

Vietnam is booming

I read with some bemusement commentary in other countries questioning if lockdowns work. The answer is they either work or they do not. In Vietnam they did.

Vietnam on paper was in a risky situation when the pandemic first struck. We have a long land border with China and at any given time would have hundreds of thousands of Chinese visiting. Our medical system would have been easily stretched by a large outbreak.

The government here acted very early with publicised preventative measures and border controls on January 3. A brief strict lockdown was needed in March and there was a small second wave in August but overall containment worked. Large scale testing and proactive contact tracing prevented any uncontrolled outbreaks. The result is overall just over a thousand cases in a country of 100 million and no active community transmission now.

Apart from closed borders and vigilance, life is back to normal here and has been for some time. Everyone crowds into restaurants, the traffic is crazy and most importantly all businesses are open. In fact, the factories never stopped and were even able to re-tool in the critical early stages. Whilst other emerging countries saw exports collapse, Vietnam became one of the leading global producers of PPE equipment in a blink.

The “Covid competency dividend” sees the Vietnam economy still growing consistently. Yes we are below original targets, but the economy was able to adapt and stay functioning. Vietnam went into this crisis well balanced with low debt, a diversified economy and strong domestic consumption. So resources from the sectors obviously hit such as hospitality were largely reallocated to sectors that actually grew.

Vietnam had for many years been the main beneficiary of manufacturing “China plus one” strategies. When looking for new manufacturing bases, Vietnam was the most common choice with the result that our high tech exports are now some of the largest in the world. In a Covid context, this had some interesting implications. For example, the rise in remote working in America and Europe resulted in more laptop sales – with many of them made here, exports boomed.

The same “plus one” applies to BPO. We saw many Western clients concerned about business continuity risk when BPO centres in some countries were closed. So rather than be dependent on only one country, there should be at least a backup in another country that is ready to pick up the volume at short notice. This is where AI automated processes show their strength – an AI does not get tired when suddenly given more tasks!

Vietnam had not been as famous a name in the BPO sector such as India or the Philippines. The approach here had been similar to manufacturing – to move away from the low cost labour model to more high technology value add. In BPO this takes the form of AI automation supplemented with more skilled workers on machine learning tasks. The same business processes are outsourced, but with faster results, higher quality and a lower cost.

This all caused an influx of “temporary” outsourced work in the early stages of the pandemic. Companies sent tasks such as research and software to Vietnam as their offices in the West had to close during lockdown. This was an opportunity for Vietnam to shine and prove what it could do. Sure enough, the companies were usually pleasantly surprised by the quality and creativity and started to think about keeping the work here permanently. It is still relatively early days, but it looks like that is now becoming more common.

Life may be rosy here, but we do not wish to crow or elicit jealousy. We have every sympathy for those countries facing more challenges. Indeed we are doing whatever we can to help, from sending food and PPE aid to keeping essential supply chains intact. The same applies to BPO – we are here not just as a reliable backstop but as a source of new technological innovation that can actually improve efficiencies given the chance.