



## VIETNAM

### Economic overview

Vietnam is located in Southeast Asia sharing land borders with China, Cambodia and Laos. It has an area of 330,967 square kilometres and a population of 95.5 million. Vietnam's robust economic expansion is a result of its sustained efforts to make the country a global manufacturing hub. In the recent past, Vietnam has benefitted immensely from trade diversion associated with rising costs in China and the US-China trade war. With continued foreign direct investment, greater industry diversification, and implementation of structural and fiscal reforms, the future prospects for Vietnam appear bright.

As of August 14, 2020, the S&P's rating for Vietnam is BB (stable); Moody's rating stands at Ba3 (negative); and Fitch has a reported rating of BB (stable).

Vietnam has forged trade agreements with Algeria, Argentina, Armenia, Australia, Austria, Bangladesh, Belarus, Belgium, Benin, Bolivia, Brazil, Brunei, Bulgaria, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Ecuador, Egypt, Estonia, Finland, France, Germany, Ghana, Greece, Guinea, Guyana, Hungary, India, Indonesia, Iran, Iraq, Ireland, Italy, Japan, Kazakhstan, South Korea, North Korea, Kyrgyz Republic, Laos, Latvia, Libya, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Morocco, Mozambique, Myanmar, Netherlands, New Zealand, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Poland, Portugal, Romania, Russia, Singapore, Slovak Republic, Slovenia, Spain, Sri Lanka, Sudan, Sweden, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Venezuela, and Zimbabwe.

The European Union Vietnam Free Trade Agreement (EVFTA) took effect on August 1, 2020.

Economic indicators		2017	2018	2019
Nominal GDP	USD Billion	220.4	241.3	261.6
Nominal GDP per capita	USD	2,353	2,551	2,740
Real GDP growth	%	6.8	7.1	6.5
Total population	Million	93.6	94.6	95.5
Average inflation	%	3.5	3.5	3.6
Total merchandise exports	USD Billion	267.3	299.5	318.3
Total merchandise imports	USD Billion	239.7	260.1	271.1

Source: IMF, TradeMap

**Trade Overview**

India and Vietnam enjoy cordial trade relations. Vietnam is among the top-20 trade partners of India. Within the ASEAN, Vietnam is the third largest export destination for Indian products and the fourth largest import partner.

In 2019, India and Vietnam engaged in bilateral trade worth USD 13.0 billion. During the year, India’s exports to Vietnam were valued at USD 5.5 billion in comparison to India’s imports worth USD 7.5 billion resulting in a trade deficit of USD 2.0 billion to India.

The major items of export from India to Vietnam are meat and fishery; steel; cotton; vehicles; and electrical machinery. Likewise, major items of export from Vietnam to India are electrical machinery; copper and articles thereof; inorganic chemicals; rubber and articles thereof.

Within plastics, the trade is in favour of India with exports worth USD 156.9 million to Vietnam and a trade surplus of USD 10.1 million. India’s plastics exports to Vietnam stood at USD 157 million in 2019 and primarily comprise of:

- Plastic raw materials (80.0%)
- Plastic sheets, films, plates etc (4.5%)
- Writing instruments (2.0%) and
- Human hair & products (3.3%)

Vietnam’s annual plastics imports are valued around USD 22.0 billion. Its plastic imports are largely catered to, by China (32.8%) and South Korea (21.9%). However, despite this, India has a good standing in some of the plastic product imports by Vietnam:

- Writing instruments – Market share of 4.7% share (Rank 3)
- Laminates – Market share of 3.0% share (Rank 5)
- Plastic raw materials – Market share of 1.4% share (Rank 11)
- Brushes (all kinds) – Market share of 0.5% share (Rank 10)
- Human hair & products – Market share of 27.1% share (Rank 2)

**Trade Potential**

Our internal research indicates that India’s export of value-added plastics to Vietnam has the potential to grow by USD 4.6 billion. Product categories, within value-added plastics, that have immense export potential for export to Vietnam include:

Product Category	Vietnam's import from India	Vietnam 's import from world	India's export to world	Trade potential for India
	USD Million	USD Million	USD Million	USD Million
Plastic sheets, films, plates etc	7.0	2,334.7	1,371.0	1,195.3
Other moulded and extruded items	2.3	1,680.2	716.7	712.5
Medical disposables	6.8	503.5	660.9	487.7
Packaging items	1.8	513.8	790.7	376.2
Electrical items	3.3	968.4	172.8	169.5
House ware	0.1	221.6	206.7	156.7
Leather cloth	2.8	1,586.6	145.0	142.3
Self-adhesive sheets/films etc	1.4	989.2	125.1	123.7
Laminates	3.3	108.8	322.4	105.5
Writing instruments	3.2	68.2	210.6	55.3

Source: TradeMap, Plexconcil Research

## Industry Speak



**Amit Pal, Director,  
Kolor Impex &  
Plexconcil COA  
Member**

**Vietnam's recent FTA signed with the EU is expected to remove 99% of customs duties on goods traded between the region and the country. In your opinion, how would this impact Plastics exports to Vietnam?**

As far as Plastics goods are concerned, over the years India has become a manufacturing hub for plastics supported by a strong machinery sector. We also have surplus raw material and cheap

labour which give India an advantageous position compared to EU countries, especially in labour-oriented sectors in plastics exports to Vietnam. However, Vietnam's exports to EU is much more likely to see a boost. This is mainly because as a country, Vietnam is more forthcoming about accepting EU dictated terms in manufacturing, especially in regard to environment regulations and labour laws. EU has very stringent mandates about these issues, especially in environment concerns post the Paris Climate Convention. If Vietnam aligns themselves to EU requirements, trade between Vietnam and EU will definitely receive an impetus. EU countries are strong in precision engineering and machinery and Vietnam, and with the new agreement, Vietnam can import technology and machinery at much more competitive rates. This will be helpful in improving their product quality and output. With greater trade in other sectors too, Vietnam is likely to receive more investments that will result in overall GDP and economic growth for themselves.

**Vietnam is emerging a strong contender as a sourcing hub as well as the destination for strategic partnerships and investments after China, especially since the COVID situation. In your opinion, what are the country's advantages over India?**

One of the biggest strengths that Vietnam as a country has that it has a vision and it has been stable for the longest time now. Although a communist regime, the people of Vietnam are disciplined and have faith in the Government's policies. The Government itself is flexible and is focused on promoting Vietnamese businesses and growth of the economy. They plan ahead and hence design policies with the future in mind. The currency of the country has also been stable, and besides Singapore, Vietnam is the only Asian country to have preferential trade agreements. Japan and Korea which have been the other major export hubs besides China, are likely to see stiff competition from Vietnam both in terms of technology and international trade in the coming years.

In the writing instruments segment, Vietnam exports pens that are high in quality and attractively packaged. And even though their costs are slightly higher than Indian exports, the landing costs for Vietnamese products is lower than Indian products that attract higher import duties. It is hence very critical that India reconsiders and reviews its FTA as our products face high import duties and no matter how competitively priced we may be, we would lose on out if import duties on our products is high.

**Which countries are India's major competitors in exports to Vietnam? What are the advantages offered by them?**

China, Korea, Japan, Thailand, Malaysia are our biggest competitors. These countries have successfully implemented economies of scale in production and hence they can supply the material at very competitive price. In India, most of the companies still do not have spare capacity for export to the extent that is demanded globally.

**Vietnam is a major importer of polymers such as PE, PP, PET, PVC, etc. What is the export growth potential for value added plastics from India?**

Vietnam has become a hub for plastic processing. We have very few labour-oriented plastics sectors where we can compete. In addition to the same, in our country, we also have the problem of labour unions, labour laws, etc. which we are hoping will change as we need to be a fitter production workforce and our manufacturing needs to be more agile if we have to compete aggressively on a global scale. China for instance has a robust industrial market that receives much support from their Government. In India, historically, the country has taken a protectionist stance in the import of polymer raw material products. Understandably, this was to protect the interest of domestic producers. However, today, such policies have forced manufactures and plastic processors to import many raw materials or procure them domestically at higher prices. All these factors together impacts the global competitiveness of our products, especially in the value-added plastics segment. Such policies must be reconsidered or we will lose our edge eventually. We need to embrace the changing market demands and align ourselves accordingly. Protectionism has proven to be detrimental to quality and growth in any situation.

**What are the challenges faced by Indian exporters exporting to Vietnam?**

The need of the hour is for our Government to review our preferential trade agreements and reconsider these as in the current scenario, our exports to ASEAN is more expensive. This is absolutely paramount and can't be stressed upon enough. Despite being our nearest neigh-

bours, breaking into Asian markets is much tougher as we have stiff competition from China, Korea, Vietnam, and Japan.

Absence of a Direct shipping line to Vietnam from most of the Indian ports is another major challenge. Any shipment from India goes through Singapore and Malaysia or China, Hong Kong or Taiwan. This is nearly 4 weeks in just shipping timelines. Direct shipping to Vietnam will allow our goods to be shipped in less than a week. China is able to ship consignments within Asia in 1-2 days. Such inordinate delays are often why importers do not prefer to buy from India and it is a loss of business for us. In the current situation, due to lockdowns globally, shipping movements through Chinese ports have further slowed down and this has exacerbated our shipping woes further. We need to have more efficient shipping companies and direct access to Vietnam.

Export procedures, documentation, etc need to be simplified and made more export friendly. Our paperwork can be tedious and many a times, like in the current situation, lack of procedural clarity causes unnecessary delays and is burdensome for exporters who are on stringent timelines for delivery of shipments.

### **How is the ease of doing business in Vietnam?**

Vietnam is a very friendly trade partner. They are sticklers for rules and regulations and if, as an exporter, one has their paperwork in order, the process is extremely smooth. Any conflict or dispute is also very cordially settled. People are straight forward on the whole and transactions are very professionally handled. The people of Vietnam are hardworking. Women have a huge role to play in businesses and they generally are much more educated and speak the English language. The new generation has been quick to adapt and hence language is not such a barrier any more. People have a more global outlook and overall, everything is well streamlined. We ourselves do not face any problem for exporting our goods to Vietnam.

### **What are the measures needed to enhance exports to Vietnam?**

We need to compete with Asian Tigers (e.g. Thailand, China, Korea etc) hence the Govt must incentivise our products with subsidies or otherwise it would be very difficult to compete.

AIFTA (ASEAN India Free Trade Agreements) needs to be reviewed as other ASEAN countries like Vietnam import products from China at a cheaper price than from India. Exports from India are taxed by Vietnam at higher percentage despite exporters furnishing the Certificate of Origin AI form issued by Export Inspection Council.

It is also very important that our country's leadership focus on establishing closer political, cultural and trade ties with the country. By doing so, we will be able to better understand their culture, country and their ethos. This is sure to help us identify and open up more opportunities for us as we will then understand their requirements better.

India also needs to adopt a more aggressive stance like China and we need to market ourselves better. Bilateral trade policies are much needed today. Our industry has been regularly highlighting our concerns and sharing data and feedback to the government. It is now time for concrete action and solid policies to be implemented. We need to do away with bureaucratic systems and become much more professional in our approach towards trade as a whole.