

Viet Nam is the EU's biggest trading partner in ASEAN, with bilateral trade-in-goods amounted to €64.2 billion in 2022. The EU is one of the biggest foreign investors in Viet Nam, with a total foreign direct investment outward stock of €8 billion in 2021⁸. The largest sector of investment by the EU is industrial processing and manufacturing, while Viet Nam's main exports to the EU are electronic products, footwear and textiles, coffee, rice, seafood, and furniture. These export commodities fall under the key product value chains of the EU's Circular Economy Action Plan 2020. Working with Vietnamese export sectors that have strong linkages with the EU key value chains for circular economy is therefore important to ensure the achievement of the EU ambitions on circular economy and green transition. .

The action is expected to improve bilateral trade and investment, and contribute to the implementation of the EVFTA, notably Chapter 13 on Trade and Sustainable Development. It will work with both government and the private sector to improve regulations and create a more enabling environment to support businesses to switch to cleaner production, resource efficient and circular business models. This encompasses facilitation of access to finance to scale up investments in green infrastructures, digital-circular economy technologies, including opportunities brought by the European Fund for Sustainable Development Plus (EFSD+) under the NDICI -GE, in the context of the EU Global Gateway strategy.

A just and inclusive transition towards circularity calls for a stronger participation of women, in all their diversity, and inclusion of persons with disabilities across the entire circular economy spectrum⁹. Accordingly, the Action will promote for more responsible business conducts, which address the gender gaps and promote the inclusion person with disabilities.

2.2 Problem Analysis

Viet Nam is among the top five countries most affected by climate change¹⁰. It has an extensive coastline and diverse but generally warm climate including temperate and tropical regions. The country's low-lying coastal and river delta regions are highly vulnerable to rising sea levels. Viet Nam faces potentially significant social and economic impacts across multiple regions and sectors. It was estimated that climate change would reduce national income by up to 3.5% by 2050. Without effective adaptation and disaster risk reduction efforts, multidimensional poverty and inequality are likely to increase.

Viet Nam is ranked the third in the South-east Asia region and the 15th in the world in terms of population size, with an estimated population of 100,3 million in 2023. Approximately one third of whom live in the metropolitan areas of its two mega-cities, Hanoi and Ho Chi Minh cities. Viet Nam has been experiencing fast urbanisation. At the end of 2023, urban area accounts for 42% of the total area, hosting 38.1% of the total population¹¹. Growing population and rapid urbanisation have increased the demand for natural resources and pressure on the environment.

Besides steady economic growth and rising average incomes, Viet Nam is facing growing inequality. The richest are taking a disproportionate share of income and the gap between the richest 20% and the rest has been widening since 2004¹². The poorest households are increasingly concentrated in low-income agricultural activities and these groups risk falling further behind and being less connected to the more vibrant sectors of the economy¹³. From a gender perspective, job opportunities have been mostly inclusive as the rate of women working in Viet Nam is 73%¹⁴, much higher than the regional peers. However, Vietnamese women are being incorporated into industrialisation more as wage workers than as entrepreneurs. Women entering export-oriented manufacturing sectors are largely wage workers and tend to be younger and better educated than the women working in agriculture. Regarding women entrepreneurs, they report various forms of discrimination in accessing productive resources and networks, gender pay gaps, and lack of education, which may translate into limited knowledge of legal provisions, or simply less self-confidence¹⁵. With a much greater share of care responsibilities due to social

⁸ The European Chamber of Commerce in Viet Nam (EuroCham) was established in 1998. Eurocham has more than 1400 members, representing one of the biggest foreign business association in Viet Nam.

⁹ Why adopting a gender-inclusive approach towards Circular Economy matters, UNIDO 2022

¹⁰ The WB, Climate Risk country profile, 2021

¹¹ General Statistical Office of Viet Nam, 2024

¹² https://www-cdn.oxfam.org/s3fs-public/file_attachments/bp-vietnam-inequality-120117-en.pdf

¹³ The World Bank, Viet Nam poverty and equity assessment, 2022

¹⁴ The World Bank, Viet Nam poverty and equity assessment, 2022

¹⁵ https://www.unido.org/sites/default/files/unido-publications/2023-11/UNIDO_ISID_The_Gender_Dimension.pdf