VIETNAM’S ECONOMY
A SWOT ANALYSIS

The 15th Annual Conference on Pacific Basin Finance,
Economics, Accounting and Management

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SUMMARY

- Vietnam is a small, developing, transition, and integrated economy in a fast changing world
- Vietnam’s growth in the last 2 decade is impressive but relies mostly on quantitative expansion
- The competitiveness of the nation and the firm is relatively weak compared to major competitors
- Biggest opportunities emerge from integration
- Biggest challenges come from competition
- Biggest threat is backwardness
GDP, Exports, and FDI

Source: General Statistical Office, Vietnam Statistical Yearbook, various years,
Strengths of the Economy

- Economic, political, and social stability
- Stable and fast growing economy
  - High export growth
  - Large inflows of foreign capital
  - Dynamic domestic private sector
  - Abundant and young labor force
  - Widening domestic market size
GDP growth (%)
Export Growth (2000-06)

Source: Economist Intelligence Unit (EIU)
Attraction of FDI (% GDP, 2000-06)

Source: Economist Intelligence Unit (EIU)
New business registration

Enterprise Law 2000

Source: Vietnam Chamber of Commerce and Industry, Ministry of Planning & Investment
Industrial output by sector (2006)

- Private: 32% (23.9%)
- Foreign: 38% (18.8%)
- State: 30% (9.1%)
Abundant and young labor force

Half population under 24

Source: General Statistical Office
Real demand growth (%, 2001-06)

ASEAN: 4.8%
Vietnam: 8.6%
China: 9.2%

Source: Economist Intelligence Unit (EIU)
Weaknesses of the economy

- Poor infrastructure
- Incomplete market institutions
- Inefficient administration
- Weak business environment
- Inadequate education and training
- Inefficient use of capital
- **Weak competitiveness**
Inefficient use of capital

<table>
<thead>
<tr>
<th>Countries</th>
<th>Investment (%GDP)</th>
<th>GDP Growth (%)</th>
<th>ICOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam ('00-'06)</td>
<td>38.3</td>
<td>7.5</td>
<td>5.1</td>
</tr>
<tr>
<td>China ('91-'03)</td>
<td>39.1</td>
<td>9.5</td>
<td>4.1</td>
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<tr>
<td>Taiwan ('81-'90)</td>
<td>21.9</td>
<td>8.0</td>
<td>2.7</td>
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<tr>
<td>South Korea ('81-'90)</td>
<td>29.6</td>
<td>9.2</td>
<td>3.2</td>
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<tr>
<td>Japan ('61-'70)</td>
<td>32.6</td>
<td>10.2</td>
<td>3.2</td>
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</tbody>
</table>
## Low quality of education and training

<table>
<thead>
<tr>
<th>Countries</th>
<th>Education and Human Capital Index</th>
<th>English Proficiency Index</th>
<th>High-tech Proficiency Index</th>
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<tbody>
<tr>
<td>Singapore</td>
<td>6.81</td>
<td>8.33</td>
<td>7.83</td>
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<td>5.73</td>
<td>3.62</td>
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<td>Malaysia</td>
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<tr>
<td>Philippines</td>
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<td>5.40</td>
<td>5.00</td>
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<tr>
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<td>3.27</td>
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<td>Indonesia</td>
<td>3.44</td>
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</tbody>
</table>
Labor Productivity Growth 2002 - 2005

Source: Economist Intelligence Unit (EIU)
Capital Productivity, 2001 - 2005

GDP/capita (PPP, 2005)

Incremental GDP growth due to 1% of GDP increase in invt

Source: Economist Intelligence Unit (EIU)
Total Factor Productivity Growth, 2002 - 2005

Source: Economist Intelligence Unit (EIU)
Vietnam's Exports by Product, 2002

- Electricity & lights
- Foodstuff
- Info. tech
- Coal
- Sportwares & children prods
- Construction & repairs
- Engines
- Plastic
- Leather
- Oil & gas
- Agriculture produces

Change in Market Share, 1997-2002 (%)

Export Market Share, 2002 (%)

Source: Michael Porter, 2005
## Business Competitiveness (‘01-06)

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>GDP 2005 (PPP)</th>
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<td>77</td>
<td>82</td>
<td><strong>3.025</strong></td>
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<td>Cambodia</td>
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<td>—</td>
<td>—</td>
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<td>2.399</td>
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<tr>
<td>No. of countries</td>
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<td>97</td>
<td>100</td>
<td>113</td>
<td>121</td>
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</tbody>
</table>
New opportunities

- New opportunities come mainly from the deeper integration
  - MFN, fairer treatment
  - Access to and better allocation of resources
  - Domestic private sector development
  - Economic reform promotion
Exports to the US

Pre BTA

Post BTA

Primary Products
Clothing
Other Manufactures

2000 2001 2002 2003 2004 2005 2006

Exports to the US

2% 1764%
164%
80%
55%
58%
58%
41%

38% 21% 28% 3% 29% 29% 31% 31%

171% 1764% 8% 7% 18% 41%
Some Challenges

- More competition
- More vulnerable to external shocks
- "Transaction costs" of policy and institutional changes
- Unequal distribution of costs and benefits of integration
Thank you for your attention!

BON APETIT!