

MARKET REPORT AND UPDATE ON:

VIETNAM – THE BETTER CHINA?

According to the information provided by Gerhard Leypoldt and Axel Mierke in a webinar of the GLOBAL EXPANSION ALLIANCE, EXPANDEERS and Ti:Communications, held in April 2022, Vietnam is a highly attractive location for businesses looking to expand or establish their operations in Southeast Asia. The country's fast-paced development over the past two decades has made it one of the world's fastest-growing economies with a population of 98.7 million, making it even more populated than Germany.

Vietnam is committed to free trade and has the lowest market barriers in Asia. It is part of the largest free trade area in the world, RCEP, and has signed a Free Trade Agreement with the European Union, which allows for no import fees on EU goods. Furthermore, Vietnam is open to Western imports and has a stable business environment.

The country's young population with an average age of 29 years and a workforce of approximately one million graduates per year looking for jobs, make it a highly attractive location for businesses to establish operations. However, the shortage of skilled workers is high, which can be overcome through employer training programs, especially for executives and their families.

Vietnam has a great affinity to Germany, which has close historical ties that are unique in the region. The country has a female employment rate of 73%, and the rate of women in management positions is 36%, higher than the Eurozone and Germany.

While there are industrial challenges, such as the sector of metal processing and the lack of technical specialists, these challenges can be overcome with the right network, good consulting, and adherence to local culture and customs.

The outlook for the next five years in Vietnam is highly positive. The country has shown remarkable resilience in the face of the COVID-19 pandemic and is expected to continue growing its economy. The World Bank predicts Vietnam's GDP to grow by 6.5% in 2021 and 7.5% in 2022. The country is also committed to infrastructure development, including air transport, which is expected to have 30 airports by 2050. The country's commitment to free trade and a stable business environment is expected to continue, making it a highly attractive location for businesses to establish their operations.

Gerhard Leypoldt, Expandees Associate Partner for Vietnam and Axel Mierke, intercultural trainer at tcommunication with focus on Vietnam, held an informing and entertaining presentation based on a decade of experience in the country.

Why Vietnam?

With this question Gerhard Leypoldt started his lecture and gave us an overview.

Over the past two decades, the country has undergone very rapid development and is one of the fastest growing economies in the world. The country has a population of 98.7 million inhabitants, which is even more populated than Germany with 80.5 million inhabitants.

- Vietnam has the lowest market barriers in Asia and is consistently committed to free trade. Example: EU Free Trade Agreement with Vietnam (EVFTA). This means no import fees on EU goods, including pharmaceuticals, chemicals, or machinery; over the next ten years, further relaxations are to follow for many other goods. The agreement strengthens not only trade and investment, but also economic, social, and technological cooperation between the countries (the implementation of the Paris Climate Agreement, adherence to higher standards of labor rights, consumer protection and environmental protection).
- Vietnam is part of the RCEP (Regional Comprehensive Economic Partnership), the largest free trade area in the world.
- Vietnam is open to Western imports; its main trading partners are Japan and South Korea. Germany is Vietnam's second largest food importer. Within the EU, Germany is Vietnam's largest trading partner.
- The founding of a company in Vietnam is possible with 100% ownership.
- The population in Vietnam has a low age average, the society as a whole is performance oriented and has a strong focus on education. Average salaries are moderate compared to Malaysia below 30% China below 50% Thailand below 60%
- Stable conditions prevail in Vietnam, the digital agenda is being pushed forward, as well as infrastructure development (example air transport: Vietnam currently has 23 airports: 9 international and 14 domestics. The country is expected to have 26 airports by 2030 and 30 airports by 2050).
- Unlike Germany, China is not seen as a threat by Vietnam, but is integrated as an economic partner.

Axel Mierke on human resources sector in Vietnam as one of the advantages of the location is its the people:



- The country has a young population with the average age of 29 years (compared to Germany: 49 years).
- 33% of Vietnam's working population works in agriculture. Professionalization / mechanization in agriculture has freed up labor for other industrial sectors. There is no labor shortage in Vietnam (about 1 million graduates / year looking for a job).
- Shortage of skilled workers is high, many Vietnamese do not have a formal degree.
- Qualified people need to be nurtured, e.g., through employer training programs not only for executives, but also for their children and other family members.
- For Vietnamese, studying is extremely important - there is a university in all provinces of Vietnam - but there are differences in quality. There are no matriculation and / or tuition fees, with exception of international universities (ex. cost MBA 8,000-15,000 USD).
- The female employment rate in Vietnam is 73%. The rate of women in management positions is 36% (compared to the Eurozone 26%, Germany 18%).
- Vietnam has a great affinity to Germany. Especially through the new German states, Vietnam and Germany have close historical ties that are unique in the region. 120,000 Vietnamese live permanently in Germany, and more than 100,000 were educated in Germany but live in Vietnam, where many work in key positions in business, administration, or politics.

Vietnam and the Ukraine conflict:

Vietnam does not participate in sanctions against Russia and does not want to have to choose sides. However, Vietnam is in favor of ceasefire and ending the war. Vietnam aims at good and prosperous relations with Ukraine as well as Russia and wishes these countries to continue dialogues, as well as find long-term solutions in the interests of both countries.

Industrial challenges of Vietnam are currently in the sector of metal processing, while subcontracting for high-tech products is still difficult but growing strongly. Other challenges are corruption, job hopping and the lack of technical specialists.

This can be overcome through good consulting, the right network and adhering to local culture and customs.

Family has a very high value in Vietnamese society and if you succeed, as in Gerhard's company, that the employees consider the company as a second family, their motivation, identification, and loyalty to the company is certain.



Summary

The lecture "Vietnam – the better China?" highlights Vietnam as a rapidly developing country with a population of 98.7 million people, making it one of the most populated countries in the world. Vietnam has the lowest market barriers in Asia and is consistently committed to free trade, making it open to Western imports. The country has a young population, with an average age of 29 years, and a strong focus on education. Vietnam's stability, digital agenda, and infrastructure development also make it an attractive location for businesses. The lecture emphasizes the advantages of Vietnam's human resources sector, including a large workforce with no labor shortage, a high female employment rate, and close historical ties with Germany. While Vietnam does not participate in sanctions against Russia, it supports a ceasefire and aims for good relations with both Ukraine and Russia. Industrial challenges in Vietnam include metal processing, subcontracting for high-tech products, corruption, job hopping, and a lack of technical specialists, but these challenges can be overcome through good consulting, the right network, and adhering to local culture and customs. Finally, the lecture highlights the importance of family in Vietnamese society and the benefits of fostering a company culture that values employees as a second family.

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Further services, that can easily be accessed by members via **one point of contact** include market research, legal and regulatory compliance, translation and localization, logistics and supply chain management, financial and currency services, cultural and business etiquette training, business development and partners sourcing, and digital marketing.

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