

Vietnam's 'Silicon Valley' sparks startup boom

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Vietnam's start-up sector has caught the eye of foreign companies including the French tech firm Linkbynet which has an office in Ho Chi Minh City

Recent Vietnamese graduate looking for an English-language teacher? There's an app for that. Or hunting the best bowl of pho in your Hanoi neighbourhood? There's now an app for that, too.

A decade ago such technology would likely have been developed in

California's Silicon Valley. But today those apps are being churned out by Vietnam's startup sector—an industry driven by local techies trained overseas but returning home to prowl for opportunities.

The sector's growth in a young tech-hungry nation has caught the eye of foreign firms—President Francois Hollande on Wednesday visited French tech firm Linkbynet in Ho Chi Minh City, the communist country's startup hub.

Much of the technology, which also includes popular mobile games and e-commerce software, is being produced for local consumers in Vietnam, where the median age is 30 and internet connectivity is rapidly expanding.

"The local market is large, young, fast-growing, and not fully tapped," said Eddie Thai of 500 Startups, a venture with a \$10 million pot—mostly of foreign cash—to splurge on tech enterprises for Vietnamese users or made by local developers.

US-born Thai, 31, whose parents left during the Vietnam War, belongs to a vanguard of entrepreneurs who have arrived to offer expertise in the country, where Intel and Samsung already have a foothold in the hardware industry.



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Homegrown talent

"I kept getting tugged by Vietnam, I saw that the opportunity to make an impact and make money doing it were bigger the sooner I came back," he told AFP.

For Thai, the mathematics made the move a no-brainer: 90 million people, 45 million internet users, 30 million smartphone users and internet usage 10 times what it was a decade ago.

He arrived in 2012 to work for a corporate firm, and eventually joined 500 Startups, which has funded ventures including the language learning app Elsa and online ticketing platform Ticketbox.

Other apps developed in Vietnam include Lozi for food lovers and mobile bespoke tailor UKYS, which are not connected to Thai's firm.

But much of the talent is also homegrown: Vietnamese teens rank ahead of peers in the United States, Britain and Sweden in maths and science, according to the latest survey from the Organisation for Economic Cooperation and Development in 2012.

That educated labour force, which comes cheap compared with China or Singapore, is helping to pique interest from tech heavyweights like Google CEO Sundar Pichai, who took time away from his holiday in December to speak to tech entrepreneurs in Hanoi.



French President Francois Hollande applauded Vietnam's IT sector during his visit to Linkbynet, which was founded in a garage in France

Comprehensive official figures are not available. But state media reported turnover in the software and IT services industry was \$3 billion last year, from \$2 billion in 2010, citing the Vietnam software and IT services association.

The government has also outlined its own strategy for the sector, and founded Vietnam Silicon Valley in 2013 to create an "ecosystem of innovations and technology commercialisation".

Hollande applauded the industry during his visit to IT service provider Linkbynet, which was founded in a garage in France.

"What strikes me is the global character... it's Vietnam but it's a global environment, with global clients," he said.

Growing pains

But some observers say investors should be wary of the hype, warning of red tape and murky local laws.

"Vietnam has hidden tech potential, but it could take another five years maybe really to create these huge massive companies that have global influence," said Anh-Minh Do of Singapore-based Vertex Venture Holdings.

"The law needs to be better, the government needs to be more supportive, there needs to be more interaction from Vietnamese-Americans, specifically Vietnamese-Californians because of the 'Valley' connection."



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"Vietnam has been present in the tech sector for several years but now it is moving up the value chain," said Romain Caillaud, Southeast Asia director for US company FTI Consulting.

"The sector is growing because Vietnam is making strategic moves in terms of competitive advantages to attract foreign investment."

Thai conceded the road is sometimes rocky, but he is optimistic

Vietnam's startup culture will overcome growing pains to see substantial progress, even if it is a few years off.

"Generally speaking, Vietnam is moving one step back occasionally, but two steps forward. Hopefully in the next five or 10 years it will get better."

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