

An Introduction to Vietnam's Import and Export Industries

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With its rising costs, China is no longer the go-to destination for many businesses, and Vietnam has arisen as a serious competitor. Recent trends show that the number of orders shifting from China to Vietnam has seen a significant increase. For example, China's [Pearl River](#) Delta, long known as one of the key factory centers for the world's manufacturers (particularly those from Hong Kong) has now become too costly for many companies to stay in the region.

In the past few years, a growing number of businesses have relocated their operations from [China](#) to Vietnam in an attempt to escape rising costs and an increasingly complex regulatory environment.

Given the recent trade war between [China and the US](#), alongside Vietnam's recent CPTPP ratification, and the signing of the [EU-Vietnam FTA](#), the country is steadily becoming more open to international trade and investment.

Located in a strategic position for foreign companies with operations throughout Southeast Asia, Vietnam is an ideal export hub to reach other [ASEAN](#) markets.

Compared with other developing markets in the region, Vietnam is emerging as the clear leader in low-cost manufacturing and sourcing, with the country's manufacturing sector accounting for 25 percent of Vietnam's total GDP in 2015. Currently, [labor](#) costs in Vietnam are 50 percent of those in China and around 40 percent of those reported in Thailand and the Philippines. With the country's workforce growing annually, Vietnamese workers are inexpensive, young, and, increasingly, highly skilled.

Another driving force behind Vietnam's growing popularity is the country's collection of free trade agreements (FTAs)—most notably, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ([CPTPP](#)) and [EU-Vietnam](#) FTA. Currently, the [Regional Comprehensive Economic Partnership \(RCEP\)](#) is also under negotiation. When these trade agreements come into force, Vietnamese exports will be freely accessible to many of the world's largest markets with few tariffs or restrictions.

In terms of regulatory and financial incentives, Vietnam has become increasingly investor-friendly in recent years—the government has taken such actions as reforming its financial sector, streamlining business regulations, and improving the quality of its workforce. Since the mid-2000s, the Vietnamese government has offered extremely competitive [financial incentives](#) to businesses seeking to [set up operations](#) in the country, in addition to a zero percent withholding tax on dividends remitted overseas and a low [corporate income tax](#) (CIT) rate of only 20 percent. These advantages have enabled Vietnam to become a premier “sourcing economy” in the eyes of many companies.

Current state of Vietnam's economy

Vietnam is seeing strong growth on multiple fronts. Of particular interest to investors has been the continuing growth of [Vietnam's domestic consumer market](#), which has been developing by leaps and bounds. This growth is expected to continue for some time to come – domestic consumption is predicted to increase at a rate of 20 percent per year. With a population of over 95 million and Southeast Asia's fastest-growing middle class, Vietnam clearly represents an important market for foreign goods.



Export Markets	Export Value (2017)
China	US \$50.37 billion
United States	US \$48.43 billion
Japan	US \$18.53 billion
Korea	US \$16.18 billion
Germany	US \$10.92 billion

Import Markets	Import Value (2017)
China	US \$71.62 billion
Korea	US \$47.75 billion
Japan	US \$15.06 billion
Singapore	US \$12.29 billion
Thailand	US \$11.60 billion

Industry Snapshots

While Vietnam is widely known for being a prime location for investors operating in the [textile industry](#), there are many other business areas that are seeing significant growth in the country. Interestingly, Vietnam is well on its way to becoming a key location for high-technology manufacturing, with companies like Samsung, LG Electronics, Nokia, and Intel making multi-billion dollar investments into the country. Other business areas include information and communications technology, [automotive](#), and medical devices.

As of 2017, Vietnam is the largest ASEAN supplier to the U.S. with a net export value of US\$48.43 billion. In fact, Vietnam is likely to become the wealthiest Southeast Asian country in terms of trade. Additional statistics indicate that bilateral trade with [the U.S.](#) will surge to US\$57 billion by 2020, cementing Vietnam's prominence as a valuable hub for foreign investment.

Top Exports	Export Value (2017)
Phones	US \$45.1 billion
Textiles	US \$25.9 billion
Electronic goods/Computers	US \$25.9 billion
Footwear	US \$14.6 billion
Machinery	US \$12.8 billion

Top Imports	Import Value (2017)
Electronic goods/Computers	US \$37.5 billion
Machinery	US \$33.6 billion



Top Imports

Import Value (2017)

Phones	US \$16.2 billion
Fabrics	US \$11.4 billion
Iron and steel	US \$9.1 billion

Textiles and Garments

Textiles consistently rank among Vietnam's leading export industries, with over 6000 [textiles and garments manufacturing](#) companies, employing upwards of 2.5 million workers. The growth of the garment industry has been impressive. In Q1 2018, Vietnamese garment exports rose by 15.4 percent, with a projected growth rate for the first six months in Q2 to go up 14 percent. China is the only nation that surpasses Vietnam in terms of net garment exports to the U.S. However, manufacturers and investors are pivoting towards Vietnam; the conditions for setting up shop are more economically convenient than doing so in China.

Within ASEAN, Vietnam is the strongest competitor for inheriting low value-added textiles and apparel manufacturing from China. In contrast to other leading textile exporters in the region (Indonesia, Thailand, Malaysia), the share of Vietnam's textile exports against its total exports has grown in recent years.

Electronics

Vietnam has emerged as an important [electronics](#) exporter, with electrical and electronic products overtaking coffee, textiles, and rice to become the country's top export item. Samsung is Vietnam's largest exporter and has helped the country achieve a trade surplus for the first time in many years. Exports of smartphones and computer parts now account for more in export earnings than oil and garments. Samsung has turned Vietnam into a global manufacturing base for its products, producing almost a third of the firm's output. Samsung has invested over US\$17 billion into the country.

Samsung has also agreed to cooperate with the Vietnamese government in order to help develop the country's domestic support industries. This represents a key business opportunity for foreign [technology](#) companies to set up operations in Vietnam and sell their components to companies like Samsung.

Pharmaceuticals

The future looks to be very interesting for the [pharmaceutical](#) industry in Vietnam. Vietnam's pharmaceutical market has grown to US\$5.2 billion in value in 2018 so far and is estimated to reach US\$6.6 billion by 2020. Driving this market growth is the Vietnamese government's goal of achieving Universal Health Coverage, combined with a growing market of consumers who want accessible [healthcare](#).

Automotive

Vietnam is becoming an important market for auto sales: the [Vietnamese automobile](#) market is expected to sell 1.7-1.85 million units by 2035. In the foreseeable future, an estimated 750,000-800,000 units are expected to be sold by 2025. Although there was a recent decline in car sales, the government has introduced several new regulations to address the issue and boost production.

Despite an increasingly competitive [auto market](#) throughout the ASEAN region, Vietnam has stated that it intends to work aggressively to build up its own domestic auto industry. Among the key reasons for this goal is that the auto industry has the potential to create thousands of jobs for locals and create a strong system of supporting industries.



Coffee

Vietnam is poised to become the world's largest producer and exporter of coffee. Currently, the country is the world's second largest coffee exporter, behind only Brazil. However, many experts believe that Vietnam has the potential to overtake Brazil due to its favorable climate conditions and lower cost production.

E-commerce

Vietnam is quickly becoming a prime market for foreign investment in [e-commerce](#) activities. The country's rapidly growing economy and middle class are, in turn, spawning a strong consumer culture and increasing levels of disposable income. Electronic retail is fast becoming the preferred method of shopping—particularly among the [country's youth](#).

So far in 2018, the [e-commerce](#) market has reached US\$6.2 billion and is expected to hit US\$10 billion by 2020, with an average spending of US\$350 per capita. In 2017, internet penetration in Vietnam reached 53.86 million people and is estimated to have 59.48 million internet users by 2022.

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