Sweden
Sverige

BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN VIETNAM IN 2024

A REPORT FROM TEAM SWEDEN IN VIETNAM

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KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Vietnam
David Lidén
Huyen Quan
Le Nguyen

Embassy of Sweden in Vietnam
Ann Måwe
Ola Karlman
Phung Banh

FOREWORD

The Business Climate Survey Vietnam 2024 explores Swedish firms' changing dynamic during the slowdown of the global economy. It should be seen in light of the important year of 2024, when Sweden and Vietnam celebrate the 55th anniversary of diplomatic relations, entailing intensified high-level exchanges aimed, at among other things, facilitating further trade and investments between the two countries. According to IMF, Vietnam remains as one of the 20 fastest-growing economies globally in 2024. It is also one of the countries with the most Free Trade Agreements in ASEAN.

This year's survey engaged both Swedish-registered and Swedish-owned firms operating in Vietnam of diverse sizes and industries, in order to capture the most inclusive perspective into the current business climate. We also benchmark the survey responses with official indices and publications (predominantly the European Chamber of Commerce's Business Confidence Index, given the shared legal framework of EVFTA and general business values), in order to strengthen any conclusions drawn by looking at similar trends in other, larger, surveys and studies.

The survey shows most of the companies expect a good business performance in 2024, as the majority of surveyed companies recorded a profit increase in 2023. However, the resumption process has presented significant challenges for firms to adapt due to the fundamental shift in manpower management and consumer behaviours. *Human resource development* remains a key success factor, followed by *Sales competency* and *Cost efficiency*. In addition, customer's growing interest in environment-friendly products is a notable factor to incorporate into product development.

At the same time, *legislative procedures*, *regulations*, *transparency*, and *low level of digitalisation* were indicated as remaining main issues for Swedish companies when doing business in Vietnam. In addition, the current lack *of government frameworks* and *incentivisation packages* to catalyse sustainable production and consumption remains a hindrance to internalise the green transition.

Vietnam's interest in renewable energy remains high. At the 28th United Nations Climate Change Conference (COP28) in Dubai, the Resource Mobilization Plan to implement the Political Declaration on establishing the Just Energy Transition Partnership (JETP) was announced. However, revisiting the current monopoly set up for electricity supply is vital, to ensure the use of energy from renewable sources for enterprises.

The past year also witnessed the escalation of the anti-corruption effort where the "Blazing Furnace" campaign has brought to light several cases of governance violations, subjecting thousands of convicted officials to disciplinary actions. On the other hand, the tough measures to tackle corruption have resulted in certain disruption in public service and policy implementation, which incur a direct impact to the operation and expansion plans of interested Swedish businesses.

Vietnam remains an emerging market that often requires a presence on the ground. The Embassy of Sweden and Business Sweden together play a crucial role in facilitating trade, cooperation, and policy dialogue between industries and governments. We offer global and regional perspectives on local economic development and can highlight potential business opportunities for Swedish enterprises to thrive in this dynamic market. The purpose of this report is to enhance the readers' understanding of Swedish companies' performance in Vietnam and to share insights into the opportunities and challenges that the Vietnamese market poses. Lastly, we would like to extend our sincere gratitude to the participating companies and respondents who have contributed to this report.

Ann Måwe
Ambassador of
Sweden to Vietnam

David Lidén
Trade Commissioner of
Sweden to Vietnam

+20 respondents

Vietnam

Current business climate

Positive view on the current local business climate for new investment

Industry turnover

59%

of Swedish companies expect their industry turnover to increase

Future investments

45%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Globally valued success factors

1. Staff development
2. Sales competence
3. Cost efficiency

Brand Sweden

87%

of Swedish companies abroad consider 'Brand Sweden' beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Suppliers
3. Service providers

Local conditions with least satisfaction

1. Customs
2. Transparency/equal treatment
3. Level of digitalisation

Environmental considerations

64%

of respondents believe the environment is a considerable factor in their customers' purchasing decisions

Corruption

Corruption is experienced in

– Public biddings
– Green transition

Human rights violation and labour rights abuse

Human rights violation is found in

– Supply chain
– Partners/ Collaborators

ABOUT THE SURVEY

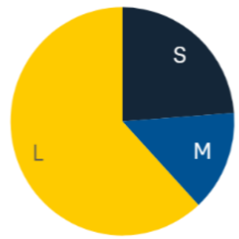
Providing an in-depth view of the market through the lens of Swedish companies

Business Climate Surveys aims to map the opportunities and challenges that Swedish companies face when doing business around the world. The Vietnam survey was conducted in the first quarter of 2024 to study how Swedish companies performed in 2023 as well as their expectations for 2024 and onwards. From an expansion of 8.02 per cent in 2022, Vietnam's economic growth slowed to 5.05 per cent in 2023, mainly attributed to the weakened global demand for Vietnam's exports, as well as the slow disbursements for public investments.

The gross domestic product (GDP) growth in 2023 was below the government target of 6.5 per cent and lower than the average growth of 5.87 per cent during the previous decade. Notwithstanding the economic slowdown, Swedish companies' business performance in 2023 outperformed the previous year and the same pattern is expected in the coming years.

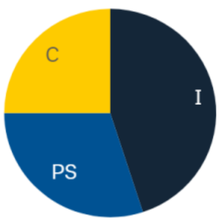
Twenty-two Swedish companies in Vietnam chose to participate in this year's survey. This does not give a holistic picture, but still represents a snapshot of the situation of Swedish companies in Vietnam. The survey features representatives from long-established companies in Vietnam, as well as newcomers in the market. The diverse range of business areas represented is grouped into three main categories: industrial companies (45 per cent), professional services (30 per cent), and consumer companies (25 per cent). Almost 48 per cent are categorised as experienced, starting their operations in Vietnam between 2003 and 2018, 33 per cent are companies that were set up in Vietnam before 2002, and 19 per cent are newly established companies with less than five year-presence in Vietnam.

SIZE OF COMPANIES



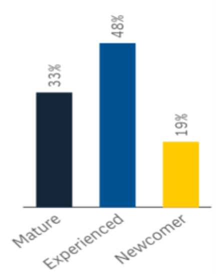
NOTE: Global employees. Large >1000. Medium 250-1000. Small 0-249
Large: 62%, Medium 14%, Small 24%

MAIN INDUSTRY



NOTE: Industrial 45%. Professional services 30%. Consumer 25%

AGE OF COMPANIES



NOTE: Mature (-2002). Experienced (2003-2018). Newcomer (2019-)

The survey report is structured as follows: Economic outlook, The market, How Swedish companies succeed in Vietnam and Acting sustainably. We hope this report allows you to explore how various companies within different industries viewed the market in 2023 and their outlook for 2024 and onwards.

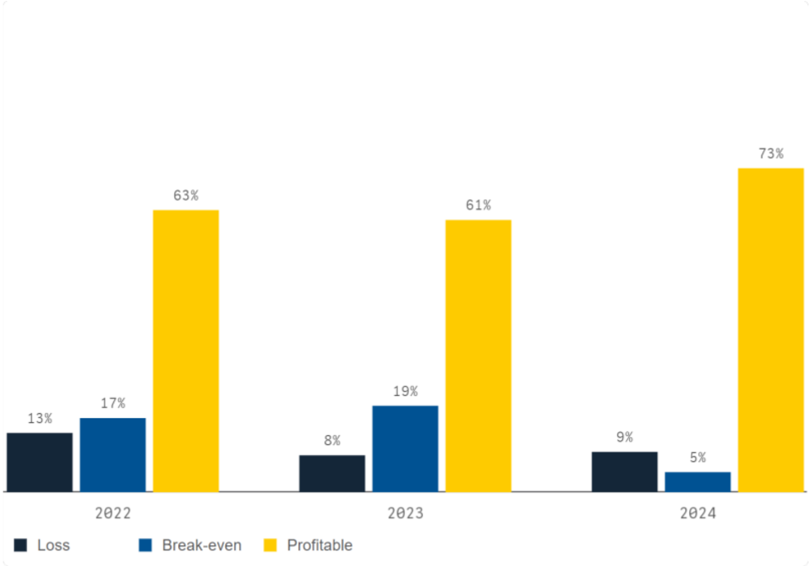
ECONOMIC OUTLOOK

Businesses recorded a strong performance despite a lower-than-expected growth rate

Despite 2023's economic growth being below the government target of 6.5 per cent, it is still a significant growth rate, putting Vietnam in the group of the fastest-growing economies in the region and the world. The slowdown of the economic growth rate compared to the year before could be explained by the downturn in neighbouring China, general slowing demand from overseas, mass layoffs in Vietnam, power blackouts for industries in the northern parts of the country, and a sluggish stock market. Despite the challenges in both domestic and international markets, 73 per cent of Swedish companies turned a profit in 2023 (compared to 61 per cent in 2022 and 63 per cent in 2021). Companies reporting break-even or losses decreased to a record low of 14 per cent (compared to 27 per cent and 30 per cent respectively in 2023 and 2022). Only small-sized companies reported losses in 2023, whereas medium-sized companies performed significantly better during 2023, with 100 per cent reporting a profitable year. With regards to business activities, only professional services firms experienced losses whereas 100 per cent of companies in the consumer segment and 55 per cent of companies in the industrial segment reported a profitable year.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN VIETNAM IN THE PAST YEAR?

Graph 1: Financial performance of Swedish companies in the past year (According to the surveys conducted in 2022, 2023 and 2024)



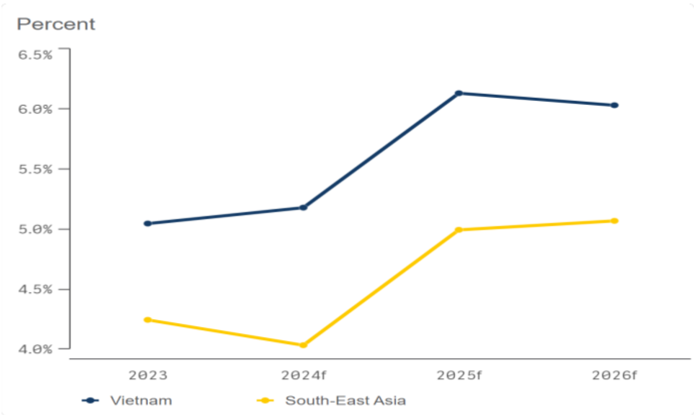
NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

Positive prospects for Vietnam's economy in 2024 – 2026

The 5.05 per cent growth rate in 2023 was mostly fuelled by the strong increase in the retail segment and tourism industry, which are also crucial growth engines for 2024. According to IMF, Vietnam will be one of the 20 fastest-growing economies globally in 2024. Oxford Economics forecasts 5.2 per cent GDP growth for Vietnam in 2024, outperforming the expected average Southeast Asia growth rate of 4.2 per cent. In the first quarter of 2024, Vietnam's GDP grew at 5.66 per cent. While it is lower than the 6-6.5 per cent growth rate target set by the government, it is the highest expansion for the three-month period since 2020. Risks such as high inflation in Western countries, and the slowdown of global economy are primary reasons for the conservative forecast. However, Vietnam is expected to resume its economic growth of six per cent in 2025 and 2026, as the country is a key beneficiary of the shift in global manufacturing supply chains amid the US-China geopolitical rivalry.

PROJECTED GDP GROWTH IN VIETNAM

Graph 2: Historical and projected GDP in Vietnam compared to Asia region



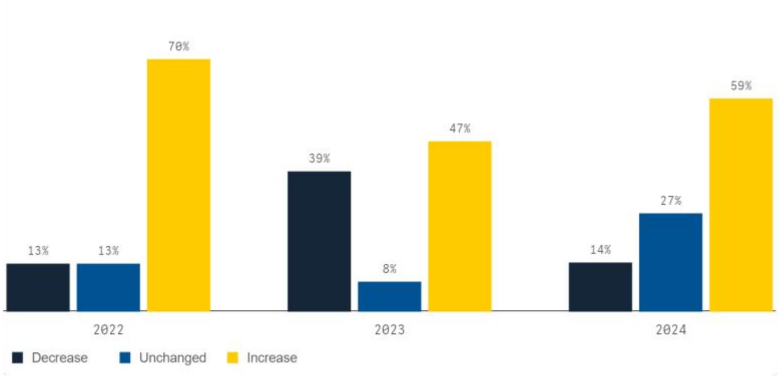
NOTE: Constant prices.
SOURCE: Oxford Economics 05 March 2024

In light of the economic outlook in 2024, Swedish companies reported optimism about their business performance in Vietnam, with 59 per cent expecting a higher turnover, compared to last year's responses of 47 per cent. At the same time, 14 per cent of Swedish companies expected a loss in 2024, which was significantly lower than last year's figures. While some uncertainties remain, businesses are still hoping for better performance in 2024 as exports have slightly recovered since Q4 of 2023, and private consumption is expected to maintain recovery momentum, driven by falling interest rates and improving economic growth. This increased optimism is also echoed in the Eurocham Business Confidence Index Q1.2024, where the percentage of European businesses expressing optimism regarding the economic outlook has increased by six percentage points (from 39 to 45 per cent) compared to the Q4.2023's figures. The observed optimism likely reflects a perceived improvement in the national and global economic climate, which has translated to increased consumer spending power and demand for goods and services.[1]

[1] EuroCham Business Confidence Index Quarter1, 2024 – Decision Lab and EuroCham - https://eurochamvn.org/wp-content/uploads/2023/12/EuroCham-Business-Confidence-Index-Q1-2024.pdf

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN VIETNAM REGARDING TURNOVER?

Graph 3 – Turnover projections of Swedish companies



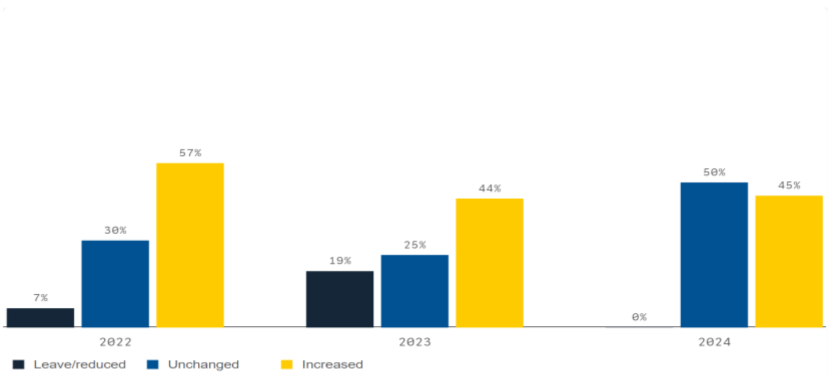
NOTE: The number of respondents for this question was 22. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

Vietnam remains an attractive destination for Swedish businesses

Over 35 years, Vietnam’s registered foreign direct investment (FDI) has grown to US$524 billion in 2023 from just US$2 million in 1988. Today, The country is considered as one of the most open countries in Asia in terms of FDI, owing to its economic reforms and integration with the global economy. Vietnam is party to the highest number of free trade agreements in Southeast Asia only after Singapore. With Vietnam-U.S. relations upgraded to a “Comprehensive Strategic Partnership” in September 2023, Vietnam is expected to receive substantial influx of FDI with a capital injection from the world’s biggest economy. The Vietnamese government has a special focus on investment incentives in an attempt to encourage foreign investment, especially in prioritised industries and businesses.

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

Graph 4 – Future investment plans of Swedish businesses in Vietnam



NOTE: The number of respondents for this question was 22. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024

Building on these favourable conditions, Swedish enterprises in Vietnam have been looking into increasing their investments. Swedish companies are optimistic about Vietnam's economic outlook in the near term, as 45 per cent of the surveyed companies planned to increase their investment in Vietnam and no companies are planning to leave or downscale their business in Vietnam. All newcomers are planning to increase their investment in Vietnam, while only 30 per cent of experienced companies reported having expansion plans in Vietnam. In contrast to last year's figures, companies in the consumer segment are those who showed the most optimism about the market, with 60 per cent having plans to further invest in Vietnam, compared to only 25 per cent in 2023. The EU-Vietnam Free Trade Agreement (EVFTA) and other trade agreements are also key incentives for Swedish businesses to expand in Vietnam. A similar trend has also been recorded in the Eurocham Business Confidence Index in Vietnam in Q1 2024, with a significant portion of foreign businesses (54%) actively endorsing Vietnam as an investment destination. [2]

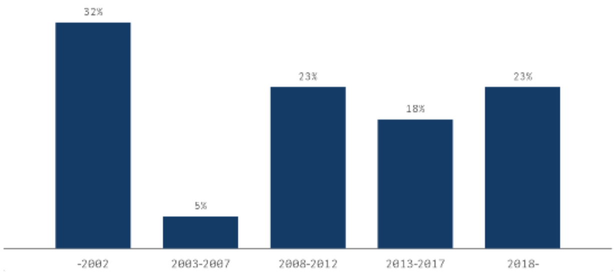
[1] Decision Lab and EuroCham, EuroCham Business Confidence Index Quarter1, 2024, https://eurochamvn.org/wp-content/uploads/2023/12/EuroCham-Business-Confidence-Index-Q1-2024.pdf

THE MARKET

Most Swedish companies have been established in Vietnam for more than 10 years, but most are of small scale

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN VIETNAM?

Graph 5 – Swedish companies' year of establishment in Vietnam

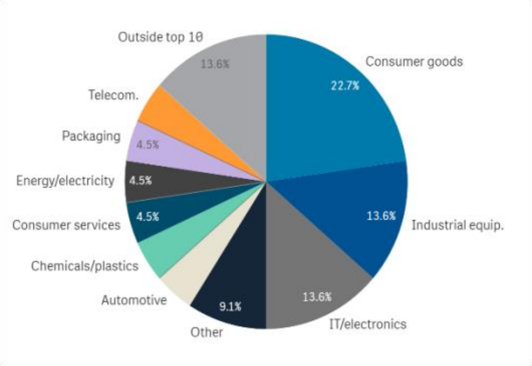


According to the Global Opportunity Index 2024 report, Vietnam ranks among the top five favourite investment destinations in Asia's emerging and developing economies, trailing behind Malaysia, Thailand, China and Indonesia. It is increasingly emerging as a manufacturing hub in the region, and many Swedish companies have shortlisted Vietnam as one of the top destinations for relocating manufacturing plants to lower their dependency on China. As illustrated in Graph 5, one-third of Swedish companies have been in Vietnam for more than 20 years, while 23 per cent have been there for less than five years.

NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN VIETNAM?

Graph 6 – Swedish companies' main industries in Vietnam

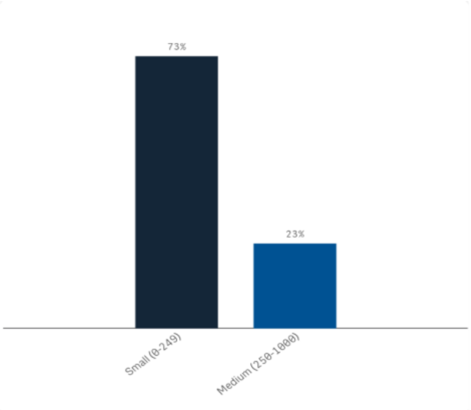


As illustrated in Graph 6, the respondents in our survey are present across a wide range of industries, the most prevalent being consumer goods, followed by industrial equipment, and IT/electronics – all being focus areas that the government targets for further expansion. With a population of 100 million (third largest in Southeast Asia) and a fast-growing middle-income class, demand for new products and services is rising, which makes this segment increasingly attractive for Swedish companies in Vietnam. Industrial equipment is the backbone of the manufacturing segment to meet the increasing demand for advanced solutions in industrial production. Furthermore, the number of Swedish firms in IT/Electronics, the third largest segment, coincide with the current trends in Vietnam's development roadmap, where the government is focusing heavily on the IT and semiconductor industry as well as digitalisation to drive future growth.

NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN VIETNAM IN 2024

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



Graph 7 indicates that most of the Swedish companies that participated in this survey are small companies. Of the surveyed companies, 73 per cent have less than 250 employees in Vietnam, whereas 23 per cent of surveyed companies have between 250 and 1,000 employees.

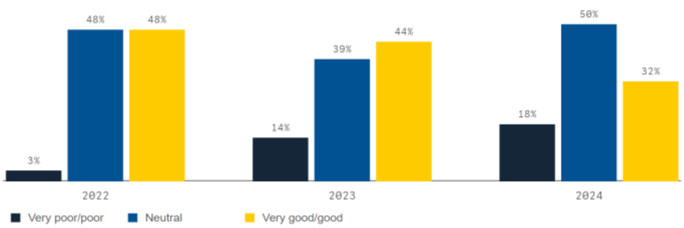
NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

Improving the business climate is key to attract high-tech and high-value-added FDI

Overall, half of the respondents hold a neutral perception regarding the business climate in Vietnam. However, only one-third perceived the business climate as 'good/very good'. This figure has dropped gradually over the years, whereas the proportion of respondents who perceived the conditions as 'very poor/ poor' reached its peak this year. The numbers have however improved compared to last year with regards to firms in the industrial segment, likely due to the improvement in logistics especially in Northern Vietnam.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN VIETNAM?

Graph 9 – Swedish companies' perception of Vietnam's business climate



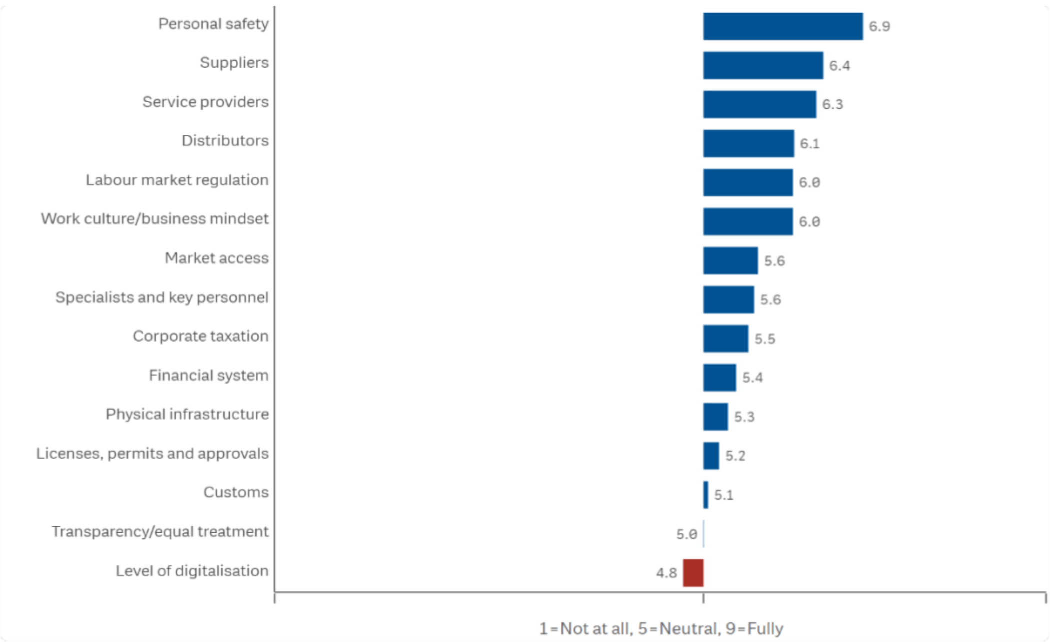
NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

Low level of digitalisation is a prevalent challenge to Swedish businesses in Vietnam

With regards to market conditions, transparency and equal treatment, customs related issues, and level of digitalisation are factors that need to be further improved according to the survey. Many Swedish companies cited particularly that the low level of digitalisation has been posing challenges to their operations. Vietnam has made significant progress in digital transformation in the last decades, steered by a Government-led agenda to digitalise the society and economy. However, digitalisation in Vietnam comes with socio-economic challenges (such as lack of digital skilled talents and urban-rural digital divide) and potential risks related to human rights and rule of law (including freedom of expression, freedom of opinion, e-governance, privacy, and related issues). Improvement in logistics, especially the Vietnam – Europe route, has helped to raise the satisfaction level on customs issues compared to last year's figures, albeit still an area where challenges remain. 'Efficiency' and 'very loyal employees in Vietnam' are quoted as two of the most important factors for Swedish companies to feel positive about doing business in Vietnam.

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

Graph 10 – Swedish companies' satisfaction scale on Vietnam's business conditions



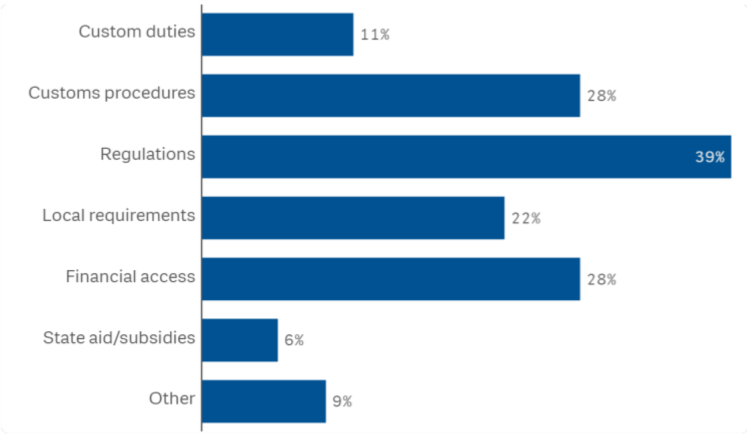
NOTE: The number of respondents for this question was 22.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

Regulation is the key trade barrier

Graph 10 shows that regulation, customs procedures, and financial access are the key challenges for Swedish companies in Vietnam. Of the surveyed companies, 39 per cent shared that regulations were the main issues. Inconsistencies in legal documents and modifications of regulations have caused investors challenges in doing business in Vietnam. The regulatory issues were also cited in EuroCham Vietnam's Whitebook 2023[3], with a substantial 59 per cent cited administrative difficulties as their main challenge when operating in Vietnam. Other trade barriers reported in the survey were prolonged and inconsistent procedures and restrictions on access to financing options.

In conclusion, there are a lot of relative strengths for Vietnam, but further improvements are needed, mainly in terms of regulation and bureaucratic procedures, customs procedures, financial access and digitalisation.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN VIETNAM WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 22.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

G.D. Nguyen, Cooling the "Blazing Furnace" of Vietnam's Anti-Corruption Drive, *Fulcrum*, Singapore, ISEAS – Yusof Ishak Institute, 2024 (accessed 24 May 2024). https://fulcrum.sg/cooling-the-blazing-furnace-of-vietnams-anti-corruption-drive/

[3] EuroCham, EuroCham' Vietnam's Whitebook 2023: Trade and investment issues and recommendations – Boosting investment for a greener and more sustainable economy 2024 15th edition, 2024, Whitebook-2024.pdf (eurochamvn.org)

HOW SWEDISH COMPANIES SUCCEED IN VIETNAM

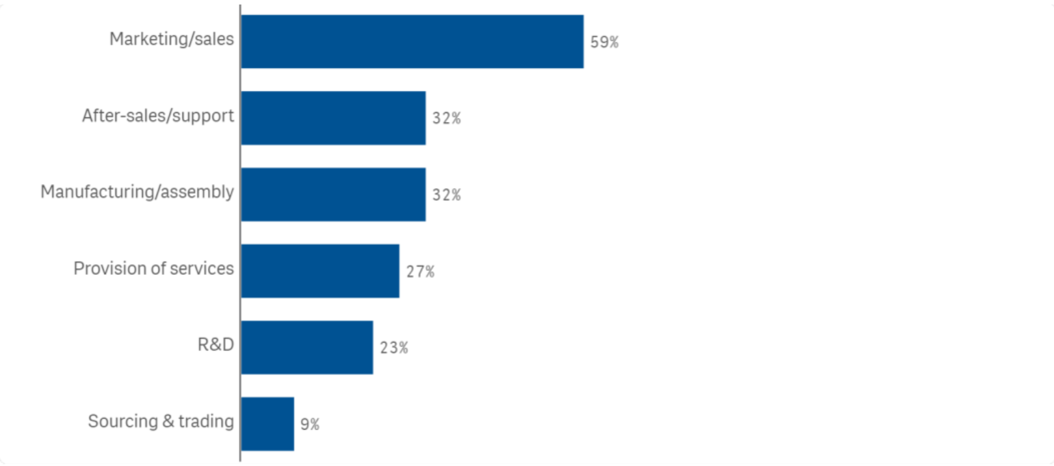
Sales and marketing remain the most popular business activity; Manufacturing welcomes new players

This year's survey illustrates a significant shift with regards to the listed business activities by Swedish companies in Vietnam, apart from Marketing/sales maintaining and strengthening its position as the most common activities also in 2023. "After-sales/support" and "Manufacturing/assembly" follows and share 32 per cent each from the total number of responses. While the former is considered a constant companion to the sales activities, the latter presents a new development in the past year.

Almost half of Swedish FDI in Vietnam in 2023 is attributed to the newly launched factory in Quang Ninh of Autoliv, the Swedish world leading automotive safety supplier. Other noticeable projects include the inauguration of the new 8,000 sqm factory of Trelleborg Sealing Solution in Dong Nai, which will attend to the need of fast-growing markets in Vietnam and the wider Asian region, as well as Europe and North America; Hestra Gloves' 9 million USD investment in their facility in Hai Phong, and the cutting-edge Transformers Factory in Bac Ninh by Hitachi Energy. The year concluded with Tetra Pak announcing its investment raise to 173 million USD in Binh Duong, another initiative epitomising the company's continued interest in Vietnam as a production hub. This signifies a continuous positive sign from 2022 with expansion of manufacturing facilities from industry leaders namely Assa Abloy, ABB, and Polarium, attributing to Vietnam being not only one of the most dynamic and stable countries in Southeast Asia for export, but also a promising market for domestic growth.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET

Graph 11 – Swedish companies' business activities in Vietnam



NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

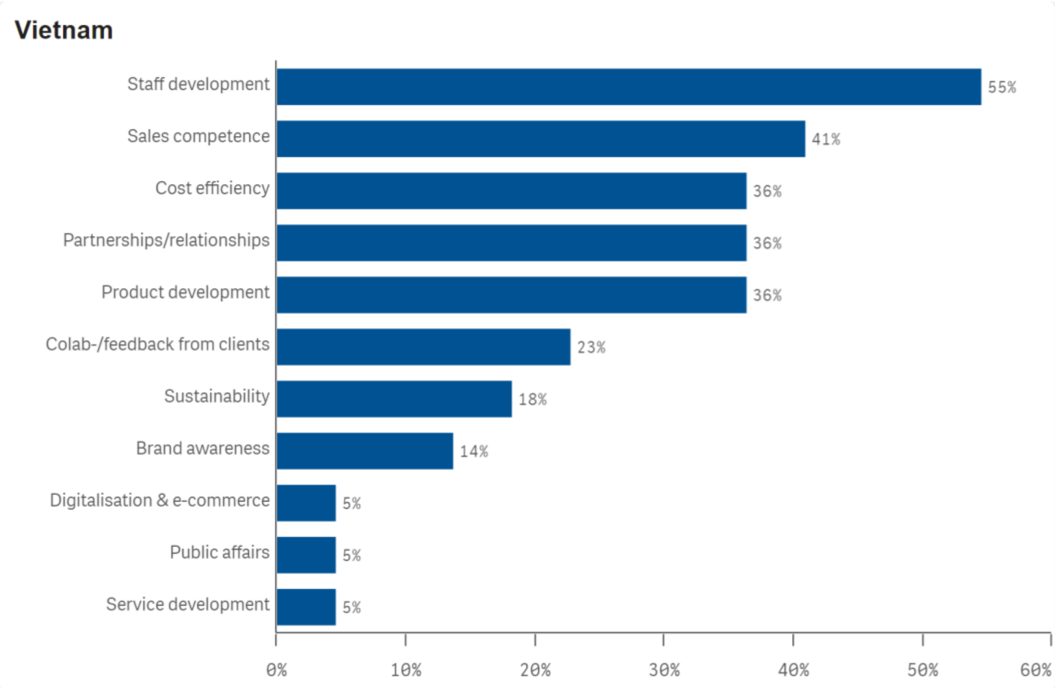
Staff development continues to be the most critical factor to remain competitive in Vietnam

Similar to last year's result, human resource development maintains its importance to the business agenda of most Swedish companies responding to the survey. However, shifting away from being a coping mechanism to stabilise operations post Covid-19, the conversation on human resource has now shifted proactively towards building a skilled workforce that is well-equipped to take on the green transition. In a roundtable between Swedish and Vietnamese officials and leading businesses on the occasion of the Swedish State Secretary's visit to Ho Chi Minh City in March 2024, enhancing digital skills, facilitating cost-efficient starts to business ideas, and ensuring employee rights across the supply chain were listed as key factors for increased competitiveness. There is also an emphasis on the need to cultivate the collaboration between education institutions and leading enterprises from both countries to ensure skill compatibility with the market needs.

Sales competence is the next most important area perceived by the participating companies. This might be in correlation with the weakening global demand stemmed from the change in consumption habits to a more austere tendency due to the economic decline from the pandemic and now geopolitical tensions. Cost efficiency, partnerships, and product development are equally rated as the third most crucial factors to remain competitive, retaining their positions from the previous year. Other areas which were high on the ranking last year, such as brand awareness and digitalisation & E-commerce, have become less essential according to this year's result. This is possibly due to increased cost-awareness to counter the downturn in global demand, which has diverted companies from spending on brand promotion on digital platforms compared to previous years.

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

Graph 12 – Swedish companies' perception on the importance of success factors



NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

The Swedish brand – Open, Innovative and Sustainable

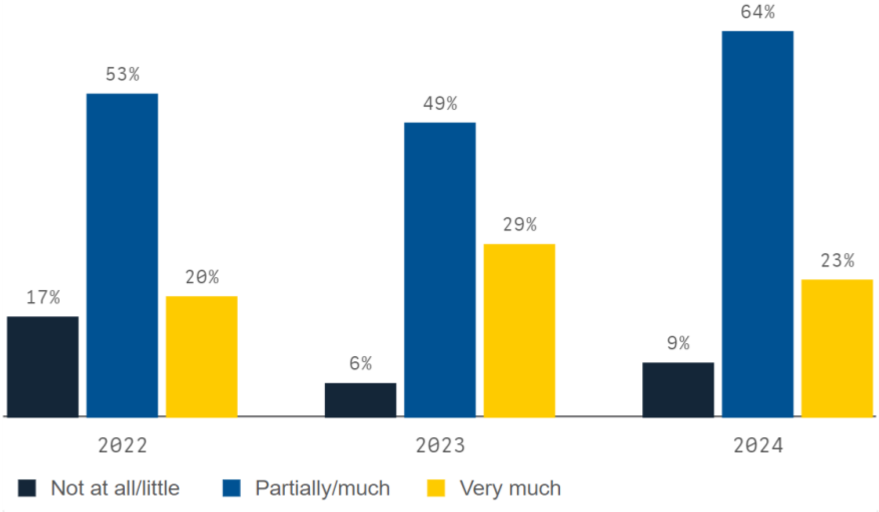
As indicated in Graph 13, 9 out of 10 surveyed companies stated that the Swedish brand contributed to their business “partially/much” or “very much”, which is higher than last year’s result.

The result can be attributed to several reasons. Firstly, Sweden was the first Western country to establish diplomatic relations with Vietnam; resulting in the friendliness and trust from the Vietnamese people and their government. Secondly, Sweden is known for its innovation ecosystem, fostering start-ups and entrepreneurship, combining state incentives and a strong education system with substantial levels of research and development (3 % of GDP). Thirdly, Sweden as a European country is perceived collectively as a developed economy with demanding requirements for quality and sustainable values. Therefore, it is easier for products under Swedish standard to capture the confidence of a broad consumer base.

Similar to the results last year, the impact is more evident in mid-sized and large companies, as almost all of the concerned surveyed companies confirmed that the Swedish brand contributed “much” or “very much” to their business. Moreover, Sweden as a well-known brand could be connected to a few well-established brands in consumer goods, and the country’s main export of highly specified products and materials used in heavy industries, which are usually supplied by larger enterprises rather than small ones.

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

Graph 13 – Swedish companies’ perception on the importance of ”Swedish brand” to their business outcome



NOTE: The number of respondents for this question was 22. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

ACTING SUSTAINABLY

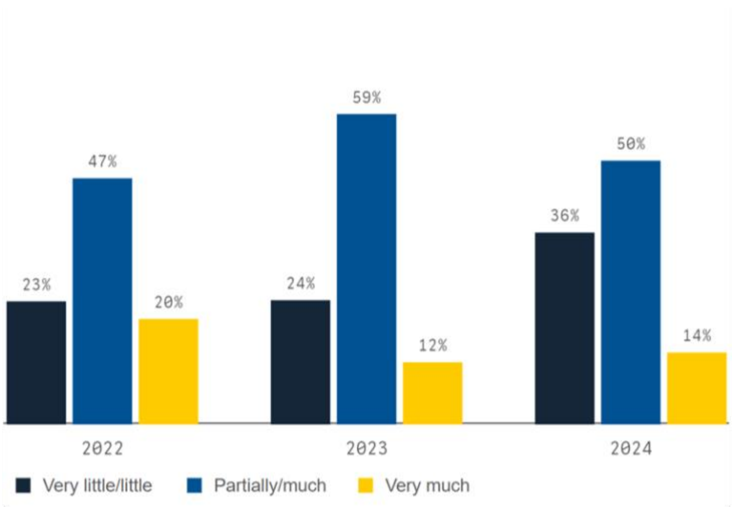
Energy transition gains growing interest; Green consumption needs legislative boost

Addressing at the 28th United Nations Climate Change Conference (COP28) in Dubai, the UAE, Prime Minister Pham Minh Chinh highlighted Vietnam's measures to reduce greenhouse gas emissions while ensuring the country's energy security. At the event, the Resource Mobilization Plan to implement the Just Energy Transition Partnership (JETP), which Vietnam entered with G7 + Denmark and Norway a year before, was also announced. The highlight of 2023 in terms of policies was the introducing of the Power Development Plan 8 (PDP8), which specified the need of 134.7 billion USD of funding for new power plants and grid modernisation projects to enable the development of renewable energy, while reducing reliance on coal.

At the same time, sustainability considerations attracted the most concern from the surveyed companies. In general, the awareness of sustainability within the market is currently limited. According to this year's result, there is a sharp increase in the respondents who say that environmental aspects matter little or very little, compared to 2023 and 2022. In the energy industry, local businesses are concerned with these issues only to the extent that their project financing requires them to consider them. Similarly, in the mass consumption area, most consumers are willing to switch to more sustainable products only if it does not place the burden on their finance.

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

Graph 14 – Customers in Vietnam's consideration of environmental aspect in purchases



NOTE: The number of respondents for this question was 22. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

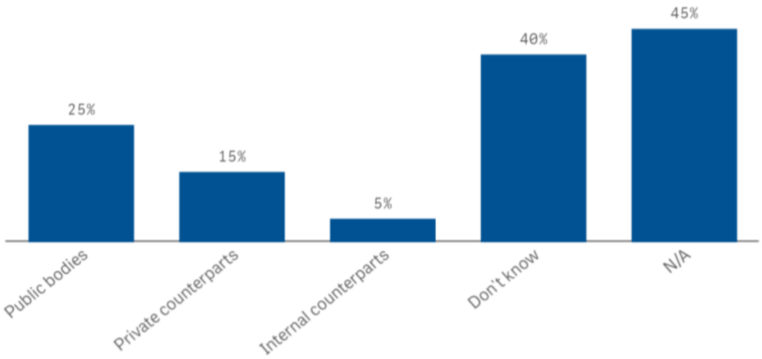
That is why a coherent set of standards and stimulating packages from the government level remains crucial to reinforce sustainable practices from both enterprises and consumers. The energy sector needs substantial investments, facilitated through regulatory reforms and eased financial access, not least the transmission grid, in order to transition away from coal. There is also a need to revisit the possibility for producers of renewable energy to participate in electricity supply, which is perceived by many Swedish companies in manufacturing as the most optimal way to ensure the use of green energy. Sufficient waste management infrastructure for industry as well as urban areas to alleviate the overuse of plastics in packaging and general material waste is crucial. The transportation sector (air, land and sea) will need to transform. Finally, a general raised awareness among the public and private sectors will be key in order to ensure sustainable practices.

Corruption landscape sees increasing actions, however improvement is not visible yet

Corruption remains as a widespread problem in Vietnam. Increased attention has been put on the issue through the so called “Blazing Furnace” anti-corruption campaign in recent years, bringing large-scale corruption cases within the healthcare, financial, real estate, and public governance fields to light leading to among other things 60,000 resignations of public servants between 2021 and 2023, according to an article from the ISEAS–Yusof Ishak Institute.[4] Resignations have since the beginning of 2023 up until today also included public figures at the highest level, such as two subsequent state presidents, two deputy prime ministers and the speaker of parliament – among a longer list of other high-level representatives.

HAS YOUR COMPANY IN VIETNAM BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?

Graph 15 – Swedish companies’ experience with corruption when doing business in Vietnam



NOTE: The number of respondents for this question was 22. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

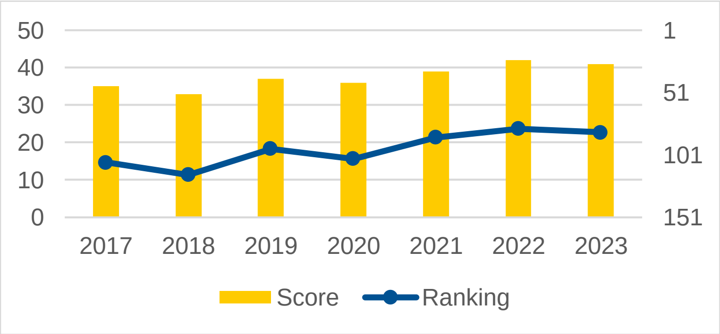
Even so, Vietnam fell three positions in Transparency International’s “Corruption Perceptions Index” in 2023, from 80th to 83rd. Thus, while public efforts and attention has been put on this problem, structural challenges remain.

This has partly reflected on this year’s result where almost half of the surveyed companies revealed that they had been exposed to corruption, mostly from public bodies. Two areas where corruption was experienced are public biddings and implementation of sustainable practices in doing business. This is to an extent congruent with the latest Vietnam Provincial Governance and Public Administration Performance Index (PAPI) 2023 report by UNDP, which shows a decrease in the total scoring for public administrative procedures as compared to 2021, in which it only improved for five provinces while staying unchanged or worsening for the remaining 53.

[4] G.D. Nguyen, Cooling the “Blazing Furnace” of Vietnam’s Anti-Corruption Drive, *Fulcrum*, Singapore, ISEAS – Yusof Ishak Institute, 2024 (accessed 24 May 2024), https://fulcrum.sg/cooling-the-blazing-furnace-of-vietnams-anti-corruption-drive/

Furthermore, the many high-profile cases of resignations and prison sentences (in one case even a death sentence) in the wake of the anti-corruption campaign have also led to a sense of “decision-making paralysis” on all levels of the public sector, especially in areas that have witnessed more intense scrutiny, including the energy sector – with related risks of increased uncertainties as a consequence.

CORRUPTION PERCEPTION INDEX 2023



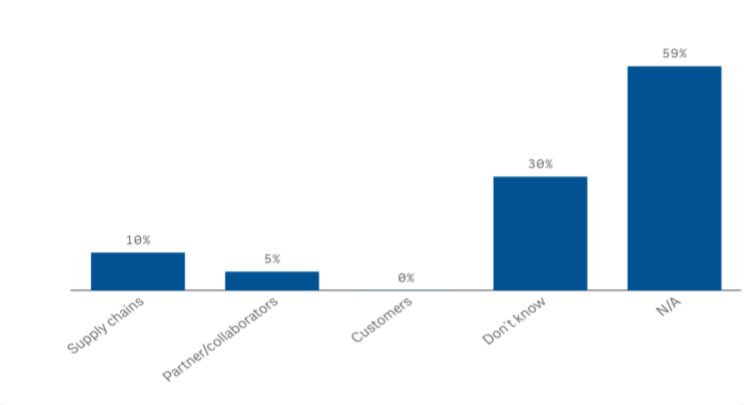
SOURCE: Transparency International.

Labour rights protection still needs improvements

Stronger respect for and protection of human rights in Vietnam remains a pressing issue for international partners, including Sweden. Although the sample size in this survey is most likely too small to draw definitive conclusions, participating businesses seem to have an increasing focus on this topic, with a total of 15 per cent confirmed encountering human rights or labour rights violations within the supply chain and/or partner organisations (seven per cent higher than the year before), while 30 per cent reporting “Don’t know”. A positive take from this result is that companies are becoming more aware of the labour right issues happening within their nexus as the number of “Don’t know” responses has gone down by 26 per cent compared to last year.

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

Graph 16 – Swedish companies’ experience with human rights violations and/or labour rights abuses when doing business in Vietnam



NOTE: The number of respondents for this question was 22. Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Vietnam 2024.

Labour rights violations have mostly been observed from outsourcing activities. Nevertheless, existing and new Swedish businesses in Vietnam actively advocate ways of working to ensure labour rights across their supply chains, as well as seek to thoroughly validate working conditions as part of the criteria for choosing local suppliers.

In the aspect of labour standards, some steps have been taken. In 2023, the Vietnamese Government adopted a “National Action Plan for Enhancing Responsible Business Practices in Vietnam”, serving as a foundation to raise awareness, enhance stakeholders’ capacity, foster an enabling environment for engagement, and ensure access to remedies. It also emphasises the importance of holding businesses accountable for their actions aimed at implementing.

At the same time, the commitment that Vietnam made as part of the negotiations of the EVFTA to ratify all of the core labour standards conventions of the ILO, has yet to be fulfilled. Notably, Vietnam has postponed the ratification of ILO convention no. 87 on Freedom of Association and Protection of the Right to Organize, which is now tentatively slated for autumn 2024. Despite this set back, it is still in the plan of the National Assembly for Vietnam to ratify 14 more ILO Conventions until 2030, making it the leading country among the ASEAN member states in promoting international labour standards if this timeline is reached. Last but not least, alongside progressive legislative changes imposed upon employers, streamlining the reporting procedures for employees affected by violations remain critical for Vietnam to ensure labour rights compliance.

CONTACT US

BUSINESS SWEDEN
David Lidén, Trade Commissioner of Sweden to Vietnam
david.liden@business-sweden.se

Huyen Quan, Consultant
huyen.quan@business-sweden.se

Le Nguyen, Associate
le.nguyen@business-sweden.se

EMBASSY OF SWEDEN
Ann Måwe, Ambassador of Sweden to Vietnam
ambassaden.hanoi@gov.se

Ola Karlman, Head of Trade, Economic and Political Affairs
ola.karlman@gov.se

Phung Banh, Trade Promotion Officer
phung.banh@gov.se

Sweden
Sverige

BUSINESS SWEDEN

Government Offices of Sweden
Ministry for Foreign Affairs

Embassy of Sweden
Hanoi