition. The activity is foreseen for the long term.</p>	<p>Long term</p> <p>Ministry of Science and Technology</p>
1.3. Gain trade competitiveness through the digital transformation of the economy	<p>1.3.2 To enable the digital transformation of the economy by providing tailor-made and cheaper services to the firms</p> <ul style="list-style-type: none"> • Support the development of ICT infrastructure in Viet Nam, including availability of internet services. • Organize public-private consultations to identify legislative, institutional, and service constraints for business digitalization. • Develop legislation in ICT related topics – data protection, cybersecurity, e-commerce, digital finance and IP • Review the current ICT-related legislation and identify provisions that are out of date (for example because of technological and legal changes). Benchmark the current legislation with best practices worldwide. • Launch an information campaign to inform businesses of the changes. <p>This activity is designed to provide ICT infrastructure both in terms of physical infrastructure as well as legislation to support it. This activity should start in the medium term.</p>	<p>Medium term</p> <p>Ministry of Science and Technology</p>

Strategic Objective 2: To diversify the range of export destinations while strengthening existing ones.		Executing agency	Timeframe
Operational objective	Activities		
2.1. Exploit market diversification opportunities through e-commerce and new-generation FTAs	<p>2.1.1 To explore market diversification opportunities by promoting e-commerce</p> <ul style="list-style-type: none"> • Raise awareness of the export opportunities offered by international e-commerce platforms among local businesses. Support e-commerce and e-tools training for companies. • Develop an assistance programme for SMEs to help them distribute their products and services using e-commerce platforms, with a specific target or programme for women entrepreneurs. • Create and provide access to shared business spaces equipped with computers and with access to the Internet. This will offset the relatively low usage of the internet and the high cost of mobile data. • This activity is aimed at promoting e-commerce which has a crucial role to play in market diversification. This activity focuses on a gradual increase in the usage of e-commerce tools by Vietnamese exporters. It focuses on facilitating access to foreign markets for SMEs via the usage of e-commerce platforms. Such platforms are a less investment-heavy way of entering foreign markets without physical infrastructure. This activity should start in the medium term. 	Ministry of Industry and Trade	Medium term
	<p>2.1.2 To enable exporters to benefit from additional market opportunities, offered by FTAs</p> <ul style="list-style-type: none"> • Raise awareness amongst SMEs about Viet Nam's extensive network of trade agreements and preferences and conditions of use by creating an information campaign for local businesses. • For businesses interested in entering foreign markets, provide information in an accessible, business-friendly language on the documents needed and on regulatory requirements. Support SMEs in understanding the origin requirements and rules of origin by organising workshops and training courses. • Review the overlapping market portals and whether or not they are fit for purpose. • Develop a pilot project with local businesses in the priority sectors to export new products to target markets under preference. End to end process including obtaining a certification. • Ensure companies understand the reputational risk of declaring the incorrect origin of the product. <p>This activity is designed to encourage SMEs to take advantage of Viet Nam's trade agreements. These trade deals offer competitive advantages for exporters. However, they often remain underutilised due to a lack of awareness. Supporting producers in exporting to FTA partner markets could be one of the quick wins as the activity relates to taking advantage of the deals that Viet Nam has already signed. The activity should start in the short term.</p>	Ministry of Industry and Trade	Short term
2.2. Strengthen export promotion activities with national-level initiatives and skills enhancement	<p>2.2.1 To increase awareness of existing opportunities in new markets by helping companies understand market access requirements in partner countries</p> <ul style="list-style-type: none"> • To provide support for the companies throughout all the stages of new market penetration, from initial research to export via a pilot programme. <p>This activity is designed to directly support exporters in delivering their products and services to foreign markets. This activity should start in the medium term.</p>	Ministry of Industry and Trade	Medium term
	<p>2.2.2 To support export promotion via building managerial and international trade skills amongst managers and entrepreneurs</p> <ul style="list-style-type: none"> • Survey local firms to identify the missing skills and required training. Shift educational resources from low-demand or saturated areas to high-demand skills that businesses need. Boost the budget allocation for the programme on areas with skills gaps. • Provide managerial skills training focusing on business strategy, client development, marketing and market research. • Advise companies on how to build a business strategy based on a solid understanding of overseas markets. • Support the organisation of promotional activities such as fairs and events. • Raise awareness among employers of the benefits of continuous training and investing in their staff. Organize a national campaign encouraging large firms to hold systematic training for employees, including overseas training. Promote skills development schemes between employers and employees (e.g., employees would receive training in exchange for permanence commitments or performance evaluations). • Establish a framework and encourage companies to provide informal training (e.g. mentoring) and skills exchange internally and between themselves. As far as possible, encourage companies to form clusters and share their training programs with other participating companies to minimise the cost of training. • Explore the available e-learning programmes. Ensure that current information technologies are used in this training. <p>This activity is designed to support the development of managerial and trade skills. It aims to promote and popularise continuous training within companies increasing the qualifications and competencies of the active workforce. This will, in turn, boost innovation and productivity. This activity should start in the short to medium term.</p>	Ministry of Industry and Trade, Ministry of Education	Long term

Strategic Objective 2: To diversify the range of export destinations while strengthening existing ones.		
Operational objective	Activities	Executing agency / Timeframe
2.2. Strengthen export promotion activities with national-level initiatives and skills enhancement	<p>2.2.3. To support export promotion activities by creating and strengthening the national brand</p> <ul style="list-style-type: none"> • Publicise the country's quality/uniqueness in selected areas as the key elements of the national brand. • Develop a national slogan and branding that would support export promotion activities. • Build up and organise annual international trade fair(s) in Viet Nam, inviting importers and buyers from all over the world to expose domestic brands. <p>This activity aims to build and promote Viet Nam's national brand to promote the country's products and increase exports. The country's brand stressing its unique features could support further development of tourism as well as increase the attractiveness of Viet Nam's products abroad. It could bring attention to local crafts and arts. This activity should start in the medium term.</p>	<p>Ministry of Industry and Trade</p> <p>Medium term</p>
	<p>2.3.1. To facilitate trade via strengthening companies' understanding of product regulation and standards</p> <ul style="list-style-type: none"> • Develop a one-page guide describing, step-by-step and in the most concise manner, what an entrepreneur needs to do and consider placing the product on a foreign market. The guide should include an explanation of various market access requirements and information on where to find details. This should include practical information such as addresses, contact details, websites, video tutorials, etc. • Develop a version for each key industry including various applicable licenses, permits etc. Make the list of documents that are required to complete any type of property transaction publicly available and downloadable online. • Conduct a series of industry-specific (for each key industry) workshops on standards. To be delivered in the local language, in the local area and attended by producers, including SMEs. • Provide clear and user-friendly guidance on the basic concepts and principles as well as information on where companies can look for further help. • Develop an understanding of private and international standards and the need to comply with them <p>This activity is designed to strengthen companies' understanding of what is often the biggest barrier to exports – product regulation and standards. This activity should start in the medium term.</p>	<p>Ministry of Industry and Trade</p> <p>Medium term</p>
2.3. Strengthen the capacity of firms to meet international standards and certification	<p>2.3.2. To support exports by providing better access to testing and product certification</p> <ul style="list-style-type: none"> • Work with the business community to ensure the certification process is well suited to business needs. For example, provide certification for a period of time and not per shipment. • Facilitate access to quality infrastructure/facilities and related services to reduce costs and required resources to obtain necessary quality documents. Consider digitalizing certain processes to enable enterprises from remote areas. <p>This activity will improve access to, the time required and cost of product testing in Viet Nam. The activity should start in the medium term.</p>	<p>Ministry of Industry and Trade</p> <p>Medium term</p>

Strategic Objective 3: To broaden the national productive capacity and diversify the range of exported products.		Executing agency	Timeframe
Operational objective	Activities		
1.1. Enhance the innovation ecosystem by facilitating access to the necessary talent	<p>3.1.1. To support innovation by improving access to talent</p> <ul style="list-style-type: none"> • Simplify visa requirements for foreign workers. • Develop an internship programme for university and high school students in medium and large corporations. • Improve interaction between industry and academic and research institutions in priority export sectors to increase the reactivity and adaptation of appropriate research institutions to private sector needs. • Work with education institutions and the private sector to strengthen vocational training and make it more accessible to people from rural areas. The new system should be aligned to the need of the employment market. • Focus on vocational training throughout all levels of education (not only higher education). • Adapt the curriculum of secondary schools to include subjects such as entrepreneurship, creative thinking, innovation, developing business models, financial planning, and leadership. • Establish the bourse/internship programme for vocational training and vocational training institutions. Create a system of incentives and subsidies for companies wishing to hire bourse participants. • Develop an internship programme that supports Vietnamese students to undertake vocational training overseas. <p>This activity aims to promote education and improve access to talent for Vietnamese and foreign companies. This activity seeks to ensure the availability of vocational, business-specific training at all levels of education. This activity should start in the medium term.</p>	Ministry of Education, Ministry of Science	Medium term
	<p>3.2.1. To target export-focused FDI by ensuring predictability and transparency of the investment ecosystem</p> <ul style="list-style-type: none"> • Articulate the role of FDI to enhance trade, value chain and private sector development; integrate the investment vision and related targeted activities into trade-specific strategies to ensure a coordinated approach. • Define Viet Nam's sectors with high export potential and define their value proposition to promote private productive investment. • Review and benchmark best practices for FDI promotion of target sectors in similar economies in the region and worldwide. Compare with the current legal, institutional and financial framework for FDI support in Viet Nam. • Prepare and implement investor targeting campaigns to attract <i>new investors</i> in prioritised sectors from identified target markets. Consider environmental, social – including gender equality dimension – and governance factors in campaign preparation and planning. • Develop and implement investor aftercare services to promote re-investment and expansion of business activities among <i>existing FDI companies</i> in prioritised sectors. • Provide consolidated information on business establishment and operation to foreign investors through a dedicated investment information portal, available in foreign languages. <p>This activity is aimed at attracting export-focused FDI as a way to increase the local workforce's skills and knowledge and promote links between companies. This will, in turn, lead to an increase in domestic productivity and volume of exports. Preparatory activities should start in the medium term and as a result, the export-focused FDI strategy should be implemented in the long term.</p>	Ministry of Industry and Trade	Medium term
1.2. Promote foreign investment that can have a transformational impact on local firms	<p>3.2.2. To promote knowledge transfer and value chain development by fostering collaboration on innovation between foreign enterprises and educational institutions</p> <ul style="list-style-type: none"> • Promote linkages, including knowledge sharing, between foreign companies and domestic firms through targeted incentive initiatives, networking programmes, business matching events, and partnerships with relevant foreign business associations. • Encourage continuous on-the-job training among existing foreign investors to enhance local skills and acquire more advanced business practices. Incentives can be provided for foreign affiliates to undertake on-the-job training by sharing the financial burden or offering other concessions. <p>This action is aimed at strengthening links between foreign investors and the education sector. It will support Viet Nam's domestic efforts to strengthen vocational training and provide better access to talent. This activity should start in the long term.</p>	Ministry of Education, Ministry of Science, Ministry of Industry and Trade	Long term

Strategic Objective 4: To ensure the socially and environmentally sustainable development of trade and long-term growth		
Operational objective	Activities	Executing agency
1.1. Ensure socially inclusive economic growth with wider women and youth participation in trade	<p>4.1.1 To promote inclusive economic growth by encouraging participation in economic activity and exports of women, youth and people from rural areas</p> <ul style="list-style-type: none"> Set up a female, youth, and rural population entrepreneurship award. Use the examples of nominated candidates to build a database of new entrepreneurship projects. Encourage the participation of women in training through partnerships between enterprises and universities, and other educational institutions. Consider available free-of-charge resources to access training services, information, and network opportunities. Give women-led businesses special preferences under SME support programmes (for instance, access to capacity building programmes, loan repayment plans with lower interest rates or special financing for women-led businesses). Develop a series of inspirational case studies of entrepreneurs that have successfully developed their business ideas. Use these materials to display the success stories in primary and secondary schools to build awareness of opportunities in trade. Ensure media coverage on inclusive entrepreneurship topics. Work with the local radio and television stations, producers, and project sponsors to produce and air a weekly programme on entrepreneurship Organize an entrepreneurship showcase event to connect the community, investors, and interested parties with entrepreneurs / aspiring entrepreneurs and to allow the entrepreneurs to showcase their business plans, inventions, etc. <p>This activity aims to promote inclusive economic growth. This activity is designed to increase the participation of people from these groups in Viet Nam's economy and to provide viable career opportunities for them. This will increase the inflow of new ideas and potentially boost entrepreneurship. Participation of the population from rural areas, women and youth in economic activity and national supply chains is crucial. This operational objective focuses on promoting social goals such as hunger eradication, poverty reduction, employment generation, and social justice. This activity should start in the medium term.</p>	<p>Ministry of Labour and Social Affairs</p>
	Timeframe	Medium term
4.2 Encourage regional participation in export activity	<p>4.2.1 To ensure sustainable development by reducing differences between regions</p> <ul style="list-style-type: none"> Identify regions with the lowest participation in export activity. Design a dedicated information campaign about international export opportunities. Provide training based on new market entry, export procedures and market access requirements. Create a sub-group dedicated to the involvement of producers in rural areas and supporting them in bringing their products to new markets. Ensure that entrepreneurs and producers in these areas have sufficient access to information and support from the government's business services. <p>This activity aims to unlock the business potential of rural areas and underdeveloped regions. This activity should start in the short term to allow time for the rural population to participate in the wider economic activity.</p>	<p>Ministry of Labour and Social Affairs, Line ministries</p>
	Timeframe	Short term
4.3. Mitigate the impact of climate change and safeguard the natural environment	<p>4.3.1 To mitigate the impact of climate change by fostering sustainable production practices</p> <ul style="list-style-type: none"> Support the development of high-skilled agriculture sector and the implementation of sustainable agricultural practices. Draw up a master plan based on a feasibility study of economically viable business opportunities with renewable sources (e.g., wind, sun) to increase access to sustainable, affordable, and cost-competitive power. Design incentives programme for companies (e.g., tax incentives, grants, soft loans) to invest in renewable energy and energy-saving production assets. <p>This activity supports the key vision of increasing economic activity in Viet Nam. Enabling increased access to sustainable energy sources (incl. electricity) will enable local companies to increase productivity and efficiency. It will enable the use of modern machinery and IT technology. While such activities require time, Viet Nam should take every opportunity to improve access to electricity as this is a prerequisite for any business activity and improving the business ecosystem and increasing the volume of exports. While new renewable energy sources are a long-term project in the scope of this strategy, efforts should start in the medium term at the latest.</p>	<p>Ministry of Agriculture, Environment Agency</p>
	Timeframe	Medium term

Implementation management framework

The successful implementation of the strategy is based on the ability of all public and private stakeholders to coordinate their activities, monitor progress, and mobilise resources. This strategy is the first step to give the strategic orientation of Viet Nam's trade development. The implementation of priorities and maintaining the public-private dialogue alive are crucial to gain momentum from the design process to the implementation of activities to have a positive impact and tangible results from the strategy. It is important to create the right environment and framework to enable its successful implementation.

Fundamental conditions for the effective implementation of the roadmap

The successful implementation of the activities in the roadmap require:

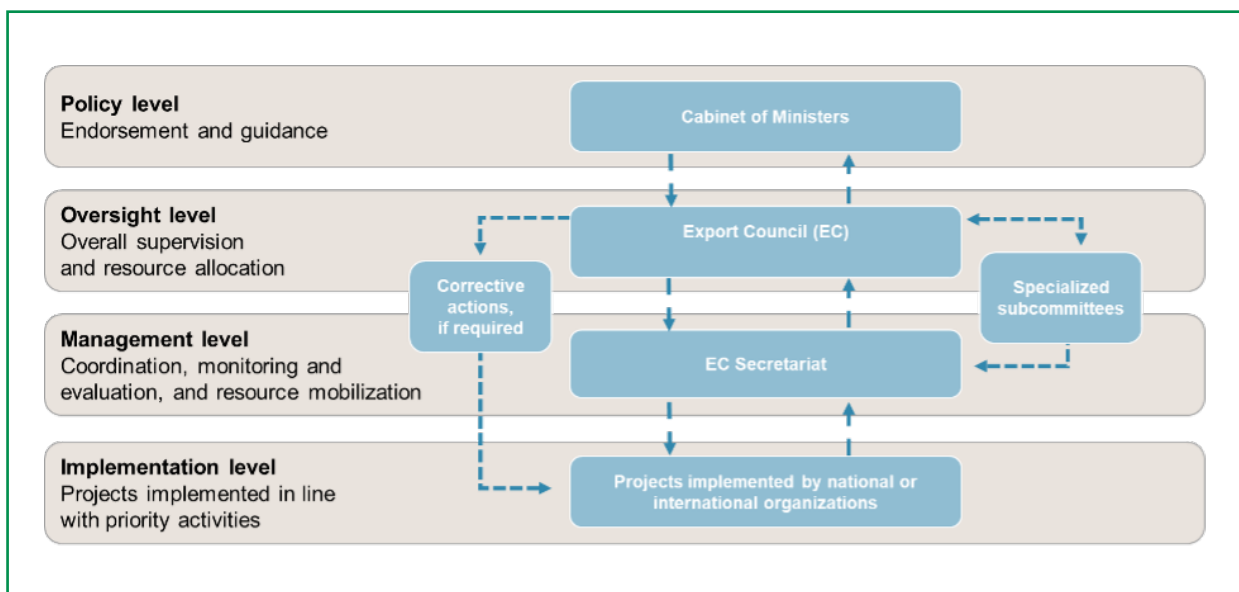
- endorsement/a high level of commitment from relevant stakeholders,
- establishment and operationalization of a public-private coordinating platform,
- proactive networking and sensitization of implementing institutions,
- the readiness of the public and private sectors to allocate/mobilize resources,
- effective monitoring mechanism.

HIGH-LEVEL ENDORSEMENT

Endorsement at the Government level is the first most important step towards the implementation of the strategy. Only by making this document official it will be possible to mobilize the national and international support

required to enable export development effectively, to request national budget funding and to engage relevant implementation institutions with the activities assigned to them in the Plan of Action.

Figure/Graph : Generic governance structure for implementation [for consideration]



ESTABLISHMENT AND OPERATIONALIZATION OF A PUBLIC-PRIVATE COORDINATING PLATFORM

Trade development requires a coordinated approach of relevant stakeholders: Ministries, government agencies, sector associations and other private sector associations. Therefore, it is essential to establish a platform for public-private dialogue that would act as an advisory committee to the Government and the private sector over issues related to or affecting roadmap implementation.

This mechanism will enable the private sector and government representatives to identify priority issues, help coordinate and monitor the implementation of the strategy by the relevant agencies and institutions and maximizes utilisation of limited resources, monitoring, coordination, resource mobilization, and policy advocacy and communication functions.

This mechanism (Council/Committee) can be strengthened and enlarged, for example, by creating a secretariat to complete the daily operational work related to implementation management of trade and export strategies. The core responsibilities of the secretariat should be to:

- Support and organize the regular meetings of the public-private platform
- Monitor the progress and impact of strategy implementation
- Coordinate strategy implementation partners
- Mobilize resources to implement the strategy.

PROACTIVE NETWORKING AND SENSITIZATION OF IMPLEMENTING INSTITUTIONS

Inter-institutional coordination will enhance the trade development effort by avoiding duplication and making the best use of resources. Well-coordinated implementation will provide the business community with a more predictable and therefore, more attractive investment environment.

Clear and proactive communication is the cornerstone of successful coordination. PoA activities often require multiple partners working together and/or in a synchronized manner. The implementing institutions need to be properly informed of the strategy's content and their respective roles and responsibilities. It will be important

for central implementing bodies such as the supervising Ministry and the TPO to reach out to relevant institutions to articulate the importance and benefits of roadmap implementation.

After the endorsement of the roadmap, the relevant institutions need to be informed of their implications for 2022–2027 programming. This sensitization is essential to programme activities in their Ministries and private sector associations. Such a programming approach will permit better resource allocation within the responsible agencies. While the financial dimension is often required, the human resource element is no less important.

PRIVATE SECTOR SUPPORT AND PARTICIPATION IN IMPLEMENTATION

The private sector's practical knowledge of business operations is essential to ensure that the Strategy remains targeted, relevant to business needs, and aligned with trends and opportunities.

As part of the public-private mechanism, the private sector must be involved in policy design and implementation process. Their contributions would include insights on

sector development, feedback on the business and investment climate, business intelligence, inputs to project design, and joint promotion, among others. Currently, there are several strong private sector associations. It is suggested to align their budgets to the strategy which will represent a more cohesive national direction in the strategy implementation.

FINANCIAL RESOURCE MOBILIZATION FOR IMPLEMENTATION

Effective planning and resource mobilization is indispensable to properly implement the strategy. Resource mobilization involves planning the sequencing of communications with institutions, project design, project proposals/applications, and resource collection and

management. This should facilitate, leverage, and strengthen the impact of diverse sources of finance to support sustainable and inclusive implementation, including national resources and private investment.



Links, technologyservices.jpg

Funding sources for consideration:

- **National resources through a direct budget and support programmes:** the Government will need to validate defined minimum budget support towards the implementation of the different components of the strategy.
- **National and foreign private sector investment:** the strategy should benefit from a solid channel of communication, capable of conveying reliable information to companies about export-related opportunities, and in turn, of communicating to the Government the needs that investors have identified as necessary to operate successfully.
- **Leveraging Development Partners support,** both financial and non-financial, through proactive outreach, organization of donor roundtables, and development of Roadmap-related project proposals

EFFECTIVE MONITORING MECHANISM

Efficient coordination and monitoring require precise information gathering of all the activities related to the strategy implementation. Tracking of strategy implementation entails data collection of implementation progress from government agencies and private sector institutions, as well as development partners. The collection of gender-disaggregated data across the strategy implementation is critical to monitor women entrepreneurs' access to and benefit from programmes and incentives.

The mechanism of strategy tracking needs to be defined by the private-public platform and agree upon the endorsement of the strategy. The secretariat, mentioned above, has a particular role to play in gathering information about activities and working in close collaboration with government agencies and private sectors associations. It also has a task to prepare yearly progress report and circulate it among the relevant stakeholders, and present success stories of strategy implementation to the public through the media.

Key takeaways

- The successful implementation of the strategy hinges on the ability of all public and private stakeholders to coordinate activities, monitor progress and mobilize resources.
- Government endorsement, a public-private coordinating platform for the strategy and effective monitoring mechanism are fundamental for fruitful implementation. This platform must be inclusive of different interests, including women entrepreneurs and producers.
- Private sector's business knowledge is essential to ensure that activities are implemented and targeted effectively.
- Sensitization of implementing institutions will build ownership and produce better resource allocation, notably through integrating the activities into their programme planning.
- Financial resource (both national and private investment) mobilization plays an indispensable role in supporting strategy implementation.

Annexes

Annex 1:

ITC Export potential calculation methodology

EXPORT POTENTIAL IN GOODS⁶⁶

The export potential and product diversification methodology, developed by the International Trade Centre (ITC), quantifies a country's or region's export potential across products and markets through an assessment of detailed trade and market access information. It identifies potential export values based on supply capacities in the exporting country, demand conditions in the target market and bilateral linkages between the two. The analytical framework is inspired by a gravity model of trade specified at the product level – it provides an estimate of how trade flows would be distributed if there were no frictions beyond those considered in the model.

The export potential indicator (EPI) serves countries that aim to support established export sectors in increasing their exports to existing and new markets. The EPI is computed for each supplier-partner-product combination, but only for products a country already exports. A second indicator, the product diversification indicator (PDI), instead identifies opportunities for diversification into new export products.⁶⁷

The EPI computes expected values of trade for each exporter-importer-product combination by combining information on the exporter's projected supply capacity for a given product, the importer's projected demand and the ease of trade between the two trading partners. The methodology goes beyond commonly used measures of comparative advantage by including additional variables, such as gross domestic product (GDP) and population growth prospects, elasticities, tariffs, and geographical distance. This allows accounting for expected increases in domestic supply and market demand, for a country's tariff advantage, and its distance to the target market. The estimated dollar value can then serve as a benchmark for comparison with actual exports and should therefore not be interpreted as a ceiling value.

Supply is captured by the exporter's global market share in the product, and demand by the market's imports of the product. They are augmented by forecasts of GDP and population growth over the next five years to provide a forward-looking assessment that accounts for

the expected evolution of supply and demand. Revenue elasticities of demand are computed at the HS2-digit level, separately for developed and developing countries. Furthermore, current tariff conditions and future tariff changes (if applicable) are introduced to account for differences in market access conditions. Geographical distance is equally accounted for, using a product-specific distance correction. Finally, a revealed measure of ease of trade between exporter and importer captures their overall trade relationship. It compares actual trade between them to the hypothetical trade that would occur if the exporter had the same share in the importing country as is has in the world market.

Any gap between a country's export potential and its actual exports is interpreted as untapped export potential, i.e., an opportunity for future export growth. This can result from two factors: 1) future economic growth in the country itself or demand growth in the target market (dynamic, or growth-based export potential); or 2) factors that trade advisors may address together with local companies, such as lacking information about the rules and regulations of the target market or difficulties to comply with them or to meet the (quality) preferences of its consumers (static, or friction-based export potential).

The export potential results in this analysis rely on trade data between 2015 and 2019, with projections for up to the year 2025. Data on export values are sourced from the ITC Trade Map databased, while information for tariff data comes from the ITC Market Access Map. Geographic distance, a proxy for transport costs, is taken from a database prepared by the *Centre d'études prospectives et d'informations internationales* (CEPII), gross domestic product (GDP) from the International Monetary Fund (IMF) World Economic Outlook, and population projections from the ILOStat database.

The export potential database comprises more than 4,000 product groups based on the six-digit level of the Harmonized System (HS) classification. Certain products not compatible with international conventions, highly dependent on natural resources or not in line with the

66.– For more details on the Export Potential methodology, please refer to Decreux and Spies (2016). Export Potential Assessments – a methodology to identify export opportunities for developing countries, available at https://umbraco.exportpotential.intracen.org/media/1089/epa-methodology_141216.pdf

67.– The product diversification indicator is not considered in the above analysis.

ITC work program are excluded, and some HS 6-digit codes are aggregated into a product group to allow for consistency across HS revisions.⁶⁸

The data used in the computations also undergo a thorough treatment to ensure that results are not driven by misreported trade flows, measurement errors or wrong attribution. First, five-year averages, with higher weights for recent years, are used to moderate the impact of outliers. Furthermore, all products must be exported at least in the three most recent years and imported in all five years to ensure that only products that have been continuously supplied and demanded are included in the export potential analysis. Second, taking the geometric average of the direct (reported by the exporting country) and the mirror (reported by the country's trade partners) trade flows helps obtaining a cautious estimate of the 'true' export and import values. Third, a rigorous reliability assessment identifies and filters out unreliable reporters whose reported trade flows significantly deviate from those of their trade partners. Finally, export potential results computed for all countries are normalized to ensure that total export potential remains realistic at a global scale.

EXPORT POTENTIAL IN SERVICES

The export potential of services methodology is a modified version of the export potential of goods methodology. In line with the methodology for export potential in goods, the analytical framework is based on a gravity model of trade, which has been adapted to services. The first factor (supply) is exporter \times service specific, the second factor (demand) is service \times market specific and the third factor (ease of trade) is exporter \times market specific.

Information on trade in services is taken between 2015 and 2019, and it is sources from the ITC Trade Map database. The data follows the BPM6 (Balance of Payments and International Investment Position Manual) classification where services are grouped into 12 sectors. Sector 12 ("Government goods and services n.i.e.") is excluded from the analysis due to its lack of relevance for export promotion activities.⁶⁹ The GDP and population projections six years ahead of the most recent year used in the analysis come from the World Economic Outlook (IMF) and the International Labour Organization (ILO). Results in this analysis rely on services data between 2015 and 2019 with projections for 2025.



Links, pexels-pixabay-414928.jpg

As data availability and quality are particularly limited for trade in services, the export potential methodology for services takes several measures that unreliable data report do not distort the export potential results.

First, to obtain a more complete dataset, missing observations at exporter-importer-sector-year level are replaced by zero if several well-defined conditions hold. Second, when both direct and mirror flows are available, an arithmetic average of the two is taken to mitigate the effect of incorrect data points. Third, aggregation methods vary depending on the availability of bilateral sector information per exporter. Fourth, five-year averages are used to moderate the impact of outliers. Moreover, a service needs to be exported by a country (and imported by a market) for at least three years out of the five years to be included in the analysis.

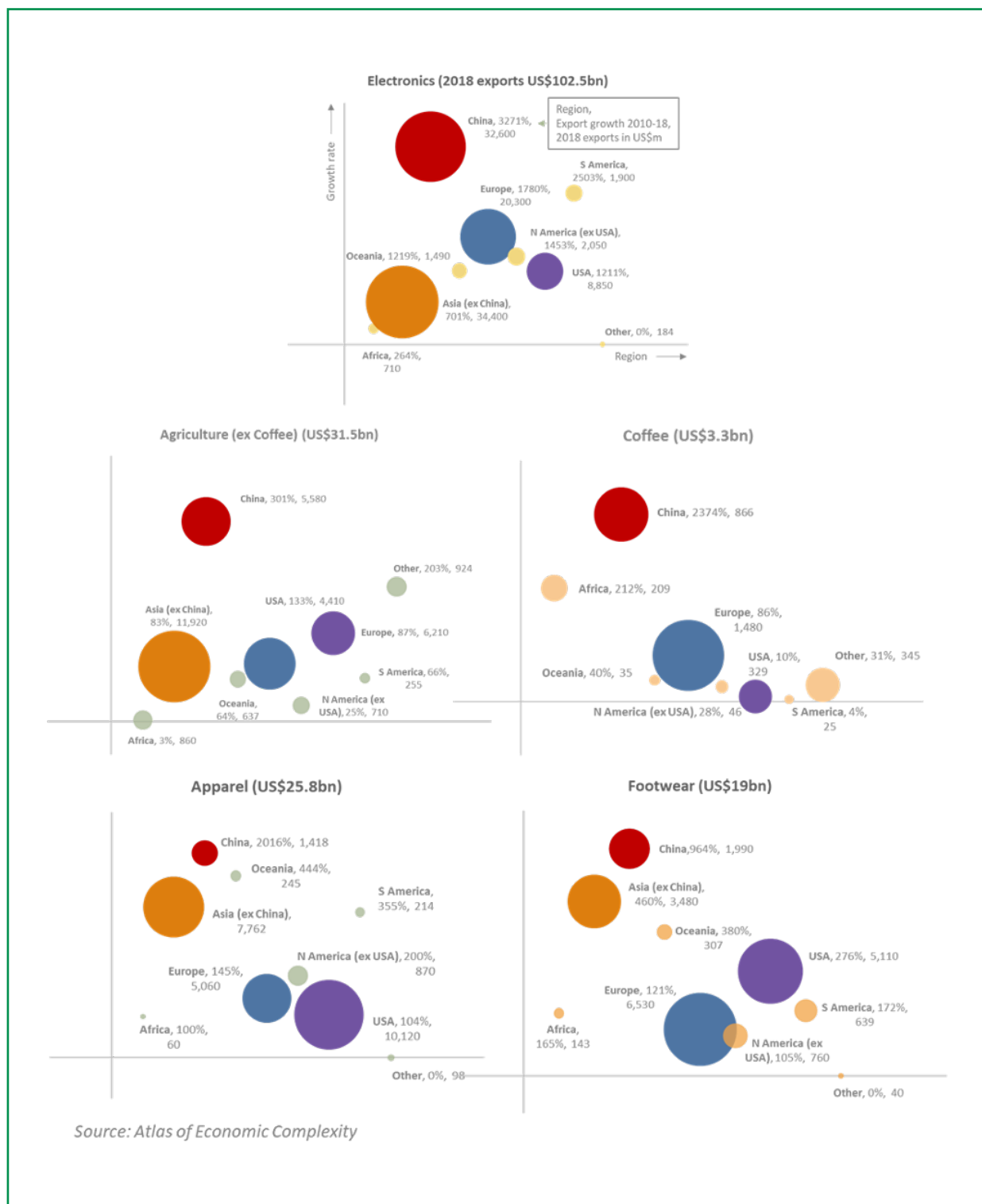
68.– The export potential methodology excludes products that are hazardous or irrelevant for export promotion. This includes products that have been classified as pollutants or waste, dangerous to human life or health, sectors deemed to have no export promotion value (such as antiques) and extractive resource-based industries. For the full list of excluded products, see International Trade Centre (2019). Annex V: Excluded Products. Export Potential Map, available at <https://umbraco.exportpotential.intracen.org/media/1186/exclusion-list-epm.pdf>.

69.– This sector includes embassies and consulates as well as military units and agencies services.

Annex 2: Unrealised export potential of top 25 products

Sector	Product	Unrealised export potential (US\$ '000)
Electronics	Telephone sets & other voice/image transmission apparatus	19,702,294
Electronics	Parts of telephone sets & other transmission apparatus	22,031,998
Electronics	Smart cards; electronic integrated circuits; LED lamps	19,753,341
Footwear	Sports footwear, rubber/plastic soles & textile uppers	6,756,572
Footwear	Footwear, rubber/plastic soles & leather uppers, nes	5,025,671
Footwear	Footwear, rubber/plastic soles & textile uppers, nes	4,829,044
Agriculture	Coffee, not roasted, not decaffeinated	3,810,381
Footwear	Other footwear, rubber/plastic soles & uppers	3,399,832
Electronics	Other office machines	1,965,771
Agriculture	Cashew nuts, shelled	1,956,106
Agriculture	Fish fillets, frozen	2,497,809
Electronics	Data processing machines	1,699,413
Environmental goods	Photosensitive semiconductor devices	2,881,771
Electronics	Head – & earphones	2,282,799
Electronics	Television cameras	2,444,302
Agriculture	Shrimps & prawns, frozen	2,070,251
Agriculture	Semi-milled or wholly milled rice	1,849,266
Textiles	Jerseys & similar of cotton, knit/crochet	1,757,049
Electronics	Parts of office machines	1,658,503
Textiles	Jerseys & similar of man-made fibres, knit/crochet	1,686,128
Furniture	Wooden furniture, nes	1,058,777
Environmental goods	Liquid crystal devices	1,699,065
Agriculture	Fruits nes, fresh	1,832,070
Furniture	Wooden bedroom furniture	1,011,272
Textiles	Men's wind-jackets & similar of man-made fibres	1,136,686
Agriculture	Shrimps & prawns, prepared or preserved	1,131,184

Annex 3: Regional export trends in selected sectors and products



Annex 4: Sustainable Trade Indicators: indicators used

Economic pillar	Social pillar	Environmental pillar
Indicator		
1.1) Growth in per capita GDP	2.1) Inequality	3.1) Air pollution
1.2) Current account liberalisation	2.2) Educational attainment	3.2) Deforestation
1.3) Tariff & non-tariff barriers	2.3) Labour standards	3.3) Water pollution
1.3.1a) <i>Tariff barriers</i>	2.3.1) <i>Goods produced by child labour</i>	3.4) Environmental standards in trade
1.3.1b) <i>New tariff measures</i>	2.3.2) <i>Goods produced by forced labour</i>	3.5) Transfer emissions
1.3.2a) <i>Non-tariff barriers</i>	2.3.3) <i>Gender non-discrimination in hiring</i>	3.6) Share of natural resources in trade
1.3.2b) <i>New tariff measures</i>	2.3.4) <i>Right to association</i>	3.7) Carbon pricing
1.4) Exchange rate volatility	2.4) Political stability	
1.5) Financial sector depth	2.5) Human trafficking	
1.6) Foreign trade and payments risk	2.5.1) <i>Human trafficking risk</i>	
1.7) Export market concentration	2.5.2) <i>Human trafficking criminalisation</i>	
1.8) Export product concentration	2.5.2) <i>Human trafficking criminalisation</i>	
1.9) Foreign direct investment	2.5.2) <i>Human trafficking criminalisation</i>	
1.10) Gross fixed capital formation		
1.11) Trade costs – a composite of four factors: infrastructure, logistics, corruption and legal system.		
1.12) Technological innovation		
1.13) Technological infrastructure		
1.14) Growth in labour force		
1.15) Currency manipulation		

Annex 5: Main locations of export sector activities

Sectors			Export potential (US\$ bn)	Actual exports (US\$ bn)	Untapped potential (US\$ bn)	City/Province
Manufacturing industry	Electronics	Telephone sets & other voice/image transmission apparatus	54.2	38.8	15.4	Ho Chi Minh city, Thai Nguyen Province, Bac Ninh Province...
		Parts of telephone set & other transmission apparatus	42.2	20.9	22.0	
		Smart cards; electronic integrated circuits, LED lamps	32.0	14.0	19.8	
		Data processing machines	4.4	3.4	1.7	
		Photosensitive semiconductor devices	4.3	2.2	2.9	
		Head – & Earphones	4.1	1.8	2.3	
		Television cameras	4.1	1.9	2.4	
		(Ignition) wiring sets for vehicles	3.4	2.5	1.6	
		Other office machines	5.0	3.1	2.0	
		Parts of office machines	3.4	2.2	1.7	
	Footwear	Sports footwear, rubber/plastic soles & textile uppers	12.3	5.6	6.8	Ho Chi Minh city, Dong Nai province, Binh Duong Province...
		Footwear, rubber/plastic soles & leather uppers, nes	10.6	5.6	5.0	
		Footwear, rubber/plastic soles & textile uppers, nes	8.4	3.7	4.8	
		Other footwear, rubber/plastic soles & uppers	6.3	2.9	3.4	
	Textile & Garment	Jerseys & similar of cotton, knit/crochet	3.5	1.8	1.8	Ho Chi Minh city, Dong Nai province, Binh Duong Province, Long An Province...
		Jerseys & similar of man-made fibres, knit/crochet	3.3	1.6	1.7	
		Men's wind-jackets & similar of man-made fibres	2.6	1.5	1.1	
		Bags, cases, holsters & similar containers, plastics/textiles outer surface	3.4	1.7	1.7	
	Wood & Furniture	Wooden furniture, nes	3.2	2.2	1.1	Binh Dinh province, Gia Lai province, Phu Yen province, Hanoi city, Dong Nai province...
		Wood in chips/particles	2.8	1.4	1.4	
		Wooden bedroom furnitures	2.6	1.8	1.0	
	Rubber	Mixtures of natural & synthetic rubber/factice, in primary forms	3.0	1.1	1.9	Tay Ninh province, Dong Nai province, Binh Duong province...
	Crystal	Liquid crystal devices	3.1	1.8	1.7	
Agriculture	Agri-food processing products	Coffee, not roasted, not decaffeinated	6.4	2.7	3.8	Gia Lai province, Dak Lak province...
		Cashew nuts, shelled	4.8	2.9	2.0	Binh Phuoc province, Binh Thuan province, Dong Nai province, Dak Lak province, Binh Dinh province...
		Fish fillets, frozen	4.5	2.1	2.5	Ca Mau province, Bac Lieu province, Soc Trang province, Kien Giang province, Ben Tre province...
		Shrimps & prawns, frozen	3.9	1.9	2.1	
		Shrimps & prawns, prepared or preserved	2.4	1.3	1.1	
		Fruits nes, fresh	2.9	1.0	1.8	Bac Giang province, Dong Thap province, Ben Tre province, Can Tho province, Ninh Thuan province...
		Semi-milled or wholly milled rice	3.6	2.1	1.8	Long An province, Ben Tre province, Can Tho province, Dong Thap province...