



# QUARTERLY REPORT

QIII/  
2020

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**ALMA**

Alma Resort creates a fresh concept of space, luxury and nature elements at Vietnam's famous Long Beach, Cam Ranh

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## MESSAGE FROM CEEC CHAIRMAN



Dear our Esteemed Members, Colleagues and Friends,

I'm pleased to meet you again and present our Quarterly report for our third quarter of 2020, where we can give you a quick look on the situation in Vietnam and our activities.

During last quarter, we've successfully organized few webinars on different topics which, we believe, brought you some useful information. We also launched a new communication project "Market insights", which is a series of monthly publication wrote each month on different topic and by different CEEC Board Members. The first three articles you can find it this Quarterly report. Additionally, CEEC started to publish its info-graphics where interesting facts and figures are presented in the form of graphics and two of them are presented in this edition.

Following the ratification of the EU-Vietnam Free Trade Agreement (EVFTA) the Vietnamese Government issued Decree 111/2020/ND-CP on Vietnam's preferential export tariff and special preferential import tariff schedule to implement it in the period 2020 – 2022. I believe many of CEE business will benefit from above mentioned regulation.

Last but not least, this year will be the 5th CEEC Anniversary. On that occasion, we published our appreciation to former Board Members who contributed to CEEC development during last 5 years. Furthermore, I would like to invite you to the special edition on Business Thursday in Hanoi on October 8th, during which CEEC will celebrate its Anniversary with a cake.

I hope you will enjoy reading our report, and if you have any further questions, don't hesitate and email us at [office@ceecvn.org](mailto:office@ceecvn.org). We will get back to you as soon as possible.

Sincerely yours,

  
**MARKO MORIC**  
*Chairman of the Board*

## HIGHLIGHTS OF THE MONTH: ACTIVITIES RELATED TO EVFTA



Since the end of July 2020, the CEEC Board Member, also the Vice Chairman of EuroCham Vietnam, Mr. Nguyen Hai Minh has participated in events related to EVFTA, specifically as of following:

\* **T**he dialogue between Ho Chi Minh City's Leaders and EuroCham on economic development and grasping opportunities under the EU-Vietnam Free Trade Agreement (EVFTA) & the launching of White Book 2020. This was a unique discussion on trade and investment in Vietnam, with a focus on the role of the European business community in Ho Chi Minh City. The event welcomed the presence of business and Ho Chi Minh City leaders as well as EuroCham's key partners. The discussion included a presentation from the HCMC Department of Industry and Trade, who shared an introduction to HCMC's export development plan and the policies supporting businesses for implementation of the EVFTA.

More details can be found [here](#).

\* **T**he video conference "Implementing the action plan of the EVFTA". On the 6th of August 2020 in Hanoi, Prime Minister Nguyen Xuan Phuc presided over a video conference on the action plan to implement the EVFTA which took effect on the 1st of August. Attendants to the event included the Deputy Prime Minister, Foreign Minister, several Cabinet Ministers and leaders of all 63 provinces and cities, as well as Vietnamese business associations' leaders, and heads of diplomatic missions from EU member states. EuroCham was the only foreign association to attend and deliver a speech at the conference. On behalf of the Executive Committee of EuroCham and its one-thousand members, Vice Chairman Jean-Jacques Boufflet congratulated the



Government of Vietnam on securing this historic free trade agreement with the European Union. The EVFTA is just the second FTA agreed between the EU and an ASEAN country, and it is also the most comprehensive and ambitious deal ever signed by EU with a developing nation. Therefore, it is clear that this EVFTA is a vote of confidence from the European Union in Vietnam, its record of reform, and its strategic importance on the world stage.

At this event, EuroCham Chairmen (Mr. Nguyen Hai Minh and Mr. Jean-Jacques Boufflet) also had chance to proudly present to Prime Minister H.E. Nguyen Xuan Phuc the latest edition of the Whitebook.

More details can be found [here](#).



\* As the EU - Vietnam Free Trade Agreement (EVFTA) will make doing business easier and reduce export related costs, the SMEs will be important beneficiaries of this trade agreement. Even though the EVFTA does not contain a specific chapter for SMEs, provisions to support SMEs are included across the agreement (simplification of procedures, chapter on transparency, regulatory cooperation). SMEs can greatly benefit from removing customs duties, simplified rules, enhanced transparency, making it easier to bid for contracts, elimination of TBTs, strengthening IPR protection, etc. Companies that find that their goods are

frequently held up at the border, or which struggle to meet local licensing requirements for service delivery, can raise these problems with their own governments, which can then utilise the government-to-government committees to push for improvement.

For the more straightforward questions that companies wanting to engage with Vietnam, the services of the Commission have prepared a number of online website or guides. These should help to get first useful information. Currently, the available sources can be found [here](#).

\* Additionally, on 18th September 2020, the Vietnamese Government issued Decree 111/2020/ND-CP on Vietnam's preferential export tariff and special preferential import tariff schedule to implement the Free Trade Agreement between Vietnam and the European Union in the period 2020 – 2022. It foresees the retroactive reimbursement of tariffs levied in excess of the preferential tariff from 1 August. Accordingly, to be eligible for the special preferential import duty rates under the EVFTA, imports must fully satisfy the following conditions: Being specified in the Special Preferential Import Tariff; Being imported into Vietnam from territories of member states of the European Union as prescribed in Appendix III attached to this Decree, United Kingdom of Great Britain and Northern Ireland, the Principality of Andorra; the Republic of San Marino, and the Socialist Republic of Vietnam; Meeting all regulations on the origin of goods and having Certificates of origin in accordance with the EVFTA. Besides, within 01 year from the date of registration of the export declaration, the customs declarant must submit all documents proving that the goods meet the conditions as prescribed and make an additional declaration to enjoy the preferential export duty rate under the EVFTA. Past the prescribed 1-year time limit, the exported goods shall be no longer eligible for the preferential export duty rate under the EVFTA. This Decree takes effect on the signing date.

\* The Ministry of Health has released guidelines for temporary medical surveillance of incoming travellers entering Viet Nam for more than 14 days. The arrivals include diplomatic and official passport holders, investors, high-tech workers, business managers, international students, and family members of Vietnamese citizens. Prior to their entry, inbound travellers shall have to register if they wish to stay at hotels or other accommodations selected by provincial/municipal People's Committees. Inbound travellers shall be required to have certificate of a negative COVID-19 RT-PCR test issued within three to five days prior to their entry. Latest guidelines for medical surveillance of arrivals to Viet Nam can be found [here](#).



\* Based on approval of the Ministry of Transport's proposal by Deputy Prime Minister, Foreign Minister Pham Binh Minh, Vietnam resumed some commercial international flights to six Asian destination (Guangzhou (China), Taiwan (China), Seoul (the Republic of Korea), and Tokyo (Japan) from September 15, and to Phnom Penh (Cambodia) and Vientiane (Laos) from September 22). The first flight Tokyo - Hanoi took place on Saturday, 19 September and brought nearly 60 passengers back to Vietnam. More details can be found [here](#).

## VIETNAM & BULGARIA SIGNED MOU ON TRADE PROMOTION AND COOPERATION

On 10th September, in the framework of Vietnam - Bulgaria Business Networking Webinar 2020, the signing ceremony of the Memorandum of Understanding (MoU) between Trade Promotion Agency (MoIT) and Supporting SMEs Bureau (Ministry of Economy) was taken place.

Attending the webinar in Hanoi, there were the presences of Mr. Do Thang Hai - Deputy Minister of Ministry of Industry and Trade (MOIT), Representatives of Department of Trade Promotion, European-American Market Department; H.E. Mrs. Merina Petkova - Ambassador of Bulgaria in Vietnam, and Mr. Daniel Dobreb - Bulgarian Trade Counselor.

Attending the webinar in Sofia, there was the presences of Bulgaria Minister of Economy, Mrs. Yana Topalova, the leaders of Ministry of Economy's Departments, H.E. Mr. Doan Tuan Linh - Ambassador of the Socialist Republic of Vietnam to Bulgaria, Vietnam Trade Officers in Bulgaria; and enterprises from two countries.

The MOU signing between Vietnam & Bulgaria's Trade Promotion Agencies is a good opportunity for businesses from both sides to promote trade promotion and investment tasks, thereby increasing the ex-im turn over in upcoming time when the EVFTA has come into effect.

According to the MoU, two parties will exchange information regarding policies and measures to be applied to promote and support Vietnamese SMEs; exchange of experience in organizing and operating service provision activities for Vietnamese SMEs; organize seminars, fairs, exhibitions and other trade promotion activities to enhance bilateral cooperation.



## THE INTERVIEW WITH VTV1 - ECONOMIC NEWS



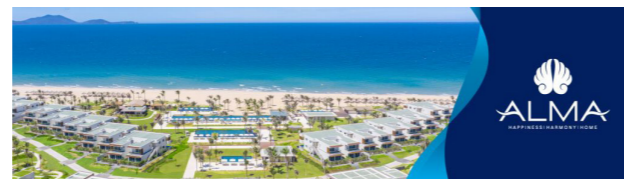
On 22 September 2020, Mr. Nguyen Hai Minh, Eurocham Vice Chairman and also CEEC Board Member had been interviewed by VTV1's Economic News show to give his thoughts on what Vietnamese businesses should do to take advantage of EVFTA.

Mr. Hai Minh affirmed the significant positive impacts of the EVFTA toward exports and imports activities. It can be seen that the export to European market has been rebounded after the interruption of Covid-19, EU side also has applied the tax incentives since 1 August.

According to him, to take advantage of EVFTA, Vietnamese business should maintain the progress of institutional and administrative procedure reforms as in recent years in order to facilitate for the import from EU. In addition to the trade, European enterprises also have the task of improving competitiveness capability of Vietnamese ones, transferring technology and engaging in its innovation. As an effort to support the implementation, Eurocham and VCCI are planning to establish Vietnam & EU Business Council to further promote the bilateral trade and commercial activities.

The full interview can be found [here](#) (from 16:26)

## SPECIAL OFFER FOR CEEC MEMBERS FROM ALMA RESORT



Please be informed that ALMA Resort (Cam Ranh, Nha Trang) will give CEEC Members special offers as of following:

- Discount 30% on Best Available Rate when entering promotion code to make reservation on [www.alma-resort.com](http://www.alma-resort.com) (please email us at [office@ceecvn.org](mailto:office@ceecvn.org) for the code)
- Discount 20% on F&B services at restaurants in the resort

### Special terms:

- Not applicable simultaneously with the preferential benefits in this Contract with other promotions
- Member card needs to be presented upon check-in

**Validity:** til Dec 31st 2021

## CEEC 5-YEAR ANNIVERSARY - BOARD MEMBERS APPRECIATION

CEEC would like to express our sincerest thanks to all former Board Members and staff for their contribution, support and advices to the Chamber. We are extremely grateful for the time and effort they put in, their dedication to the Central and Easter European business community in Vietnam, and their openness and willingness to help others. CEEC wish you success and happiness in your current and future ventures.

### Istvan Lenart



Istvan currently lives in Laos and works as the Project Manager of [Vitafort Agro Asia Co., Ltd.](#) The company is the sole executor of the Hungarian Tied Aid Loan program in agriculture in Laos: working in a wide array of agricultural development segments connected to food chain safety, including soil management, crops, cattle production, aquaculture, post-harvest technologies etc. In parallel, Istvan is also an Associate Professor of Sechenov First Moscow State Medical University in Moscow, he gives lectures on Intercultural Communication.

Helga currently lives in Cambodia and works as the Executive Director at the NGO École d'Hôtellerie et de Tourisme Paul Dubrulle, a privately-funded vocational hospitality institute. Her professional background includes over 25 years of successful work in mainly senior management roles in the corporate and private sector across a wide range of industries in Europe and Southeast Asia. In current and previous roles she has always put intense dedication and passion towards supporting and guiding others to grow and find on their own a greater joy and sense of personal accomplishment in work and life.

### Helga Nagy



### Boris Gueudin



After spending 8 years in Vietnam, Boris moved back to Europe and he currently lives in Paris, France. He works as Senior Manager at KPMG France, advising local and foreign investors in various industries in their M&A projects. He enjoys wine, cheese and French strikes.

Gellert currently lives in Albania and works as the EU Expert at the Ministry for European and Foreign Affairs. With his history of working in governmental administration industry, leading business associations and his strong experience in business environment related policies, government and international relations, particularly EU & ASEAN, he continually supports government with his knowledge and expertise

### Gellert Horvath



### Kadri Lahi



Kadri is based in Vietnam, recently promoted for her global role at entry market company, Emerhub. She work with foreign investors interested in doing business in Vietnam. She advises clients on corporate, employment, and tax law. She also monitors the delivery team of lawyers and accountants to provide a good quality service to our clients.

**ABOUT "CEEC DEBATES"**

**Piotr Harasimowicz**



Piotr lives in Vietnam and holds position of Chief Representative Officer at Polish Investment and Trade Agency. With over 20 years of hands-on experience, he has developed expertise in operational efficiency and business performance in industries ranging from an automotive retail/ repair business to the international chemical, pharmaceutical and nutrition industry, and from Eastern Europe to Asia. His goal is to use his skills to improve business efficiency, while coaching and involving others to secure their acceptance and engagement for the necessary efficiency improvements. He enjoys troubleshooting and combines this with his positive attitude and organizational skills to deliver effective management change.

After spending 7 years in Vietnam, Csaba moved back to Europe in 2019 and currently lives in Barcelona, Spain. He still manages his English training company, [Sonus Vietnam](#). Sonus provides corporate English training programs to foreign-owned companies in Vietnam, and they are honored to be the exclusive English training supplier of Intel VN. In their approach, the native English speaker trainers of Sonus focus on the practical aspects of effective business communication, and they also utilize a highly popular English pronunciation improvement program that Csaba designed to help Vietnamese people specifically. Videos of the program are also available on YouTube, where the SonusVN channel has already had more than 500,000 views.

**Csaba Szoke**



**Magdalena Krakowiak**



Magdalena still lives in Vietnam. Professionally, focused on her responsibilities as the Head of Public Affairs and CSR at the Representative Office of Adamed Pharma S.A. in Vietnam. Additionally, as of the beginning of 2020, she holds the position of Chairwoman of the International Quality Medicines (IQMED) – Generic & Biosimilar Sector Committee of Eurocham Vietnam.

**Vuong Thuy Tien**



Tien was holding a role of Executive Committee member in charge of sponsorship. She also supported CEEC members in legal issues & advisory. She has stepped down from CEEC board in 2017.

**Ivan Kashukeev**



Ivan was holding a role of Executive Committee member in charge of events in Hanoi. He was also actively supported CEEC with new members acquisition. He has stepped down from CEEC board in 2015.

Phuong was CEEC office manager since the chamber establishment and she supported the chamber, Board Members and CEEC Member in daily tasks. She has stepped down from CEEC in 2016.

**CEEC former staff – Le Thi Mai Phuong**



**ABOUT THE INTERVIEWER**



*Vlad Savin  
Board Member  
CEEC Vietnam*

*Vlad is currently active in business strategy and development, advising international investors with market entry and compliance governance in Vietnam and across the Asia region.*

*He is a business development, finance and marketing professional, and has resided in Southeast Asia for the last 7 years. Vlad has a wide experience in personal and corporate finance, working with investment firms in Malaysia in Vietnam, with extensive knowledge in business consulting, strategic analysis, client engagement, marketing and events with international exposure.*

*Vlad is Head of Business Development at Domicile Corporate Services, a corporate consulting firm which supports investors with market entry, licensing, incorporation, compliance and tailored advisory services.*

**ABOUT CEEC DEBATES**

“CEEC Debates” is a series of monthly interviews with key representatives of the CEEC Vietnam corporate members about their current business operations and goals, emphasizing the core attributes of their operations in Vietnam, and how their organizations create value and bring sustainable benefits for stakeholders and the Vietnamese community. Our questions will challenge corporate members’ ideas and opinions, bringing into light leadership models, future developments and current updates regarding their business.

The project would be run by CEEC Board Member, Mr. Vlad Savin – Head of Business Development at Domicile Corporate Services, with support of CEEC Executive Director, Ms. Monika Jurzak, with the aim of giving exposure to CEEC businesses through quality, journalistic analysis of relevant business sectors, key industries and innovation driven initiatives in Vietnam.

The articles would be posted on CEEC Facebook page, company profile on LinkedIn and CEEC website.

If you are interested to find out more about this initiative or you would like to participate in our CEEC Debates project, please contact us at [monika@ceecvn.org](mailto:monika@ceecvn.org) or [savin@ceecvn.org](mailto:savin@ceecvn.org).



# CEEC DEBATES

INTERVIEWS WITH A TWIST

**ANNICA MARIA WITSCHARD**

Home Credit Vietnam



## CEEC DEBATES WITH ANNICA WITSCHARD, CHIEF EXECUTIVE OFFICER OF HOME CREDIT VIETNAM FINANCE LIMITED COMPANY

**Vlad Savin:** *How can innovation improve Vietnam's financial inclusion and how do you leverage technology to achieve better stakeholder outcome?*

**Annica Witschard:** Similar to the Philippines, Vietnam has a very large population that is unbanked, only somewhere between 25 to 30% is banked as we speak, and there is a need for people to get included in the financial system. There is a growing middle class, a growing young population that requires financial products one way or the other. Traditionally in Vietnam, there are barriers to walk into a branch office of a bank, it feels intimidating, and this is when new, innovative financial products can come in. Most of our customers have never experienced a financial product before, normally they will buy a mobile phone on installments over 6 months and that would be their first experience.

Adding to that, we see a trend across all Asia where people do their banking over the smartphone, instead of visiting a branch office, leading to a great opportunity. People download our app (we have around 6 million downloads) and they experience a financial institution in a more user-friendly way. As most use other digital apps that involve payments, they get to understand these new financial products much faster. To take this first step to get customers included in the financial world is critical and there is also of course a big responsibility in that, the financial literacy part is critical. This is how things can leapfrog in this market, in the Nordic market where I come from, everyone used to bank with their neighborhood branch, and then later on switched to the digital environment. Here the digital financial environment in itself is the financial introduction, which is very interesting from our perspective. The innovation is what creates financial inclusion in Vietnam, similar

to China where QR payments and e-wallets took off several years ago. It's cheaper, simpler and a lot more accessible.

**Vlad Savin:** *You have worked in Sweden in the financial services industry most of your life, then went on to lead Home Credit's Philippines office for the last 4 years, and just taken the CEO role of the same company in Vietnam. Why now and why Vietnam?*

**Annica Witschard:** It is a big step moving from Europe to Asia, but it is impossible not to get excited about this market, the Southeast Asia region is developing extremely fast. There are so many opportunities. After 4 years in the Philippines – both me and the family found that it's too exciting not to stay, everything is growing here, in respect to both development and innovation. With regards to Vietnam, there are many differences with the Philippines and many similarities as well, and it felt as a significant opportunity to be here and be part of its growth, from a business standpoint.

**Vlad Savin:** *What is Home Credit's business model in Vietnam, and what makes it stand out from the norm?*

**Annica Witschard:** We target the middle class, unbanked population and normally our first interaction with the customer is through retail, point of sales loans. For instance, someone buying an air-conditioner or a new laptop and decides to divide the payment in to 6 affordable monthly installments. By using our services, the customers build credit history and over time we can offer them other financial products, i.e. credit cards or personal loans. Approx. 70% of our customers are returning clients, and we see this as a confirmation of our product's value, where simplicity and practicality plays a key role. We see a great opportunity within the mobile world, which we

leverage to create more inclusion and bring additional products for these unbanked potential customers.

A key value add at Home Credit is simplicity, less papers, less personal interaction in the backend, and number two is transparency and responsibility, which are essential attributes to make people understand what they are committing to.

**Vlad Savin:** *What are some strategic goals that you have set out to accomplish in your leadership here in Vietnam?*

**Annica Witschard:** Obviously we are looking to move more towards online because this is the future, have less offline interactions, and continue the digital transformation of our business, both from the customer perspective but also internally in our own systems. Vietnam is a fast-moving market, and with digital technology you also need to move fast. Being agile and flexible is necessary to keep up with the rapid development in the market. For me leadership is all about collaboration, creating an environment where people collaborate more, and to do that you need to make people more empowered. One big advantage in Vietnam is that the population is very young, tech-savvy and very adaptable to change, which is key for creating an environment that is collaborative. My leadership challenge is that people are traditionally quite hierarchical in their mindset, preferring to escalate decisions to a higher level even though they can deal with specific situations themselves, and this is obviously counterproductive to collaboration and flexibility.

My Nordic background sometimes clashes with the more hierarchical Vietnamese business culture, and this is a challenge that motivates me to also question my own leadership style and be more adaptable in my approach. Both hierarchical and flat organizational structures have pros and cons, therefore finding a middle ground where I can bring value in my leadership with respect to culture as well as in what I am seeking to achieve.

**Vlad Savin:** *If you were to communicate one message today, that is important to you Annica, what would that message be and who is it for?*

**Annica Witschard:** Asia, and what is happening in Asia from a business perspective, is really the future. Asia has limitless opportunities as a growth market, and we are focusing on capturing the full potential of it. As we expand our operations across Asia, we continue to study and understand the business as well as the culture.

There are a lot of things we can learn from Asia, and not only the other way around, in terms of innovation

and technology, where Asia leapfrogs Europe in a rapid pace. Don't come here only to try to transfer knowledge from Europe in terms of business and culture, also seize what is happening in this market and bring ideas back to Europe. Some Western businesses have tried to undertake very similar operations as Home Credit in Asia. Why Home Credit has succeeded is because we did not implement the model from Europe, but we have really looked at this market, learned and understood how to apply our knowledge best in a new environment.

**Vlad Savin:** *If you were to hold a roundtable discussion tomorrow at your office bringing together government representatives and thought leaders from public and private sector, what will be the number one item you would place on the agenda?*

**Annica Witschard:** I think it is about how regulators, the government and businesses can work together to enable more people to be involved in the market and be more financially included. Vietnam's regulatory system has, like in many other markets, evolved over years to improve business environment. In the area of financial inclusion and digitization the ambition is clearly very high, but there are still things to do to operationalize the transformation both from business and government side. To this note, we currently implement a gamified program we use to teach and improve the population's financial literacy, working closely with schools and parents and it is very well received.

**Vlad Savin:** *How confident are you in the future of Vietnam on a scale of 1 to 10? And why?*

**Annica Witschard:** I am very confident in Vietnam, I would say 7-8. Vietnam will come out of the Covid crisis relatively strong to other markets. The country and the government have managed the crisis really well, however it will be challenging to keep the borders closed. Vietnam is investing in building infrastructure, the population is young and well educated in terms of information technology, which is key for the future growth. More and more value chain distribution and investments are coming into Vietnam, so absolutely great in these areas.

The regulatory environment is clearly moving forward, yet is still challenging, but that is valid for a lot of countries in Asia. Aside from that, I would say Vietnam is one of the safest markets to invest in and be in for the foreseeable future and this is a market that will be able to steadily sustain its growth.

**Vlad Savin:** *Thank you so much for your time and participation!*

## CEEC DEBATES WITH HERBERT LAUBICHLER-PICHLER

### - GENERAL MANAGER OF ALMA RESORT CAM RANH

*“In the last 8-10 years, the concept of travel went through another major shift, evolving from ‘travel as an experience’, to ‘travel as a story’, because there is nothing more beautiful for a human being than telling a story. With social media, now everyone is a critic through TripAdvisor, everyone is a photographer through Instagram, and everyone is a storyteller, because there is Facebook. Everything is about storytelling and this is a critical, focal point for our industry as a whole. The role of hospitality is to enable you to share your own story, to discover more about yourself and to show you things that you didn’t even know existed.”*

**Vlad Savin:** *What do you think the role of the hospitality & tourism industry is now, and how did it change, if you look back 50 years ago when you started your adventure in this industry, working at your parents’ guesthouse in Austria?*

**Herbert Laubichler-Pichler:** Hospitality, like everything in life has changed dramatically with the social media and with the internet. Thirty years ago, you went on holidays because you were tired, you wanted to have a rest, with a preset schedule of 2-3 weeks, and most of the time you went to the same place again and again, especially in Europe. It was an experience that didn’t you bring out of your comfort zone, instead focused on rest and relaxation. With travel becoming more accessible and cheaper, information moving across through internet and social media at such an incredible pace, the travel time became shorter, instead of 3 weeks a year holiday you would take 1-week holiday 3 times a year. This shift enabled the transformation of the holiday for rest into holiday for experience.

In the last 8-10 years, the concept of travel went through another major shift, evolving from travel as an experience, to travel as a story, because there is nothing more beautiful for a human being than telling a story. Under the social media influence, now everyone is a critic through TripAdvisor, everyone is a photographer through Instagram and everyone is a storyteller, because there is Facebook. Everything is about storytelling and this is a critical, focal point for our industry as a whole. The role of hospitality is to enable you to share your own story, to discover more about yourself and to show you things that you didn’t even know existed.

**Vlad Savin:** *How would you define Alma’s value add, in the context of your previous experience in managing international resorts across the world and considering the current status of the hospitality sector in Vietnam?*

**Herbert Laubichler-Pichler:** There are three segments that reflect our value and authenticity. One is related to ownership, you can own a piece of Alma if you like, you can buy 1 week for the next 34 years, and this in itself is a very interesting concept in two ways: first,

investors can collect upfront a part of the investment and use it to better the resort; second, the client has a guaranteed price for the next 34 years, if he pays \$100 for a room, in 34 years they will pay exactly the same, and the only thing that changes is the maintenance fee, with a marginal increment per year.

The second segment is the Free Independent Travellers (“FIT”), which can benefit from Alma’s significant capabilities and facilities, with the size advantage playing an important role. We are extremely large in area, we cover 30 ha. of land and the way we have built the resort was to offer comfort and space, with our smallest units having 70 sqm and the largest – the private-pool pavilions with up to 230 sqm. The resort layout is cascading from the sea upwards towards the lobby, offering not just private space for each unit, but this enables all units in Alma to have a perfect sea view. We are a family resort, and our vision is to become the first choice for family vacations in Asia. Everything is built along the concept of family. We have 12 pools, kids club, science museum, youth club and many restaurants with a wide variety of cuisines and a diverse range of prices as well, where you can enjoy a dinner with 5\$ and you also have a choice of 35\$.

The third part I would like to highlight is the MICE, Wedding and group segment. Leveraging on our large areas, numerous pools and long beachfront, there is a huge opportunity for small and large groups to take advantage of our facilities. Specifically for this business model, we have created a 1500 sqm beachfront lawn that can be used for events located right at the beach, hosting up to 1500 guests. We also offer our Water Park to outside guest, allowing them to organize “Splash Parties”, a fun experience for companies who want to organize something new and special for their clients or their associates.

**Vlad Savin:** *Can the Vietnamese hospitality industry survive by focusing only on the local travellers? How do you see the sector’s outlook if Vietnam cannot open its borders for international tourists fast enough?*

**Herbert Laubichler-Pichler:** There is no way the industry can survive only with the local market. It



## CEEC DEBATES

INTERVIEWS WITH A TWIST

### HERBERT LAUBICHLER-PICHLER

Alma Resort Camh Ranh

Sponsors:    

will be extremely difficult by the end of the year. There are many hotels on sale already, countless hotels are closed, and numerous tour operators are in a critical situation. Salaries cut by half, occupancy level in most hotels in the city is 15% instead of 85% pre-Covid, overall the industry cannot survive, even if the airlines offer cheaper rates and with the government’s support, it will never work.

We at Alma are the lucky ones at the moment, I don’t know of any other resort in Vietnam that resembles our situation. When we opened after the lockdown, we had to hire 100 more staff; we didn’t have to fire more, we had to hire more, can you imagine that? And in June, July we had more than 60% occupancy, which is almost unheard of in Vietnam or the region. We are really the lucky ones and in the end, it’s all about the business model, our unique offering model is what really helped us in these tough times.

On the long run, the hospitality industry has deep obstacles which need to be addressed now so that we can overcome them in the future. We have to anticipate when and how the international market will open up, and prepare in advance for incoming guests. This is extremely hard to achieve when you don’t have enough staff and resources because you had to do layoffs or you closed your business, and there are no more experienced operators and travel agents to support these incoming tourists with quality services.

**Vlad Savin:** *How do you think Covid-19 pandemic will transform the tourism sector and what will be the role of innovation in this process?*

**Herbert Laubichler-Pichler:** Thinking ahead, I believe the future of hospitality will be focused on safety and social distancing as key attributes. I have a feeling that more and more guests (look at Airbnb for instance) will require units that offer a full comfort experience in a private/home-like model, with fully equipped private kitchens complementing the living space. Safety and cleanliness procedures will be adopted by the hotels as a prerequisite, establishing internationally ISO certified protocols that offer the rising demand for security

and safety from the travellers. In the future, hotels may become self-contained living hubs, and let’s take Alma as an example: we are almost self-contained already – we have Alma Mart, where people can buy a wide range of products, groceries which they can use to cook in their units, without the need to leave the premises. The travel experience may be governed by a safety first mentality, starting with the airport experience, where tourists are screened, checked and then applying the same procedures and principles to the hotels, which become a vacation destination and also a safety bubble. Under these presumptions, these self-contained hospitality hubs (i.e. resorts, hotels) have the potential to flourish and capture tourist demand, on the expense of connected businesses such as restaurants, which may find serious difficulties in retaining customers, when clients have everything they need in the resorts, without having to leave.

Technology wise, the industry will shift towards self-reliance: just as you self-check-in at the airport through digital machines, the same would apply for the hotels – automated self-check-in based on QR codes, mobile devices or other digital medias. Innovation will cut out the human interaction, which on the long term will have a negative impact on the entire travel experience, which is based on the concept of human interaction at the core.

**Vlad Savin:** *How confident are you in the future of Vietnam on a scale of 1 to 10? And why?*

**Herbert Laubichler-Pichler:** I would say 8. The way Covid-19 situation was handled is amazing, and the swift action and determination to stop the spread from its initial days was needed to mitigate further damages to the economy and security of the country. Looking at what is happening with China and US at the moment, Vietnam has become a safe heaven, not just for security and safe, but also from a business and investment perspective. Vietnam has created a fantastic image all over the world, and its growth model became an eye-opener for its dynamic economy and business opportunities.



# CEEC DEBATES

INTERVIEWS WITH A TWIST

**CRISTIAN PREDAN**

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## CEEC DEBATES WITH CRISTIAN PREDAN - AREA MANAGER OF GEBRUDER WEISS

**Vlad Savin:** Cristian, you have worked at Gebruder Weiss for over 18 years and being part of a company's growth for such a significant amount of time says a lot about the company's values and identity. What are some of these core values, and how do you and Gebruder Weiss leverage them to provide service excellence in the global supply chain?

**Cristian Predan:** That is correct, and service excellence is one of the company's core values actually, its identity which we always thrive to project and develop. Within this framework, I think communication is one the cornerstone attributes that are extremely important for our stakeholders. From our experience, we acknowledge and understand that each of our clients is unique, and their expectations are different: some clients prefer and embrace digitization and automation, where they can actively manage and control their data and key information, and others prefer a more human approach, a more collaborative and personal interaction. We do not thrive to be the biggest company in the market, and we know we cannot always be the cheapest out there, however we try to ask ourselves, what kind of value we can bring to the customer? And if we see that we can align ourselves with their own particular goals and values, then we proceed together.

**Vlad Savin:** You are currently overlooking the Vietnamese and Singaporean operations at Gebruder Weiss. Can you share some of the major differences and similarities that stand out in respect to the people you work with, the clients you service and your business culture?

**Cristian Predan:** In Vietnam we see quite a lot of 'basic service' demand, for instance: "I have a shipment in Germany, please bring it from Frankfurt to Ho Chi Minh City airport, that's all I need. I don't need customs clearance, I don't need payment of duties, etc." In Singapore though, we see more demand for "complex services", and customers are looking for a solution. Their approach is more comprehensive, where they would like to focus on their main business, they want to make sure that the logistics and the supply chain work, and these type of customers are seeking a complete solution. This is a major difference between Singapore and Vietnam, however Vietnam is evolving at a rapid pace, and more and more customers understand that they should focus on their core business and trust their logistics partners to manage their entire supply chain.

Looking at similarities, what stands out in our business culture in the logistics industry is the desire for personal contact, personal interaction. These personal relationships and communication models further lead to the development of extremely valuable prerequisites for our global business: trust and loyalty.

**Vlad Savin:** The impact of COVID 19 on the logistics and transport sector is unprecedented, with outcomes that may change the global supply chains forever. How is Gebruder Weiss navigating this ongoing crisis and what are they key lessons you have learned in this period?

**Cristian Predan:** The impact of the pandemic on our industry is massive. To have a clear picture of what this really means, let's look at transport by air for instance: as you might know, 50% of all goods delivered across the globe by air are transported in the cargo hold of passenger flights; all of a sudden, when passenger flights were

grounded, this 50% capacity disappeared over night. It's a colossal disruption!

The lesson here is that you have to be agile, dynamic and these are leadership and organisation level lessons which need to be implemented vertically in the entire company structure. It is highly important to increase the level of flexibility within the business model, to enable the key decision makers and stakeholders to react fast to any changes in the supply chain. In our case, when we noticed the disruption peak earlier this year, where the offer, demand and the price had extreme levels of volatility, and it is impossible to handle such a dynamic situation with a strict, rigorous process.

**Vlad Savin:** Blockchain, e-brokerage platforms, autonomous fleets and big data management are changing the logistics industry, and innovation plays a substantive role. Gebruder Weiss is a 500 years old company, and obviously it has been through many changes since inception. What do you think the role of innovation is in maintaining Gebruder Weiss a market leader and what strategies do you have in place to achieve this?

**Cristian Predan:** You are right, currently the transport and logistics industries are most open to embrace these changes and the digitalization revolution. There is a significant amount of literature on the subject, and many ideas are circulating this space. We as a company monitor these ideas from our head office where we have a special team managing digital growth and constantly asses and test which one of these new developments might work for us. However in the same time, one of our key focus area, which is not so attractive for the media to report on, is represented by the day-to-day improvements in our processes, services and business model. I believe these are in many ways underestimated. Small refinements in your systems, in your procedures and processes, have a significant impact in long term, and in my experience sometimes matching the efficacy of some of these new digital disruptions we have talked about. But because these happen every day and are part of the growth and development of months businesses, they don't get the same press.

The digital improvements are of course an area which we constantly pursue, and we do this for providing external visibility to our clients, enabling them to visualise and manage their supply chain in real time and for internal visibility as well, where we can improve the way we process our own internal data. In the same time, we have to watch over productivity, because the logistics industry is a high volume – low margin industry, and especially for us as a company it is consequential to always improve our tools so that we reduce the time spent by our staff with

handling shipments, and use it for communicating and engaging with customers. In order to achieve this service excellence, we need innovation and disruptions to complement the day to day productivity improvements.

**Vlad Savin:** What is future of logistics in your opinion and what steps, actions is Gebruder Weiss taking to be part of it?

**Cristian Predan:** The industry is becoming more and more complex, because the expectations of the customers are becoming more complex. In the past, the industry functioned with service as a product, with a structured process behind it, but as the customers become more organised and diverse, these translates in a more comprehensive process and supply chain integration model. Digitalization and innovation are now becoming critical because they are the key tools to manage this increasing complexity of the industry.

Changes in our customers approach to environmental issues, social responsibility, safety, compliance and sustainable workflow are mirrored in real time and transferred to the entire supply chain and logistics providers. For instance, if a major retailer is looking to go green, become carbon neutral in the next 5 years, every single part of their supply chain has to follow automatically, otherwise they will be excluded.

**Vlad Savin:** How confident are you in the future of Vietnam on a scale of 1 to 10? And why?

**Cristian Predan:** It's 9 because there is always room for improvement. I am very very confident, because I have spent over 8 years in Vietnam and I am aware how much they want to grow and succeed. When measuring Vietnam's assets, you might talk about the large population, the young workforce, the access to ports and commercial routes, the investment opportunities but maybe equally important is to look at Vietnam's attitude, its resilient culture.

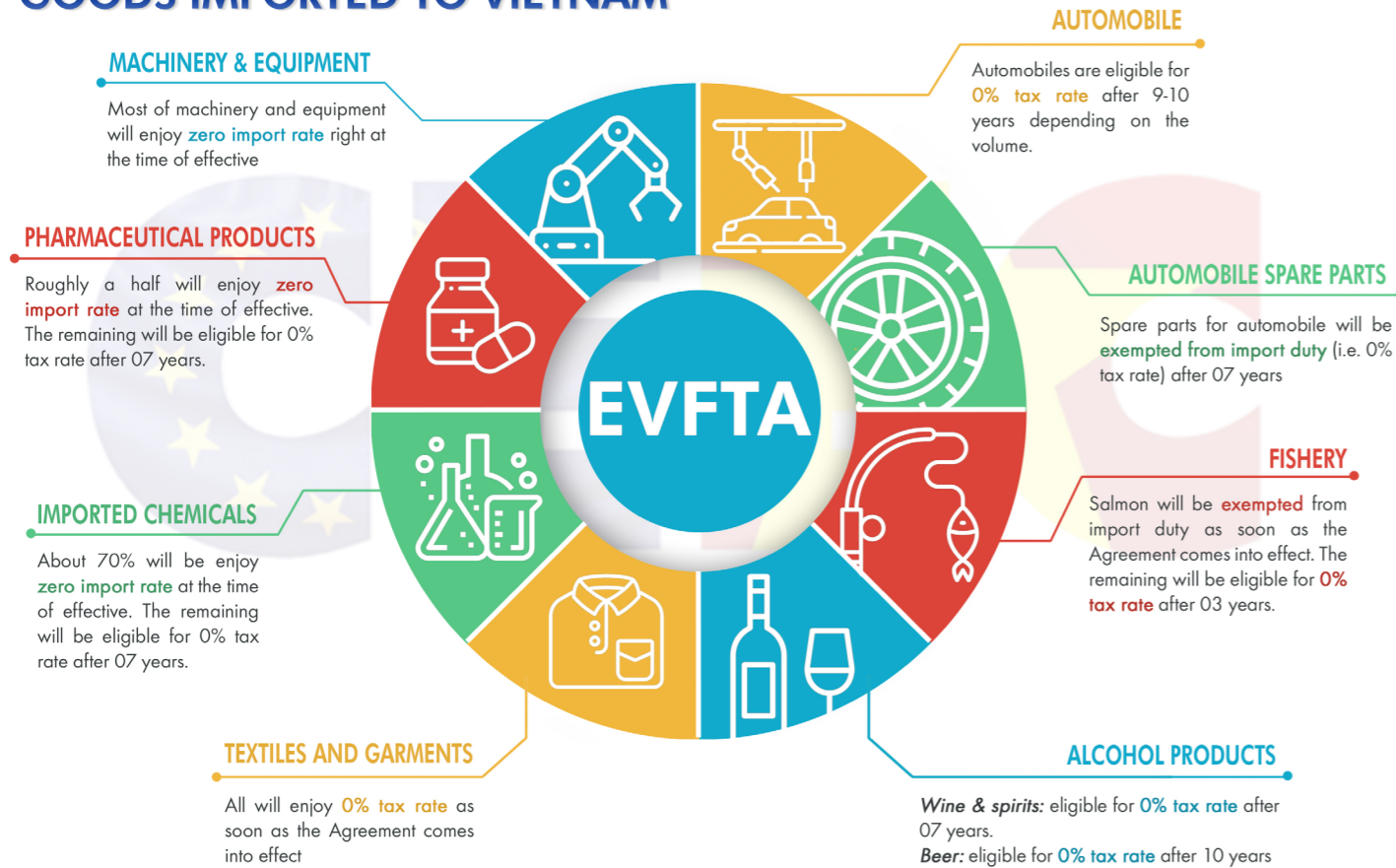
The country's consistent push for development and growth is a clear sign that enables me to be extremely confident in its future. And I would close with an example: look at how Vietnam handled the pandemic, and its commitment to overcome this difficult situation. Vietnam managed this with strength but also agility, showing that agility works at a country level as well, not just at the business level.

**Vlad Savin:** Thank you so much for your time and participation!

## GOODS IMPORTED TO VIETNAM

**EVFTA**

### GOODS IMPORTED TO VIETNAM



The EVFTA is an ambitious pact providing almost 99 percent of the elimination of custom duties between the EU and Vietnam. As per the Ministry of Planning and Investment (MPI), the FTA is expected to help increase Vietnam's GDP by 4.6 percent and its exports to the EU by 42.7 percent by 2025. While the European Commission has forecast the EU's GDP to increase by US\$29.5 billion by 2035.

Analysts hope the trade deal will give a much-needed boost to Vietnam's industries, such as manufacturing, as it looks to recover from the COVID-19 pandemic.

65 percent of duties on EU exports to Vietnam will be eliminated while the remaining will be gradually phased out over a period of 10 years.

## VIETNAM'S IMPORT AND EXPORT

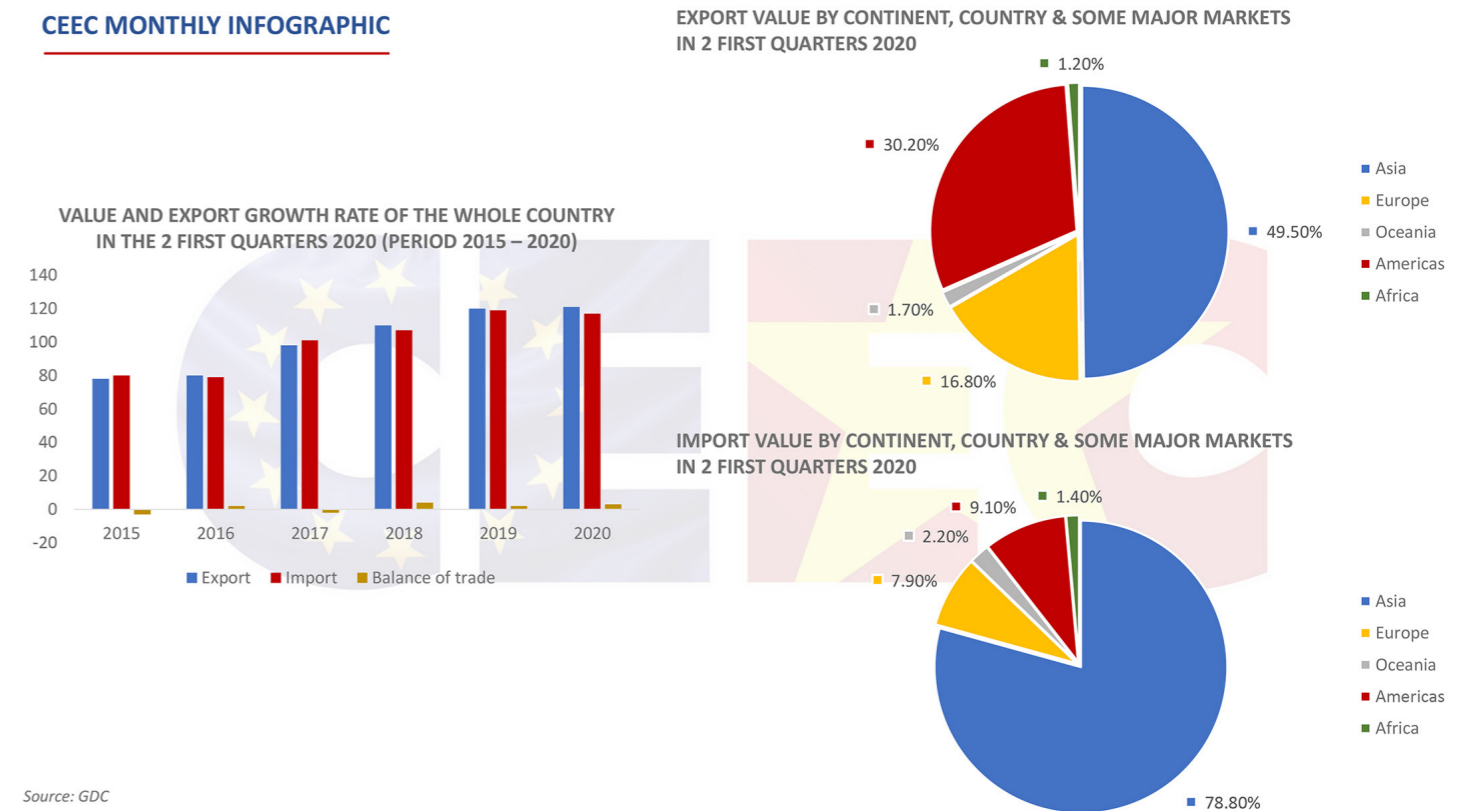
According to preliminary statistics of the General Department of Customs (GDC) in June 2020, the total import-export turnover of the whole country reached US \$ 43.28 billion, a sharp increase of 15.8% compared to May 2020, equivalent to increase by 5.92 billion USD.

In June 2020, export and import value was more positive than the previous month, of which export reached 22.56 billion USD, up 17.6% (equivalent to an increase of 3.38 billion USD); import reached 20.71 billion USD, up 14% (equivalent to an increase of 2.54 billion USD).

Vietnam's trade with Asia continues to account for the highest proportion (65.2%) of the country's total import-export turnover. Import-export value in the 2 first quarters of 2020 with this market reached US \$ 153.25 billion, down 0.4% over the same period in 2019, of which the export value was US \$ 60.77 billion, down 1.3 % and the import value of 92.48 billion USD, down 4.1%.

Vietnam's import and export to the Americas reached US \$ 47.73 billion, up 10.3% over the same period in 2019 and the continent achieved the highest growth rate in the 2 first quarters. Import-export turnover between Vietnam and other continents is respectively: Europe: 29.93 billion USD, down 5.8%; Oceania: 4.66 billion USD, up 8.2% and Africa: 3.05 billion USD, down 4.7% compared to the same period in 2019.

### CEEC MONTHLY INFOGRAPHIC



## CEEC MARKET INSIGHTS – NO. 2

### Changes to Immigration Laws in Vietnam from 1 July 2020

From 1 July 2020, new immigration laws have come into effect in Vietnam in relation to Visas and Temporary Resident Cards (TRC) for foreign individuals. As background, on 25 November 2019, The National Assembly of Vietnam approved Law 51/2019/QH14 (New Immigration Law) on amending and supplementing a number of articles of the Law on Entry, exit, transit and residence of foreigners in Vietnam No. 47/2014/QH13 (Old Immigration Law), which is effective from 1 Jul 2020.

*(Note: certain changes arising under the New Immigration Law are impacted by the Vietnamese Government's current border closures in response to Covid-19. The application of a number of these changes are presently suspended for individuals who are currently located outside of Vietnam, and full implementation will only be likely when borders are reopened fully.)*

Notable changes arising from the New Immigration Law that foreign individuals in Vietnam, or those seeking to enter Vietnam, should be aware of are:

#### 1. E-VISA'S ARE NOW A FORMAL ELEMENT OF IMMIGRATION LAWS

**a) Definition:** an “E-Visa” is a Visa issued via an electronic transaction. Foreign individuals can apply for an E-Visa via [https://evisa.xuatnhapcanh.gov.vn/en\\_US/](https://evisa.xuatnhapcanh.gov.vn/en_US/). E-Visas were first implemented in Vietnam in 2017, however the implementation was initially only a pilot scheme and was not officially regulated by law, leading to limitations with the program. From 1 July 2020, E-Visas are officially regulated in law.

#### **b) Nationals eligible for the issuance of an E-visa and international border checkpoints for entry and exit:**

Citizens from 80 countries are now approved for the issuance of E-Visas.

- A full link of eligible countries can be found [here](#).
- A list of borders that permit foreign individuals to enter into and exit Vietnam using an E-visa is maintained [here](#).

#### **c) Procedures:**

Foreign individuals, agencies and organizations are entitled to submit applications for E-Visas:

- Declaration of information via online application form for issuance of E-Visa, including uploading photo and passport details, at the nominated website for issuance of E-Visas; and
- Payment of fees for visa issuance via the accounts

specified on the website for the issuance of E-Visas.

- Timeline: 3 working days
- Procedures for issuance of electronic visas requested by agencies and organizations
- Initial registration of an electronic account with Immigration Authorities for E-Visa requests;
- Using the electronic account to access the website for the issuance of E-Visas, to request the issuance of an E-Visa for a foreign individual; and
- Payment of fees for visa issuance via the accounts specified on the website for the issuance of E-Visas.
- Timeline: 3 working days (initial account registration) + 3 working days (E-Visa result)

#### **d) E-Visa Duration:**

E-Visas cannot exceed 30 days in duration. Also note that E-Visa are single entry only.

#### 2. VISA TYPES CAN NOW BE CHANGED IN-COUNTRY

Under previous immigration laws, foreign individuals were granted a visa suitable for the purpose of their entry into Vietnam in accordance with the declaration of the applicant, and the purpose of the visa could not be changed without leaving the country and re-entering Vietnam for a different purpose. However, from 1 July 2020, Immigration Laws permit a number of cases where the visa purpose can be changed in-country without any requirement to leave Vietnam. These scenarios are detailed below:

- Where a foreign individual holds relevant documents detailing that they are an investor or a representative for foreign organization investing in Vietnam;
- Where a foreign individual holds relevant documents demonstrating their relationship with a person inviting or sponsoring in terms of parents, spouse or children;
- Where a foreign individual is invited or sponsored by an organisations and holds a work permit (or confirmation of eligibility for a work permit exemption) according to labour laws; or
- Where a foreign individual enters Vietnam using an E-Visa and holds a work permit (or confirmation of eligibility for a work permit exemption) according to labour laws.

#### 3. VISA CATEGORIES EXPANDED, TO MORE CLEARLY EXPRESS THE PURPOSE OF ENTRY INTO VIETNAM

**a) DT Visa:** previously issued to foreign investors in Vietnam and foreign lawyers practicing in Vietnam. The new Immigration Law replaces the DT Visa category with five new categories LS, DT1, DT2, DT3, DT4. These are permitted for the following purposes:

- LS Visa – issued to foreign lawyers practicing in Vietnam.
- DT1 Visa – issued to foreign investors in Vietnam, or representatives of foreign organizations investing in Vietnam, who contribute capital of at least VND 100 billion into a company in Vietnam (or a company which has business lines and administrative divisions given investment incentives determined by the Government).
- DT2 Visa – issued to foreign investors in Vietnam, or representatives of foreign organizations investing in Vietnam, who contribute capital of at least VND 50 billion into a company in Vietnam (or a company that has business lines encouraged to invest as determined by the Government).
- DT3 Visa – issued to foreign investors in Vietnam, or representatives of foreign organizations investing in Vietnam, who contribute capital of at least VND 3 billion into a company in Vietnam.
- DT4 Visa – issued to foreign investors in Vietnam, or representatives of foreign organizations investing in Vietnam, who contribute capital of less than VND 3 billion into a company in Vietnam.

\* LS, DT1 and DT2 Visas are issued for a maximum of 5 years, DT3 Visa is issued for a maximum of 3 years and a DT4 Visa is for a maximum of 1 year.

**b) DN Visa:** this category is replaced by DN1 and DN2 Visas under the New Immigration Law. DN1 and DN2 Visas are issued for a maximum of 1 year.

- DN1 Visa – issued to foreign individuals who work with enterprises or other organizations in accordance with the law of Vietnam.
- DN2 Visa – issued to foreign individuals who enter into Vietnam to promote services, establishing a commercial presence, or conducting other activities in accordance with international agreements to which Vietnam is a signatory.

**c) LD Visa:** the New Immigration Law has amended this category into two, LD1 and LD2, as follows:

- LD1 Visa – issued to foreign individuals working in Vietnam and holding a work permit exemption certificate, except for roles covered by international agreements to which Vietnam is a signatory.
- LD2 Visa – issued to foreign individuals working in Vietnam and holding a work permit.

\*LD1 and LD2 Visas are issued for a maximum of 2 years.

#### 4. TEMPORARY RESIDENT CARD (TRC) CHANGES

As a result of changes to visa regulations, foreign individuals holding Visa categories of LS, DT1, DT2, DT3, LD1 or LD2 are entitled to obtain a TRC in Vietnam, which can have the a maximum duration is detailed below:

- DT1 TRC – maximum of 10 years.
- LS and DT2 TRC's – maximum of 5 years.

- DT3 TRC – maximum of 3 years.
- LD1 and LD2 TRC's – maximum of 2 years.

The duration of a TRC is dependent on the visa category, the application and the validity of the passport. Under previous laws, the maximum validity of TRC was 5 years, however, from 1 July 2020 large investor holding a DT1 Visa can now obtain a TRC for up to 10 years.

#### ABOUT THE AUTHOR



Vlad Savin  
Board Member  
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*Vlad is currently active in business strategy and development, advising international investors with market entry and compliance governance in Vietnam and across the Asia region.*

*He is a business development, finance and marketing professional, and has resided in Southeast Asia for the last 7 years. Vlad has a wide experience in personal and corporate finance, working with investment firms in Malaysia in Vietnam, with extensive knowledge in business consulting, strategic analysis, client engagement, marketing and events with international exposure.*

*Vlad is Head of Business Development at Domicile Corporate Services, a corporate consulting firm which supports investors with market entry, licensing, incorporation, compliance and tailored advisory services.*

## CEEC MARKET INSIGHTS – NO. 3

### What are expected after the signing of EVFTA?

#### ABOUT THE AUTHOR



*Nguyen Hai Minh  
Partner of Mazars Vietnam  
Vice Chairman of EuroCham*

*Nguyen Hai Minh is Partner in charge of Tax & Business Advisory Services of Mazars Vietnam.*

*With more than 13 years of professional experience at one of the Big4 and Mazars, Minh has developed into one of the leading Tax advisors in the Vietnamese market, with class leading skills particularly in International Tax, Transfer Pricing, and corporate restructuring. He is currently a member of Vietnam Tax Consultants' Association (VTCA) and also holds the Practicing Certificate for tax procedures in Vietnam.*

*With his extensive experience in tax and legal areas, Minh is a successful speaker at seminars/ conferences for clients and he also provides teaching and training courses at leading financial and accounting training organizations of Vietnam.*

On 30 June 2019, Vietnam and the EU signed the European-Vietnam Free Trade Agreement (EVFTA), ending a long negotiation with a historic milestone in the longstanding partnership between the two sides.

According to the General Statistics Office of Vietnam (GSO), in the first quarter of 2019, the EU is Vietnam's second most significant export market, increasing 2.5% year-on-year to reach USD 10.2 billion. It has also remained among Vietnam's top foreign investors, with an FDI stock totalling USD 23,9 billion with 2,133 projects in 2018. Meanwhile, as one of the fastest-growing economies in Asia with a "golden population structure" and an auspicious consumer market of around 97 million citizens, Vietnam has recently become the EU's second-largest trading partner in ASEAN only after Singapore.

Now, with what the EU regards as "the most ambitious free trade deal ever concluded with a developing country" in hand, both sides would enjoy not only tariff deduction but also a lot of non-tariff relieves, thus a substantial boost in trade and investment. From the standpoint of Vietnam, EVFTA is expected to not only yield economic benefits, but also become a stepping stone for the country to conduct social reforms, move forward in its political strategies, and secure a position in the dynamic international market.

#### A BOOST TO THE ECONOMY

Once the EVFTA is ratified and comes into force, more than 99% of tariff lines will be eliminated, which will help in boosting Vietnam's exports and GDP growth. Statistics aside, an FTA with the EU will allow Vietnam to deeply integrate with a highly-developed and prosperous market, thus enhancing not only the quantity of goods/services exported but also value added for Vietnamese products.

From a macroeconomic perspective, EVFTA will result in improved specialization and efficiency for both Vietnam and the EU since each party has different comparative advantages. Vietnam is observing an extension in its comparative advantage from mainly textiles, garments, footwear, agricultural and aquatic products to electronic products like telephone sets, computers, etc. Having had increasing attention from foreign investors, Vietnam can expect greater development, international technical expertise, and income level. According to statistics from the Ministry of Labor – Invalid and Social Affairs (MOLISA), right after the EVFTA comes into force, the labor force in some sectors will increase, for example in the mining industry the increase will be 3.41% per year; textile and garment increase of 1.53%; waterway transport (3.7%); metal production (2.65%), machine production (2.49%). The income level of labor force



*Source: Reuters*

is also expected to increase in period 2020 -2035, among which the low skilled labor forces will benefit the most. It is estimated that the average income level of Vietnamese work forces will increase by 3% from the EVFTA impact.

However, all these economic benefits should, by no means, be taken for granted. The EU is well-known as a picky market with very high quality standards as well as high requirement on its core value in labor right and sustainable development. In addition, rules of origin is an important matter for companies, and it is essential that Vietnam's exporters comply with such rules to qualify for tariff elimination and, more importantly, gain Vietnam further reputation as a professional and reliable player in global trade.

#### IMPROVED SOCIAL VALUES – A BETTER LIFE FOR THE WORKFORCE

Same as CPTPP, EVFTA is known as a "new generation" agreement for its comprehensive requirements, among which includes sustainability and implementation of International Labour Organization (ILO) standards, with which Vietnam has been struggling over the years. In compliance with these agreements in general and EVFTA in particular, Vietnamese authorities are working hard to revise the Labour Code according to ILO standards. Of note, the revision focuses on eliminating discrimination in terms of employment and occupation like gender, age, racial, and religious discrimination and further boosts the right to collective bargaining and promoting the freedom of labour association.

All in all, we are entitled to believe that Vietnam will take the commitment to EVFTA as a motivation towards overall improved community wellbeing.

#### A STRATEGIC MOVE TO GLOBAL VALUE CHAIN INTEGRATION

This agreement brings an opportunity to promote EU-Vietnam value chain integration via the increase of the EU's direct investment into Vietnam and the rise of trade in intermediate goods and services

between the EU and Vietnam. This integration process will improve the EU's access into a growing assembly hub in ASEAN or even Asia, and improve Vietnam's economic relationship with major industrial hub and investors in Asia. It is expected that the EU companies will take lead in this process mostly by setting up their business activities in Vietnam to integrate into their existing supply chains, and moreover it is also an important step for them to look at the large Asian market. Not only the EU companies, but it is also foreseen that those from third countries will set up production in Vietnam to enter the EU market thanks to the preferential treatment of the agreement. This is an opportunity for Vietnam companies to plug themselves into the value chains of such leading companies. We foresee that there will be a greater production sharing within the region, particularly in labor intensive activities.

However, it is still a question mark whether Vietnamese companies could grab this chance to be well engaged in such value chains organized by the EU companies, given their limitations in technology, capital, human resource, corporate governance, etc. It could be a good move that Vietnamese companies might first look at sectors that are under interests of the EU companies and under the long term development of Vietnam so far such as footwear, leather, or textile and garments. In these sectors, we believe SMEs will be main beneficiaries of the EU sponsored value chains. To achieve this, the Vietnamese Government needs to do more, first to ensure that the business environment is attractive enough to attract the investment flow of investors from EU and third countries, and second to facilitate the Vietnamese SMEs in this integration process.

Last but not least, the fact that Vietnam is the second country in the whole ASEAN to secure a deal of this kind with the EU has already propelled Vietnam to a higher position across Asia and around the globe. It is crucial that Vietnam's government, businesses, policymakers, and individual citizens make their best preparation to welcome this valuable integration into the global value chain.

## CEEC MARKET INSIGHTS – NO. 4

### Macroeconomic Outlook - A brief overview of what we know and what we do not know about 2021

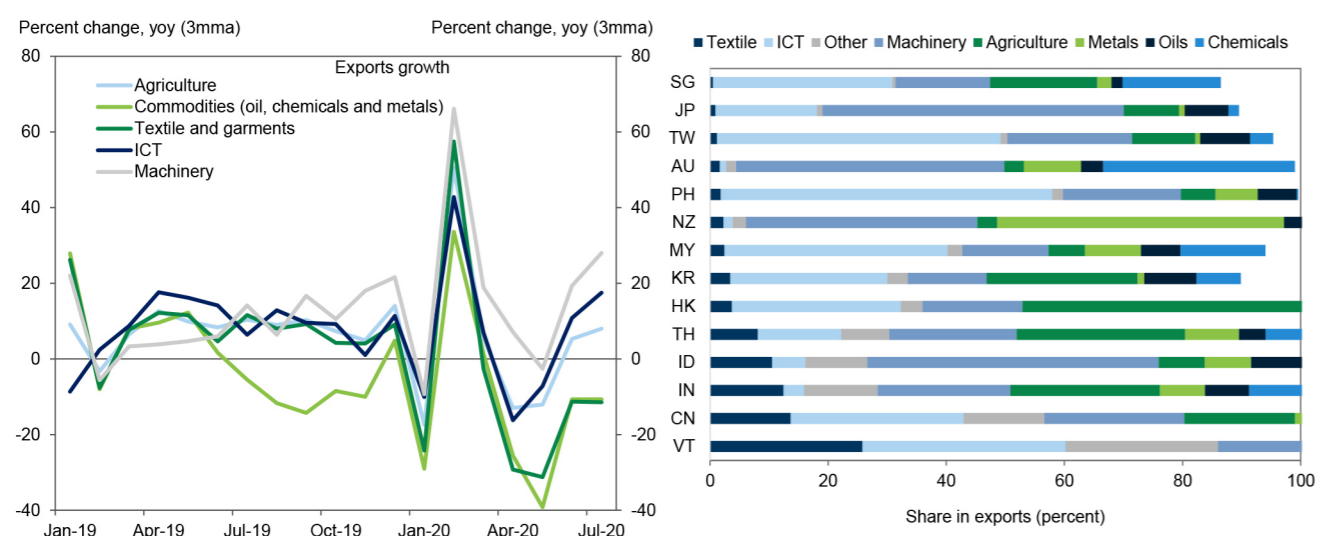
Covid-19 and the measures to tackle the virus have definitely hit hard on the economies, not only in Vietnam but also globally. Supply chains have been disrupted, orders canceled, investment plans delayed or scrapped. But for many businesses the question remains: how will all of this develop in 2021. Herewith, we try to find some answers but will also highlight the main uncertainties, which still remain.

My recent article readings or public statements in Vietnam were on the automotive market but also a summary of the Research Centre for Employment Relations and a general report on the situation in Khanh Hoa province.

The latter stated, in a year-on-year comparison 96.1% more businesses 'suspended' their operations and the applications for unemployment nearly doubled. Sector hit very hard in the recent months were tourism, textile and footwear. The year-on-year comparison of revenues from goods and services went down 30.5% mainly due to three reasons: Firstly, lack of orders; secondly, lack of raw materials for production; and lastly, a complete lack of international tourism which means the cancellations in total reached 79 – 82 %.[1]

The Research Centre for Employment Relations also states the outsourcing order cancellations from large foreign enterprises in the footwear sector as main reason to cut labour costs in Vietnam. A survey showed that 63% in the footwear industry and 71% in the apparel sector have cut their labour costs. These two sectors have seen a high rate of order cancellations but slow or no payments; deferred shipments and damages on stored products and have suspended production or offered their goods to 50-70% lower prices.[2]

Vietnam's trade profile—Tech is the largest item, driving a recent export outperformance in the region



Source: Haver Analytics, Goldman Sachs Global Investment Research

On the other hand, the electronics supply chain seems to be less disrupted. Fewer order cancellations have been reported and much better communication with regular discourses (due to the nature of the supply chain and efficiency in the production) seem to have smoothed the Covid-19 fallout in this sector.

News from the Vietnamese automotive market and the development of share values of the major distributors (Haxaco, TMT Motors, Giai Phong Motor) give less hope than the electronics sector. Vocabulary like 'slumping auto market' or 'languish' or 'too early to assess', is being used.[3] Clearer is the assessment that the second wave of Covid-19 in Vietnam has affected workers, jobs, consumer demand 'caused a lot of business pain'. These three examples describe a bit what is going on in the market and can be summarized in GDP statistics.

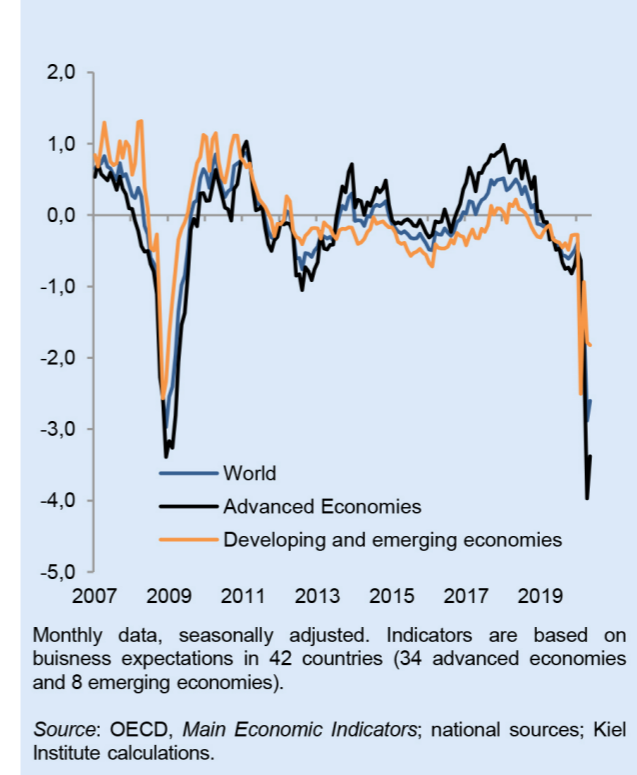
So, let us begin with some figures of the current status in 2020. Even though most figures for 2020 are heavily criticized, an annualized growth rate for Vietnam of 0.36 % appears to be not underrated. This would keep the GDP in US-\$ at 261 billion. Nevertheless, the impact on the labor force and underemployment cannot

be properly estimated (2.7 % unemployment rate and 76.6 % labour force participation rate could be stated for 2020).[4]

The outlook towards 2021 seems to be even more of a wishful thinking or a doomsday prophecy. The same source states a GDP growth rate of 6.5% for Vietnam; but a total GDP of 250 bn US-\$, while unemployment rate and labour force participation rate increase modestly. Consequently, let us have a different look, as Vietnam's economic indicators – investments and orders, jobs, consumption and growth – and probably your business here, are to a large portion dependent on exports and thus on what is happening in the markets in the USA, China and Europe.

The measures of Covid-19 lockdowns, consumer insecurity and job-losses hit Europe hard. A recession is expected to hit the EU in 2020 (minus 14.4 % GDP). Despite still rising unemployment in 2021 (7.9% and a slightly declining labour force participation rate of 56.7%), a 4.2 % GDP growth rebound is being forecasted. But Covid-19 hit the USA, Vietnam's biggest export market, even worse than the EU so far. It is still very hard to guess the figures for 2020 (an unemployment rate of at least 8.4 %, whilst having a labour force participation rate of 61.7%) but a GDP contraction of min. 9.1% is being expected. A recovery in 2021 will take time in the USA: meagre 2.2 % is being forecasted. I suppose all analysts are very cautious with any figures coming from the USA in a highly politicized environment and proper publications and analysis will be done, once their presidential elections are settled.

Business expectations by groups of countries, 2007–2020



Monthly data, seasonally adjusted. Indicators are based on business expectations in 42 countries (34 advanced economies and 8 emerging economies).

Source: OECD, Main Economic Indicators; national sources; Kiel Institute calculations.

In order to consider what these partly very bleak outlooks mean for the Vietnamese economic development and your business here, I would suggest having a closer look at Europe's strongest and largest economy: Germany.

The 2020 forecast is pretty clear: minus 11.3% GDP but a modest unemployment of 4.4 %. (The latter thanks to a model of governmentally supported underemployment and lower wages for less hours. But this keeps the labour force participation rate at a similar rate like in the USA: around 62 %.) It has to be stated here that the worst case scenario for Germany is currently being doubted. Several institutes see "only" a 6.3 % decline in GDP.[5] A rate which is deemed still acceptable compared to other major economies over Europe; except Poland, which is forecasting a moderate 4.6 % decline of GDP.[6] An interesting point on Germany is an expected strong bounce back in 2021: an impressive 6.5 % GDP growth is being forecasted and unemployment to go down nearly one percentage point. But to be clear what these two GDP figures 2020 and 2021 mean: nearly 150 billion US-\$ goods and services are being less produced, consumed and paid for in the German economy. For 2020 the total GDP in US-\$ should be 3,845bn and end of 2021 US-\$ 3,700bn (not comparing it to the 2019 figure of the "all time high" in 2018 US-\$ 3950bn). In comparison, one big player in the automotive supply chain is Slovakia with an expected 2020 total GDP of US-\$ 105bn. Slovakia will see this year a minus of 12 % of GDP, which should then being followed by a 5.5 % GDP growth in 2021.

Like in Germany and Slovakia, the Vietnamese automotive market started to become an important sector. In Vietnam the focus did not yet lay on export markets, but on creating jobs, growth and benefit from the domestic consumption. What remains very unclear is the recovery time. Supposedly, the Covid-19 waves can be controlled, no nation-wide lockdowns are necessary and mid 2021 vaccines are widespread or not needed anymore, the economies and sectors we touched on, will see a pretty recovery.

The economists from the Kiel Institute for the World Economy do not only see a surprisingly strong domestic demand in Germany, but also identify five reasons for a strong, already started, recovery of the German economy. As a first reason a comparison with other European countries is being made: before Covid-19 and its impact, the UK has been suffering from huge uncertainties due to their exit of the European Union; the French economy is suffering from a constant resistance for economic reform; while the Italian economy has been suffering from a decade-long stagnation; and Spain is still recovering from and partly still suffering on the aftermath of the Euro crisis. Not Germany's economy. Allegedly, Germany did not

suffer from these structural problems and was healthy before Covid-19. While German businesses enjoyed a decade-long booming economy and could build up reserves, at the beginning of 2020 the order books of German businesses were full and when the crisis hit, they still had to work on pre-existing orders.

|                           | Weights | Real GDP |       |      | Consumer prices |      |      | Unemployment rate |      |      |
|---------------------------|---------|----------|-------|------|-----------------|------|------|-------------------|------|------|
|                           |         | 2019     | 2020  | 2021 | 2019            | 2020 | 2021 | 2019              | 2020 | 2021 |
| Germany                   | 24,8    | 0,6      | -7,2  | 6,3  | 1,4             | 0,3  | 2,9  | 3,2               | 4,5  | 4,9  |
| France                    | 17,4    | 1,5      | -11,0 | 8,3  | 1,3             | 0,9  | 2,0  | 8,5               | 11,0 | 10,5 |
| Italy                     | 13,1    | 0,3      | -11,6 | 6,9  | 0,6             | 0,3  | 1,4  | 10,0              | 10,9 | 11,0 |
| Spain                     | 8,9     | 2,0      | -12,4 | 7,4  | 0,8             | 0,2  | 1,4  | 14,1              | 23,0 | 19,8 |
| Netherlands               | 5,7     | 1,8      | -4,3  | 4,5  | 2,7             | 1,5  | 2,6  | 3,4               | 4,7  | 4,6  |
| Belgium                   | 3,4     | 1,4      | -6,8  | 5,9  | 1,3             | 0,6  | 1,6  | 5,4               | 7,4  | 8,0  |
| Austria                   | 2,9     | 1,5      | -5,8  | 5,3  | 1,5             | 1,3  | 2,2  | 4,5               | 5,9  | 5,1  |
| Ireland                   | 2,4     | 5,5      | -1,1  | 4,9  | 0,9             | 0,8  | 1,5  | 5,0               | 5,8  | 6,0  |
| Finland                   | 1,7     | 0,9      | -4,1  | 3,4  | 1,1             | 0,7  | 1,8  | 6,7               | 7,5  | 7,1  |
| Portugal                  | 1,5     | 2,2      | -6,3  | 6,0  | 0,3             | 0,3  | 1,4  | 6,6               | 8,6  | 8,1  |
| Greece                    | 1,4     | 1,9      | -6,3  | 5,9  | 0,5             | 0,3  | 1,4  | 17,3              | 18,3 | 16,3 |
| Slovak Republic           | 0,7     | 2,4      | -9,2  | 8,2  | 2,8             | 2,3  | 3,2  | 5,8               | 7,4  | 7,6  |
| Luxembourg                | 0,4     | 2,3      | -4,3  | 4,4  | 1,7             | 0,9  | 2,0  | 5,6               | 6,5  | 5,6  |
| Slovenia                  | 0,3     | 2,4      | -7,7  | 6,3  | 1,7             | 0,5  | 2,2  | 4,5               | 5,5  | 5,5  |
| Latvia                    | 0,3     | 3,9      | -2,7  | 3,7  | 2,2             | 1,6  | 2,6  | 6,3               | 9,1  | 9,3  |
| Lithuania                 | 0,2     | 2,2      | -4,7  | 5,3  | 2,7             | 1,3  | 2,6  | 6,3               | 9,5  | 9,0  |
| Estonia                   | 0,2     | 4,4      | -5,2  | 5,8  | 2,3             | 0,8  | 2,3  | 4,4               | 5,9  | 6,1  |
| Cyprus                    | 0,2     | 3,2      | -6,2  | 6,4  | 0,6             | -0,1 | 1,5  | 7,1               | 9,6  | 7,5  |
| Malta                     | 0,1     | 4,7      | -4,4  | 5,8  | 1,5             | 1,1  | 2,1  | 3,4               | 4,0  | 3,9  |
| Sweden                    | 3,5     | 1,3      | -4,1  | 4,3  | 1,7             | 1,2  | 1,7  | 6,8               | 8,5  | 8,4  |
| Poland                    | 3,7     | 4,1      | -4,3  | 5,0  | 2,1             | 3,0  | 3,5  | 3,3               | 5,0  | 4,5  |
| Denmark                   | 2,2     | 2,2      | -5,4  | 4,3  | 0,7             | 0,2  | 1,0  | 5,1               | 6,0  | 5,4  |
| Czech Republic            | 1,5     | 2,4      | -6,6  | 5,0  | 2,6             | 2,4  | 3,1  | 2,0               | 3,5  | 2,9  |
| Romania                   | 1,5     | 4,2      | -2,6  | 4,3  | 3,9             | 3,1  | 4,0  | 3,9               | 5,1  | 5,1  |
| Hungary                   | 1,0     | 4,9      | -5,2  | 5,4  | 3,4             | 3,0  | 4,0  | 3,5               | 5,5  | 4,5  |
| Bulgaria                  | 0,4     | 3,7      | -3,9  | 5,8  | 2,4             | 1,9  | 3,0  | 4,2               | 6,8  | 6,2  |
| Croatia                   | 0,4     | 3,0      | -7,4  | 9,5  | 0,8             | 0,3  | 1,4  | 6,7               | 9,0  | 8,0  |
| European Union            | 100,0   | 1,5      | -8,0  | 6,4  | 1,4             | 0,9  | 2,3  | 7,0               | 9,5  | 9,0  |
| Addendum:                 |         |          |       |      |                 |      |      |                   |      |      |
| European Union 15         | 89,5    | 1,3      | -8,4  | 6,5  | 1,2             | 0,5  | 2,0  | 8,0               | 10,6 | 10,1 |
| Accession countries       | 9,0     | 4,3      | -5,9  | 6,3  | 2,5             | 2,6  | 3,4  | 3,8               | 5,6  | 5,2  |
| Euro Area                 | 85,7    | 1,3      | -8,6  | 6,6  | 1,2             | 0,6  | 2,1  | 7,5               | 10,1 | 9,6  |
| Euro Area without Germany | 60,9    | 1,6      | -9,3  | 6,8  | 1,1             | 0,6  | 1,8  | 9,0               | 12,0 | 11,2 |

Based on GDP at prices and exchange rates of 2018 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2018. Accession countries since 2004.

Source: Eurostat, *National Accounts*; shaded: Kiel Institute forecast.

As a second reason, the German economy did not have to be put in a long-lasting artificial coma. The lockdown measures have not been nation-wide and strict like in many other countries in Europe, due to the rate of Covid-19 infections and death tolls. Even though, exports and industrial production is still below pre-Covid level, the strong industry focus of the German economy and their good position in the Chinese market makes enterprises in Germany suffer less and bounce back better. All these compared to the major European economies, like France, Italy or Spain, where the “complete collapse of tourism” disrupted their economies massively. As a fourth reason is the robust German budget relevant. The massive and constantly prolonged government support packages are not being doubted at all. German debts have been at 60% of GDP in the beginning of 2020, while the massive deficit packages will bring this up to 80% in 2020. Nevertheless, only Poland has a lower total debt among the big 6 economies in the EU. The fifth and last reason is related to the not exploding unemployment rates: firstly, the massive government interventions, which also includes the partly nationalized airline giant Lufthansa, and secondly, the support packages for businesses but also thirdly, the “Kurzarbeit”-model (where employers reduce the working hours of employees instead of laying them off) kept many jobs alive. But here already a warning is being stated clearly: what if this does not last? What if a new wave starts? What if Lufthansa and others have to fire thousands of people? There are many pessimistic questions, but within German enterprises the confidence and optimism are comparable to August 2019 – as long as other major economies keep recovering.[7]

In consequence, it looks like the local government measures and relatively good Chinese economy saves Vietnam’s 2020 performance – even having growth whilst many economies in the SEA region show negative figures or

recessions. It should be stated here that many forecasts and predictions for the global economy 2021 are using economic recovery lessons from the Chinese economy, which was first affected but also recovered earliest and Vietnam’s policy makers have learnt and keep learning from their neighbour. And should the global economy recover in 2021 as predicted, the local economy would be ready to benefit. But I would like to highlight some facts that these fictional figures cannot tell but seem to assume: The examples from Germany, Slovakia and other countries exemplify again that homework needs to be done.

**Q**uestioned (e.g. in Austria) with the argument of creating a zombie business landscape. Enterprises are being held artificially alive through state aid whilst no restructuring, business model adaptation or innovative approaches are being driven forward. It is dangerous to follow policies under the assumption that once the Covid-19 crises will have passed by, these zombies could be revived and go back to business as usual. In my opinion this assumption will prove disastrous for certain sectors, regions or the common understanding of how enterprises should work. Smart re-shifting and restructuring of support packages have to be done until the end of 2020. Otherwise, a sudden end of support packages would let these zombies die anyway. Additionally, the economic fall-out or the disruption of supply chains and destabilization of employment have just been delayed but not prevented – with a massive amount of budget deficits. I assume, we commonly agree that zombie businesses are not worth it.

On the other hand, we should have a look at specific sectors and their commonly shared practices. As highlighted in the beginning, the supply chain practices and communication in the footwear or the electronics sector are completely different and provided absolutely different outcomes during these crises. Following can also be observed: many restructuring operations, general re-focusing of business units or delayed but already scheduled rearrangements of company processes and products are happening now. Some started early when the USA or Europe went into lockdown. Some are already in full swing. Many enterprises have given up on the figures and profits of 2020 and rightfully questioned what they have to do differently to be successful in 2021 and beyond. The Covid-19 fallout gave them the necessary pressure but also the “free” time to do so.

**L**astly, I would like to point out what everyone can also do with some free time: check the multitude of data, analysts, forecasts and predictions for 2020 and 2021. The experts do not know yet what is really going on, getting data in constantly and analyzing, updating and publishing it periodically. But so far, like many things in economics, all seems to be based on guesswork and working with different assumptions which points in one direction: a quite tough hit global economy with the hopes for good recovery in 2021 (if nothing happens) and Vietnam seems to have gone through it quite well. But this does not tell us anything about the efficiency and preparedness of the individual enterprises. What it tells us, is that many people lost their jobs, have or had to work for less salary and still are encouraged to keep consumption up and running. What it also tells us, is that some sectors are in a survival struggle and have to reinvent their businesses in the one way or another (e.g. airline industries, tourism). But we can clearly get the picture that some of the sub-sectors medical supplies, pharmaceuticals and everything related to online communication, web-based solutions and virtual working places are doing better than in 2019. All this tells me that we are currently in an economic cycle that shifts towards already before Covid-19 predicted growth markets; I do not read general publications anymore, which are dealing with the necessity of innovating and finding new areas of doing business. It is happening right now. And it is more than before a matter of survival of enterprises and jobs.

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- [3] <https://vietnamnews.vn/economy/business-beat/772306/registration-fee-cut-does-little-to-revive-auto-market.html>
- [4] These and all following data refers to <https://tradingeconomics.com/> unless stated otherwise.
- [5] Kiel Institute Economic Outlook, World Economy, Summer 2020, No. 67 (2020/Q2). But even between 17. June and 17. September, the 2020 assessment and 2021 forecast vary already significantly. (GDP -5.5 % for 2020 and +4.8% in 2021): <https://www.ifw-kiel.de/publications/media-information/2020/kiel-institute-economic-forecast-economic-recovery-loses-speed-after-quick-rebound/>
- [6] Besides these two GDP decline figures for Germany and Poland, it should also be mentioned that the European Commission is forecasting -9.7 % for the UK, -10.6 % for France, -10.9 % for Spain, -11.2 % for Italy.
- [7] I intentionally would like to highlight one fact in all German economy articles and their reasoning of the recent decades: any comparison to the Netherlands is nowhere to be found. The Dutch economy seems to be doing also not too bad, comparable to the Polish, but the constant competition with their smaller Western but strong brother seems to spoil the storyline of shining heroes. As a reference for this, I recommend: <https://www.spiegel.de/wirtschaft/warum-die-wirtschaft-in-deutschland-besser-durch-corona-kommt-als-anderswo-in-europa-a-71ad3142-13eb-4457-92d1-a55aa6e9e182>

## ABOUT THE AUTHOR



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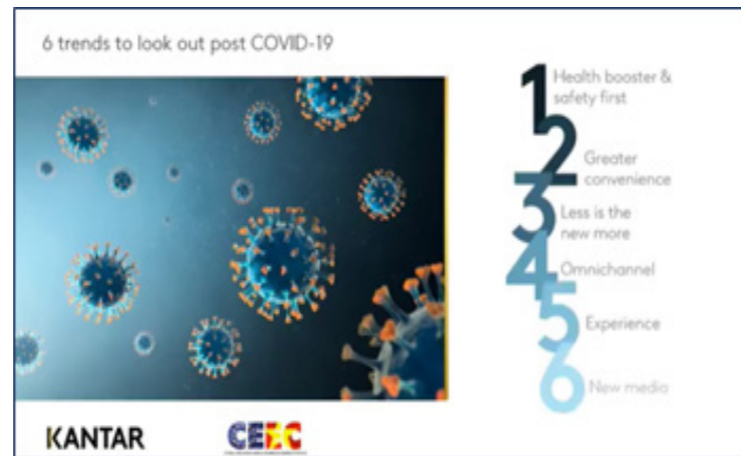
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# DOING BUSINESS IN VIETNAM 2020

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The main theme of the guiding book is the overview of the Vietnamese market and its most potential sectors, along with general information about CEEC.

For further information, the highlighted content includes:

- CEEC intro and contact information
- Vietnam political and economic outlook
- EU – Vietnam Free Trade Agreement (EVFTA)
- What are expected after the signing of EVFTA?
- Vietnam at a glance for business
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  - Education
  - Agriculture
  - Healthcare
  - Transport & Logistics
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FROM 6.30 pm

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*Every first Thursday of the month*

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We are pleased to invite you to join the event “Reconnecting Hanoi” on *Thursday, 8 October 2020 at the Bamboo Bar – Sofitel Legend Metropole Hanoi, 56 Ly Thai To/ 15 Ngo Quyen, Hoan Kiem District, starting at 6PM.* This edition will be co-hosted by the Central & Eastern European Chamber of Commerce in Vietnam (CEEC) and the Dutch Business Association in Vietnam (DBAV).

The entrance fee is **350,000VND**, including 1 drink, 1 beer, canapes and a chance to win our lucky draw gift.

Don't miss this opportunity for networking, good drinks, getting a surprising gift from lucky draw part and a lot of fun, so register **NOW** by sending your registration email to [office@ceecvn.org](mailto:office@ceecvn.org) (kindly be informed that the pre-registration is required)

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