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## Advantage Vietnam: Optimizing Supply Chains and Accessing Key ASEAN Markets

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# Introduction



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Partner  
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Vietnam has been a member of the Association of Southeast Asian Nations (ASEAN) since 1995. In almost 30 years with the organization, the benefits Vietnam's membership has provided have been almost immeasurable.

Simplified cross-border trade processes, reduced costs of interregional trade through tariff elimination, and the freer movement of people within the region have benefited the economic group, including Vietnam. Furthermore, foreign investors have been able to capitalize on this by diversifying their supply chains across the bloc, mitigating risks, and realizing greater value by utilizing complementary comparative advantages.

As Vietnam approaches its 30th anniversary being a member of the Southeast Asian trading bloc, these advantages will be compounded by increasing interest in the region and its capabilities as a 'plus China' base.

In this issue of *Vietnam Briefing Magazine*, we break down Vietnam's role in ASEAN and the interregional framework that keeps its member economies and foreign investment ticking along.

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With kind regards,

Alberto Vettoretti



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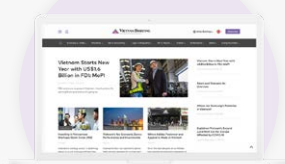
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# Vietnam in a Rising ASEAN

*ASEAN is fast becoming one of the more important pillars of the global economy. The relatively nascent organization has developed quickly in recent years partly fueled by greater integration but also the trade practices and policies of its neighbor to the north.*



Mark Barnes  
Senior Editor

In 1995, Vietnam joined the Association of Southeast Asian Nations (ASEAN), becoming its seventh member, alongside Indonesia, Malaysia, the Philippines, Brunei, Thailand, and Singapore. Over the next four years, Laos, Myanmar, and Cambodia also joined the bloc, completing the roster of 10 countries that make up the ASEAN grouping today.

At the start of the 21st century, ASEAN was in its early stages of development. Emerging from the aftermath of the 1997 Asian Financial Crisis, member economies were grappling with the challenge of regaining the rapid growth that had previously propelled the Asian Tigers—comprising Hong Kong, Singapore, South Korea, and Taiwan—to prominence.











However, across Asia as a whole, there was a palpable sense of change on the horizon. China stood on the verge of entering the World Trade Organization (WTO), poised to unleash an economic surge unprecedented in the region's history.

The influx of wealth into Vietnam's significantly larger northern neighbor was poised to be substantial, and its neighboring countries and partners were well-positioned to reap the rewards. As prominent global brands and conglomerates began relocating their manufacturing operations to cost-effective Asian markets, billions of dollars generated from trade began to flow through the region.

However, it soon became evident that there was not only a significant transformation in the manufacturing landscape but also a shift in global power dynamics. China started to amass substantial economic and military influence. With its burgeoning economy, China's confidence grew, especially in its assertiveness regarding the South China Sea.

While in its initial stages, ASEAN primarily served as an economic safeguard against major Western economies in Europe and the US, it was rapidly evolving into a geopolitical counterbalance to China as well. The 10 member nations of the bloc recognized that cooperation wasn't solely

## Overview of ASEAN Member States

Country	Entry to ASEAN	Population (million)	GDP (US\$ billion, 2022)	GDP Per Capita (US\$, 2022)
 Brunei Darussalam	1984	449,002	\$16.68	\$37,152.47
 Cambodia	1999	16,767,842	\$29.96	\$1,786.56
 Indonesia	1967	275,501,339	\$1,319.10	\$4,788.00
 Lao PDR	1999	7,529,475	\$15.72	\$2,088.38
 Malaysia	1967	33,938,221	\$406.31	\$11,971.93
 Myanmar	1999	54,179,306	\$59.36	\$1,095.70
 Philippines	1967	115,559,009	\$404.28	\$3,498.51
 Singapore	1967	5,637,022	\$466.79	\$82,807
 Thailand	1967	71,697,030	\$495.34	\$6,908.81
 Vietnam	1995	98,186,856	\$408.80	\$4,163.51

Source: World Bank

advantageous in terms of trade but also held significant benefits in the realm of national security. With even greater importance placed on working together, ASEAN began to take big strides, forging free trade agreements (FTAs) not just within its borders but also with various external partners.

### ASEAN's FTA network

#### ASEAN Trade in Goods Agreement (ATIGA)

ATIGA is the core agreement binding the economies of ASEAN. This agreement outlines the reduction of tariffs on goods traded between member states. As of March 2022, almost 98 percent of tariffs had been eliminated.

#### ASEAN-China Free Trade Area

In 2002, ASEAN and China inked the Framework Agreement on Comprehensive Economic

Cooperation, which would later serve as the cornerstone for the establishment of the ASEAN-China Free Trade Area (ACFTA). This pivotal agreement would ultimately encompass trade in goods and services, as well as cross-border investments between China and the ASEAN bloc.

#### ASEAN-Japan Comprehensive Economic Partnership

Like the ACFTA, the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) covers trade in goods and services, investment, and economic cooperation. It was signed in December 2008.

#### ASEAN-Korea Free Trade Area

The Framework Agreement on Comprehensive Economic Cooperation covering South Korea and ASEAN was signed in 2005. This would be succeeded by the ASEAN-Korea Free Trade Area (AKFTA), which

includes the trade of goods and services, as well as investment between the bloc and South Korea.

### ASEAN-Australia-New Zealand Free Trade Area

The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) entered into force in 2010 for Australia. This agreement significantly opened trade opportunities for Australia in Southeast Asia. In November 2022, it was announced that negotiations to upgrade the agreement had concluded. A more comprehensive FTA between Australia, New Zealand, and ASEAN should come into force soon.

### ASEAN-India Free Trade Area

The ASEAN-India Free Trade Agreement (AIFTA) governs trade between these two emerging economies. The AIFTA offers both India and Asia a slew of opportunities to invest in each other as well as to develop complementary supply chains.

### ASEAN-Hong Kong, China Free Trade Area (AHKFTA)

The ASEAN-Hong Kong China Free Trade Agreement came into effect on June 11, 2019, for Vietnam, Laos, Myanmar, Singapore, and Thailand. The agreement allows ASEAN members to continue improving their competitive free trade networks and to move up the value chain from low-tech to high-tech manufacturing.

### Regional Comprehensive Economic Partnership

The Regional Comprehensive Economic Partnership (RCEP) agreement officially came into force on January 1, 2022, for Vietnam. This regional agreement promises to build on already existing agreements between its members to further enhance trade in Asia and Oceania. Nations in the agreement include Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam.

## GDP ASEAN States 2018 to 2022 (in billion US\$)

Country	2018	2019	2020	2021	2022
Brunei Darussalam	13.5	13.47	12.01	14.01	16.68
Cambodia	24.57	27.09	25.87	26.96	29.96
Indonesia	1,042.27	1,119.10	1,059.05	1,186.51	1,319.10
Lao PDR	18.14	18.74	18.98	18.83	15.72
Malaysia	358.79	365.18	337.34	372.98	406.31
Myanmar	67.14	68.70	78.93	65.12	59.36
Philippines	346.84	376.82	361.75	394.09	404.28
Singapore	376.87	376.84	348.39	423.80	466.79
Thailand	506.75	543.98	500.46	505.57	495.34
Vietnam	310.11	334.37	346.62	366.14	408.80

Source: World Bank

## Economic growth

As of 2022, ASEAN has established seven FTAs, registering significant economic growth overall. However, this growth has not always been evenly distributed, with countries like Vietnam and Indonesia leading the way, while countries like Cambodia and Myanmar have lagged behind.

But understanding ASEAN's rise cannot be achieved without understanding the ascendancy of its neighbor to the north. Indeed, China's rapid economic development and foreign relations have played a crucial role in spurring the development of the ASEAN bloc.

In particular, the substantial trade disparity between China and the United States has emerged as a critical issue since around the mid-2010s. Tensions escalated significantly during the Donald Trump presidency, marked by the U.S. government's imposition of trade restrictions on Chinese imports, widely recognized as the U.S.-China trade war.

Keeping this in mind, foreign enterprises started exploring other options within the region, seeking low-cost labor and business-friendly environments for foreign investment. The term "China-plus-one" gained prominence in business circles, becoming a mantra for companies seeking to diversify their supply chains beyond China.

Moreover, this situation was exacerbated by the COVID-19 pandemic between 2020 and 2022, a period during which China closed its borders. This unilateral decision caused huge disruptions to global supply chains, and firms considering relocation were suddenly given even greater impetus to do so.

However, the current narrative does not center around moving away from China but rather

emphasizes diversification. Firms are realizing that relying too heavily on any one country is problematic and risky. It's important to note that they are not abandoning China; instead, they are reworking their strategy to include "China-plus-one" and "China-plus-many," depending on their sector and economic activity.

Considering these factors and the growing interregional cooperation that ASEAN fosters, supply chains are poised for substantial restructuring in the foreseeable future. This realignment has the potential to yield significant benefits for Vietnam.

## Summary

ASEAN has undergone significant transformation since Vietnam's initial entry into the organization in 1995. This transformation has been propelled by the ascent of China, coupled with Sino-US geopolitical tensions, technological competition, and economic rivalries. As foreign companies and investors assess opportunities in Vietnam, it is advisable to consider them within the broader ASEAN context. Vietnam derives advantages from its pivotal regional partnerships and its strategic location adjacent to the formidable Chinese industrial powerhouse. 🌸



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# Vietnam in ASEAN Supply Chains

*Vietnam, as one of China's closest neighbors in terms of both geography and politics, stands poised to benefit probably more than most from foreign firms diversifying out of China.*



**Mark Barnes**  
Senior Editor



**Pritesh Samuel**  
Head of Business Intelligence

As both Vietnam and China have long been centrally planned economies under one-party Communist rule, their similarities are evident. However, it's only in recent years that a noticeable divergence in their development paths has started to emerge.

Most notably, Vietnam has increasingly distanced itself from its northern neighbor as prominent brands and manufacturers have actively pursued relocation options outside of China. Vietnam has been meticulous in portraying itself as a secure destination for foreign direct investment (FDI), without the global leadership aspirations that have, in part, fueled tensions between China and the United States.

Vietnam has executed this strategy exceptionally effectively. Despite the global economic slowdown experienced by Vietnam and the world at large, FDI in Vietnam during the first half of 2023 only registered a marginal decrease of 4 percent compared to the same period the previous year. Notably, this FDI has

primarily flowed into the manufacturing sector, although there have also been notable transactions in the real estate and banking sectors.

This aligns with Vietnam consistently ranking among the top recipients of FDI within the ASEAN group, with Indonesia and Singapore being the only countries surpassing it in this regard.

China is not the sole factor at play here. Vietnam's membership in ASEAN and its position as the easternmost member state, connecting it to mainland Southeast Asia, have also played a pivotal role. These attributes have established Vietnam as the final destination for many manufacturing supply chains in Southeast Asia.

## Vietnam as ASEAN's shipping hub

Vietnam benefits from a long coastline that borders the Gulf of Thailand, the South China Sea, and the Gulf of Tonkin.



## APPLE IN VIETNAM

Apple is reportedly planning to produce MacBooks in Vietnam from 2023 adding to a long line of products that are now being made in the Southeast Asian electronics manufacturing powerhouse.

Taiwan's Foxconn, for example, a key Apple supplier, is set to establish a factory in Vietnam to the tune of US\$270 million this year, according to *Nikkei Asia*. BOE Technology Group, is also set to follow suit, with Reuters reporting the Chinese display maker, which not only supplies Apple but Samsung too, is planning a US\$400 million investment.

Foxconn and BOE, however, are just two companies in a growing line of Apple suppliers moving part of their operations south of the border.

There are three main port cities along Vietnam's coastline — Hai Phong in the North, with a throughput of 5.69 million TEU in 2021; Ho Chi Minh City in the South, which recorded 7.9 million TEU in 2021; and a significant port located in the central province of Da Nang, with a throughput of 650,000 TEU in 2022.

The northern port of Hai Phong is a major port for international container traffic. The Hai Phong International Container Terminal (HICT) can accommodate large container ships, with 19 berths covering a length of 3,567 meters, and a design depth from -7.5 to -9.4 meters. This allows for bigger shipments out of Vietnam and reduced costs for buyers of Vietnam's exports.

Da Nang's port is key to the development of Vietnam's central region. It also connects Vietnam to Myanmar, Thailand, and Laos.

## Inward FDI, ASEAN Countries (in million US\$)

Country	2018	2019	2020	2021	2022
Brunei Darussalam	517.3	374.6	577.4	204.8	-284.4
Cambodia	3,212.60	3,663.00	3,624.60	3,483.50	3,578.80
Indonesia	20,563.50	23,883.30	18,591.00	21,131.10	21,968.20
Lao PDR	1,358.00	755.5	967.7	1,071.90	635.8
Malaysia	7,611.30	7,859.70	3,185.30	12,144.20	17,095.80
Myanmar	1,609.80	1,729.90	2,205.60	1,005.00	2,980.90
Philippines	9,948.60	8,671.40	6,822.10	11,983.40	9,199.90
Singapore	73,546.70	97,480.40	72,931.60	131,100.90	141,187.20
Thailand	13,751.80	5,518.70	-4,951.00	14,640.90	9,939.60
Vietnam	15,500.00	16,120.00	15,800.00	15,660.00	17,899.90
<b>Grand total</b>	<b>147,619.50</b>	<b>166,056.50</b>	<b>119,754.30</b>	<b>212,425.60</b>	<b>224,201.80</b>

Source: ASEANstats

Furthermore, a railway route has been proposed that would connect the port city of Vung Ang in Vietnam with Laos' capital Vientiane. The 555km track, estimated to cost US\$5 billion, would further boost trade and bilateral ties between both countries and transform Laos into a land-linked country that can facilitate more trade between its provinces, and ASEAN neighbors.

Coupled with the ease of trade between ASEAN nations, Vietnam has thus become a key access point to the outside world.

### Vietnam as an assembly point

Vietnam's appeal as the final stop in ASEAN supply chains extends beyond its infrastructure and location advantages. Relatively low wages have made the Southeast Asian manufacturing powerhouse a prime location for final assembly. A range of parts and goods can be manufactured in ASEAN

member states and then transported to Vietnam for convenient assembly and export. However, this scenario presents a dual challenge, as it can potentially be exploited by unscrupulous entities seeking to circumvent trade restrictions imposed in other regions. A case in point is the issue concerning solar panels from China. In such instances, reputable domestic companies may inadvertently encounter adverse consequences. It could also prompt foreign trade partners to subject Vietnamese goods to increased scrutiny more broadly.

### Vietnam as an access point to China

Vietnam's strategic advantage lies in its significantly superior infrastructure compared to low-cost neighbors like Cambodia and Laos and its closer proximity to major population centers and production bases in China. As a result, Vietnam plays a vital role as a key gateway to northern Asia and facilitates trade between China and Southeast Asia.

#### Nominal Monthly Wages in ASEAN States 2017 to 2021

Country	2017	2018	2019	2020	2021
Brunei Darussalam	-	-	-	-	-
Cambodia	250.71	-	299.93	-	-
Indonesia	180.47	186.16	191.74	181.37	180.07
Lao PDR	101.69	-	-	-	-
Malaysia	724.08	789.03	811.63	725.18	726.93
Myanmar	82.33	91.23	99.11	102.63	-
Philippines	193.00	205.92	-	-	-
Singapore	3892.58	4027.32	4130.79	4190.35	4341.47
Thailand	397.25	402.66	411.99	419.80	423.68
Vietnam	226.06	242.78	282.63	279.78	275.06

Source: Global Wage Report 2022-23

Noteworthy border crossings, such as Lao Cai, Mong Cai, and Dong Dang, witness the passage of billions of dollars' worth of goods annually between these two dynamic economies. Further, Vietnam's well-equipped ports provide it with access to some of the world's largest ports, including Shanghai, Shenzhen, and Guangzhou, further enhancing its trade connectivity and economic significance.

China also launched a new freight train service in 2022 from the cities of Chengdu and Chongqing to Vietnam. This has enabled Vietnam and ASEAN exporters to develop new trade opportunities with Western China. The routes connect the west China cities of Chongqing (Guoyuan Port) and Chengdu to Vietnam's capital Hanoi. They have reduced travel time from an average of 20 days to between five and seven days.

## Vietnam plus one

The evolving landscape also suggests that a new 'Vietnam Plus' paradigm may be emerging, tapping two neighboring countries, namely Cambodia and Laos. The previously mentioned railway line connecting Laos to Vietnam serves as a prominent example, but there are additional opportunities.

Cambodia, for instance, has initiated a significant project, investing US\$1.35 billion in an expressway that will link the country with Vietnam's Tay Ninh province. Upon completion, this expressway will feature four lanes and stretch all the way from Phnom Penh to the border.

## Summary

With a broad coastline and reasonably well-developed port infrastructure, Vietnam is strategically positioned as a crucial final link in ASEAN supply chains. Leveraging Vietnam's

## ADIDAS' VIETNAM SUPPLY CHAINS

In 2021, roughly 40 percent of Adidas footwear was produced in Vietnam. This follows a big shift over the past decade, with Adidas moving more of its supply chain out of China and south to Vietnam.

Not only that, but trade tensions between China and key export markets like the US, and supply chain disruptions as a result of COVID-19 border restrictions, have also provided impetus for sportswear companies to diversify their supply chains.

As an early mover, how Adidas has structured its supply chain in Vietnam can provide vital insights into infrastructure, labor availability, and location selection for sportswear companies looking to establish manufacturing operations in Vietnam.

logistical advantages and favorable business environment can optimize operations, streamline manufacturing processes within the region, and support seamless exports to key markets. 🌸



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# Vietnam's Future in ASEAN

*Looking ahead, ASEAN stands poised to strengthen its position as a major player in the global economy. In this regard, Vietnam also has the opportunity to elevate its standing as a prominent regional trade hub, particularly in the manufacturing, electronics, and services sectors.*



**Mark Barnes**  
Senior Editor



**Melissa Cyrill**  
Deputy Managing Editor

The ASEAN trading bloc is often likened to the European Union (EU), with fundamental principles emphasizing the link between trade and regional peace shaping its evolution.

However, the Southeast Asian bloc remains significantly less integrated than the EU. The absence of shared values complicates decision-making and disallows the exertion of authority by ASEAN leadership. For instance, when the military in Myanmar seized power from the elected government, the bloc's response was deliberated differently compared to how such a situation might be addressed within the EU.

While the stark divergence in values and political systems across the member countries of ASEAN, along with the ensuing challenges, is evident, given its current trajectory, there is ample potential for further growth and development. Major ASEAN economies are similarly aligned on this front, seeking to maximize business growth potential, foreign investment, and trade activity within

their regions. To this end, policymakers in ASEAN countries have made efforts to upgrade enabling treaty mechanisms, connectivity, and payments, and offer necessary operational incentives.

## Impetus to upgrade ATIGA

To establish a unified market and production base with the free flow of goods by 2015 for the ASEAN Economic Community, the ASEAN Economic Ministers, in August 2007, reached a consensus to elevate the Common Effective Preferential Tariff for ASEAN Free Trade Agreement (CEPT-AFTA) into a more encompassing legal instrument, culminating in the signing of the ASEAN Trade in Goods Agreement (ATIGA) in February 2009.

In March 2022, Satvinder Singh, the Deputy Secretary-General for the ASEAN Economic Community, called for an upgrade to the existing ATIGA. He suggested that the changing business landscape in ASEAN, particularly the trend of multinationals diversifying out of China, was a

sign it was time for greater ASEAN integration and cooperation. “The parallel historical backdrop between ATIGA’s signing in 2009 and the launching of its upgrade negotiation in 2022 might be unfortunate, but therein lies a golden opportunity for ASEAN to strengthen its place in a changing world”, Singh expanded.

## Vietnam’s amendments to ATIGA ROO

On February 14, 2023, Vietnam’s Minister of Industry and Trade issued Circular No. 03/2023/TT-BCT, introducing amendments to Circular No. 22/2016/TT-BCT, which pertains to the implementation of rules of origin (ROO) in the ASEAN Trade in Goods Agreement.

Notable revisions cover updates to product-specific rules, basic conversion criteria for textile products, and the list of information technology agreement (ITA) products. These revisions have been established in accordance with the Harmonized Commodity Description and Coding System version 2022 (HS 2022). Circular No. 03/2023/TT-BCT has been effective from April 1, 2023.

The Circular triggered the following changes:

- Appendix II, which contains product-specific rules (formerly prescribed in Clause 2 Article 2 of Circular No. 22/2016/TT-BCT), is now replaced by Appendix I as outlined in Circular No. 03/2023/TT-BCT.
- Appendix III, which outlines substantial transformation criteria for textiles and textile products (previously prescribed in Clause 3 Article 2 of Circular No. 22/2016/TT-BCT), is now replaced by Appendix II in Circular No. 03/2023/TT-BCT.
- Appendix IV, which lists ITA (Information Technology Agreement) products (previously prescribed in Clause 4 Article 2 of Circular No. 22/2016/TT-BCT), is now replaced by Appendix III as set forth in Circular No. 03/2023/TT-BCT.

## Making cross-border payments easier

An upgrade to ATIGA is expected to place greater emphasis on emerging technologies and cross-border dynamics, particularly focusing on cross-border payment systems to facilitate smoother trade, including within supply chains and smaller e-commerce transactions. A simplified version of such a system has already undergone trials in Singapore, Thailand, Malaysia, and Indonesia, enabling travelers to make local currency purchases in other ASEAN member states using QR codes.

On August 25, Vietnam’s central bank entered into an agreement to participate in an initiative alongside five other Southeast Asian nations, aiming to establish cross-border payment mechanisms among themselves. Vietnam will collaborate with Indonesia, Malaysia, Thailand, the Philippines, and Singapore to interlink their respective payment systems, incorporating the use of QR codes for retail transactions. The agreement was reached during a meeting of the ASEAN finance ministers and central bank governors in Jakarta.

Vietnam is actively committed to aligning with international banking standards and working towards eliminating barriers in the sector, even if its complex banking system can delay progress. Pham Tien Dung, Deputy Governor of the State Bank of Vietnam, has expressed his support for the ASEAN Working Group on Payment Systems, which aims to foster regional connectivity in payment systems.

## Future trade agreements

Aside from interregional facilitation, the ASEAN bloc is also pursuing greater international trade integration with a number of free trade agreements (FTAs) currently under negotiation.

## **ASEAN-Canada Free Trade Agreement**

ASEAN and Canada began negotiations on a free trade agreement in November of 2021. At the time, bilateral trade was about US\$23.5 billion. However, the Canadian government has suggested that a future FTA could increase Canada's GDP by up to US\$2.54 billion. Notably, Canada is a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes the ASEAN states of Singapore, Brunei, and Vietnam.

## **ASEAN-Korea Free Trade Agreement Upgrade**

South Korea and ASEAN are currently in the process of negotiating an upgrade to their existing FTA. The aim is to considerably expand the scope of the existing agreement to facilitate greater trade between South Korea and the bloc.

## **US-ASEAN Trade and Investment Facilitation Agreement (TIFA)**

TIFA provides a broad framework for trade discussions between the United States and ASEAN. Though this agreement is short on specifics, its role in facilitating trade between the two should not be underestimated. This is particularly true with respect to the rise of China and the perceived need to counter its growing influence in the region.

## **The European Union**

Negotiations between the EU and ASEAN for a cross-bloc free trade agreement commenced in 2007; however, in 2009, the EU withdrew from these negotiations. Several factors contributed to this decision, but fundamentally, the EU and several ASEAN member states could not reach consensus on crucial socio-political conditions. Consequently, the EU has actively pursued

individual bilateral trade agreements with various ASEAN states. Currently, separate agreements have been successfully established between the EU and both Singapore and Vietnam.

## **Vietnam as a trade leader**

Notably, Vietnam has already established an extensive array of free trade agreements beyond the Asian region. The process of negotiating and implementing these agreements has endowed the nation with valuable experience and has honed the skills of its trade negotiators, potentially serving as a valuable asset for broader trade negotiations. Moreover, Vietnam's expanding access to tariff-free international markets creates an advantageous gateway for its ASEAN trading counterparts to explore opportunities in other global regions. In light of these factors, particularly in the realm of international trade, Vietnam is well-prepared to assume a more proactive leadership role.

## **Vietnam's plan moving forward**

During the ASEAN Foreign Ministers meeting held in May 2023, Minister of Foreign Affairs Bui Thanh Son underscored Vietnam's commitment to supporting the organization in the future. He outlined several critical areas that Vietnam considers a priority, which encompass addressing non-traditional security challenges, fostering collaboration for effective marine environment management, formulating collective responses to environmental pollution and marine debris, and coordinating efforts to combat transnational crime and enhance epidemic preparedness.

These priorities align with Vietnam's robust efforts to transition towards a greener and more environmentally sustainable economy.

Furthermore, Minister Son emphasized the significance of collective efforts to maintain peace and stability in the South China Sea. This issue serves as a pivotal driver behind the aspiration to strengthen the ASEAN bloc. However, it is worth noting that this topic may entail sensitivity within the group, given that some member states have conflicting territorial claims, particularly concerning the Spratly Islands.

## Summary

ASEAN is moving forward on greater regional integration, including in cross border payments and trade. As ASEAN's trade and investment frameworks face increasing demands for enhancement and reform, foreign companies and supply chain participants should pay close attention to the regulatory and industry reforms taking place at the country level in Vietnam. Sustainable development, digitalization, and infrastructure stability will serve as pivotal drivers for ASEAN's economic growth and global significance, and Vietnam is actively striving to assume a prominent role in advancing these objectives. 🌸

### INVESTING IN VIETNAM'S EFFORTS TO ACHIEVE SUSTAINABLE GROWTH

Vietnam's sustainability efforts offer diverse investment prospects for foreign companies, but navigating these require diligent market research, regulatory comprehension, and robust local partnerships.

**Renewable energy:** Vietnam aims to achieve carbon neutrality by 2050 and its government seeks to bolster wind, solar, hydropower, and biomass energy capacity, which beckons companies specializing in these technologies.

**Infrastructure development:** As Vietnam transitions its energy market and builds climate-resilient infrastructure, investment avenues arise in flood risk management, coastal protection, urban drainage, early warning systems, and wastewater treatment. Foreign climate solution experts can collaborate effectively.

**Electric vehicles:** Vietnam's burgeoning EV market offers growth potential. Investment prospects encompass EV battery production, charging infrastructure, and related technologies, spurred by government incentives.

**Energy conservation and efficiency:** Firms specializing in energy-efficient technologies, smart grids, and energy management systems can aid Vietnam in achieving its goals.

**Supply chain integration:** Foreign firms like Siemens Gamesa and Vestas with established supply chains in renewable energy technology are key to helping Vietnam meet its growing demand for sustainable energy solutions.

**Climate-resilient agrimarket:** Vietnam's climate vulnerability requires investments in flood-resistant construction, disaster response capabilities, and climate-resilient agriculture, crucial for its vital agrimarket.

**Awareness and education:** Investors can support climate and energy conservation awareness and education initiatives for the public's benefit.

Its essential, however, to monitor evolving regulations and sectoral policies, as the Vietnam government may introduce new incentives and support mechanisms for sustainable investments, training, and technology transfers.



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