



KCCI - Country Wrap: VIETNAM (SEPT.'17)



Vietnam – a brief overview

Vietnam is the 13th most populous country in the world; possessing vibrant and young labor force with 93.5% being literate. According to the international report by the United Nations, Vietnam has achieved number of Millennium Development Goals (MDGs) including achievement of universal primary education, eradication of extreme hunger and poverty and promotion of gender equality in education. The country's accession to World Trade Organization in 2007 has boded well for attracting foreign direct investment to Vietnam.

Economy of Vietnam

Vietnam has emerged as one of the most successful developing economy of Southeast Asian region; transforming itself from one of the poorest country to the lower middle income group only in quarter of a century where its per capita income rose from \$ 100 to \$ 2,000 at the end of 2014. In this regard, the reform program "Doi Moi", started by the Vietnamese government in 1986, gave impetus to restructuring it from centrally planned economy to the market oriented one, making it to experience most sustainable rapid economic growth in just 10 years and remaining second only to China. Owing to its reform program, Vietnam has been able to improve its macroeconomic situation; curtailing its inflation to minimum levels and transitioning from agricultural country to the manufacturing and services. It is expected that recently signed Trans-Pacific Partnership (TPP) pact will help Vietnam in opening up its economy more by carrying out necessary reforms on its political and economic fronts.

Vietnam's major trading commodities and partners

The main import commodities of Vietnam includes machinery and equipment, petroleum products, steel products, raw materials for the clothing and shoe industries, electronics, plastics and automobiles. The country import these commodities from its import partners China (22%), South Korea (13.2%), Japan (10.4%), Taiwan (8.6%), Thailand (6.4%) and Singapore (6.4%). The commodities that are exported by Vietnam include clothes, shoes, marine products, crude oil, electronics, wooden products, rice, machinery. Their major export partners include U.S. 18%, China 11%, Japan 11%, Germany 3.7%.

Economic ties between Pakistan and Vietnam

Pakistan and Vietnam shares healthy economic relations where both countries have expressed their hopes time and again for exploring new areas of bilateral cooperation. In this regard, during early 1998, Vietnam sent its businessmen group to visit Pakistan and view economic environment and business opportunities existing in Pakistani companies. The selected products for special promotional measures include leather and its products, pharmaceuticals and seafoods from Pakistan side, while the Vietnam authorities would launch promotional campaign to increase export of tea, cotton and synthetic fiber and fisheries to Pakistan.

Bilateral Trade Relations between Pakistan and Vietnam

The bilateral trade relations between Vietnam and Pakistan have improved to greater extent as the bilateral trade volume during Fiscal Year 2017 (Jul.'16-Jun.'17) stood at \$ Mn as against \$ Mn in Fiscal Year 2016. During the period under review, Pakistan exported goods to Vietnam of worth \$ 230.57Mn as against \$ 209.06Mn in the previous year showing meagre surge of 10.28%. The goods imported by Pakistan from Vietnam stood at \$ 200.49Mn as against imports of \$ 180.50Mn in the previous Fiscal Year 2016 thereby showing growth of around 11%.

Pakistan Vietnam Trade & Co-operation Agreements

In an effort to boost bilateral trade and investment opportunities between Pakistan and Vietnam, several cooperation agreements have been signed in the past. It includes Trade Agreement (May 2001); MOU on the Establishment of the Joint Commission between Vietnam and Pakistan (April 2002); Joint Declaration between the governments of Vietnam and Pakistan (March 2004); Agreement on the Avoidance of Double Taxation (March 2004), Framework Agreement on Scientific and Technological Cooperation (March 2004), MOU on Consultation between the two Ministries of Foreign Affairs (March 2004), MOU between the State Bank of Vietnam and the State Bank of Pakistan (March 2004), Agreement on Fisheries and Aquaculture Cooperation (June 2006); and Agreement on Visa Exemption for Holders of Diplomat and Official Passport (January 2007). Furthermore, there exist great potential for both the countries to enhance the multifaceted cooperation in various areas like IT and software industry, trade and investment, agriculture, culture and education.

Trading Commodities between Pakistan & Vietnam

Pakistan exports garment, pharmaceutical products, cotton, animal feed, material leather, medicine and seafood ingredients to Vietnam. The products imported by Pakistan from Vietnam includes pepper, basa fish, tire, computer, white marble, furniture, electric generator, rubber etc. Besides, Pakistan is also the largest tea leaf importer from Vietnam.

Trade Potential between Pakistan & Vietnam

Pakistan can seek Vietnam's help in accessing economic community of ASEAN for greater market share.

Although various steps have been taken by trade authorities of both Pakistan and Vietnam in the past few years which has resulted in increasing trade volume. However investments of both countries in their respective industries remain lacklustre.

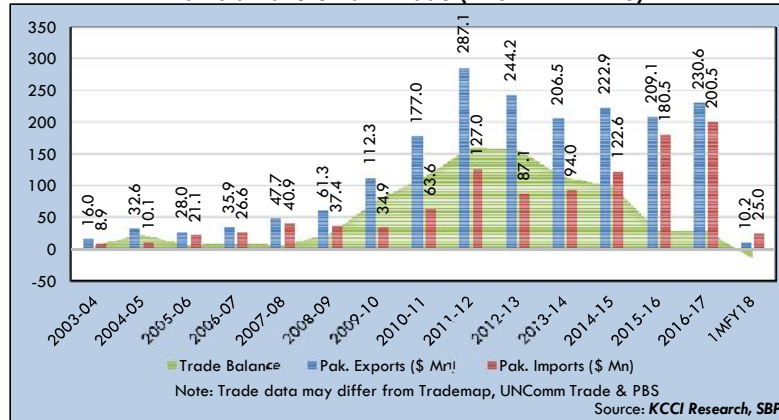
As Pakistan is a potential market for EU, UAE and U.S., Vietnamese investors can invest in energy, electricity, textile material, vehicle component and agricultural goods processing units.

Economic Indicators

Indicators	Unit	2015	2016	Change
GDP (PPP)	\$ Bn	560.70	595.50	6.21%
GDP per Capita	\$	6,100	6,400	4.92%
GDP growth	%	6.7	6.2	-0.50%
Forex Reserves	\$ Bn	28.62	34.66	21.10%
External Debt	\$ Bn	73.33	78.88	7.57%
Exports of Goods	\$ Bn	162.10	169.20	4.38%
Imports of Goods	\$ Bn	154.70	161.00	4.07%
Trade Balance	\$ Bn	7.40	8.20	10.81%
Current Account	\$ Bn	0.91	9.43	941.06%
FDI - at Home	\$ Bn	102.70	114.70	11.68%
FDI - at Abroad	\$ Bn	5.30	7.70	45.28%
CPI	%	0.6	2.7	2.10%
Prime Lending Rate	%	7.12	6.80	-0.32%
Population	Mn	N/A	96.16	N/A
Unemployment	%	3.50	3.70	0.20%
Literacy Rate	%	N/A	94.5	N/A

Sources: KCCI Research, CIA Factbook

Pakistan & Vietnam Trade (FY04 - 1MFY18)



Vietnam's Top 10 Trade Items (2016)

Imports Items	(\$ Mn)	Exports Items	(\$ Mn)
Electrical mach. & equipment	45,514	Electrical mach. & equipment	77,511
Machinery, Mechanical Apps	20,892	Footwear, gaiters, the like;	17,936
Plastics, articles thereof	9,615	Machinery, mech. Appliances	13,149
Iron and steel	8,778	Unknitted Apparel Artcl & Clothing	12,912
Mineral fuels and oils	7,636	Knitted Apparel Artcl & Clothing	11,758
Vehicles other than railway	6,442	Commodities NES	10,475
Aluminium, articles thereof	5,899	Furniture; bedding, mattresses	8,023
Optical, photographic measuring	5,488	Coffee, tea, maté, spices	4,717
Fish, crustaceans, molluscs	5,342	Fish, crustaceans, molluscs	4,452
Knitted or crocheted fabrics	5,198	Leather articles ; saddlery	3,792

Sources: KCCI Research, Trademap

Pakistan - Vietnam Top 10 Trade Items (2016)

Pakistan Export Items	(\$ Mn)	Pakistan Imports Items	(\$ Mn)
Fish, crustaceans, molluscs	92.5	Electrical machinery and equipment	110.0
Cotton	52.6	Coffee, tea, maté and spices	47.3
Meat, edible meat offal	27.2	vegetables, roots, tubers	20.0
Raw hides, skins, leather	23.2	Man-made filaments	17.7
Pharmaceuticals	13.8	Man-made filaments	16.3
Paper, paperboard	6.0	Rubber, articles thereof	10.9
Residues, food industries waste	5.0	Machinery, mechanical appliances	9.7
Oil seeds, oleaginous fruits	4.7	Misc. chemicals	7.0
Edible fruit and nuts	4.6	Vehicles other than railway	4.3
Sugars & confectionery	3.1	Misc. manufactured articles	2.9

Sources: KCCI Research, Trademap