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Why Vietnam could be the next Silicon Valley

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The country is fast becoming a regional technology hub, with attractions including a young, well-educated labor force and generous tax incentives

Doing business in Vietnam is like trying to cross one of its frantic streets in rush hour. To a foreign eye, it can look deadly; but the locals know how to safely maneuver their way between honking cars and an ocean of motorcycles.

At any rate, that's the comparison Vietnamese serial startup entrepreneur Tuan-Anh Nguyen makes when describing the business culture in his home country, which is experiencing an explosion in tech startups. As foreign direct investment floods into the sector, a growing number of international businesspeople are finding themselves having to learn the Vietnamese way of doing business.

"You are afraid you'll get hit. But you'll soon realize that the bikes are not traveling that fast. Even if you get hit, it's just a minor injury," he says with a smile during an interview at an innovation conference in the city of Guilin, in southern China.

The metaphor is particularly apt given that Tuan-Anh today runs the Vietnam branch of Southeast Asia's leading Uber-like e-hailing firm, Grab. Founded in Malaysia in 2011 and headquartered in Singapore, Grab today claims 24 million downloads and some 500,000 drivers across the region. On the streets of Vietnam's largest cities you'll see Grab's green cars and motorbikes everywhere.

Vietnam is fast becoming a regional technology hub, with companies attracted by a young, well-educated labor force and generous tax incentives. Japan's SoftBank Group — one of the main investors in Grab — estimates there are about 1,500 tech startups in operation in Vietnam today. Relative to population, that's more than in neighboring China, Indonesia, and India.

"There is a lot of things's happening here right now", says Tuan-Anh, who is also the founder of several startups and social platforms, including the engineering network Geeky.vn and the review portal Evolet. "People are very hungry for success."

He started Geeky as a way to connect the best programmers in the country. To access the network, you first have to solve a complicated programming quiz. So far some 1,000 top software engineers have managed to crack open the door to membership.

Part of the country's upswing, he explains, is that many of the country's population — which has a median age of just 30 — travel abroad for study or work, then return home to set up their own businesses. Tuan-Anh is one of them: he holds a bachelor's degree in computing from the National University of Singapore and previously worked as product manager of Yahoo! Southeast Asia.

"There's a great energy here. It's like, 'I have to do something too, because energy is so high,'" he says on the fringes of the Integral Conversation conference, an annual platform for thought leaders from diverse fields.

He highlights startups such as Triip.me, a travel service available in 98 countries, and digital design website Design Bold. He also points to the success of the mobile messaging app Zalo, as well as Flappy Bird, a mobile phone game which received sudden global popularity two years ago.

Most of Vietnam's startups are in e-commerce, a sector in which sales grew around 35% last year to reach US\$4 billion, according to Reuters. The sector's 2.7% contribution to overall retail sales indicates plenty of room for growth.

Multinationals such as Samsung, Nokia, Compal and Intel already have multibillion dollar presences in the country, and more foreign companies are tapping into the growth story. A new report by the Vietnam Association of Foreign Invested Enterprises (VAFIE) showed that high-technology projects accounted for 40 percent of total registered foreign direct investment (FDI) capital, which reached US\$14.366 billion, in the first eight months of the year.

LG Display recently invested US\$1.5 billion in Hai Phong City, and Samsung Electronics Vietnam announced a US\$300 million research and development center. Goldman Sachs and Standard Chartered raised their investment in the operator of e-wallet MoMo by US\$28 million earlier this year, and the Silicon Valley-based venture capitalist 500 Startups announced a US\$10 million Vietnam-focused fund.

"We thought we'll invest in something like 10 to 20 companies over a 12-month period," 500 Startups partner Eddie Thai told Reuters. "But it quickly became clear there's a lot more good companies to invest in."

Indeed, some even claim that Vietnam is on the road to becoming the next Silicon Valley.

The government is trying to boost the upswing further, and recently announced its first ever investment push dedicated to the startup sector. In October, Ho Chi Minh City, the country's high-tech hub, announced plans to launch a startup support fund worth nearly US\$45 million to help get thousands of projects off the ground.

Naturally, there are areas for improvement, and in many ways it's still an immature market. The technology sector has had little consolidation; many local firms are small and struggle to reach scale or to make a mark on export markets. A US government report from 2014 pointed out that other problems include "corruption and a weak legal infrastructure," "favoritism toward local firms" and unreliable energy access.

Tuan-Anh, though, points out an even more critical problem: skills.

"We need to get better. Startup entrepreneurs need to learn how to grow their companies, and how to organize and push people. They need to learn how to push above their limits," he said.

At least they know how to cross a busy street in rush hour.

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