

## Data and Profiles - Market Profiles

# Vietnam: Market Profile

14 Sept 2021

HKTDC Research



## 1. Overview

More than three decades of Đổi Mới market-oriented economic reform has supported Vietnam's shift from a largely agricultural economy to a modern economy based on FDI-led manufacturing, transforming it in the process from one of the poorest countries in the world to a lower-middle income country. Between 2015 and 2019, Vietnam's economy grew at an average rate of around 7% per annum, buoyed by export-oriented manufacturing activity and solid domestic demand.

The Vietnamese economy has been hit by the ongoing Covid-19 pandemic, but it has shown remarkable resilience. The country has taken decisive steps to limit health and economic fallout through early implementation of strict containment and tracking measures. Vietnam's GDP growth slowed to 2.9% in 2020 to its weakest in decades, yet it is still one of the top-performing economies in Asia despite being buffeted by the pandemic and the sluggish global economy.

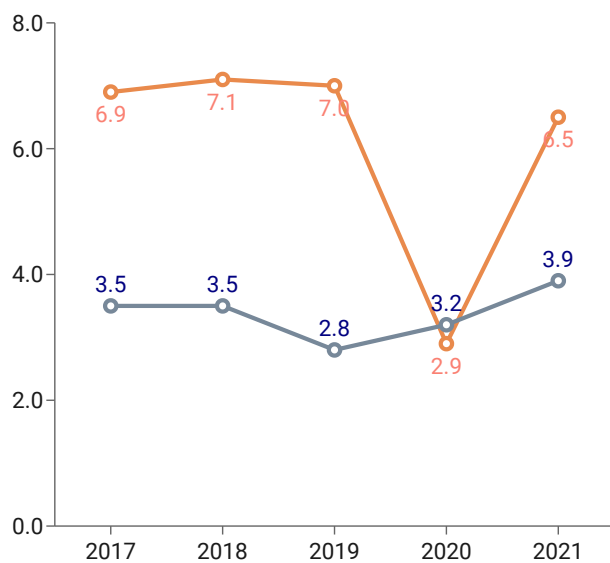
## 2. Major Economic Indicators

### Real GDP and Inflation

% change

### GDP by Sector (2019)

% share

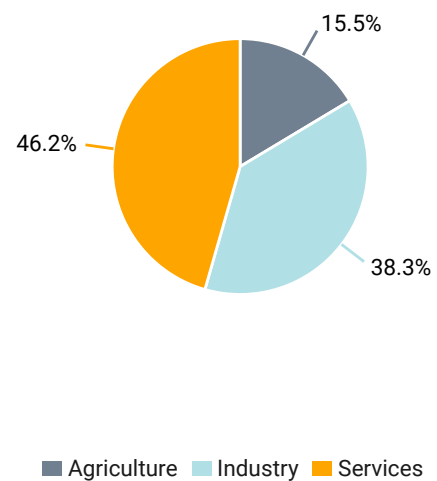


— Real GDP — Inflation

2020 (estimate), 2021 (forecast)

Source: IMF, World Economic Outlook Database

Date last reviewed: 2 July, 2021

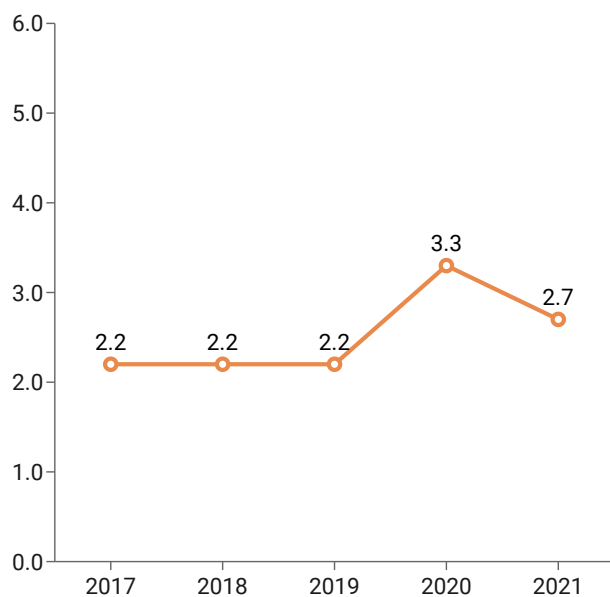


■ Agriculture ■ Industry ■ Services

Source: UNCTAD

Date last reviewed: 2 July, 2021

## Unemployment Rate



2020 (estimate), 2021 (forecast)

Source: IMF

Date last reviewed: 2 July, 2021

## Current Account Balance



■ US\$ billion — % of GDP

2020 (estimate); 2021 (forecast)

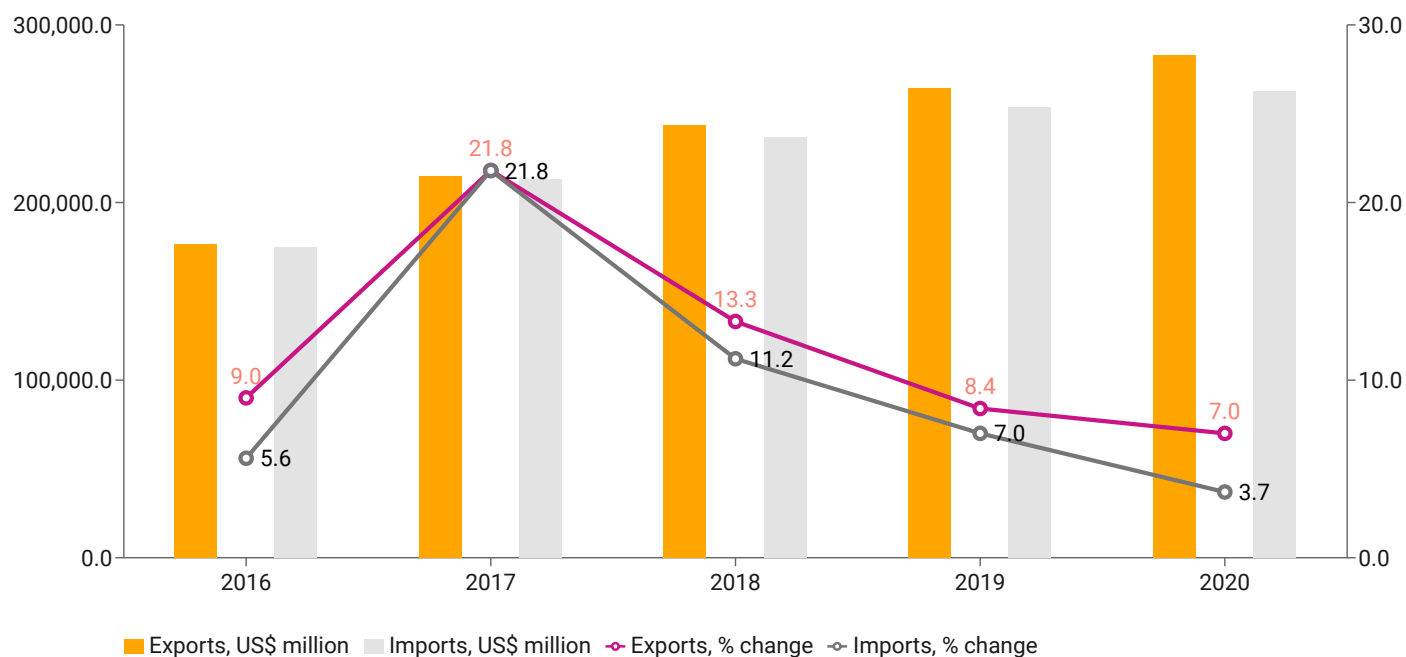
Source: IMF, World Economic Outlook Database

Date last reviewed: 2 July, 2021

### 3. External Trade

#### 3.1 Merchandise Trade

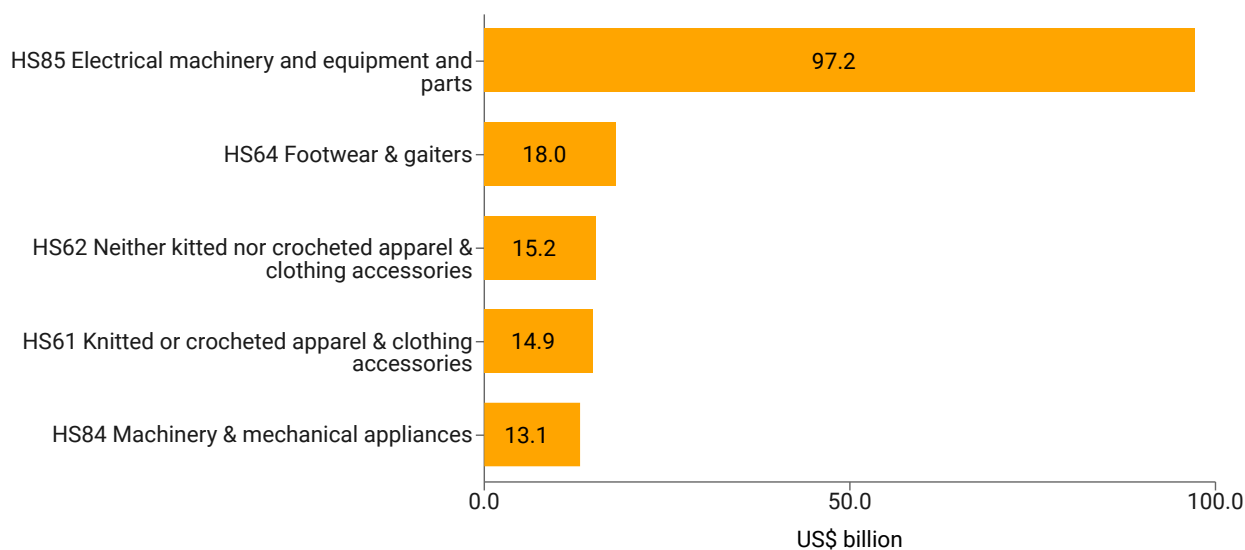
## Merchandise Trade



Source: WTO

Date last reviewed: 5 July, 2021

### Major Export Commodities (2019)

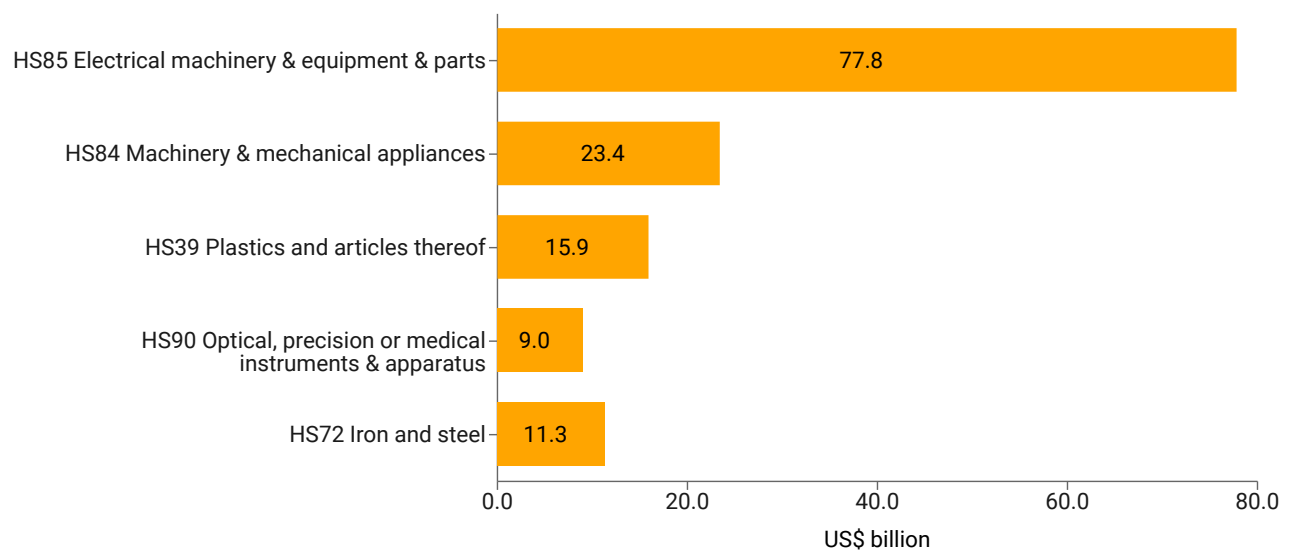


Note: 2019 is latest available direct data

Source: ITC-Trade Map

Date last reviewed: 5 July, 2021

### Major Import Commodities (2019)

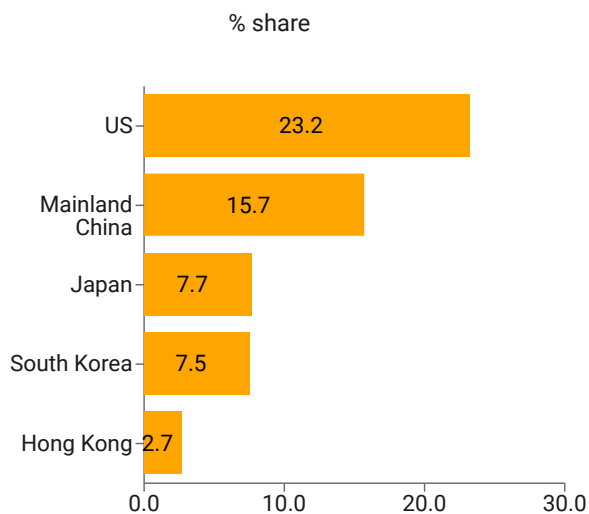


Note: 2019 is latest available direct data

Source: ITC-Trade Map

Date last reviewed: 5 July, 2021

### Major Export Markets (2019)

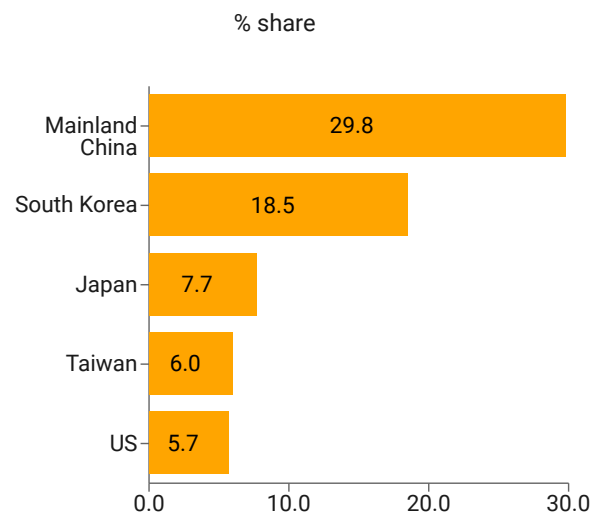


2019 is latest available direct data.

Source: ITC-Trade Map

Date last reviewed: 6 July, 2021

### Major Import Markets (2019)



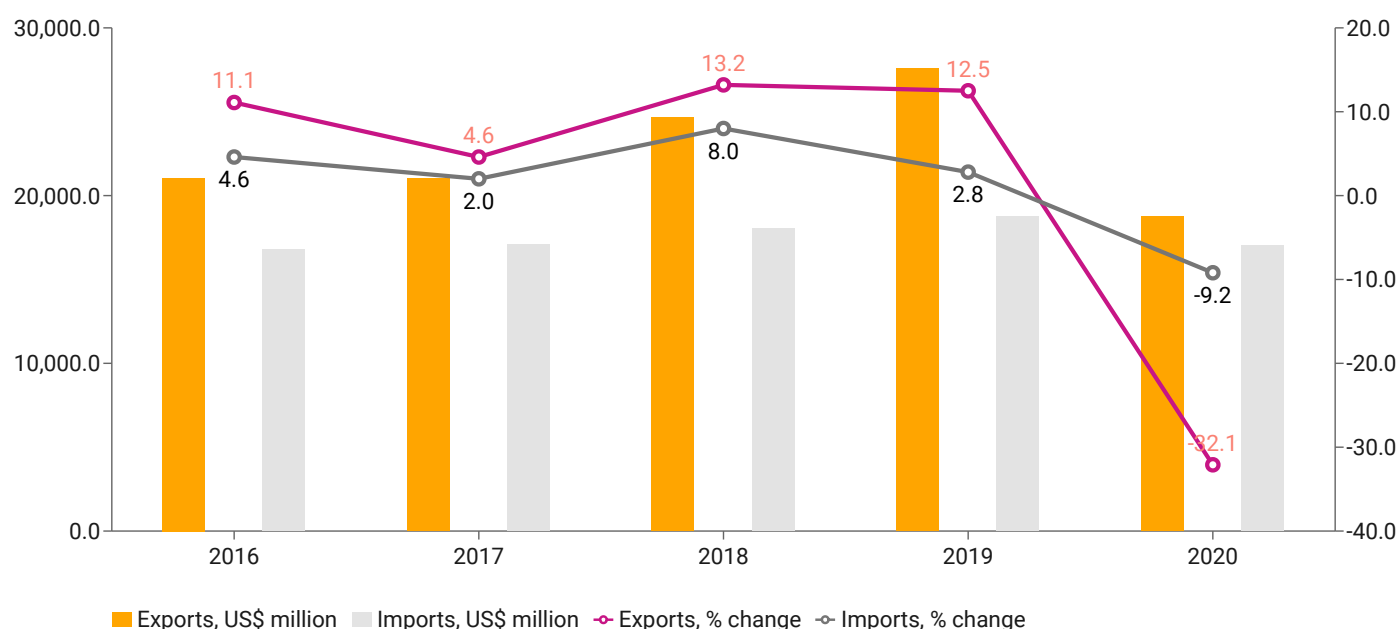
2019 is the latest available direct data.

Source: ITC-Trade Map

Date last reviewed: 6 July, 2021

## 3.2 Trade in Services

### Trade in Services



2020 (estimate)  
 Source: WTO  
 Date last reviewed: 27 July, 2021

#### 4. Trade Policies

- Vietnam joined the World Trade Organization (WTO) on 11 January 2007, following a negotiation process that lasted more than a decade.
- Vietnam is a member of the Association of Southeast Asian Nations (ASEAN) and a signatory to the ASEAN free trade agreement (FTA), which aims to reduce tariff and non-tariff barriers to trade between member states. ASEAN has also concluded FTAs with Australia, New Zealand, mainland China, India, South Korea, Japan and Hong Kong.
- Vietnam ranks the second, after Singapore, in Southeast Asia for having the most bilateral and multilateral FTAs. At the end 2020, Vietnam was a signatory to 15 such agreements.
- There are three categories of import duty rates: ordinary rates, preferential rates and special preferential rates. Preferential rates are applied to imported goods from countries that have most favoured nation (MFN) status with Vietnam. The MFN rates are in accordance with Vietnam's WTO commitments and are applicable to goods imported from other member countries of the WTO. Special preferential rates are levied on imported goods from countries that have a special preferential trade agreement with Vietnam.
- The average Most Favoured Nation (MFN) applied tariff rate on agricultural products is 17.2% while that for non-agricultural products is 8.4%.
- Vietnam has tariff quotas on imports of eggs, sugar cane, tobacco and salt. The country also prohibits imports of certain products, such as weapons, certain chemicals, right-hand drive vehicles, and some used consumer goods (including electronic appliances, clothes and footwear).
- Export duties are charged on certain products, mainly natural resources such as fish, minerals, coal, rubber, and raw hides and skins. Rates range from 0% to 40%.
- In response to the outbreak of Covid-19 pandemic, Vietnam has temporarily exempted import duties on medical masks, antiseptic hand sanitiser, and raw materials and other necessary equipment such as oxygen respirators.

Source: WTO – Trade Policy Review

#### 5. Trade Agreements

##### Active

- ASEAN Free Trade Area
- ASEAN-Australia-New Zealand
- ASEAN-Mainland China
- ASEAN-Hong Kong
- ASEAN-India
- ASEAN-Japan
- ASEAN-South Korea

- Chile-Vietnam
- Japan-Vietnam
- South Korea-Vietnam
- United Kingdom (UK)-Vietnam
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
- Eurasian Economic Union (EAEU)-Vietnam
- EU-Vietnam
- Global System of Trade Preferences among Developing Countries (GSTP)

#### Signed But Not Yet In Force

- Regional Comprehensive Economic Partnership (RCEP): RCEP was signed on 15 November 2020 by 15 states – the ten ASEAN members, Australia, mainland China, Japan, New Zealand and South Korea. The RCEP Agreement will come into force 60 days after at least six ASEAN member states and three non-ASEAN states have ratified the agreement.

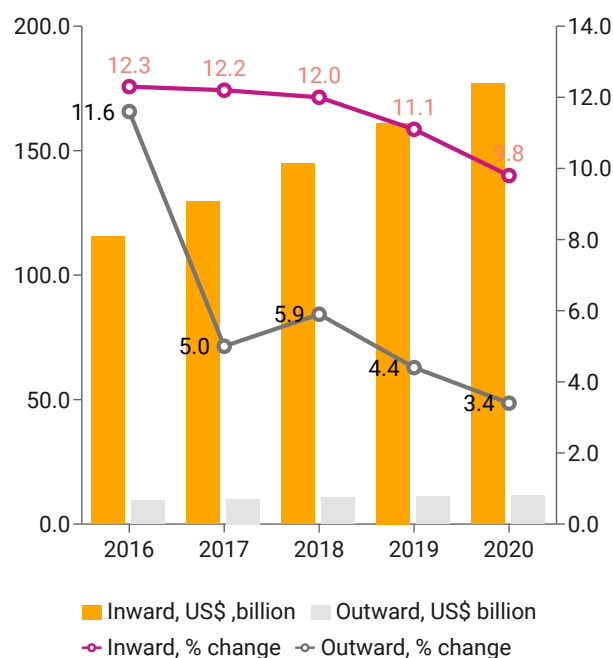
#### Under Negotiation

- Israel-Vietnam
- European Free Trade Association (EFTA)-Vietnam

Source: WTO Regional Trade Agreements Database, European Commission, UNCTAD Global System of Trade Preferences

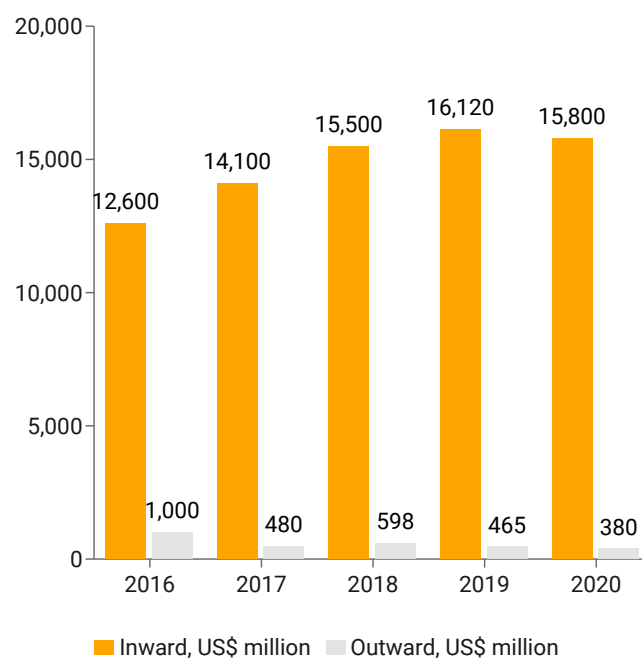
## 6. Investment Policy

### Foreign Direct Investment Stock



Source: UNCTAD World Investment Report 2021  
Date last reviewed: 3 August, 2021

### Foreign Direct Investment Flow



Source: UNCTAD World Investment Report 2021  
Date last reviewed: 3 August, 2021

- The Ministry of Planning and Investment (MPI) oversees the Foreign Investment Agency (FIA) to facilitate all foreign investments. The agency provides investment-related information, explains regulations and procedures, and offers support to investors when requested.
- The amended Law on Enterprises and Law on Investment were passed in June 2020 and took effect on 1 January 2021. The amended Law on Enterprises simplifies the business registration process, redefines state-owned enterprise (SOE), and excludes household businesses from the scope of the current law. The amended Law on Investment provides updates on conditional business lines and investment incentives.
- There are 59 business sectors with conditional market access, such as educational services, real estate, health and social services and logistics services. 25 business sectors - such as tourism services and intellectual and industrial property representation services - are completely closed to foreign investments.
- Vietnam is divided into four Key Economic Regions (KERs), consisting of the Northern, Central, Southern, and Mekong Delta regions. There are over 300 industrial parks across the country where foreign investors can enjoy a number of incentives, such as import duty exemptions on raw materials, value-added tax exemptions and lower corporate income tax. Details of the industrial parks can be found on *Invest Vietnam's* [online](#)

- Standard corporate income tax (CIT) rate is 20% but preferential tax rates of 17%, 15% and 10% are provided for encouraged sectors (such as hi-tech, healthcare, scientific research, infrastructure development and software) and industrial zones and economic zones. In particular, a 10% CIT rate is levied on hi-tech enterprises and agricultural enterprises applying hi-tech.
- Decision 38 No. 38/2020/QĐ-TTg took effect on 15 February 2021, listing 99 hi-tech prioritized for development and investment and 107 hi-tech products encouraged for development. Focused areas of technology include information technology (e.g. blockchain and next-generation network technology), bio-technology, new material technology and automation technology.
- To attract and encourage domestic and foreign investment in the hi-tech sector, the Vietnamese government has issued diversified investment incentives, such as land rental exemption for up to 15 years, four years of CIT exemption, the extension of preferential tax rates for up to 15 years and financial support from the National Hi-tech Development Program.
- On 30 April 2021, Vietnam issued detailed criteria for identifying hi-tech businesses. While businesses need to satisfy the conditions set out in the Law on High Technology as well as the Law on Investment, they will also need to derive a minimum of 70% of total annual net revenue from hi-tech products and allocate a specified percentage of their income to R&D in order to qualify as hi-tech businesses and enjoy investment incentives.
- There are no local, state or provincial income taxes in Vietnam.
- Effective from the beginning of 2012, Vietnam introduced the Environment Protection Tax, an indirect tax on the production and import of certain goods deemed detrimental to the environment, the most significant of which are petroleum and coal.

Source: WTO – Trade Policy Review, Vietnam Briefing, U.S. Department of State, Deloitte Vietnam Tax Advisory

## 7. Ease of Doing Business

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index	68/190	69/190	70/190
Ease of Paying Taxes Index	86/190	131/190	109/190
Logistics Performance Index	39/160	N/A	N/A
Corruption Perception Index	117/180	96/180	104/180

Sources: World Bank, IMD, Transparency International

## 8. Hong Kong Connection

### 8.1 Hong Kong's Trade with Vietnam

In 2020, Vietnam was

- Hong Kong's 8<sup>th</sup> largest trading partner (2.3% of total trade) and 3<sup>rd</sup> largest in ASEAN.
- Hong Kong's 6<sup>th</sup> largest export market (2.2% of total exports) and the largest in ASEAN.
- Hong Kong's 8<sup>th</sup> largest import market (2.4% of total imports) and the 3<sup>rd</sup> largest in ASEAN.

Hong Kong's Exports to ASEAN in 2020			Hong Kong's Imports from ASEAN in 2020		
	Value (US\$ million)	Share (%)		Value (US\$ million)	Share (%)
Vietnam	10,831	29.9	Singapore	40,275	41.9
Singapore	7,612	21.0	Malaysia	21,013	21.9
Thailand	6,252	17.2	Vietnam	12,903	13.4
Malaysia	4,159	11.5	Thailand	11,084	11.5
Philippines	3,721	10.3	Philippines	8,986	9.3

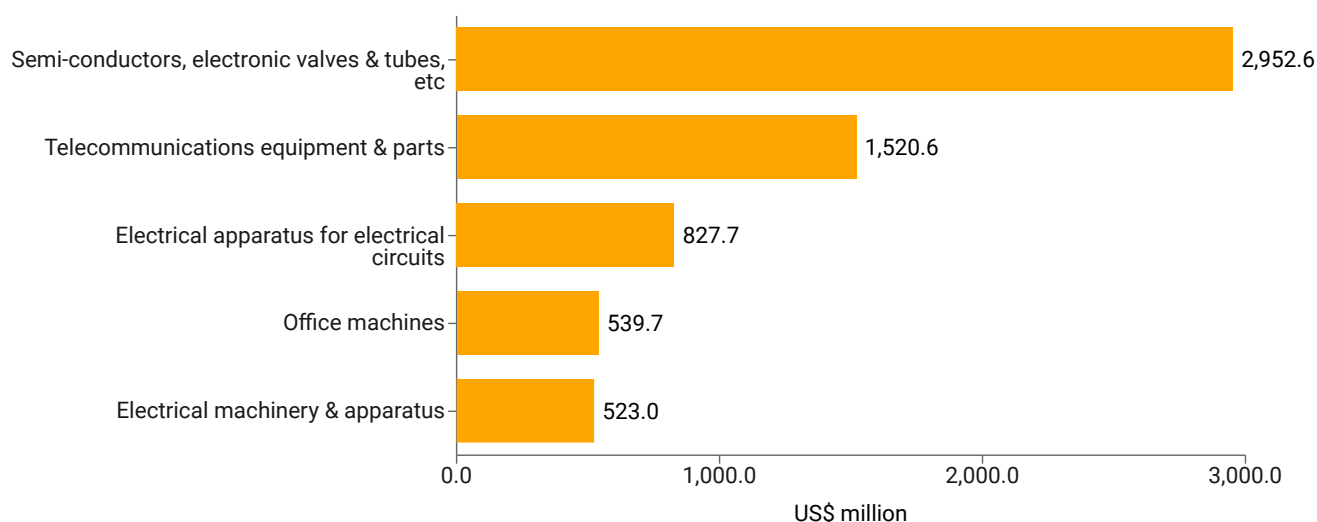
Indonesia	2,361	6.5
Cambodia	931	2.6
Myanmar	373	1.0
Laos	17	*
Brunei	16	*
Total	36,274	100

Indonesia	1,717	1.8
Cambodia	191	0.2
Myanmar	88	*
Brunei	20	*
Laos	2	*
Total	96,280	100

Note: \* less than 0.1%

Source: Census and Statistics Department

### Major Export Commodities to Vietnam (2020)

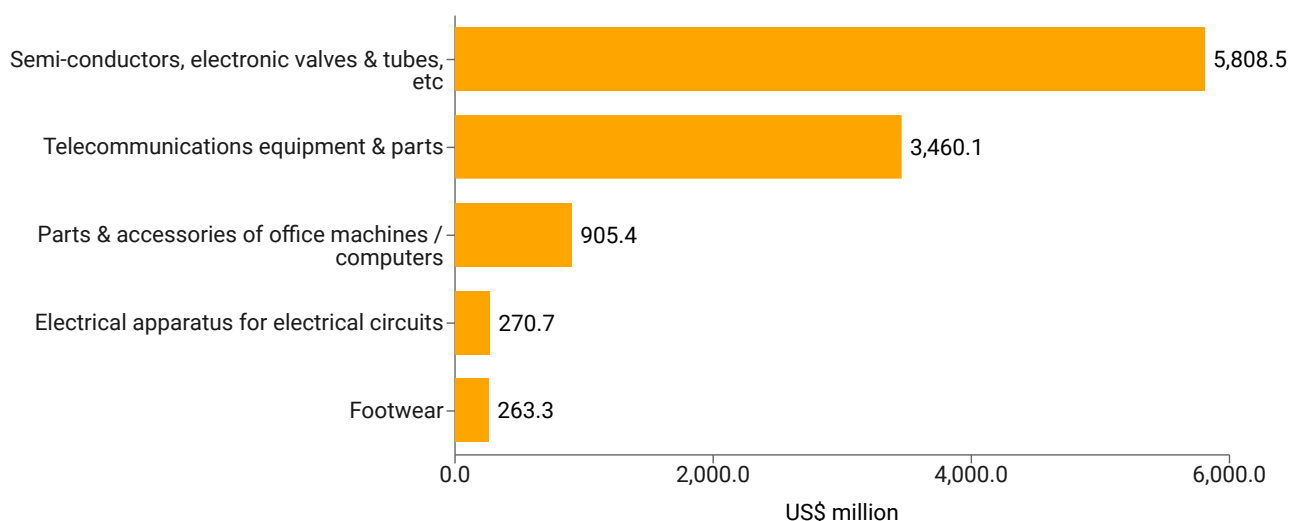


Graph shows the main Hong Kong exports to Vietnam (by consignment)

Source: Hong Kong Trade Statistics, Census & Statistics Department

Date last reviewed: 20 July, 2021

### Major Import Commodities from Vietnam (2020)



Graph shows the main Hong Kong imports from Vietnam (by consignment)

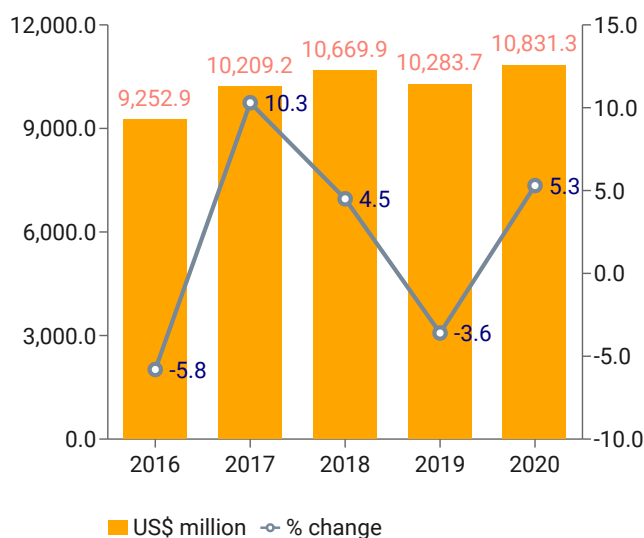
Source: Hong Kong Trade Statistics, Census & Statistics Department

Date last reviewed: 20 July, 2021

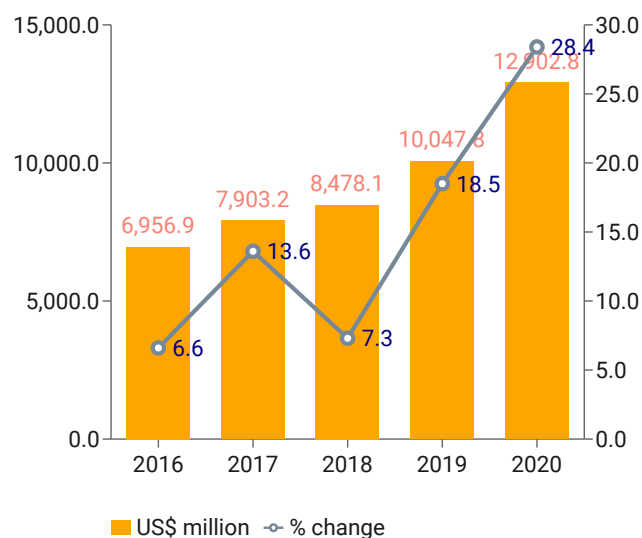
**Merchandise Exports to Vietnam**

**Merchandise Imports from Vietnam**





Graph shows Hong Kong exports to Vietnam (by consignment). Trade figures are converted at a fixed exchange rate of HKD7.8 per USD.  
Source: Hong Kong Trade Statistics, Census & Statistics Department  
Date last reviewed: 20 July, 2021



Graph shows Hong Kong imports from Vietnam (by consignment). Trade figures are converted at a fixed exchange rate of HKD7.8 per USD.  
Source: Hong Kong Trade Statistics, Census & Statistics Department  
Date last reviewed: 20 July, 2021

	2018	2019	2020
Number of Vietnamese residents visiting Hong Kong	56,807	44,406	1,168
Number of Asia Pacific residents visiting Hong Kong	61,043,032	52,326,550	3,267,553

Source: Hong Kong Tourism Board

## 8.2 Commercial Presence in Hong Kong

	2020
Number of Vietnamese companies in Hong Kong	9
- Regional headquarters	*
- Regional offices	*
- Local offices	*

Note: Figures refer to the reference date of 1 June 2020

\* Figures are not released owing to small number of companies, i.e. less than 5 or to safeguard the confidentiality of the small figures.

Source: Census and Statistics Department

## 8.3 Treaties and Agreements between Hong Kong and Vietnam

- The *Hong Kong-ASEAN FTA* and *Investment Agreement (IA)* have entered into force gradually since June 2019 and became fully effective on 12 February 2021.
- Hong Kong has concluded a Comprehensive Double Taxation Agreement with Vietnam, which came into force on 12 August 2009.
- Vietnam has a *Bilateral Investment Treaty* with mainland China that came into force on 1 September 1993.

Source: Inland Revenue Department, Hong Kong Trade and Industry Department, UNCTAD International Investment Agreements Navigator

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