



2016 Top Markets Report **Building Products and Sustainable Construction** Country Case Study

Vietnam

Vietnam is a dynamic economy projected to maintain strong GDP growth over the coming decade. Increasing urbanization and industrialization, together with infusions of foreign investment, have unleashed new opportunity in the building sector. A focus on energy and water efficiency, indoor air quality and other green performance goals support growing opportunities for building product manufacturers. U.S. exporters are encouraged to visit and assess the market and to establish a market presence to support sales.

Overall Rank	HVACR	Lighting	Plumbing Products
18	50	42	64
Wood Products	Insulation	Windows & Doors	Glass
5	40	59	17

Vietnam’s Construction Market

The construction sector in Vietnam is staging a solid recovery following the 2011 to 2012 property market bubble collapse. Strong inflows of foreign direct investment (FDI), rapid urbanization and a growing middle class among Vietnam’s 93 million population has contributed to increasing demand for new and higher performing building products.

Key trends impacting Vietnam’s construction market provide advantages to U.S. building product manufacturers recognized for top quality, high performance products. Large segments of the country’s property market are dominated by foreign developers eager to distinguish their properties. To maintain reputations for high quality, these developers demand advanced building technologies and products reflecting the latest innovations and styles. Specific prospects for U.S. building product exporters include high-end hotels and resort

properties, as well as high-rise office towers and mixed-use projects.

In addition, FDI flows into Vietnam’s manufacturing sector have grown over the past decade. The number of foreign manufacturers moving to establish production facilities in Vietnam means ongoing demand for industrial properties and parks, warehouses and logistics facilities. All of these property types require products of high reliability and durability.

Green Growth Strategy

In 2012, the Vietnam government adopted the Vietnam National Green Growth Strategy (VNGGS), which was mainly aimed at reducing energy consumption and greenhouse gas (GHG) emissions linked to economic activity and boosting “green” economic sectors. The VNGGS is structured around three strategic tasks:

- Reducing GHG emissions and promoting the use of clean and renewable energy. After 2020, the target is to decouple economic growth from GHG emissions.
- Greening production based on i) implementing a clean industrialization strategy via adjusted sector master plans, (ii) development of green industry and agriculture technologies and equipment, (iii) investment in natural capital and (iv) prevention and treatment of pollution
- Greening lifestyle, where traditional lifestyle is combined with means to create quality and traditionally rooted living standards, including the creation of green jobs. New consumption modes should mean environmental benefits counterbalance increased consumption.

Green Building in Vietnam

The VNGGS acknowledges the importance of buildings and the construction industry. Increasing the energy efficiency of its buildings is a long-standing goal in Vietnam and is reflected in its existing building code. Mandatory code requirements include requirements to achieve desired indoor air quality levels.

Vietnam's Ministry of Construction has developed a green building strategy with a vision to 2030 that includes criteria on energy and fresh water savings in construction, as well as operation standards to rate green and energy efficient projects.

The Vietnam Green Building Council operates the voluntary LOTUS building rating system that covers nine categories of building performance: energy, water, materials, waste, ecology, waste and pollution, health and comfort, adaptation and mitigation, community and management. LOTUS also includes an innovation category carrying extra credits for areas of exceptional performance.

Vietnam takes a central government-led approach to its building and construction regulatory system. There are four levels of reference standards relevant to the sector: (1) national standards and national and local technical standards administered by the Vietnam Standards and Quality Institute; (2) construction standards administered by the Ministry of Construction; (3) standards administered by the central government; and (4) international codes and standards, which can replace any Vietnam Standard

or be used where there is no applicable Vietnam Standard.

Vietnam is taking a specific interest in adopting standards geared to increasing energy efficiency in its building regulatory system. Opportunities may exist for private sector entities in the U.S. to weigh in on this process. U.S. entities can sign up for notifications from National Institute of Standards and Technology (NIST) on standards development in target markets. Interested exporters may find additional information at <https://tsapps.nist.gov/notifyus/data/index/index.cfm>.

Challenges & Barriers to Building Products Exports

U.S. building products enjoy strong brand recognition and a reputation for high quality in Vietnam. The types of challenges U.S. building product exporters face in Vietnam include but are not limited to:

Tariffs

Import duties on U.S. building products can impede U.S. competitiveness in Vietnam.

Trans-Pacific Partnership

Vietnam is a party to the Trans Pacific Partnership (TPP) Agreement, a free trade agreement among the United States and 11 other countries that, when it enters into force, will provide important market access benefits to U.S. exporters. Information about TPP benefits to U.S. building product exporters and other information on how TPP will make it easier to sell made-in-America products can be found at <http://trade.gov/fta/tpp/industries/building.asp>.

Highly competitive market environment

Vietnam has access to lower-cost competitors as well as global suppliers of the highest-quality building products. U.S. suppliers must overcome U.S.-to-Vietnam transport costs and deliver on product performance and post-sales service requirements to compete in Vietnam. Winning sales often requires regular direct engagement over time with buyers to distinguish themselves from their competitors in terms of their products' performance and their company's sales support assurances. To provide needed buyer engagement and after-sales follow-up support, U.S. exporters are well-served by an in-country presence or by effective local partners.

Regulatory environment

Overall, the regulatory regime and commercial law environment in Vietnam is best described as evolving. U.S. companies often report a lack of transparency and consistency in governmental decisions and policies. Detailed knowledge of the product standard and conformity assessment process for construction products is important to U.S. building product exporters.

Geographic Diversity

There are considerable differences in key buyer constituencies between Vietnam's northern region, where government and regulatory agencies exist in higher density, and its southern region, which is more of a commercial hub. U.S. exporters should customize selection of trade promotion opportunities and marketing approaches based on the region in which they plan to operate.

Business customs

A capable in-country partner may be needed to help U.S. companies navigate the local markets to understand sales channels, the competitive state of play, applicable regulations and standards, as well as other aspects of the Vietnam commercial landscape, such as administrative red tape.

Know Your Buyer

In Vietnam, ITA's experience supporting U.S. building products exporters indicates the following assignment of priority among relevant sales channels:

Figure 1: <u>Sales Channels</u>	<u>Priority</u>		
	Low	Medium	High
Government entities	X		
Architects		X	
Design and build companies		X	
Trade contractors			X
Building facility managers			X
Distributors			X
Showroom dealers		X	X
Retailers		X	X

There are hundreds of local trading building and construction materials companies of different sizes in Vietnam. These companies are in charge of sourcing the materials when they receive purchase orders from customers (investors or construction companies). If they cannot find appropriate local materials, they will source from overseas manufacturers and suppliers. This is usually the case for large or special materials purchases. These trading companies handle the ordering of the materials, the entire shipping process and the delivery of the materials to the sites.

Opportunities for U.S. Companies

In order to be successful in the Vietnamese market, U.S. suppliers are highly encouraged to visit the market and spend time assessing market needs, sales potential and possible distributors for their products. It is important to conduct an analysis of the market prior to entry.

Exporters also should establish a local presence. Prospective U.S. exporters should maintain contact with local partners and their counterparts. It is essential to conduct due diligence over potential partners, including their import licenses and financial capabilities.

Organizing seminars on products and technologies for potential end-users is the key to building brand recognition in the market. Providing technical support to the local partner also is an important signal of commitment to the market.

The U.S. Foreign Commercial Service can assist with activities ranging from market and company intelligence to partner matchmaking and advocacy. Contact information is provided below.

Vietnam's Import Market

Vietnam imported \$4.6 billion in HVACR, lighting, plumbing, wood products, insulation, windows and doors and glass from the world in 2014. From 2009 to 2014, the building products sector grew 17.6 percent. The United States is the fifth largest source of Vietnam's building products imports with a 7 percent market share. From 2009 to 2014, building products imports from the U.S. grew at an annual rate of 15.4 percent.

The chart below provides an overview of country market share positions in Vietnam's import market for building products. This may suggest areas in which U.S. exporters have the greatest room for growth.

Figure 2: Vietnam's Import Market

Sector	Imports (2014, USD)	U.S. Rank as Import Source	U.S. Import Market Share
HVACR	\$1.5 billion	10	2.7%
Lighting	\$389 million	7	1.8%
Plumbing	\$268 million	9	0.8%
Wood products	\$2.1 billion	2	12.0%
Insulation	\$91 million	8	1.9%
Windows & Doors	\$59 million	19	0.1%
Glass	\$145 million	4	6.5%

Top 5 Import Sources and Market Share:

1. China (43.6%)
2. Korea (30.1%)
3. Japan (5.7%)
4. Germany (4.3%)
5. Taiwan (2.5%)

Plumbing Products

Plumbing products sourced in the U.S. hold less than a 1 percent share of Vietnam's import market and are the ninth largest source of the country's imports. The Vietnam plumbing product import market grew at a healthy 17.4 percent compound annual growth rate during 2009 to 2014. The same period saw imports from the U.S. growing at 11.5 percent.

Top 5 Import Sources and Market Share:

1. China (36.7%)
2. Korea (15.5%)
3. Japan (13.1%)
4. Thailand (12.1%)
5. Taiwan (9.5%)

HVACR

Vietnam's imports of HVACR products grew at a compound annual growth rate of 11.9 percent over 2009 to 2014. Imports of HVACR products from the U.S. grew at a rate of just 1.2 percent annually over the same timeframe, during which the import market share of U.S. products decreased from 4.4 percent to the 2014 level of 2.7 percent.

Top 5 Import Sources and Market Share:

1. China (26.5%)
2. Thailand (24.5%)
3. Korea (10.5%)
4. Malaysia (8%)
5. Japan (6.3%)

Lighting

Vietnam's imports of lighting more than tripled during the 2009 to 2014 period, growing at a compound annual growth rate of 28 percent. Imports of lighting products from the U.S. declined at a rate of 7.7 percent during the same period. U.S.-sourced lighting products now have an import market share of 1.8 percent.

Wood Products

The United States is the second largest source of wood products in Vietnam's import market, behind Laos. The country's imports of wood products grew at a 19.6 percent compound annual growth rate during 2009 through 2014, with imports from the U.S. increasing at a rate of 20.1 percent during the same period. U.S. product market share has increased slightly from 11.8 percent to 12 percent during that timeframe.

Top 5 Import Sources and Market Share:

1. Laos (27.5%)
2. United States (12%)
3. Cambodia (11.8%)
4. China (9.7%)
5. Malaysia (5%)

Insulation

Vietnam's imports of insulation saw strong growth during 2009 through 2014 at a rate of 28 percent annually. The country's imports from the United States grew at a rate of 14.3 percent during the same period. U.S. product import market share is

down to 1.9 percent from its 3.3 percent level in 2009.

Top 5 Import Sources and Market Share:

1. China (46%)
2. Japan (17.4%)
3. Korea (15.5%)
4. Thailand (5.7%)
5. India (2.6%)

Windows and Doors

Vietnam's imports of windows and doors grew at a robust 26 percent compound annual growth rate during 2009 through 2014, while imports of windows and doors from the U.S. decreased dramatically at a rate of 40 percent annually during the same period. U.S.-sourced products now hold just a 0.13 percent share of Vietnam's window and door import market.

Top 5 Import Sources and Market Share:

1. Korea (55.2%)
2. China (24%)

Resources for U.S. Exporters

Please visit www.export.gov/vietnam for information including

- Market research
- Trade events
- Services available to U.S. companies
- Contact information for our offices in Hanoi and Ho Chi Minh City
- and much more!

3. Japan (2.7%)
4. Netherlands (2.5%)
5. Malaysia (2.3%)

Glass

Vietnam's imports of glass from the world grew at a healthy 27 percent rate annually over 2009 to 2014. Its imports from the U.S. grew at an astonishing 47% compound annual growth rate during that period. U.S.-sourced glass imports hold the fourth largest import market share position in Vietnam, behind Japan, China and Taiwan.

Top 5 Import Sources and Market Share:

1. Japan (32.3%)
2. China (27.3%)
3. Taiwan (12.5%)
4. United States (6.5%)
5. Hong Kong (5.9%)