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INTRODUCTION

MESSAGE FROM CEEC CHAIRMAN



Dear our Esteemed Members, Colleagues and Friends,

I’m pleased to meet you again and present you our Quarterly report, where you can find a quick look at the situation in Vietnam and our activities.

In March 2021, CEEC successfully conducted the Annual General Meeting (AGM) during which a new Board was elected. I’m pleased to continue my service as CEEC Chairman and would like to introduce to you the Board Members for 2021 in this Quarterly Report.

During the last quarter, we’ve organized an off-line Share&(L)earn event and co-hosted few webinars on different topics which, we believe, brought you some useful information. We continue to interview our corporate members and publish their stories in our “CEEC Debates” series. Through our communication project “Market insights”, which is a series of publications wrote each month, you can get an update on the most relevant topics. Few of them are in this Quarterly report.

Last but not least, our Board Member and Vice-Chairman of Eurocham, Mr. Minh Nguyen, joined a high-level meeting with Deputy Prime Minister Mr. Vu Duc Dam and Vice-Minister of the Ministry of Health Mr. Truong Quoc Cuong to discuss the fourth wave of the COVID-19 pandemic and Vietnam’s plans to roll out a vaccination program. We look forward to the mass vaccination program being implemented shortly and the finalization of the protocol for vaccinated investors, experts, and their families.

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. We will get back to you as soon as possible.



MARKO MORIC
Chairman of the Board

CEEC AGM AND CEEC BOARD



On March 18th, 2021 CEEC **Annual General Meeting (AGM)** took place. During this meeting, a new Board was elected. Following the AGM, at the first Executive Committee meeting, the Chairman, Vice-chairmen and Treasurer were elected. Meet our Board members below.

[Marko Moric](#) – representative of Pgf International – was re-elected as the CEEC Chairman

[Csaba Bundik](#) – individual member – was re-elected to be a Vice-chairman in Hanoi

[Vlad Savin](#) – Head of Business Development at Acclime Vietnam was elected to represent CEEC as a Vice-chairman in HCMC

[Minh Nguyen](#) – Partner in charge of Tax & Business Advisory Services of Mazars Vietnam was re-elected for a Treasurer position

[Christoph Schill](#) – individual member – Executive Committee Member

[Florian Beranek](#) – individual member – Executive Committee Member

[Lukasz Kozłowski](#) – CEO of MakeYourAsia – Executive Committee Member

[Ben Mandjak](#) – Head of Representative Office of CETA – Executive Committee Member

CEEC MET WITH THE POLISH EMBASSY IN HANOI

On Friday morning, 16th April 2021, CEEC Executive Committee Members in Hanoi had a meeting with Mr. Maciej Duszynski – Deputy Head of Mission and Mr. Alexander Nowakowski – Third Secretary at Embassy of the Republic of Poland in Hanoi.

In the meeting, we had a chance to introduce our upcoming plans as well as cooperation opportunities between the Chamber and Polish businesses. The topic related to the trade platform which the Chamber is working on, education, EVFTA and labor export situation.

Mr. Maciej and Mr. Alexander highly appreciated the effort of CEEC in supporting Member States' business in Vietnam. And we all look forward to another fruitful year in our cooperation.



THE INTERVIEW WITH VGP NEWS Massive vaccination is needed in Vietnam

In a recent interview with the Viet Nam Government Portal (VGP News), Mr. Csaba Bundik - our Vice Chairman, mentioned the impact of COVID-19 on socio-economy performance and emphasized the importance of massive vaccination in the pandemic fight.

Even though Vietnam has done an amazing job in COVID-19 prevention for over a year, still, the pandemic has been negatively affecting businesses.

Knowing that massive vaccination will be costly, Mr. Csaba Bundik suggested the private and public sectors should altogether offer financial support. Full interview in [here](#).



THE “CONNECTIONS FOR DEVELOPMENT FORUM 2021” High-quality personnel is an important factor to attract FDI

Speaking at the “Connections for Development Forum 2021” which was organized by the Vietnam Economic Review and the Ministry of Foreign Affairs on April 26, Dr. Vu Tien Loc, President of Vietnam Chamber of Commerce and Industry (VCCI), said that the preparation of high-quality human resources needs to be more active. Specifically, Dr. Loc said that FDI enterprises are extremely interested in the high-quality human resource which is still limited in many localities. Even when they accept the imported personnel from a third country like China, the procedure is also extremely difficult, which hinders businesses and needs to be resolved.

Sharing with Dr. Loc, Mr. Nguyen Hai Minh – EuroCham’s Vice Chairman and CEEC’s Executive Committee Member – said that many European businesses are planning to invest in Vietnam. In addition to big cities like Hanoi and HCMC, few localities have met the requirements to receive the capital such as Hai Phong, Quang Ninh and Bac Ninh; where high-quality personnel is a key factor apart from the policy. In terms of human resources, Mr. Minh shared that European enterprises are characterized by using high technology and having high industrialization, so they do not aim for cheap human resources. The locality that meets this quality will be the place we aim to.



Regarding investment capital, according to Mr. Minh, the resource from Europe is advanced capital and environment friendly. Therefore, the focus will be on the PPP sector in terms of infrastructure investment.

**ANNOUNCEMENT ON CONTINUATION OF PARTNERSHIP WITH
GEBRÜDER WEISS**



CEEC is very pleased to announce that Gebrüder Weiss will continue to be a CEEC Official Logistics Partner for 2021.

Gebrüder Weiss is the partner for holistic logistics solutions – from Europe to Asia. With about 7,000 employees, 150 company-owned locations and an annual turnover of 1.55 billion euros (2017), Gebrüder Weiss rank among Europe’s leading transport and logistics companies. In addition to its core business of land transport, air & sea freight, and logistics, the company operates a number of highly specialized industry solutions and subsidiaries under the umbrella of Gebrüder Weiss Holding AG, based in Lauterach (Austria).

CEEC would like to express its sincere thanks to Gebrüder Weiss for their confidence in the operation and development of the Chamber. More information about the company can be found [here](#).

**ANNOUNCEMENT ON PARTNERSHIP WITH
HOME CREDIT FINANCE LIMITED VIETNAM**

**HOME
CREDIT**

Dear CEEC Members, Partners, Friends,

On behalf of CEEC Executive Committee Members, I am very pleased to announce [Home Credit Finance Limited Vietnam](#) corporate partnership with CEEC for the year 2021/2022.

The Czech-backed consumer financial product provider started operation in Vietnam in 2008, is a leading mass-market consumer finance provider in the market with 3 outstanding benefits for customers: fast, convenient and friendly. With more than 6,000 employees nationwide, Home Credit has served 12 million customers in Vietnam with 03 main products: Instalment loans to buy motorbikes, Instalment loans to buy consumer durables, and Cash loans.

Through our corporate partnership, we hope to further collaborate with each other in different aspects. CEEC will bring the company’s brand name closer not only to the CEE community but also to all our Vietnamese friends and partners, hence all our Europeans living in Vietnam through our events and CEEC’s and EuroCham Vietnam’s Communication Channels.

On this occasion, I also would like to present my sincere thanks to Home Credit Vietnam for their confidence in the operation and development of the Chamber. We will deliver our best services as your Chamber and perform a great supporting role as your Partner.

Kind Regards,

MARKO MORIC
Chairman of the Board

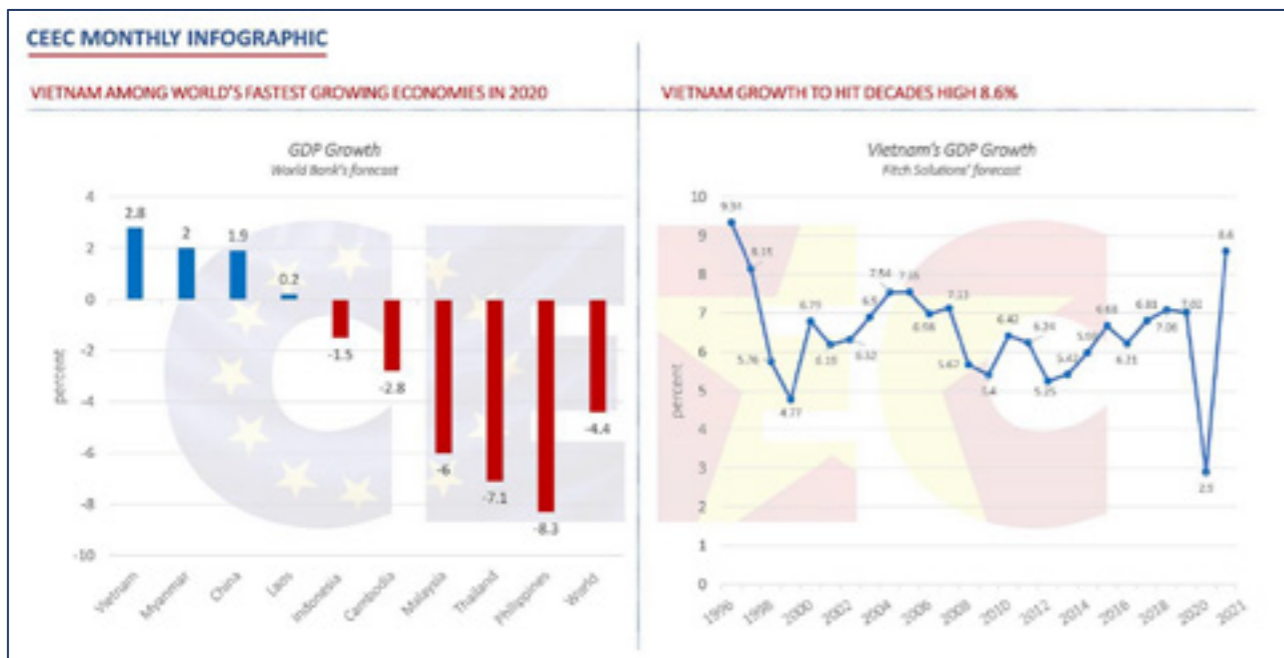
CEEC MONTHLY INFOGRAPHIC NO.6

Vietnam's GDP growth

The EVFTA is an ambitious pact providing almost 99 percent of the elimination of customs 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.

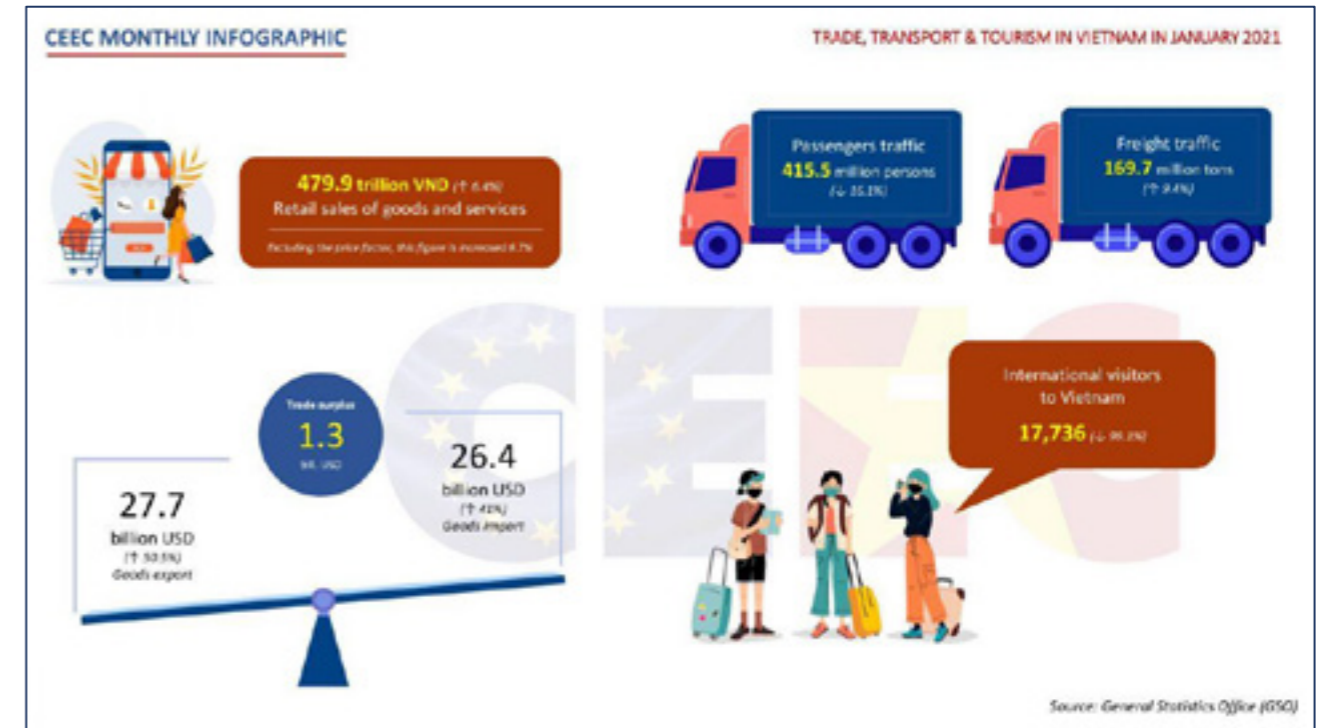
According to World Bank's report, with a GDP growth of 2.8%, Vietnam will be among the fastest-growing economies in a Covid-19-ravaged world in 2020. The country will be one of only 3 nations in Asia that posted positive growth last year, the others being China and Myanmar. Although its 2.8% growth is lower than 2019's over 7%, Vietnam is still a bright spot as the global economy is set to contract 4.4%, the report says.

In 2021, the market research firm Fitch Solutions has forecasted Vietnam's GDP will expand by 8.6% – the highest in over two decades. Growth will be driven by industrial production and construction, supported by growing external demand following the commencement of the EVFTA and the UKVFTA last year, Fitch Solutions said in a report.



CEEC MONTHLY INFOGRAPHIC NO.7

Vietnam's trade, transportation and tourism situation on January 21



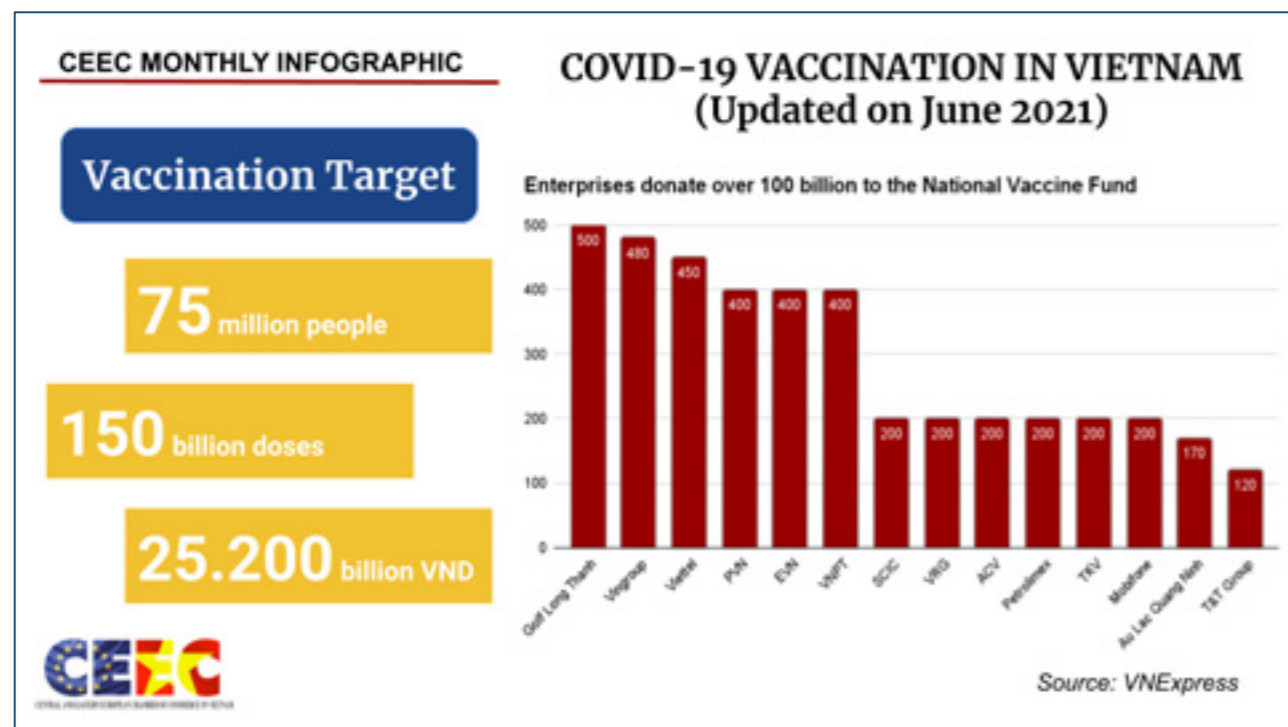
The infographic illustrates the downward trend of passenger traffic and the upward trend of freight traffic in January 2021. In specific, both the amounts of goods in importing and exporting witnessed a significant increase, standing at 41 percent, 50.5 percent, respectively, resulting in a 1.3 billion USD trade surplus.

However, tourism was impacted severely. Due to the requirement for social distancing in order to prevent virus transmission, the country's border has been closed indefinitely leading to the number of overseas visitors fell at 99.1 percent. The social distancing went on for weeks, raising the need for stockpiling commodities. As a result, supplying goods and services increased at a pace of 6.4% to meet the demand, generating total revenue of 479 trillion VND.

In short, commerce remained its high volumes of transportation while the tourism suffered heavy losses during the Covid-19.

CEEC MONTHLY INFOGRAPHIC NO.8
Covid-19 vaccination in Vietnam (Updated on June 2021)

Due to the new Covid-19 wave in Vietnam and its negative impacts, the vaccination program has been the central topic in recent weeks. Our infographic this month provides you some updates on the Covid-19 vaccination in Vietnam.



Aiming to vaccinate 75 million people, 150 million doses are needed, and the budget is estimated at 25.200 billion VND. Therefore, the Covid-19 Vaccine Fund has been launched, expecting to get enough funds for the vaccination program.

The Covid-19 Fund received contributions and commitments to support from organizations, enterprises, ministries, and localities at the Fund’s launch ceremony on June 5. Especially, many enterprises donated over 100 billion VND for the Fund (details can be found in the chart above). Marking themselves as a top donator, Golf LongThanh contributed 500 billion VND to the Fund. Vingroup – the largest conglomerate in Vietnam, donated 480 billion VND. Other big names such as Viettel, PVN, EVN and VNPT also gave support by contributing around 400 billion VND.

CEEC MARKET INSIGHTS NO.5
“Export from the Czech Republic to Vietnam”



The Czech Republic and Vietnam already have a close trading relationship. Economic cooperation is, without doubt, the most dynamic field of bilateral relations between two countries. Vietnam is one of the most important trading partners of the Czech Republic in South East Asia. The bilateral trade has been growing steadily and the trade volume already exceeded 1 billion US dollars.

Table 1: Products exported from the Czech Republic to Vietnam in 2018

Product Group	Export (US\$ Thousand)	Export Product Share (%)
Animal	857.37	0.61
Chemicals	8 529.03	6.05
Food Products	4 381.16	3.11
Footwear	40.4	0.03
Fuels	1.15	0
Hides and Skins	158.27	0.11
Machinery and Electronics	88 079.18	62.5
Metals	3 317.54	2.35
Minerals	64.59	0.05
Miscellaneous	15 116.49	10.73
Plastic or Rubber	8 447.08	5.99
Stone and Glass	3 738.47	2.65
Textiles and Clothing	794.41	0.56
Transportation	1 147.82	0.81
Vegetable	3 209.86	2.28
Wood	3 034.67	2.15
All Products	140 917.48	100

Exports from the Czech Republic to Vietnam reached over US\$140 million in 2018, an increase of 32.7% compared to 2017, according to the statistics released by The World Integrated Trade Solution (WITS) - World Bank.

The main products exported from the Czech Republic to Vietnam include Machinery and Electronics with a total value of over US\$ 88.08 million, which accounts for 62.5 % of the total export product share. They are followed by Miscellaneous, Chemicals, Plastic and Rubber with total values of nearly US\$15 million, US\$8.53 million and US\$8.45 million respectively.

Other export products include Food Products, Metals, Stone and Glass, Vegetable, Wood with a total value of more than US\$3 million each.

Table 2: Details of goods export to Vietnam from the Czech Republic in August 2020 and accumulated in the first 8 months of 2020

Main products	Value in August 2020 (US\$)	Compared to July 2020 (%)	Value accumulated in the first 8 months of 2020 (US\$)
Machinery, equipment, tools and spare parts	6 556 442	81	37 369 392
Others	3 123 793	-52	31 326 720
Computers, electronic products and components	991 837	57	9 039 454
Iron and steel products	304 767	120	3 290 416
Chemicals	70 043	-85	2 839 372
Total	11 046 882	-3	83 865 353

According to the data from the General Department of Vietnam Customs, exports from the Czech Republic to Vietnam reached US\$11 million in August 2020 - one month since the effectiveness of the EVFTA, and the total value reached nearly 84 million in the first eight months of the year. It can be clearly seen from the table that the trade agreement initially has a positive effect on Czech export values to Vietnam.

Machinery, equipment, tools and spare parts still are the key products that the Czech Republic exports to the Vietnamese market with a total value of more than US\$ 6.55 million.

The effects of the COVID-19 pandemic are particularly acute for Czech Republic's export-reliant economy. Most of the Czech Republic's top products registered lower exports in first 8 months of 2020 compared to the same period last year. However, figures indicate that these losses were relatively mild and that Czech Republic's goods are still in demand.

Import of iron and steel products from the Czech into Vietnam in August 2020 increases by 120% compared to July, which is promoted by the reduction or elimination of tariffs and non-tariff barriers.

Economic experts of the Czech Republic believed that the EVFTA will generate big opportunities for the two countries to expand bilateral economic and trade ties as, under this agreement, almost all tariff barriers will be gradually removed. This will help Czech businesses to boost exports in the fields they have strength in like textile-garment, glass, automobile, mechanics, electronic technique, food and chemical manufacturing.

Vietnam's economic situation does not seem to be dramatically affected by the COVID-19 pandemic. Vietnam has not resorted to a blanket curfew but has targeted measures at specific areas with the disease, keeping the economy going.

According to the Czech Republic's Foreign Ministry, the EVFTA will help increase the country's exports of mechanical products to Vietnam by over 30% in the next few years, and Czech enterprises will also have chances to engage in public procurement in Vietnam. In terms of investment, many Czech companies have considered relocating factories to Vietnam after the COVID-19 epidemic. Vietnam has been a promising destination since the wave of factory relocation from China began.



About the author:

Ivan Nikl
Regional Director of India and SE Asia
Head of Office at CzechTrade Vietnam

CzechTrade is a Government trade promotion agency of the Czech Republic. Its main objective is to develop international trade and cooperation between Czech and foreign entities.



CEEC MARKET INSIGHTS NO.6

“Buying an existing company in Vietnam. Risks and issues for investors.”

International investors and entrepreneurs commonly undertake direct investments in existing companies in Vietnam, however, as with any investment, care needs to be taken. When assessing the value and risks of a potential acquisition target, there are processes and actions that should be considered and included as core elements of the assessment and transaction processes.

In this article, we look at key issues that arise in transactions in Vietnam, risks that should be considered and reviewed, and procedures for structuring and protection when undertaking transactions.

Issues to consider

When buying or investing in an existing business in Vietnam, investors should consider macro-level corporate issues such as governance, strategies and organisational culture, as well as more specific elements such as operations, procedures and the underlying risks related to the business.

Some of the key areas to consider in the initial planning when assessing an investment, include:

Tax: Investors should focus on assessing historical tax compliance, internal processes, commercial and corporate structures, and recent tax inspections. Strategies may need to be put in place to avoid any future unforeseen tax liabilities arising;

Financial: Investors should pay attention to the financial statements of the target, looking at these from a local compliance perspective, the translation to international accounting standards and the normalisation of earnings. They should also be reviewed to understand the reliability of growth forecasts, cash flow implications, returns on investment, and the exit potential for the company;

Employment: Investors should be familiar with how employees are managed within the organisation and assess the impact/needs of labour within any new business structure, as Vietnamese laws don't always provide flexibility in labour management/dismissal for which the new owners may wish to pursue. Issues also arise when the employees of the target company refuse to accept the new management style or operational strategy undertaken by the acquirer;

Legal: Investors need to have sufficient information and clarity about the legal documentation and compliance of the business, business lines and restrictions, ownership agreements, asset ownership, leases and commitments, property matters, outstanding legal claims and potential warranty issues;

Compliance: The accounting, tax and statutory compliance obligations of a company in Vietnam are time-consuming and complicated, especially in comparison to more developed countries. The requirements are ever-changing, with a significant number of lodgements required on a monthly, quarterly, half-yearly and annual basis. Understanding and staying on top of the compliance obligations specific to the target company is critical for the investor;

Commercial: Investors should delineate wider commercial issues related to the company's transactions, customers, suppliers, market positioning and competitive analysis;

Licensed activities: Understanding the licensed activities of the business, and any impacts of these on a change in ownership (ie restrictions for foreign investors). Further, future plans should be considered so that appropriate licenses are obtained (including sub-licenses and conditions), and knowledge that future plans can be delivered within existing regulations and laws.

Mitigating risks with investments

Investors are advised to take care when undertaking transactions, by using appropriate tools and resources to mitigate risks associated with the acquisition process. Three cornerstone elements of transactions are highlighted below, and these should be considered critical in the early stages of undertaking the acquisition of a target entity in Vietnam:

Structures: Investors should review the current entity/investment structure and consider whether it is appropriate to restructure the business as part of the acquisition. This may include incorporating a new Vietnamese entity for the acquisition process to mitigate compliance risks with existing entities, or creating an appropriate offshore structure for future optional transaction, treasury or operational needs.

Valuation: Rational and fact-based assessment of the target business is critical in determining the purchase price and ensuring the price is aligned with the level of integration or acquisition risk. This can be an external or internal process, however, a formal process should be undertaken, with generalized assumptions on value avoided.

Due Diligence: One of the key tools to mitigate structural and commercial risks for an investor is the Due Diligence process. To understand a target adequately, an investor needs to have a general overview alongside a detailed analysis of the entity, allowing an understand existing and potential risks, and to ensure investors truly know what they are acquiring. By performing a combination of financial, legal and commercial due diligences, investors receive constructive input for the valuation of the target company as well as positioning the buyer in the best possible negotiating position, and facilitate a compliant and smooth business integration after acquisition, minimising the impact of identified risks any future potential risks.

The role of due diligence in Vietnamese transactions?

Due Diligence is the process of investigating all aspects of a target company – finance, production and technology, legal, technology, human resources and culture and compliance in order to assess whether the initial perception of the target company is accurate, identifying risks and dependencies in the business, and to held the investor “qualify” whether to proceed with an acquisition process and establish its underlying value.

As a key transaction function, the Due Diligence process enables the investor to estimate how the acquisition will affect the efficiency of the internal business processes and the development of new capabilities/capacity, which are generally critical elements for achieving strategic goals and ultimately increasing shareholder value.

From a risk perspective, undertaking Due Diligence represents the underpinning of the M&A process, as it provides an independent scan of underlying issues and existing risks and discrepancies in the company's operations and structure, revealing the most significant aspects which need to be dealt with for a successful pricing, acquisition and integration process.

Buyer protections and negotiations

When structuring a transaction, buyer protections are important and a potentially difficult discussion with the existing owners. Where risks or compliance matters are identified, putting in place an appropriate ability to protect through price reductions or deferred payments can be difficult as vendors may not perceive the same level of risk or need.

Therefore, the negotiation process and understanding expectations of both sides is important throughout the process. Quite often it is difficult to put the same level of protections in place that may exist in other markets, but careful negotiations and creative structuring can usually provide a similar level of protection that is acceptable for all parties.

About the author:



Vlad Savin – Vice-Chairman CEEC Vietnam

Vlad Savin 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 that supports investors with market entry, licensing, incorporation, compliance and tailored advisory services.



CEEC MARKET INSIGHTS NO.7
“High-tech success resting on investment”

Vietnam is a fertile ground for high-tech development, for both domestic and international tech companies. The population is young, well-educated, and digitally literate. Smartphone and internet penetration rates, for instance, outperform many other countries around the region and the wider world.

For this reason, many European enterprises – including those in EuroCham’s active Digital Sector Committee – have decided to base their operations here to take advantage of Vietnam’s infrastructure, labour force, and future growth potential. The EU-Vietnam Free Trade Agreement (EVFTA) should increase Vietnam’s potential in the high-tech market. This landmark agreement will further liberalise the country’s service sector and open up new industries to European investment and innovation. This, in turn, will increase not just capital flows but also – perhaps more importantly – international experience and knowledge transfer from high-tech European companies to their partners in Vietnam.

In the long run, EU companies will also engage more in shifting their supply chains to Vietnam which could result in more EU production in the country, using EU high technologies and standards. With all these advantages, Vietnam has a huge potential in the high-tech sector, which could be one of the country’s growth markets in the future; one which will be boosted by the government’s digitalisation agenda and its investment in new and upgraded telecommunications infrastructure.

But the success of high-tech industries will not just happen through government action alone. Investments from the private sector will also have an important role – and to facilitate and encourage that trend, tax incentives have been a key. According to tax regulations, income tax incentives for high-tech companies include four years of tax exemption, nine years of a 50-percent tax reduction, and a 10-per-cent tax rate for 15 years. The companies have to meet certain criteria to qualify as high-tech enterprises as set out in the Law on High Technology, the Law on Investment, and also some specific minimum thresholds under a decision of the prime minister such as revenue from such products and total spending and labour involved for research and development (R&D).

The prime minister has just signed Decision No.10/2021/QDTTg, dated March 16 that replaces an earlier decision on guiding criteria for high-tech enterprises. In which, companies have to meet the following conditions: (i) Revenue from hitech products must be at least 70 percent of total annual net revenue; (ii) The ratio of total spending for R&D (including certain types of expenses) over a total net revenue minus input value of materials and components must be at least 0.5 percent for companies with more than VND6 trillion (\$250 million) and more than 3,000 labourers, 1 percent for companies with more than VND100 billion (\$4.2 million) in capital and more than 200 labourers, and 2 percent for smaller companies; (iii) The ratios of R&D labourers over total labourers are 1 percent, 2.5 percent, and 5 percent for the above-mentioned types of company, respectively.

In general, the criteria set out in Decision 10 sound similar to the previous decision. However, they include more detailed guidelines to avoid misunderstandings and arguments between authorities and firms. For instance, the R&D spending includes depreciation of infrastructure, fixed assets; regular spending for R&D; training, support in training for R&D labourers of companies, science and

technology organisations, training organisations in Vietnam; royalty, transfer of ownership and usage rights of intellectual property for R&D; and many more. This is a significant development of Decision 10 that could help clarify the type of expenses that can be utilised for defining R&D spending.

Nevertheless, there is still one point that needs further clarification – the ratio of total R&D spending over “total net revenue minus input value of materials and components”. The decision was not clear on whether the input value only covers the materials and components that are recorded in the cost of sales in the year.

In short, Decree 10 should encourage companies to invest in R&D and in the development of high-tech products. In order to unlock the full potential of the country’s high-tech sector, however, Vietnam should leverage the experience of its international partners.

About the author:



Minh Nguyen – Executive Committee Member CEEC Vietnam

Nguyen Hai Minh is Partner in charge of Tax & Business Advisory Services of Mazars Vietnam. With more than 12 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.

CEEC MARKET INSIGHTS



CEEC MARKET INSIGHTS NO.8 Fintech in Vietnam: Market access and conditions

Financial Technology (“Fintech”) is one of the fastest-growing business sectors globally, with Vietnam at the forefront of Fintech growth. Fintech targets a diverse customer base, from individuals to enterprises, banks, non-government organisations (NGO), public authorities, and so forth.

Fintech has become an integral part of financial activities for individuals, starting with traditional activities usually undertaken by banks such as payments, lending, wealth management, and Point-Of-Sale (POS), and continuing with new business models developed through the introduction of new technologies such as blockchain, insurtech and digital banking.

General discussion on Fintech

While the opportunities for growth are substantial for international investors seeking to enter the financial technology sector in Vietnam, it is important for foreign investors to be aware of the conditions, limitations and particular licensing provisions before setting out a defined market entry strategy.

In Vietnam, Fintech companies received \$410 million, or 36% of the total global capital invested into Southeast Asia’s Fintech economies, between January and September of 2019, only behind Singapore. This further outlines the foreign investors’ consistent interest in the Fintech business in Vietnam.

Below is an analysis of selected prominent Fintech activities in Vietnam from a licensing, commercial and legalistic perspective, covering business conditions as well as licensing procedures:

- Payment Intermediary Services, including:
 - Electronic Payment Gateway Services
 - E-Wallet Services
- Peer-to-Peer Lending (P2P Lending)

Electronic Payment Gateway Services

Electronic Payment Gateway Services are services providing technical infrastructure to connect between the payment acceptance units (*the Sellers*) and banks (*where the Purchasers have owned their payment account*), in order to assist customers to make payments in e-commerce transactions, electronic bill payments and other electronic payments.

The platform acts as a bridge between the purchaser and the seller in electronic transactions, enabling clients to make non-cash payments quickly and conveniently and keep their personal information secure.

In Vietnam, some of the more popular electronic payment gateway service providers include:

- <https://vnpay.vn/>
- <https://www.payoo.vn/>
- <https://www.smartlink.com.vn/>
- <https://www.nganluong.vn/vn/home.html>

Electronic wallet service (e-Wallet service)

Pursuant to Decree 101/2012/ND-CP of the Government, an E-wallet service is regulated where “a provider of payment intermediary services provides a client with a nominal electronic account on an information carrier (*such as electronic chip, mobile phone sim, computer, etc.*) that enables the client to store a sum of money in the form of a deposit equivalent to the sum of money transferred from the customer’s payment account at a bank to a secured payment account of the provider of digital wallet service with the ratio of 1:1.”

E-wallets in Vietnam are growing widely and are used to pay for goods and services at supermarkets, convenience stores, e-commerce websites (*such as Shopee, Lazada, Tiki*), or other applications and software (*such as Grab, Spotify, Delivery Now*). At the same time, e-wallets are supported by incentivised users due to frequent promotions, discounts and points accumulation.

Popular e-wallet service providers in Vietnam include:

- <https://momo.vn/>
- <https://www.moca.vn/>
- <https://airpay.vn/gioi-thieu/>
- <https://zalopay.vn/>

Market access limitation under WTO commitment and Business Line registration

With regard to market access regulations for foreign investors entering Vietnam applicable to the provision of intermediary payment services, these activities have not been committed by the Vietnamese authorities under the WTO Commitment. Accordingly, after receiving an investment project registration application from foreign investors, the licensing authority needs to consult the relevant Ministries in regard to permitting investors to undertake activities in-country. That said, there are currently no regulations or conditions regarding foreign investors’ ownership limitations when establishing entities in Vietnam operating with intermediary payment services.

In practice, we have seen a number of foreign-invested companies in Vietnam obtaining approval from the licensing authorities to perform intermediary payment services under their approved business lines. One of the most common business lines which are relevant for companies providing Payment Intermediary Service is

VSIC CODE	BUSINESS LINE
6499	Other financial service activities not elsewhere classified (except for insurance and social insurance)

However, the foreign investors must still seek Ministerial approval in order to be eligible for the provision of this specialised service in Vietnam, as it is not specified in the WTO Commitment, thus the application process may take several months or more before any approval is granted.

Local companies owned by Vietnamese citizens, despite the fact that they are not required to seek market access approval as their foreign-invested peers, may encounter challenges regarding the statutory conditions which need to be satisfied in order to be able to legally operate their business.

Operational conditions and sub-licenses

Vietnamese law allows both bank and non-bank organisations to provide Intermediary Payment Services. However, non-bank institutions (*to simplify, ordinary Vietnamese companies in the majority of cases*) can only be allowed to undertake the payment intermediary service after attaining a Provision of Payment Intermediary Services (“**License**”) from the State Bank of Vietnam (SBV).

The prime condition to attain the License is the requirement for minimum charter capital of at least 50 Billion Vietnam Dong. In addition, the company must satisfy the following prerequisites:

- Have the scheme to provide intermediary payment service
- The legal representative, General Director (Director) of the organisation applying for the license is required to have a university degree or higher or have at least 3 years working experience in one of the fields of business administration, economics, finance, banking, law; and
- Have material facilities, technical infrastructure, information technology systems, technology solutions appropriate to the requirements of the provision of intermediary payment services. The backup engineering system has to be built independently of the main system to ensure the safe and continuous provision of services (in case the main system is compromised) and comply with specific regulations on ensuring safety and system confidentiality of banking and financial information.

As of October 2020, there are 41 licensed service providers in Vietnam approved by the State Bank of Vietnam, including [Napas](#), [Viettel Pay](#) and [FPT](#).

Below is an illustration of the procedure for obtaining the Payment Intermediary Services (“**License**”)

LICENSE NAME	LICENSE FOR PROVISION OF PAYMENT INTERMEDIARY SERVICES
Services to be applied	<ul style="list-style-type: none"> • Electronic Payment Gateway Service • E-wallet Service etc
Authority	State Bank of Vietnam (SBV)
Lodgement	The company submit several sets of documents by post or directly to the SBV
Timeline	Approval within 60 days after the authority receives the complete and valid application file
Validity	The license is valid for 10 years from the date it was issued by the SBV and may be requested again at least 60 days before the expiry date

Peer-to-peer lending

In addition to the foreign investments flow into the Payment Intermediary Services sector, peer-to-peer lending (P2P Lending) is a widely used service enabled by the growing digital market transformation where all monetary transactions are supported by technology. That being said, despite the rapid, global development of this new financial service, in Vietnam the relevant regulations and laws governing businesses that facilitate peer-to-peer lending (P2P Lending Companies) are still limited.

Until this day, there is no legal definition for “P2P lending” in any relevant Vietnamese legal document, or any specific decree and or circular which regulates the activities of companies (local-invested and foreign-invested) providing P2P platforms/apps in Vietnam.

Market access limitation under WTO commitment

Pursuant to WTO Commitments between Vietnam and other members of WTO, P2P Lending is not mentioned as part of “Banking Services and Other Financial Services”. Specifically, Section 7.B of the WTO Commitment listed the following activities to be governed by this commitment:

- Acceptance of deposits and other repayable funds from the public
- Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction
- Financial leasing
- All payment and money transmission services, including credit, charge and debit cards, traveler’ cheques and bankers drafts
- Guarantees and commitments
- Trading for own account or the account of customers, whether on an exchange, in an over-the-counter market, or otherwise, the following:
 - Money market instrument (including cheques, bills, certificates of deposits)
 - Foreign exchange
 - Exchange rate and interest rate instrument including products such as swaps, forward rate agreements
 - Money broking
 - Assets Management
 - Settlement and clearing services for financial assets
 - Provision and transfer of financial information, and financial data processing and related software by suppliers of other financial services
 - Advisory, intermediation and other auxiliary financial services on all activities listed in subparagraphs from (a) to (k), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and corporate restructuring and strategy

Therefore, regarding the ability of foreign investors to access the market in this sector, as there are currently no specific instructions or agreements in place to regulate peer to peer lending, foreign investors entering this sector in Vietnam are required to seek investment approval from the relevant Ministries and follow the process to obtain the investment license, before the P2P Lending entity can be established in Vietnam.

Business line registration

The operational scope of a P2P Lending business is to create an environment/platform for individuals with capital (lenders) and those who need capital (borrowers) to exchange and provide currency/capital transactions between each other without going through the banking system. Therefore, P2P Lending companies in fact, unlike companies in the financial services business, provide a digital technology platform instead of providing money/loans.

According to public records, most of the P2P Lending companies operating in Vietnam are domestic companies, however, foreign investors are increasingly participating in the market in a proactive, participatory manner. P2P Lending service companies should register appropriate business lines, commensurable with their activities, as follows:

VSIC CODE	BUSINESS LINE
6619	Activities auxiliary to financial service activities not elsewhere classified
6312	Web Portals
7020	Management consultancy activities <i>Detail: Financial management consultancy</i>

However, there is still no legal and regulatory basis to conclude that the 3 above-mentioned business lines registered by domestic P2P Lending companies are reasonable and sufficient from the point of view of the relevant authorities.

In Official Letter No. 5228/NHNN/CSTT dated 8 July 2019 of the State Bank of Vietnam, the SBV affirmed about this activity: “*In Vietnam, some companies have registered their business lines as financial advisory, financial brokerage and self-introduction as P2P Lending companies providing services to connect investors and borrowers; however, the current Vietnamese law does not have regulations on P2P Lending activities yet*”.

Therefore, it can be understood that, at present, there is no specific business line for P2P Lending Companies to register under the Vietnamese laws.

P2P lending future in Vietnam and the Fintech experimental mechanism (‘Sandbox’)

According to Official Letter No. 5228 of the State Bank, SBV also stated that P2P Lending activities can contribute to promote the popularisation of finance, expand capacity and create more channels to access financial resources, lending methods, especially for disadvantaged groups in the society but with access to the internet; thereby, P2P lending may contribute to repel the “black credit” situation. However, P2P Lending activities present significant risks for consumers (lending risks, information risks, money laundering prevention risks, cybersecurity risks, etc.) that can adversely affect the stability of the markets and social security.

The State Bank of Vietnam is concerned that P2P Lending enterprises may be operating “beyond their authority” when undertaking a form of “banking operations” under Article 8 of the Law on Credit Institutions 2010 and it encourages banks and credit institutions to be cautious when signing cooperation contracts with P2P Lending companies. This further shows that P2P Lending activity in Vietnam is still strictly monitored by the authorities, resulting in a more difficult licensing process for foreign investors seeking to operate in this industry in Vietnam.

In response to the requests from both enterprises and relevant authorities to create a regulation mechanism for P2P Lending companies to legally provide services in Vietnam with clear guidance, the Government announced in 2020 that it is preparing a draft decree on a controlled experimental mechanism for financial technology activities in the banking sector (Fintech Experimental Mechanism) which is well-known in other countries as a “sandbox”. Accordingly, the Government will allow Fintech investors to provide Fintech services in specific areas in Vietnam within a definite time frame. After the testing period, the investor will receive approval from the State Bank of Vietnam to provide full services across the entire country of Vietnam. However, the draft decree has yet to be passed and we expect the government will release further guidance on these matters by the end of 2021.

Recommendation

We recommend international investors active in the fintech sector continue to monitor the developments within the regulatory digital transformation framework in Vietnam and be aware of the above prerequisites for market entry provisions and conditions before setting out a long-term investment strategy in-country.

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**CEEK MARKET INSIGHTS NO.9
Rules of origin under EU -
Vietnam Free Trade Agreement
(EVFTA) practice**

Free Trade Agreements (“FTA”) cover many elements of bi-lateral relationships between countries, however, one of the most important outcomes is in respect to the trading of goods and products.

In respect of goods and product trade, understanding and implementing the *Rules of Origin* is one of the most substantial prerequisites of the EU-Vietnam Free Trade Agreement (“EVFTA”) and awareness of the underlying factors that determine the rules of origin of a good or a product which is traded between Vietnam and the EU is critical. International investors should have a clear understanding of the terminology used in the treaty to define proof of origin, processing scale, originating materials, wholly obtained goods and other relevant terms, as well as the approval process and certifications that need to be obtained in order to prove the origin of a specific product.

In the following article, we seek to delve into the specific criteria of origin and how the certification and inspection of origin are performed, providing practical insights which can be used as a guide to gain a deeper understanding of the trade of goods between the EU and Vietnam.

An introduction on the Origin of Goods and Products

The following products are considered as originating in a Party (i.e. Vietnam or EU):

1. Products fully obtained in a Party (i.e. Wholly Obtained Product)
2. Products obtained in a Party by incorporating materials which have not been fully obtained there, provided that these materials have undergone sufficient processing alteration work (i.e. Sufficiently Processed Products)

Wholly Obtained Products in a Party are considered:

- Mineral products extracted from their soil or their seabed
- Plants and vegetable products grown and harvested or gathered there
- Live animals born and raised there, and products from them
- Products obtained by hunting or finishing conducted there
- Products of the aquaculture, where the fish, crustaceans and molluscs are born or raised there
- Products of sea fishing taken from outside any territorial sea by its vessel and made aboard the ship exclusively from the same products
- Products extracted from the seabed or below which are situated outside any territorial sea but where the Party has exclusivity on exploration rights
- Waste resulted from manufacturing operations conducted there
- Goods produced there exclusively from the products specified above

Sufficiently Worked or Processed Products are defined as products that are not wholly obtained but are considered to be sufficiently worked or processed when certain conditions specified in the Agreement are met. These conditions indicate, for all products in this Agreement, the working or processing level which must be carried out on non-originating materials used in manufacturing and apply only in relation to such materials. Sufficient processing refers to:

- Processing a maximum content of non-originating materials which should not be exceeded
- Through the processing action, the HS heading/subheadings of the manufactured products become different than the HS codes of the materials that were used
- A specific processing operation is carried out
- Processing is carried out on certain wholly obtained products

Non-originating materials can be used in the manufacturing of a given product provided that their total value or net weight assessed for the product does not exceed 10% of the weight of the product or ex-works price (except processed fishery products), and the agreement provides specific product HS codes for a wide variety of cases.

International investors face challenges from the authorities in proving the origin of a product when they are not aware or purposefully do not consider the level of processing required so that these products are altered and modified enough to be considered sufficiently processed so that they can benefit from the origin certification in Vietnam or EU and apply the preferential trade tariffs. In cases that may be more prevalent within Vietnamese supply chains, factories may apply minor changes to a product non-originating in the country in hopes to convert it into a 'new' product which can essentially be considered as originated from Vietnam, however, there are specific rules and regulations to stop these practices from the outset.

The following operations are considered **Insufficient Work or Processing** when conferring the status of origin of a product, and should be carefully assessed by the manufacturing businesses to ensure they are in line with the requirements set out in the EVFTA:

- Preserving operations to ensure the product remains in good condition during storage and transport
- Breaking-up and assembly of packages
- Washing, cleaning, using paint or other coverings, polishing operations
- Ironing or pressing of textiles and textile articles
- Husking or partial/total milling of rice, polishing cereals
- Colour or flavour sugar, milling of crystal sugar
- Peeling, sheeling fruits, nuts, vegetables
- Sharpening, grinding and simple grinding
- Sifting, screening, matching and sorting
- Simple packaging in bottles, cans, cases, flasks, boxes or other simple packaging operations
- Affixing or printing marks, labels, logos or other distinguishing signs on products or their packaging
- Simple mixing of products, whether or not they are different kinds
- Simple addition of water, dilution or denaturation of products
- Simple assembly of parts of articles to constitute a complete article, or disassembly of products into parts
- Slaughter of animals

Proof of Origin and key elements to be considered

Generally, a Proof of Origin is comprised of two main components: Certificate of Origin and Origin Declaration.

Products originated in the European Union which are imported into Vietnam will be entitled to the tariff benefit stated in the EVFTA upon the submission of any of the following proof of origin documents:

- A Certificate of Origin which is in accordance with the Protocol
- An Origin Declaration prepared in accordance with the Protocol by an approved exporter for any consignment regardless of its value, or by any exporter for consignments where the total value does not exceed EUR 6000
- A Statement of Origin prepared by exporters registered in an electronic database in accordance with the relevant legislation of the European Union (after the EU has notified Vietnam that such legislation applies to its exporters)

Consequently, products originated in Vietnam which is imported into European Union will be entitled to the tariff benefit stated in the EVFTA upon the submission of any of the following proof of origin documents:

- A Certificate of Origin which is in accordance with the Protocol
- An Origin Declaration prepared in accordance with the Protocol by any exporter for consignments where the total value is to be determined by the legislation of Vietnam and which does not exceed EUR 6000
- A Statement of Origin prepared by exporters approved and registered in accordance with the relevant legislation of Vietnam (after the EU has notified Vietnam that such legislation applies to its exporters)

The **Origin Declaration** is required to be prepared by the exporter based on the relevant invoice, the delivery note, or any other commercial documents which describe the products concerned in sufficient detail to enable them to be properly identified. The form of the declaration is either a type form as a printed document which is signed and stamped using a specific format in accordance with the provisions of the domestic law of the exporting Party, or a hand-written declaration, which must be in capital letters.

Exporters from the European Union and Vietnam can apply to the relevant authorities for the status of **Approved Exporter**, which enables them to export consignments under the Agreement and prepare Origin Declarations irrespective of the value of the products concerned. The relevant authorities may grant the status of approved exporter subject to any conditions specified in the domestic legislation which they consider appropriate, and will provide an authorization number which is required to be stated on the Origin Declaration.

Guidance of the General Department of Customs of Vietnam and how does the Origin Declaration work in practice

Under the provisions of the Agreement, the European Union commits to apply the self-certification of origin of goods submitted on the Registered Exporter System (REX). Therefore, Vietnam will allow any incentives gained from the self-certification of origin issued by registered exporters (with REX) codes or by any exporter with goods not exceeding EUR 6000.

In Vietnam, exporters are able to fill in the electronic form available at the address www.ecosys.gov.vn for the certificate of origin issued by the authority designated by the Ministry of Industry and Trade or the self-certificate of origin.

In order to claim the preferential tariff treatment in accordance with the provisions of the EVFTA, the Proof of Origin documents are required to be submitted to the Customs Authorities of the Importing Party in accordance with the procedures applicable in that Party, and a translation may be required if the proof of origin is not issued in English.

Exemptions from the Proof of Origin provisions

Products represented by small packages sent by private individuals to private individuals or part of travellers' personal luggage are admitted as originating products without requiring the submission of a proof of origin. However, the total value of the products mentioned above shall not exceed EUR 500 when entering the EU for small packages and EUR 200 for travellers' personal luggage, and when entering Vietnam, USD 200 in both cases.

Final thoughts

The EVFTA is one of the most significant commercial treaties signed by Vietnam and enables international investors from both the EU and Vietnam to leverage a broad range of preferential tariffs and benefits. However, in order to access these benefits in practice, investors should be aware of the rules of origin, proof of origin and all the key elements related to how they can prove the origin of a product or good so that they can take advantage of the preferential tariffs.

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CEEC Debates with Attila Vajda – CEO of CityClinic Vietnam



Vlad Savin: *Attila, you've been working for a long time in Asia – over 15 years, mostly Singapore and Vietnam. What are your goals at CarePlus and what are you looking to achieve?*

Attila Vajda: I came from a finance background, working in the investment banking sector, and under my deliverables, I had to look into valuable businesses here in Vietnam to invest in. With this wealth of experience, I have decided to take a step forward and become an entrepreneur, and with a group of investors we have set up CarePlus, with the purpose to provide quality, affordable healthcare at international standards.

From all ventures started, CarePlus became the flagship investment, and we have been growing this business in Vietnam since 2016 when we opened our first clinic in Tan Binh District, Ho Chi Minh City.

Our main goal is to be able to provide high-quality, affordable healthcare close to people's work areas and homes, that's why we aim to have reachability of not more than 15 minutes drive from the middle-class Vietnamese neighborhoods. From an identity vantage point, we want to become the most trusted Vietnamese healthcare brand (as we believe that trust is the foundation of the healthcare system) and we seek to achieve this by providing a consistent service, catered for and in reach of our Vietnamese customers.

Vlad Savin: *What is CarePlus's value add, how does it stand out from the norm and how have you positioned the company in the Vietnamese market?*

Attila Vajda: We have four pillars we are building within our identity. The first is quality healthcare, referring to an international standard medical outcome that is provided to the patients. The second pillar is a great patient experience, and that's where we want to differentiate ourselves, with a comfortable environment, where people are treated with utmost respect and care, not just quality medical service. Number three, the reachability factor – the proximity to our client's homes, workplaces, availability of the telemedicine online functions which offer a high level of flexibility and comfort to our patients and their families. The last pillar is focused on affordability and accessibility, whether it's insurance network, online payment convenience, telemedicine and so on, to balance our guest's experience and value add.

Many healthcare providers manage to identify themselves with some of these core value pillars, where maybe the medical outcome is good but the patient experience lacks, or the outcome is questionable nevertheless the affordability is high. We try to consistently deliver on all these 4 pillars and always maintain our culture of affordability as well.

That's actually one of the prime problems of the healthcare system in Vietnam. Many private players provide high-quality service at international standards, but it is very difficult to maintain an affordable offering to the Vietnamese people, matching their income level as well, not just their quality expectations.

Vlad Savin: What are the most important traits an entrepreneur should have, and how do they apply in your industry?

Attila Vajda: Consistency and grit, especially in healthcare, I believe are important traits for an entrepreneur. I think most successful entrepreneurs are the ones taking simple ideas and executing them in a well-structured form. Consistency in pursuing your goals and your vision is the most important especially in healthcare, which is considered a long-run game, where you always need to have the same high-quality service and medical outcome for each of the patients you serve, day by day, year by year. Only with this level of commitment you can build and maintain a culture of trust in your brand.

Vlad Savin: You have recently opened a third clinic in Ho Chi Minh City, how was the process for you and why have you decided on this path?

Attila Vajda: As mentioned, one of our goals is to be close to our patient's homes and workspaces. With our 3 clinics, we are essentially 15 to 30 minutes away from anyone that lives in Ho Chi Minh City. That is why we have decided to open the District 1 clinic, responding as well to the demand from our customers, to be present in the central business district area but also to cover the central axis of the city. We will continue to build more clinics, where the next step would be to be only 15 minutes away from our patients anywhere in the city, thus we have a conscious plan to be close to our customers.

Vlad Savin: What are your views on the medical sector in Vietnam, looking at maturity, potential, growth and how does it compare with Singapore and other regions?

Attila Vajda: The industry in Vietnam is dominated by the government healthcare sector, hence at the private side, the industry is still at the initial stage of development. Look at CarePlus, we are one of the largest clinic chains in the city, but in terms of the number of patients out of the total population, we are significantly underrepresented compared with more developed countries in the region. Especially clinic chains are not prevalent in Vietnam compared with the region, and we foresee sustained growth in the next 10 to 20 years in the private sector healthcare system – you could say that we are just scratching the surface.

As the population is aging, as it becomes more educated and informed about healthcare, expectations become more complex and on this basis, the sector is bound for a sustained growth rate. That is why many foreign investors are looking to tap into the market and take part in its potential. This market movement and excitement at the investor level translates into benefits for the customers, more diversification in their choices and better overall service levels.

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

Attila Vajda: I would say 8. I am very confident in Vietnam's future, I've been here already for over 12 years, people are very determined, innovative, and capable to take advantage of various opportunities – represented by international trade agreements, international investments and country-focused business development programs. My only concern is that as the country grows and develops, it is getting more difficult to become an entrepreneur because the ticket size to enter the game is becoming bigger and bigger. 5 to 10 years from now the higher costs and the rising capital requirements needed to start a business will become a large differentiator on who will become an entrepreneur. This will benefit large investors who will still be able to enter the market and take risks but at the expense of many of the small entrepreneurs who may not be able to afford to start a business venture at a smaller scale. Thus this vibrant entrepreneurial economy may be less colourful & dynamic over time.

**CEEC Debates with Nguyen Truyen –
Chief Representative of Raiffeisen Bank International**



Vlad Savin: *Raiffeisen is one of the largest banking groups in Central and Eastern Europe with established brand exposure. What is Raiffeisen's history here in Vietnam and most importantly the goals you are seeking to achieve in the market?*

Truyen Nguyen: Raiffeisen Bank International (RBI) is Austria's second-largest bank and the central institute of the country's largest banking group. We consider both Austria and Central and Eastern Europe (CEE) our home market. Our head office is in Vienna, and we have subsidiary banks in 13 CEE countries including Slovakia, Ukraine, the Czech Republic, Russia or Romania, to name just a few. We have been present in Vietnam for over 23 years, as our office was established in 1997. At the initial stage, when we opened the representative office in Vietnam, we have noticed the collaboration opportunities and alignment between Vietnam and CEE, thus we decided to explore in-depth the potential of these markets.

We have a strong relationship with the Ministry of Finance in Vietnam, which is one of the many institutional clients we support here in Vietnam with credit facility agreements.

We are proud to support and finance a multitude of projects in Vietnam, including some of the most important focus areas for the country such as Healthcare, Infrastructure, Environment and Education. Most of the country's largest financial institutions are our customers, and we offer a wide variety of banking products such as trade finance, cash management, money market services and others. We represent RBI in Vietnam but also in the whole Indochina region, and we work with European exporters to enable them to reach these markets by providing various financial schemes and instruments.

Vlad Savin: *Let's talk about financial inclusion. A World Bank report from 2019 states that approximately 69% of the population of Vietnam is unbanked, essentially they are not part of the financial system. How would you tackle this challenge and opportunity at the same time?*

Truyen Nguyen: Indeed, Vietnam's 98 million population represents an attractive opportunity for the financial institutions in the country, however, there are certain issues that need to be considered. First of all, the banks' networks and their reach in the provinces are important. At the moment, AgriBank has the largest network in Vietnam and can provide financial services in remote areas, while other banks lag behind in this respect.

Secondly, most of the banks in Vietnam focus on large customers such as state-owned enterprises, multinationals, big corporations, and on offering lending products. However, in the past few years, we have seen a mindset transformation regarding retail banking services. Some banks that had less than 30% of their business coming from retail services now seek to grow their exposure to 50% and more. And in order to leverage this opportunity to reach the unbanked population, banks are developing new and improved products to attract and convert these customers such as e-banking, digital wallets or internet banking.

In my opinion, Vietnamese and international banks alike should focus more on retail banking opportunities, as there is significant potential in the market for sustained growth in the future. However, I must add, RBI will not tap that market as we are exclusively focusing on corporate and institutional business outside our home market CEE.

Vlad Savin: *The fintech sector is growing exponentially. Vietnam is seen as one of the fastest-growing markets for fintech business covering payments, lending, e-commerce, e-wallets, digital bank accounts, entire ecosystems focused on fast, secure and cheap money transactions, digital banks, and the list goes on. How do you see the challenge of competing with the fintech industry?*

Truyen Nguyen: I think it is very challenging for the traditional banking sector to compete with the financial technology entities. I am certain that the leaders of most of the Vietnamese banks we work with are aware of this major shift in the financial service industry and are seeking ways to invest more and more resources in fintech projects, especially in digital banking and e-banking.

The challenges are represented by the availability of the technology systems and the skill set required to boost the transformation of the banking systems. Non-banking competitors have already taken a lead and established themselves in this digital banking niche, and their agility, flexibility and resources make them a real threat to the market share of the traditional banking players.

Vlad Savin: *Right, and sometimes traditional banks end up collaborating with non-banking fintech entities to achieve a common goal and provide more value to the consumers. I'm sure you are familiar with the blockchain technology growth in the last decade. In 2020, under a pilot project, RBI partnered with Polish-British fintech firm Billon to use its distributed ledger technology for the e-money solution. How do you see the future of e-money in Vietnam and what is your view of using digital transformation to enable blockchain solutions in Vietnam?*

Truyen Nguyen: I'm glad to see you are already familiar with our program in Poland and you are right: Raiffeisen has a consistent reputation for digital banking in both Austria and Central and Eastern Europe. For example, in Austria 43% of customers use e-banking, and in Russia, for example, over 60% of customers use our digital offering. Also, at our head office in Vienna, we have our Innovation Hub with the purpose to leverage and develop creative ideas to further develop new products and services to our customers.

In Vietnam, all commercial banks are aware and have an open mind regarding blockchain technology and e-money, and where we see the real change coming from is the State Bank of Vietnam, which is taking time to evaluate, test, research and carefully understand the potential and impact of these technologies in the Vietnamese market before they can draft and implement safe and secure policies for e-money transactions.

Vlad Savin: *Innovation in banking, does it still exist? What is your view on the ways the banking system can use innovation to stay ahead?*

Truyen Nguyen: Traditional banking is here to stay, and our goal is to consistently develop our processes and framework to better serve our customers. Yes, innovation is a critical part of the banking sector, and we need to align our technology with the changing demands of our customers and their financial habits and way of life. The combination of traditional banking and fintech is proven to be a major powerhouse in the financial industry ecosystem, with the potential to reach and service the best of both worlds.

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

Truyen Nguyen: There are many changes in our industry, and these will continue to impact our development in ways which we may not predict with precision at the moment. I would emphasize the need for inclusivity and collaboration in the financial services industry, local authorities, public and private sector alike, and I would appeal for maintaining an open mind so we can adapt to the demands of our customers. The most important element we should focus on is the demand of the customers: what do they need, what do they want and how can we deliver?

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

Truyen Nguyen: I would put it around seven most probably. Currently and in recent times as well, the leaders of the country have been open-minded, with broad experience in international relations, focused on addressing corruption and on sustaining the growth of the economy. I am confident and proud that the government was efficient in addressing the Covid pandemic and I strongly believe that the development strategy of the country is extremely consistent. Moody's and Fitch recently upgraded Vietnam's country financial stability rating from negative to positive and stable to positive, respectively, proving once more that the international community is aware of our efforts and acknowledges our considerable achievements. Vietnam also has a strong policy for supporting Foreign Direct Investment, which accounts for more than 70% of exports and is seen as a cornerstone strategic initiative, thus I am very optimistic about the economic development of this country.

CEEC Debates with Aleksandrs Parfjonovs – Head of Vietnam Operations, Grindeks JSC



Ben Mandjak: *You have been with Grindeks for more than 6 years, you spent most of that time in China. Why has Grindeks decided to come to Vietnam, and why now?*

Aleksandrs Parfjonovs: As much as I felt comfortable in China, in terms of business we had almost no operations there. But in Vietnam, we started to have more and more. We made the decision to move to Vietnam because you can only follow regulations if you are willing to be here physically. The pharmaceutical business is the most regulated in the world, which means each country has its own regulations. Not only the regulations are complicated in China and Vietnam, but they tend to change quickly as well.

I also came here because I wanted to understand this market, I wanted to be here. I want to spend 80% of my time focused on Vietnam because it is the most important market in Southeast Asia for Grindeks. By now we have submitted all our product portfolios for registration in Vietnam. We are waiting for the registration process; we will have a firm turnover in 1-2 years when it will really start running. But already this year, our sales increased 100% compared to the previous year. I plan to do more next year.

Ben Mandjak: *What have been your experiences with Grindeks in Vietnam?*

Aleksandrs Parfjonovs: I think I made one of my best decisions when I joined the CEEC, and it's not just to advertise the Chamber. Through the CEEC I became a member of EuroCham and I started to meet different people. This led me to join the International Quality Medicines-Generic & Biosimilar Sector Committee (IQMED). IQMED is chaired by another CEEC member, Magdalena Krakowiak (Adamed Pharma). I am now the Vice-Chairman of IQMED. We also have other companies like Sandoz, Baxter, Aguettant, many big players.

This allowed me not only to understand better local regulations but to try to improve the regulation. This is not only beneficial to our own business, but we are striving to bring more high-quality medicines from Europe to Vietnamese patients. Here, compared to other countries like China, we do have a word. For example, we had some issues recently with Circular 32 regarding drug registrations. Another member of the CEEC, Nguyen Hai Minh (Mazars), helped to arrange a meeting with Minister Mai Tien Dung and his colleagues to discuss this issue and we were able to negotiate with the government.

While being here, I try to be the bridge between my company and our partners, to explain that not the whole world operates in the way we think. There is no black and white, I do not want to say which is better or worse, but I cannot deny the fact that Vietnam is one of the fastest-growing economies, similar to China, so perhaps it will work out. And last, I enjoy living in Vietnam, simple as that.

Ben Mandjak: *What does Grindeks in Vietnam look like in 5 years?*

Aleksandrs Parfjonovs: I see a huge company! The Vietnamese pharmaceutical market is around 20 billion USD now, out of it, around 50% are imported drugs. As we are a representative office, we have to use a lot of outsourcing, local partners, however, the situation is moving towards local manufacturing. I think there will be a lot of opportunities to grow besides just adding new products. We have a lot of products in our portfolio right now which we will be working on increasing our sales. I have ambitious goals, 3-digit growth every year. It is hard to make a 5-year prediction, as Vietnam is a very changing environment. The pharmaceutical industry is very regulated everywhere, especially here. However, laws keep changing. Being part of IQMED, I am very happy to work with the government, and the government is actually open to discuss improvements, how to do things more efficiently.

I think it is also our role to make things better. There are many pharmaceutical companies that are not here, and thus not able to capitalize on this market. We are here, part of CEEC, EuroCham, IQMED, we are not just following everything. I am personally involved, and it is a voluntary job, and I do really enjoy it. I see positive changes; it is the fastest-growing pharmaceutical market in Southeast Asia.

Ben Mandjak: *You have extensive business experience in China and you have been in Vietnam for 2 years. What has been your experience working with Vietnamese partners and how does it differ from your experiences in China?*

Aleksandrs Parfjonovs: Right now, Vietnam is very strong in manpower, it is one of the reasons why many factories are coming here. China 10 years ago was strong in manpower and in manufacturing, but China in the last 5 years has changed a lot. The life quality requirements of Chinese people increased, and there was a point when these employees started to become less competitive. When China reached this point, they switched to technologies. Vietnam will be facing similar issues soon. The government is aware of this, and open to discussing with the CEEC, with our Chambers, how to do it more efficiently, in terms of pharmaceuticals, how to bring new drugs manufactured here, how to attract investment. There is a lot of investment coming, so they are on the right path, even though it is very difficult. However, if they manage it, it will be a major step in Vietnam becoming a developed country, which in my opinion, China already is.

In terms of people, business relationships, it is more or less the same. In China, I was much more skeptical towards organizations such as chambers of commerce, because there, I didn't see much-added value from them, people seemed to be less motivated there. In Vietnam, it has become part of my routine to work with these organizations.

Ben Mandjak: *We have multiple pharmaceutical companies in the CEEC, do you think that Central and Eastern European pharma companies have a specific competitive advantage in Vietnam?*

Aleksandrs Parfjonovs: Absolutely. Most of the Western European big companies are already here, and their pricing is high, even compared to other European companies. CEE companies have an advantage in terms of price, however, because the EU has the same regulations to oversee manufacturing, products manufactured in Latvia or Germany will have the same quality requirements, while CEE companies remain more competitive on pricing.

CEE countries used to be less focused on Southeast Asian markets, as these markets are very far away. However, now we have CEE investment coming into Vietnam. Adamed, for example, acquired facilities here, and I expect this trend to continue.

There will be more and more pharmaceutical members of the CEEC soon because our countries are starting to pay attention to Vietnam. If foreign businesses want to start here, it is a great first step to make to enter the business environment. It is difficult to start a business from zero here. You should not come here with the mindset that you will change the whole of Vietnam. You may change some parts; you should work on the improvements. You should come in with a mindset of working together with this environment, and maybe try to make this environment better.

Ben Mandjak: *How confident are you in the future of Vietnam on a scale of 1-10?*

Aleksandrs Parfjonovs: 10/10, otherwise, I would not be here. It is the fastest-growing market, with a lot of potentials. Vietnam resembles the Chinese economical model which made a great leap, maybe Vietnam can make an even greater leap. Vietnam should be the gateway to other Southeast Asian markets for pharmaceutical companies. Other markets are less attractive compared to Vietnam. I am very confident, of course, there are many issues that need to be worked on through the CEEC, EuroCham, and other channels. I hope there will be more and more dialogue opportunities with business and government.

SHARE&(L)EARN:**How to motivate employees in your organization the right way**

Our Share and Learn event took place on 8 April, 2021, with the participation of many excited people who seek to learn about motivation and the key to engagement and speakers: Pawel Gorski and Warren Eng at W Business Center. The attendees could learn on:



Know how to identify the key needs to motivate each of your employees

Give recognition in the right way and the right time to drive motivation and high performance

Discover tools that you can use to actively involve employees in their work and create a more purposeful environment

SEMINAR AND NETWORKING**“What does it really take to break habits and build new ones?”**

On 28th April 2021, CEEC Vietnam has co-hosted a seminar and networking event together with Belgium-Luxemburg Chamber of Commerce in Vietnam (BeluxCham Vietnam) and Chamber Of Commerce And Industry Portugal – Vietnam (CCIPV - Chamber of Commerce and Industry Portugal-Vietnam), focused on a coaching circle session on the topic “What does it really take to break habits and build new ones?”



Our Vice-Chairman, Mr. Vlad Savin and Executive Committee Member, Mr. Lukasz Kozlowski participated together with some of the #CEEC members at the open format coaching session led by Mr. Christophe Grimond, an organisational consultant, executive coach and group facilitator.

VIETNAM CHATS

**Perspectives and opportunities in 2021;
Develop people & Engage your staff: Creating a growth mindset culture;
The importance of setting goals for an organisation;
The bottom line of happiness**

Vietnam Chats is a regular monthly event created to engage with the business and broader community in Vietnam. The concept is to base the Chats around an informal panel format, with a moderator engaging with the speakers and the audience is engaged to ask questions and interact. Ensuring the event remains assessable to all, there is no entry fee however a donation to our supported charity, LIN Centre for Community Development is encouraged by attendees to enable them to assist the NGO community in Vietnam. The topics discussed are broad, from education to leadership development; from manufacturing to retail; from women in business to community development. CEEC is a co-host of the event.

Vietnam Chats was found by:

Matthew Lourey – Managing Partner, Acclime Vietnam;

Brian O'Reilly – MBA Program Coordinator at the Vietnamese-German University (VGU); and

Kelly Vo – Head of Philanthropy Services at LIN Center for Community Development

**UPCOMING EVENTS**

**CEEC co-hosted webinar: Electronic Industry Investment –
Vietnam's outlook & opportunities**



Further information will be updated on the CEEC website: www.ceecvn.org/events/
Please check our website regularly for upcoming interesting events

NEW CORPORATE MEMBERS

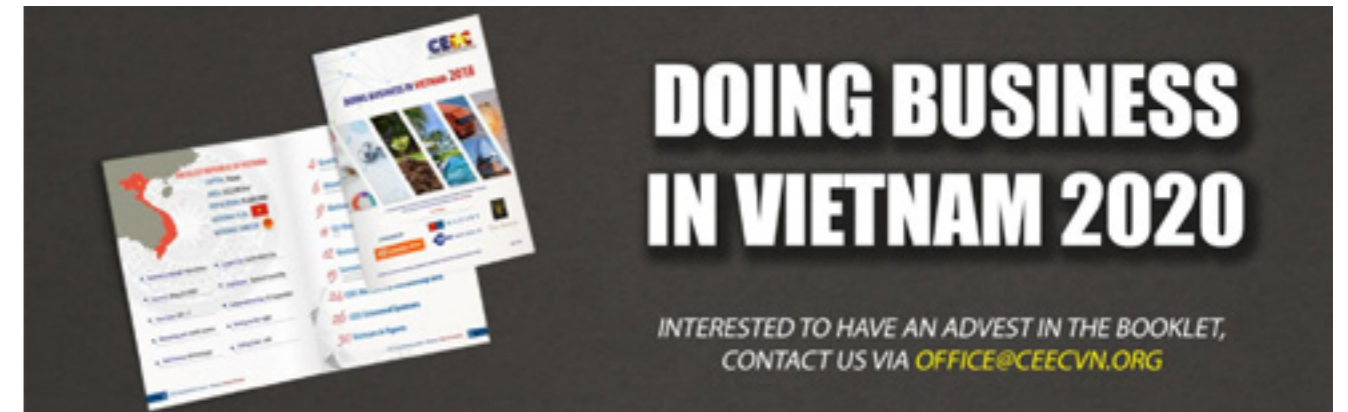


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“DOING BUSINESS IN VIETNAM 2021”

The fourth edition of “Doing Business in Vietnam 2021” is under preparation and would be launched soon.

The guide gives newcomers a better understanding of the Vietnamese market. It is a tool to diverse and to facilitate the outreach to the companies by highlighting the potential in the Vietnamese market in general and with some special focuses on several sectors. 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)
- Vietnam at a glance for business
- Sectors introduction:
 - ICT Vietnam
 - Education
 - Agriculture
 - Healthcare
 - Manufacturing
 - Transport & Logistics
 - Tourism & Hospitality
 - Clean Technologies
- CEEC members & Sponsors

Contact us at office@ceecvn.org for further details if you’d like to advertise your company or sector information in the guiding book.