



DOING BUSINESS IN VIETNAM 2020

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An internal booklet issued by the Central & Eastern European Chamber of Commerce in Vietnam. Online version can be found and downloaded at www.ceecvn.org

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SOCIALIST REPUBLIC OF VIETNAM

Capital Hanoi
Area 331,212 km²
Population 96,208,984
National Flag 
National Emblem 



Photo by Hugo Heimendinger from Pexels



Ha Long Bay - Photo by Tinh La from Pixabay



Mu Cang Chai, Yen Bai - Photo from Pixabay

National Language: Vietnamese
Largest City: Ho Chi Minh City
Currency: đồng (đ) (VND)
GDP (PPP) - 2019 estimate: Total \$770.227 billion
 Per capita \$8,066
GDP (nominal) - 2019 estimate: Total \$261.637 billion
 Per capita \$2,740
Legislature: National Assembly
Time Zone: UTC+07:00
Independence Day: 02 September 1945
Measuring Unit: metric system
Driving on the: right
Date format: dd/mm/yyyy
Calling code: +84

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MESSAGE FROM CEEC CHAIRMAN

The Central and Eastern European Chamber of Commerce in Vietnam (CEEC) has a unique history among European Chambers in Vietnam, and I would say, worldwide. The Central and Eastern European countries have the longest and friendliest common history with Vietnam and its people. We represent that whole region by creating a platform for businesses, individuals, and Governments. Since its establishment five years ago, CEEC has had great achievements and earned recognition from the Vietnamese authorities and from the international communities, in particular the European community: CEEC provides services, supports companies' entrance into the market and generates necessary income for its own operations without using any subsidies.

CEEC is a worldwide pioneer initiative to bring the Central and Eastern European countries together, and it is progressing well, thanks to our colleagues, friends, companies, and Embassies in Vietnam. I believe that our approach is an example of good practice that could be implemented in other countries, where Central and Eastern European business communities

need advocacy, extra tools for economic diplomacy and efficient business representation.

Vietnam is not an easy market. Patience, strong will, good products and services, large resources are needed. Competition is tough, the country became a more and more desirable destination for trading goods, services and investment.

On the other hand, the outlook of the country and the possibilities it offers, are very promising. Now with the EVFTA implementation, the door will be a bit wider open to CEE companies. Our countries and enterprises are identifying new opportunities and new fields of cooperation in this blooming environment every day. I firmly believe that the chance is here, and I am confident that CEEC can provide proper advice and tools to take that chance. The aim of this guide is to give a short overview on sectors, to assist businesses in successful market entrance. Please read it as a start of our further conversation.

I hope to greet you personally in this exciting place and that we will have the opportunity to cooperate in the nearest future.

Marko Moric
Chairman

ABOUT CEEC

The Central and Eastern European Chamber of Commerce in Vietnam (CEEC) was formed in March 2015 as an independent non-profit organization. It aims to enhance the cooperation, develop the relations in term of economic, finance, commerce, investment and trade promotion between Vietnam and businesses from 15 Central and Eastern European countries.

CEEC is the youngest European rooted business community in Vietnam and most likely globally pioneer by representing Central and Eastern European companies, professionals in one entity. We promote the cooperation between businesses as well as individuals from 15 Central and Eastern European countries (Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia) and Vietnam. CEEC and all other European Business Associations (GBA, CCIFV, ICham, DBAV, BeluxCham, NordCham, CCIPV, Spanish Chamber of Commerce and CEEC) delegate their representative to the Executive Committee of the European Chamber of Commerce in Vietnam (EuroCham) which is representing more than 1,000 European companies. With Dr. Gellert Horvath, Vice and Co-Chairman of EuroCham for the period of 2017 - 2018 and Mr. Minh Nguyen, standing Vice-Chairman of EuroCham, in charge of government relations, CEEC has a strong visibility not only within the European community in Vietnam but also the Vietnamese business community. CEEC's Vice Chairman, Mr. Csaba Bundik, was the Executive Director of EuroCham (2013 - 2015). We also have representatives in the IQM-G&B, Tourism & Hospitality, Transportation & Logistics, Green Growth Sector Committees and representative bodies.

Our main goals are to provide the best services we can give for our existing members, to support their business activities with consulting, networking, referrals and to build

an intense CEE related business community in Vietnam.



For CEE companies who want to start doing business here, we have the “Soft-landing Service” which is considered as an active tool for newcomers, to assist their entry into the market. The program contains a multilevel scrutiny and identification procedure which is followed by a one-year business incubation operation in Vietnam. Our first company was the Hungarian rooted Gravity R&D. The incubation phase is the key to enter a market with high entry costs and fierce competition; to identify the strong points of goods and services that the company provides; and find the matching partners and build the trust necessary for success. The cost of the incubation phase is low thanks to the CEEC's non-profit nature. Payroll for staff in Hanoi and Ho Chi Minh City is usually the biggest cost for such a project. Their work can be tutored and supervised by a business development manager in Vietnam conjointly with the management from the company's headquarters. Local staff is hired by CEEC, which is an easy and cost-effective market entry solution for European SMEs.

The one-year incubation period is followed by a large-scale assessment of the company's operation and developments in Vietnam. The positive assessment will provide the base for the cooperation of the coming years. During the incubation period the company will see what type of business development model works better for its own goals: founding a local company/ enter a Joint Venture/ or to buy equity in an operating Vietnamese company (technology/ management skills for shares).

Last but not least, we represent the interest of the CEE business community in this country in the forums of EuroCham, EU Delegation to Vietnam, Diplomatic bodies, and Government Agencies.

CEEC Services are offered at 3 different levels:

1. **Standard services** - basic member services that are related with CEEC-EuroCham dual-membership benefits.
2. **Premium services** (consulting at the staff level against service fee) include: business matchmaking, company contact list, company background check, market study, consulting, mission arrangement support.
3. **Deluxe services** (Business Development with the price upon agreement) include CEEC Soft-landing Program and consultation on CEEC Board Members Level.

We also focus on business networking events and CEEC Share & (L)Earn Event which provides information and actual experiences on specific issues. With our great devotion, CEEC promises to bring its most benefit for businesses from Central & Eastern Europe.

We can be reach in Hanoi and Ho Chi Minh City, with the contact information as below:

Hanoi Office

Floor 17, MIPEC Tower, 229 Tay Son
Thu Nguyen (Ms.) - Office Manager
Email: office@ceecvn.org

Ho Chi Minh City Office

F5 Deutsches Haus Ho Chi Minh City
33 Le Duan, District 1
Monika Jurzak (Ms.) - Executive Director
Email: monika@ceecvn.org

Your contacts for native speakers are:

Croatian: moric@ceecvn.org
German: beranek@ceecvn.org
Hungarian: bundik@ceecvn.org
Romanian: vsavin@acclime.com
Polish: monika@ceecvn.org
Vietnamese: office@ceecvn.org

CEEC is regularly publishing an overview of our activities. The so called Quarterly Report can be easily downloaded for free from our website: www.ceecvn.org/news-and-events





SOFT-LANDING PROGRAM

1

Information Sharing

Sharing information about Vietnam, CEEC and ease of doing business in Vietnam in cooperation with Central and Eastern European Chambers

Market Assessment

Short market research will be implemented to evaluate:

- The market
- The price
- Client's competitiveness
- The network CEEC can utilize for participant of the program.

2

Incubation period

- Employ 1 - 2 business development people on behalf of the clients;
- Prepare the recruitment with subcontractors. The clients will choose the right candidate then provide training and professional support. CEEC will provide local supervision & introduce Client's business development staff to relevant stakeholders;
- Support business to find office

3

Investment

CEEC will suggest the strategy, sub-contractors for the company establishment. In the future CEEC/ members of CEEC could act as co-investors, joint venture partners too.

4

VIETNAM POLITICAL & ECONOMIC OUTLOOK



Image by InstagramFOTOGRAFIN from Pixabay

Vietnam has been through several major economic reforms since the Doi Moi was announced in 1986, creating the frame of the socialist-oriented market economy. The country politically remained the same, a single party socialist republic. In the recent 30 years, Vietnam created a success story on becoming a lower-middle-income country from one of the poorest nations on the globe to a 20-fold GDP with strong growth rates. The success is based on the liberalization of the economy; global opening; advised privatization; stable and growing FDI and export; young, cheap and fairly skilled labor forces (70% of the population is under 35). Vietnamese students ranked 8th on OECD PISA in 2015. Despite the volatility Vietnam has one of the best economic perspectives in the global economy outlook 2050 (fastest growing economy globally, will rank #20 in 2050 by PwC): it is and most probably will be the economic engine of ASEAN with a growing global importance.

After the Indochina wars and the announcement of the new economic mechanism the Vietnamese Government decided to break the isolation and start the country's international political and economic integration: Vietnam in the 1990's and 2000's became the member of the ASEAN – even more, one of the engines of the integration

– and the WTO. Vietnam normalized its relation with China and the USA and started diplomatic relation with the EU itself. Today Vietnam is taking a more and more active role in the UN, joined a series of trade promotion initiatives (10 is already in place like Korea, Eurasian Economic Union, ASEAN Economic Community; the TPP11 and the EU is signed, others are under negotiation like EFTA, RCEP, etc.) and recently hosted the political and economic leaders of APEC countries in Da Nang that policy paid off in growing international recognition, foreign investments (over 310B USD), higher importance and being part of the global trade system.

While the country was developing in the last three decades with globally the second highest economic growth it managed to spread the wealth partly among the poorest: poverty reduction was high on the agenda and Vietnam's performance was remarkable (poverty rates declined sharply from over 70 percent to below 6 percent in 2018 (US\$3.2/day PPP). The engine of the economy besides the high figures of FDI (38B USD in 2019 registered FDI) and massive export growth (broke the record in 2017 by 425B USD – doubled the figures in 6 years), also the internal consumption is improving. Vietnam ranked 70 among 190 economies in the Doing



Image by Trang Nguyen from Pixabay

Business 2020 report released by the World Bank this year. The country fell one spot from its position last year. Nevertheless, Vietnam's overall score improved by 1.44 points, scoring a total of 69.8 points. Preliminary data indicate that real GDP grew by about 7 percent in 2019, close to the rate reported in 2018, and one of the fastest growth rates in the region. Vietnamese Government creates a decent and stable macro-economic climate.

Due to the obligations coming from FTAs and to facilitate the private sector in the country the Vietnamese Government is facing challenges in the ongoing administrative reforms and the legal framework in order to create more and more favorable business climate. For example, the low productivity of state owned enterprises (SOE) which are partly under restructuring (240 SOEs are to be equitized by 2020); or the implementation and use of e-government applications are under development; the governments and local governments' performance is under scrutiny, single window procedures are on the way.

The pace of the reforms still has to be improved, while transparency and implementation are the key factors for the long term success: on several fields (like environment) despite the proper legal framework, the lack of implementation prevails to be the barrier for a good performance. As the opportunities the challenges are great also: overuse of the environment and the resources, managing

the fast speed of urbanization, financing the needed infrastructural development (substituting the ODA sources) and strengthening the SME sector to be able to gain from the FTAs; growing the value add in the FDI productions and rank the country higher in terms of R&D.

Despite the remarkably good macro-economic performance the state debt is high, non-performing loans are creating uncertainty in the financial sector. The balance of the state budget must prevail while large income sources like tariffs and customs shall be decreased to 0% due to the FTAs. Challenges may arise from geopolitics as well: the tension at the East Sea/South China Sea over the disputed islands can escalate in a short period of time.

There is a strong tie - traditional friendship - between Vietnam and the so-called East Bloc countries and they still have special relations rooted back to the 1950s to the 1980s and the wartimes. An additional value add to the country's development has been and is still provided by a large number of Vietnamese who studied in Central and Eastern Europe. Not only their knowledge and understanding of CEE is important, also their influence and networks offers a vast outreach and voice within Vietnam. These big generations are fading away as they are reaching the age of retirement. Central and Eastern European countries trade and investment importance are lower at the moment then political.

EU- VIETNAM FREE TRADE AGREEMENT



The European Union and Vietnam signed a Trade Agreement and an Investment Protection Agreement on 30 June 2019. The European Parliament subsequently gave its consent to both Agreements on 12 February 2020 and the Free Trade Agreement was concluded by Council on 30 March 2020.

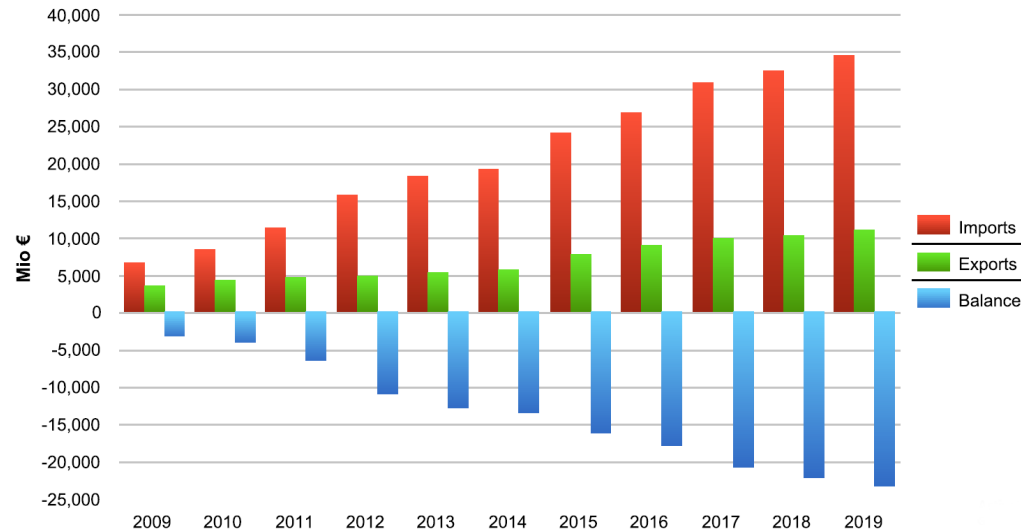
The National Assembly of Vietnam ratified the EU-Vietnam Free Trade Agreement (EVFTA) and EU-Vietnam Investment Protection Agreement (EVIPA) on 8th June 2020. The EVFTA will enter into force soon, while the EVIPA will be implemented later, following ratification in each individual EU member state.

Europe is Vietnam second largest export market (36,2 billion EUR in 2019 trade and services) after the US. The EU is also among the top 5 investors in the country with the volume of 23.9 billion USD by 2018. The openness towards European companies, investments and the EU itself is high in the Southeast Asian country. Vietnam is the second largest trading partner of the European Union from the ASEAN (first in exporting goods) after Singapore. These figures are dynamically growing since the diplomatic relations were launched in 1990. The European Union started negotiations on bilateral platform with ASEAN countries (after some proposal for FTA between the two Communities): firstly EU – Singapore FTA was agreed upon followed by the EVFTA. The EVFTA is the first FTA that the EU has conducted and concluded with developing country: this document will serve as benchmark for the future. Vietnam is among the top ten exporting countries of the EU globally, Vietnam is strategic partner in the region which has the most promising economic outlook for the upcoming decades. Expectations are high about the outcome of the FTA, trade and investment shall increase after the agreement entered into force even in higher pace what was observed before. The agreement will create level playing field for European investors and traders in a country (and in a region, ASEAN) with one of the fastest growing economy perspective.

European Union, Trade with Vietnam

Total goods: EU Trade flows and balance, annual data 2009 - 2019

Source Eurostat Comext - Statistical regime 4



Some important fields where the EVFTA will deliver after entering into force:

- Preferential access to the Vietnamese market
- Tariff and non-tariff barriers reduction (up to 100%)
- New policies on:
 - Customs and trade;
 - Rules of Origin;
 - Geographical Indicator protection;
 - Dispute settlement;
 - Investment/ IPR protection
- Special industrial impact on: automotive; information technology (IT); machinery; agri-business; pharmaceuticals; etc.
- Vietnam as a regional hub to ASEAN;
- Predictable legal frame, growing transparency and improving business environment for European SMEs.

Dr. Gellert Horvath
Former Vice Chairman of CEEC

WHAT ARE EXPECTED AFTER THE SIGNING OF EVFTA?

On June 30, 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, 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 totaling 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.



Image by Reuters

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 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.

Minh Hai Nguyen
Partner of Mazars
Vice Chairman of EuroCham
minh.nguyen@mazars.vn

VIETNAM AT A GLANCE FOR BUSINESS



GDP Growth	7.1%
Inflation	3.54%
Population	97.3M
GDP per head	USD 2,587
World Bank ease of doing business rank	69

ESTABLISHING AN ENTITY

The legal structures available for foreign investors wishing to establish an enterprise in Vietnam generally include Limited Liability Company (LLC) and Joint Stock Company (JSC).

The business establishment and investment project to be implemented shall be governed by the Law on Investment and Law on Enterprises 2014. In order to officially operate in Vietnam, a foreign invested enterprise will need to obtain 2 kinds of certificates issued by the licensing authorities:

- Investment Registration Certificate for the project being implemented
- Enterprise Registration Certificate for the enterprise being established

Alternatively, foreign investors may consider establishing a representative office in Vietnam as an initial stage of their market entry strategy. A representative office is established when the foreign company logs a registration dossier and obtains a license from the provincial Department of Industry and Trade in the city or province where the representative office is to be set up. Representative offices are only allowed to carry out liaison, market research and marketing functions and cannot earn business income in Vietnam.

FOREIGN BUSINESS RESTRICTIONS

Foreign investors may invest in all sectors and in all industries that are not prohibited. Generally, prohibited sectors/industries are those which are detrimental to the people, environment, defense or history and culture of Vietnam.

The conditions imposed on projects in conditional sectors/industries will be stipulated in the relevant laws, ordinances,

decrees and international treaties.

INVESTMENT INCENTIVES

Subject to the type of business and/or location of the investment, foreign investors may enjoy the following investment and tax incentives:

- An exemption of corporate income tax for up to 4 years and a 50% reduction of corporate income tax payable for up to 9 years, depending on certain conditions.
- Preferential corporate income tax rate of 10%, 15% or 17% for specific years, depending on certain conditions.
- Exemption of import duty for imported fixed assets, materials, etc. for specific cases.
- Exemption from, or reduction of, land rent, land use fees and land use tax.

WORK PERMITS AND VISAS

Foreigners working in Vietnam must obtain a work permit, unless they qualify under an exemption case (such as foreigners working in Vietnam for less than 3 months offering services or handling complicated technical issues that affect production or business, which cannot be handled by Vietnamese or foreign experts in Vietnam). Work permits are also required for foreign employees being dispatched to Vietnam for the implementation of projects in Vietnam (except for ODA-funded projects where exemption of work permit may be granted to foreign experts subject to certain conditions).

The term of the work permit shall be the employment contractual term, but it should not exceed 2 years.

In addition to work permits and normal visas, foreigners working in Vietnam might

need to obtain business visas and temporary resident cards, where required. Temporary resident cards, which enable longer term stays, are available for up to 2 years and are subject to renewal. The cards also permit multiple entries and exits.

TAXATION

Value-Added Tax (VAT)

VAT is charged on most goods and services in Vietnam. Generally, goods and services are subject to the standard VAT rate of 10%. In a number of special cases, VAT is exempted or charged at the rate of 5% (for fundamental items) or 0% (for exported goods and services). Companies are required to register with the tax offices in order to obtain a VAT code.

Corporate Income Tax (CIT)

CIT is charged on profits of companies in Vietnam. The current standard CIT rate is 20%. Tax incentives are also offered to investment projects which meet certain conditions, primarily in relation to encouraged business lines and geographical areas. CIT is provisionally calculated and paid on a quarterly basis (quarterly CIT declaration is no longer required), before being finalised for the fiscal year, within 90 days of the financial year end. Tax losses incurred in any tax year are allowed to be offset against different business activities of the same company (following stipulated order) and be carried forward for 5 consecutive years. Tax losses of a quarter can also be carried forward to the following quarter of the same fiscal year. Carry back of tax losses is not allowed.

Withholding Tax (WT)

Withholding Tax, which is a combination of VAT and CIT (or Personal Income Tax), is charged on payments made by companies in Vietnam for certain purchases of goods and services from overseas suppliers (corporate or individual). The WT declaration is categorised into 3 types:

- Withholding Method (or also referred to as Direct Method by law)
- Hybrid Method
- Vietnamese Accounting System (VAS) Method (or also referred to as Declaration Method by law)

Personal Income Tax (PIT)

PIT is applied to taxable income received by individuals, among which the most common one is employment income.

As a general rule, PIT is a liability of the employee but the obligation to temporarily withhold or pay the PIT may initially rest with the employer. Where employees are remunerated on a gross basis, the employer is responsible for withholding PIT payable before making the income payment to the employees, and remitting the tax withheld to the State.

If the employer remunerates the employees on a net basis, the employer is required to gross up the net income, calculate the applicable PIT and pay such PIT to the tax office.

The PIT obligation is determined on a number of factors but mainly on the taxpayer's physical presence in Vietnam in the relevant tax year.



AUDIT AND ACCOUNTING

The Vietnamese Accounting System and Standards (VAS) are compulsory for all enterprises in Vietnam.

There is no requirement to register the application of VAS with the local authority. However, the enterprise is required to obtain written approval from the Ministry of Finance (MOF) for any permissible departure from the VAS.

The tax year normally commences on 1 January and ends on 31 December. The first tax year is generally from the date of the investment certificate to 31 December of the same year. If the first Fiscal year is shorter than 90 days, it may be aggregated with the next year. The MOF or its delegated agency may also approve a financial year ending on 31 March, 30 June or 30 September.

Companies are required to employ a Chief Accountant who holds either a relevant certificate or diploma. Many businesses coming to Vietnam outsource their accounting to qualified firms who can take on the responsibility of the Chief Accountant role. Foreign invested enterprises must appoint an independent auditing firm to audit their annual financial statements.

Companies must submit their audited annual financial statements to the tax authority and several other relevant authorities for reporting purposes within 90 days of the end of the fiscal year.

COUNTRY QUIRKS

- Companies are required to employ a Chief Accountant, except for micro businesses.
- Nominee share holdings are not legally recognised.
- The registered office address must be the actual office address. PO boxes and lawyer addresses are not permitted.
- Law and regulations are frequently changed or amended. Private rulings are not legally binding in some cases.
- Copyright law is very weak in Vietnam.

YOUR CONTACTS

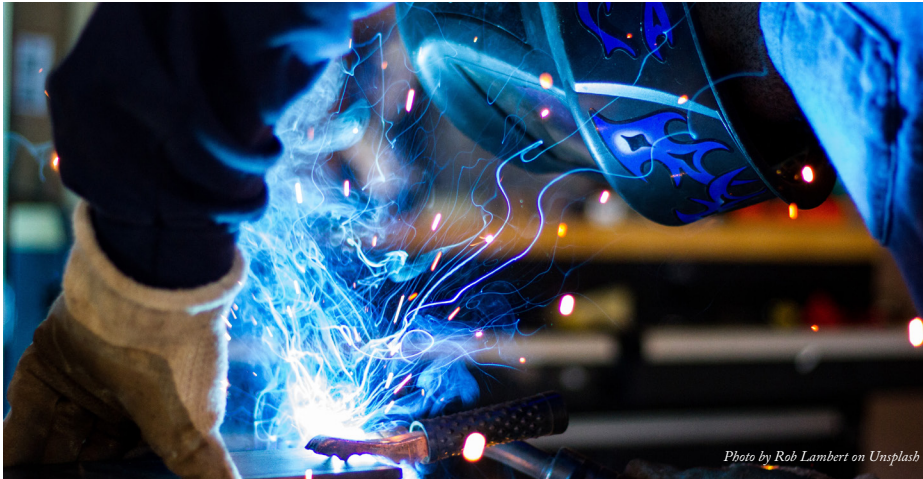
Jean-Marc Deschamps
Managing Partner
jean-marc.deschamps@mazars.vn

Nguyen Hai Minh
Tax and Business Advisory Partner
minh.nguyen@mazars.vn



Photo: elinjosefineolsson.se

SECTOR INTRODUCTION » MANUFACTURING



Manufacturing sector in Vietnam has encountered a significant and sustained growth for the last ten years, turning the country into a dominant manufacturing hotspot in Asia, and shifting the attention from China, the current global ‘production house’.

The key advantages compared with other countries are substantial, and from a macro perspective cover many layers of the internationalized economy. Vietnam continuously promotes its foreign direct investment policies, started with the 2007 admission to the World Trade Organisation and liberalizing many of the industrial sectors for better access from foreign investors. Vietnam’s internationalization vision has roots in its multitude of free trade agreements signed with neighboring countries and cross-continental partners. The latest is the EVFTA, ratified by the government on 8th June 2020 – EU Free Trade Agreement (“EVFTA”), which will eliminate 99% of tariffs traded between the two parties.

Upon its expected implementation and entry into force in August 2020, the European Union will immediately eliminate import duties for approx. 85,6% of tariff lines and



other manufacturing sectors are promoted as key industries for investors, such as motor vehicles, shipbuilding, food processing, steel, petrochemicals, with support industries gaining traction, such as: engine manufacturing, auto parts, flat steel products, agricultural products and raw materials including crude oil, composite plastics, artificial rubber, aluminum and synthetic fibers.

Industrial zones such as Deep C Industrial Zones, BW Industrial and VSIP, alongside dozens of other industrial parks located all over Vietnam offer a wide range of production facilities and general infrastructures for investors, enabling them to benefit from tax reductions, and special preferences depending on the sector and industry they activate in.

will gradually eliminate 99.2% of tariff lines over the next seven years. Consequently, Vietnam will also eliminate import duties for approx. 48.5% of tariff lines and will gradually eliminate 98,3% of tariff lines over the next 10 years. In regard to businesses operating in Vietnam, the tariff elimination will benefit key industries which are projected to grow substantially in the next ten years, such as: electronics, textiles, pharmaceuticals, and the manufacturing sector as a whole.

The manufacturing and processing industry drove economic growth in 2019 with production volume increasing 11.29 per cent over the previous year, according to the General Statistics Office (GSO) in Vietnam. Contributing 2.33 percentage points to Vietnam’s gross domestic product growth of 7.02 per cent in 2019, manufacturing and processing industry played a key role in national economic development. In 2019, Vietnam’s manufacturing sector accounted for 16.48 percent of the country’s total GDP, reaching a value of 995.13 trillion Vietnamese Dong. In the long-term, the Vietnam Manufacturing Production is projected to trend around 9.80% in 2021 and 8.70 percent in 2022, according to econometric models. Aside from textile and electronics, many

Due to Vietnam’s strategic geographic location, investors setting up based in country are able to integrate their business in the international supply chain seamlessly, taking advantage of the shared border with China as well. Low cost labour and a growing young workforce enable Vietnam’s industrial output to compete with other neighboring countries and attract the supplementary industrial manufacturing flow, continuing the trend of shifting production from China to other commercial production hubs.

Central and Eastern European investors are expected to benefit enormously from the ratification of the upcoming EVFTA, with an increase in FDI and commercial, bilateral transactions between the two in a wide range of industries, manufacturing sector being one of the most consequential winners of Vietnam’s resilient, open trade policies

Vlad Savin
CEEC Executive Committee Member
savin@ceecvn.org



SECTOR INTRODUCTION » HEALTHCARE

The healthcare sector has been among the fastest growing industries in Vietnam. It's more and more attractive to both domestic and foreign investors since demand for quality medical care is increasing. A report on private equity in Vietnam by Grant Thornton showed that healthcare and pharmaceuticals ranked third in terms of industry attractiveness for investors.

During the upcoming years all healthcare related sectors, such as medical devices (USD 1 billion), pharmaceuticals (USD 4,02 billion) and medical services (over 10 billion) are expected to continue a double-digit growth. Business Monitor International reported that spending on healthcare in 2017 was estimated at \$16.1 billion or 7.5% of the country's GDP. It forecast the spending to grow to \$22.7 billion in 2021.

CHALLENGES

Overcrowding, shortage of medical staff, and obsolete equipment for surgery and intensive care units are the major challenges in the healthcare sector in Vietnam. Health expenditure grew fast over last 10 years and in 2017 amounted to USD 170 per capita, forecasted to reach around USD 400 in 2027.

While the network of over 1,200 hospitals,

composed of branch, provincial level and national level facilities, provides the country with a moderate number of beds per inhabitant (a ratio of 26 beds per 10,000 inhabitants), it still has not solved the issues of high bed occupancy rate and Vietnam continues to far exceed the 80% threshold recommended by the WHO. Also, the average length of stay at hospital is significantly longer in Vietnam than in other South-East countries

OPPORTUNITIES

Vietnam is among the countries with the fastest growing middle class, which always seeks quality healthcare and education services. A study by Nielsen in Q2 2019 confirmed that health had become the top concern among Vietnamese.

Secondly, the country's population is ageing quickly. The share of the population older than 65 years will double by 2035, rising to 14.4%, transforming Vietnam from a young to an aged society. Besides, the rapid urbanisation is stimulating demand for quality healthcare and overcrowding is expected to intensify in public hospitals, resulting in long wait times and a shortage of beds.

In addition to the increasing local demand for quality healthcare, the medical sector is

also poised for strong growth due to medical tourism. On the other hand, Vietnamese spend an estimated \$2 billion a year for medical treatment overseas, which is a good reason for investing to develop the quality of healthcare services in the country.

New opportunities will also arise due to the recent ratification of the EU-Vietnam Free Trade Agreement (EVFTA) and EU-Vietnam Investment Protection Agreement (EVIPA).

With EVFTA in effect, approximately half of EU pharmaceutical import will be duty-free at EVFTA entry into force with the rest exempted after 7 years. Foreign pharmaceutical companies are allowed establishing foreign-invested enterprises to sell pharmaceuticals imported by them to distributors or wholesalers, build own warehouses, provide information to Health Care Practitioners and do clinical study and testing. While Vietnam's pharmaceutical market has significantly developed, it still only meets 52% of market demand contributed mostly by generic drugs. The new FTA brings fair and equal access to the market enabling EU investors to further expand their business by attending centralized procurement. After a transitional period of 2 years from entry into force of the agreement, EU suppliers will have

legally secured market access. From that point, the share reserved for domestic suppliers / producers will diminish over 15 years to a final share of 50%. The tenders will be open to all suppliers with market access rights. There are also changes in terms of Intellectual Property Rights (IPR). The regulatory data protection has been established to pharmaceutical products for 5 years and a patent protection is extended up to 2 years (if the approval process takes more than 24 months). Last but not least, the existing clinical trials requirements on ethnicity have been withdrawn due to their lack of compliance with international standards.

All these advantages are the evident cause for the sharp increase in both domestic and foreign investment in the healthcare sector both directly and indirectly through M&A deals in recent years.

The government encourages also to invest in the country's healthcare sector through public-private partnerships.

Magdalena Krakowiak
Chairwoman of IQMED Sector Committee
krakowiakm@adamed.com

SECTOR INTRODUCTION » ICT

Vietnam's ICT sector is developing rapidly. It's a key growth priority for the Vietnamese Government to be able to leave behind the cheap labor force based competitiveness and turn the country into a knowledge society.

ICT is expected to contribute to GDP by 8-10% until 2020. The ICT sector will employ 1 million people, 70% of the population will have access to the Internet (in 2016 already 49 out of 93 million had). 78% of them use the Internet daily. Vietnam has 127M mobile phone subscribers. E-commerce market size was 4.07 billion USD in 2015 with 37% growth rate in 2015, 34% in 2014 excluding Facebook C2C shopping. Average spending by transaction is still relatively low, and the related

logistics (delivery speed and quality, customer support) have room for improvements. 85% of users pay in cash (Q&Me 2015).

Da Nang city in Central Vietnam leads the Vietnam ICT index, on the readiness for information and communications technology development and application followed by Hanoi and Ho Chi Minh City. The ranking evaluates three key areas like technical infrastructure, manpower, and IT application. Software firms are mainly located in these 3 key cities too.

Vietnam is a very competitive market. There are strong local players in key areas like tele-communication (government backed mobile network operators) and there is fierce

competition amongst international players in the non-government related areas as well. Newcomers are expected to have a state-of-the-art competitive solution, permanent presence, long term vision and commitments, capacity - including financial - to be able to build the necessary network amongst stakeholders to execute the long-term strategy. The software market is dominated by local lower-cost providers and the market is highly price sensitive, besides software piracy and overall Intellectual Property Rights are key concerns.

For international players banking, finance, oil and gas, aviation markets can be a reasonable market, where clients are international players. In the cyber-security area demand is increasing rapidly.

Software outsourcing is one of the fruitful activities in the ICT field due to the relatively low price of qualified workforce however salaries started to increase and, in some cases, reached the Eastern European level. Vietnam is the second largest partner for Japan in outsourcing just right after China and TOP 10 country worldwide according to Gartner's report. In longer terms there will be a shortage in talents. According to MOLISA, Vietnam needs 80,000-100,000 new workforce in the IT sector every year. Meanwhile, there are 30,000 university graduates every year. It makes the IT related education programs very attractive in the market. There is a strong demand for programs which offer trainings and provide employment for IT experts. 2017 is expected to witness a boom for 4G supporting the spread of IoT applications. However, the country's international Internet connection is affected by the breaks of submarine cables.

The ICT policy framework is very complex. Incentives for ICT sector includes a tax-free period for 4 years and 50% tax reduction for the next 5 years. However, licensing and ease of doing business are general concerns. The winning strategy to enter the market should start with an extensive study on the Vietnamese business culture and stakeholder mapping. Building an alliance and find the right local partner can be the key element. Nothing can replace the strong network. It takes time, patience to establish and maintain the network. Closing deals takes longer than expected.

CEEC member companies in IT sector are active in software development outsourcing, data mining, voice and data services, and SMS platforms.

Csaba Bundik
Vice Chairman of CEEC
bundik@ceecvn.org



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by Gerd Altmann from Pixabay

Photos bottom left and right
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SECTOR INTRODUCTION » EDUCATION

VIETNAMESE HIGHER EDUCATION AS AN INVESTMENT

After the end of the Vietnam War in 1975, followed by reunification in 1976, the country's higher education was rebuilt following the Soviet model. The fall of the Soviet Union and the introduction of the Doi Moi policy started opening up Vietnam's economy to the world by the early '90s. The Government undertook comprehensive reforms to increase the quality of education. Through the founding of new higher education institutions (HEIs), multi-field and multi-disciplinary universities offering Associate (college), Bachelor/ Master's (university) and PhD programs (research centers) started welcoming students. The first fully foreign funded university was established in the year 2000, after a Government decree incentivizing foreign investment in higher education was issued. Today, establishing a foreign university in Vietnam requires nearly €40m of invested capital, years of administrative procedures and direct approval from the Prime Minister of the country.

In 2007, a credit system similar to ECTS was introduced, though its implementation still presented many weaknesses. Joining the WTO in 2007 accelerated reforms aimed at better preparing graduating students to the expectations of the job market. However, severe disconnect remained between HEIs and scientific research, businesses and employers as academic research and PhD studies were still conducted in specialized and officially entitled research centers, outside of universities.

The arrival of the big IT, electronics and automotive multinationals in Vietnam improved the situation by establishing high tech research centers and industrial parks. The 2012 Higher Education Law set a target of increasing the number of master's and PhD students, with the goal of training 20,000 PhDs by 2020, half from Vietnam and half from overseas. In 2015, there were



77,000 higher education teachers/lecturers in Vietnam, out of which only 9,126 had PhDs and 36,347 had master's degrees. The reform highly encouraged foreign exchange programs and joint degree programs especially with partial studies at a foreign university. For the first time in 2019, 3 Vietnamese universities were listed in the Times Higher Education ranking.

STUDYING ABROAD

The first private HEIs were established in the '90s, due mainly to the fact that the demand to enter the higher education system was more than 8 times higher in the '90s, and five times higher in 2005 than the number of available places. To this day, nearly one million Vietnamese students cannot enter the Vietnamese public education system each year. They can either enroll in private HEIs or study abroad. In 2015 there were 498 registered HEIs, out of which 93 were private. These HEIs still operate on a strict quota-based system and some private HEIs' educational quality remains dubious. This situation and the emergence of the Vietnamese middle classes led to an increased demand for studying abroad. Out of the

nearly one million students per year who are unable to get into public HEIs, over 130,000 students continue their studies outside of Vietnam. The main target countries in 2016 were Japan (38,000), Australia (31,000), the US (28,000), China (13,000) and the UK (11,000). Since 2017, the number of Vietnamese nationals studying in Canada has also seen a stark increase.

Even though there are over 300 student recruitment companies in Hanoi alone, the key players remain the international organizations, state owned Vietnamese or foreign companies and NGOs. Reliability is one of the key factors of the successful operators given the traditionally high risk of visa exploitation in Vietnam.

The preference for English speaking countries (or countries where English is the language in which courses are taught) as study abroad destinations means that the demand for young Vietnamese to learn English is strong and continuing to grow. Parents can choose between bilingual schools, international schools, or independent English teaching centers if they wish to go beyond the level

of English language education provided by the public education system. Many consider studying abroad as a time and cost-effective way to reach native level English knowledge.

CEE's higher education is hardly represented on the Vietnamese market. Although competitive tuition fees and high-quality education (not forgetting CEE countries' traditionally "friendly" status with relatively safe and secure policies towards Vietnamese students) could be an alternative for Vietnamese seeking affordable studies abroad. With the notable exception of Poland and Hungary, CEE governments and HEIs have not yet started actively promoting themselves in Vietnam as a study abroad destination.

Csaba Bundik
Vice Chairman of CEEC
bundik@ceecvn.org

Ben Mandjak
Business Development Manager
CETA Consulting
ben@cetaconsulting.com



Vietnam has a long rooted tradition in agriculture: the economy of the country has heavily depended on the sector for centuries. The three decades after the Doi Moi industrialization brought down the share of the sector in the GDP from 40% to 14%. At the same time the country has managed to move up from a net importer to a global leading exporter of agricultural goods. In 2019, Vietnam's agriculture, forestry and fishing sector accounted for 13.96 percent of the GDP with a GDP value of approximately 842.6 trillion Vietnamese dong. In that year, agriculture accounted for the largest subsector.

The sector is still being the largest employer (close to half of the population); flagships like coffee, cashew, rice, pepper, rubber are building the national pride and brand: agriculture is still one of the most important economic, political and social issues in the country: market price/ environment catastrophe can play solely important role on a large scale, impacting the society, economy and - through both - on politics. That strong influence is visible: due to the changing climate heavy droughts and salt intrusion into the Mekong Delta affects not only the coffee and rice planters, but the GDP figure as well.

The major challenges are occurring from climate change and abuse of the environment: water scarcity in underground water; lower Mekong flow (partly thanks to the dams built on upstream), droughts and floods; overuse of chemicals in fertilizing; quality assurance (overuse of antibiotics, heavy metals, hormones, etc); lack of proper waste management and environment catastrophe (toxic heavy metal discharges to the sea at Ha Tinh) will have concrete and collateral negative impact. Food safety and quality became one of the major concerns not only overseas, developed markets, but in Vietnam as well. Legal frameworks are in place, implementation and legal enforcement is behind. The negative experiences and lower quality products can destroy the benefit

Image by Quang Nguyen Vinh from Pixabay

SECTOR INTRODUCTION » AGRICULTURE

arising from the FTAs, especially the EVFTA.

There are several challenges beside environmental or climate change impact. The Government is putting lots of efforts into promoting investments into agriculture, which is crucial for the further development (the growth target of the Government is between 2,5 and 3% for its 5 years term). Lack of investment (2% of total FDI) brings lack of productivity, proper growth, added value and competitiveness. The reasons of the low figures are related to the land rights, and accessible loans (lack of guarantee). Developments are happening on micro (small scale farms/ plants usually supported by Government or AgriBank) or on macro/ large scale level. Solution could be cooperative operations, buys and uses targeting the whole supply chain.

The targets set by the Ministry of Agriculture and Rural Development can be reached through improving productivity, quality (and traceability) and exportability. The new series of FTAs aim to create new markets for Vietnamese goods, the question is whether the production can meet with the standards in terms of quality and quantity. Through the new free trade partners and achieved modernization the country will be able to differentiate its market and avoid dependence on one/ two major player. Vietnam does need investments into that sector.

Possible investment fields (smart applications/ greenhouses; food safety measurements; food processing – high-end manufacture products; environmental friendly solutions/ fertilizers/ technologies; climate change adoptions; financial solutions; product branding; bioproduction; aquaculture; animal health, traceability, quality and food safety improvement/ applying blockchain technology for the production). Those opportunities are possible at all levels of the value chain. In more recent years, aquaculture and fruit production have grown substantially and are export-oriented as well. Investing into Vietnam can help the businesses to reach not only the growing Vietnamese market, but through the major FTAs signed by Vietnam there is a chance to reach such as ASEAN, CPTPP markets also. At the same time the increasing domestic consumption combined with the larger demand for high-value products have also pushed imports of agricultural products into Vietnam.

CEE countries were generally strong in agriculture in the past in Vietnam. Thanks to the large number of alumni in agriculture the CEE brand is still well known and appreciated.

*Dr. Gellert Horvath
Former Vice Chairman of CEEC*



Image by ThuyHaBich from Pixabay

SECTOR INTRODUCTION

» TRANSPORTATION & LOGISTICS

FACTS AND FIGURES

Vietnam Government has consistently focused on creating the favorable, more open business environment and improving progress in business over past decade. The Vietnam's economy has been ranked at the 70th among 190 economies by the World Bank's 2020 Doing Business and the Global Competitiveness Index of 2019 published the country jumped to the 67th from last year. According to official data by World Bank, Vietnam rapidly achieved the remarkable GDP growth rate of 7.02% in 2019, one of the fastest growth rate in the region. The strong GDP growth in recent years has reflected the development of export focused manufacturing and processing, which will support ongoing expansion of logistics and transportation sectors. The logistics industry is one of the fastest growing industries in Vietnam by the GDP 20-25% in recent years

As said by Vietnam Logistics Business Association (VLA), it presents the heavily impacts to the logistics industry due to the effect of Covid-19; around 15% of enterprises witness the loss of 50% in their revenues, and half of the companies decline 10 – 30% of their domestic and international logistics services, compared to the last year. The segment of air logistics, road and railroad have strongly suffered, especially during the social distancing period. The limited of capacity by airlines and shipping lines significantly impacts to the transportation cost. Shipping lines are decreasing their operating routes and all airlines close their routes to China, Korea, Hong Kong, as well as limit the flight number to infected areas. Besides, the airfreight charges remarkably increase during this period while the demand of cross-border shipments by road drops around 30%. However, Vietnam has significant achievements in dealing with the coronavirus outbreak. Vietnam was among the leader country of worldwide to reopen the country

after some weeks of Covid-19. The VLA President said that the Vietnam economy and logistics sector will recover and develop soon; VLA also indicates they are calling the Government's assistance to help logistics and transportation sector.

OPPORTUNITIES AND CHALLENGES

Vietnam Government has worked on the improvement of transparency of credit information through data distribution; upgrading the electric system and information technology infrastructure to simply the tax payment process. This improved business environment boosts Vietnam to be more competitive and attractive to foreigner investors and manufacturers.

As said by JLL Vietnam, Vietnam still remains promising market for the shifting trend of production lines from China to Southeast Asia. The plenty of multinational manufacturers have been setting up its operation in Vietnam over past 12-24 months, they are looking to diversify the logistics operation and supply chains due to the impact of China-US tariff. The shift of the large part supply chain to Vietnam positively effects to the economy and Vietnam is developing its logistics hub with young population and willingness to adopt the new technologies so the logistics sector becomes more huge expansion. However, the government has been highlighted about the proper investment in transport infrastructure to adapt its growth and reduce the logistics cost for businesses.

Furthermore, the country's evolution, Vietnam has signed the Free Trade Agreement between the EU and Vietnam (EVFTA) which will incentive trade and investment relations as well as complete the economic policy in Vietnam. It opens up the huge trading and logistics opportunities as the EVFTA provides the elimination of almost 99 per cent of customs duties and barriers to trade

between Vietnam and the EU. According to the Vietnamese Government, EVFTA would boost EU exports to Vietnam by 15.28% and those from Vietnam to the EU by 20% by 2020. Nevertheless, Vietnamese businesses should be well-prepared in term of skills, knowledges, labors and strictly comply with the regulations.

The industry 4.0 presents both opportunities and challenges for developing country as Vietnam. The Industry 4.0 in logistics help improve the efficiency, productivity and accuracy of daily operation processes from manufacturing to logistics. Vietnam and the logistics enterprises have adapting the technology and IT innovation, including warehouse management system, transport management system, route optimization software, order management system or customizing the logistics business model as customer's requirement. E-commerce is booming in Vietnam, its growing rapidly with the annual growth rates greater than 30%. The logistics market indicates Vietnam Ecommerce is one of the fastest growing in Southeast Asia.

VLA proactively asked the Government to support logistics firms to recover the industry after the pandemic, including reducing 50 percent of corporate income tax for 2019 and 2020, applying a preferential electricity price for logistics firms working in the cold storage industry (which was currently 25 and 30 percent higher than the electricity prices for other production), encouraging trade promotions and enhancing e-commerce, online trading exchanges and online payment.

Trinh Lam
Deputy Country Manager
Gebrüder Weiss
trinh.lam@gw-world.com





Alma Resort Cam Ranh, Vietnam

SECTOR INTRODUCTION

» TOURISM & HOSPITALITY

Vietnam ranked among the world's fastest growing travel destinations in 2019, according to the United Nations World Tourism Organisation. This incredible S-shaped country came in at seventh place among the globe's 20 fastest growing travel destinations, on the back of the number of foreign tourists coming to Vietnam increasing by 16.2 percent year-on-year to 18 million. Vietnam was also named "World's Leading Heritage Destination 2019" at the 26th World Travel Awards, and the "World's Best Golf Destination 2019 award" at the World Golf Awards.

Vietnam is the place to be. Its name is in lights for all of the right reasons, including its brilliant handling of the COVID-19 pandemic that wreaked havoc worldwide and brought international travel to a virtual

standstill. Vietnam has been hailed a success story worldwide, thanks to the Vietnamese authorities' quickly taking appropriate action to protect its people and keep the number of infection cases low. At the time of writing, there had not been a single death in Vietnam due to COVID-19; an achievement the governments of the United States and Italy could only dream of.

Despite the challenges brought about by the pandemic to tourism and hospitality, Vietnam will continue on a positive trajectory into the future, with its best days yet to come. Domestically, people started travelling as soon as the restrictions eased, eager to experience more of their own backyard. The Vietnamese are a resilient people, and Vietnam is a resilient country that continues to dominate bucket lists the world over. As international

travel stirs back to life, Vietnam will no doubt be front of mind for many a foreign traveller.

There's Vietnam's economic hub Ho Chi Minh City with its busy yet infectious pace, Hanoi's labyrinthine Old Quarter, Halong Bay's towering limestone karsts, the ancient imperial capital at Hue, and Hoi An's quaint UNESCO-heritage listed Old Town. Yet there are also emerging destinations that are gaining much attention and traction, including Alma Resort's part of the world, stunning Cam Ranh peninsula in southern Vietnam, arguably Vietnam's new IT destination.

Basking in some of the country's best weather (it boasts an average of more than 300 sunny days a year), Cam Ranh was singled out by Conde Nast Traveler as one of the world's "best places to travel" in 2018. This is no surprise. In addition to our spectacular natural surrounds, KN Golf Links Cam Ranh, a Greg Norman golf course, and a new international terminal at Cam Ranh international Airport

recently opened their doors. New resorts, including Alma, are emblematic of Vietnam's maturation as a destination.

What makes Vietnam's story all the more extraordinary is just how rapidly things have progressed here. The World Bank describes Vietnam's rapid progress from being one of the world's poorest countries only a few decades ago to its current lower middle-income status as "remarkable". According to a forecast by PricewaterhouseCoopers in 2017, Vietnam may be the fastest-growing of the world's economies, with a potential annual GDP growth rate of about 5.1%, which would make its economy the 20th-largest in the world by 2050. Tourism, no doubt, has played an integral role in Vietnam's stellar rise.

Martin Koerner
Chairman

EuroCham Tourism & Hospitality Sector Committee
martin@ceecvn.org



SECTOR INTRODUCTION

CLEAN TECHNOLOGIES

VIETNAM CLEAN TECHNOLOGIES SECTOR OVERVIEW

Like the overall economy, population and urbanization, the clean technology sector in Vietnam is growing. Several plans have been developed, foremost the National Green Growth Strategy, which focus on the clean technology sector mainly renewable energy, environment & water, and energy efficiency. Transportation still remains a bottleneck, like infrastructure development, but metro lines are being built and efforts are being made towards electric or hybrid transportation and more generally summarized as Smart or Resilient Cities. For example, plans for the period of 2026-2030, Ho Chi Minh City sets a target of limiting and moving towards eliminating motorcycles and motorbikes in some central areas. In the previous period, the Department of Transport will plan to implement solutions for developing public transport and controlling private vehicles. Also Hanoi has drawn up plans to limit or ban private non-e-vehicles from city central areas.

The current market size for the clean technology sectors in Vietnam is approximately US\$ 4-5 billion per year.

There is no specific data for the whole market hence using the total of each sub-sector the size can be estimated that in the next 5 to 10 years, Vietnam will need to invest US\$ 15-20 billion for renewable energy sector and US\$14 billion for Environment and in the water sector to be able to achieve the governmental targets. Funding of these projects still remains a challenge or a test of patience and networks, as decentralized licensing, local banking system, Public Private Partnerships or international donor organizations will have to get involved.

As Vietnam is particularly vulnerable to the effects of climate change, e.g. at the Global Climate Risk Index, that is based on human and GDP losses as a result of climate related extremes over the past 20 years, Vietnam ranks eighth in the world. In 2015 scientists summarized that Vietnam has suffered from increased average and heavy rainfall, persistent sea level rise that causes increased saline water intrusion, especially in the Mekong Delta, and more extreme storm surges, more severe droughts, and increased average temperatures and occurrence of heat waves. An Intended Nationally Determined Contribution to the United Nations Framework Convention on Climate Change (UNFCCC) has been issued in late 2015 and the government of Vietnam has given its approval to the Paris Agreement under the UNFCCC on 3 November 2016. The Government also issued a plan for implementation of the Paris Agreement in Vietnam. However, the energy sector contribution towards the overall nationally determined contribution mitigation target is judged by researchers as unambitious even though it is the largest source of greenhouse gas emissions and the energy sector emissions are increasing fast.

Thus, the country has developed a comprehensive set of policies, and major growth is expected to come from Renewable Energy development as the Vietnamese government has issued the Power Development Plan VII (revised 2016) which forecasts the development of Renewable energy from now to 2030 and is currently working on the plan VIII. The environmental and water sector will see strong growth as well, due to several environmental scandals and prevalent pollution. Currently the population from rural and urban

areas still does not get access to clean water (70% in city; approximately 40% in rural areas in 2015). Due to international donor aid, waste treatment has improved recently, but is still poorly handled as well. The government also plans to invest in improving water supply to reach 100% population coverage and 100% of wastewater and solid waste to be treated properly in the future.

Following regulations and Ministries have to be taken into account:

National Assembly Resolution 55/2014/QH13 of 23/06/2014 promulgating the Law on Environmental Protection (52/2005/QH11 in 2005)

The Ministry of National Resources and Environment (MONRE) is overseeing the implementation of the law on environmental protections through the local people's committees, which is designed to encourage environment protection, enforce compliance on environment protection and the development of renewable energy, waste treatment and recycled wastes. Decree No: 40/2019/ND-CP, is amending and supplementing several articles of the original decree thus detailing and guiding the implementation of the environmental protection law.

Power Master Plan VII revised 2016 - Prime Minister Decision 428/QĐ-TTg, 18/03/2016

In that Decision the Ministry of Industry and Trade (MoIT) is authorized with the main responsibility of the development of renewable energy (wind power, solar power, small hydropower plants, biogas and biomass) envisioned till 2030. This has also to be seen in connection with the restructuring of the power sector until 2025 aka "Competitive Wholesale Power Market" (Prime Minister Decision 168/QĐ-TTg, 7/02/2017). Decision 1264 / QĐ-TTg dated October 1, 2019, of the Prime Minister approving the task of making the planning for PDP VIII which should see major differences in the methodology, transmission, consumption patterns and Climate Change Goals compared to the previous plans.

Decision 37/2011/QĐ-ttg of Prime Minister and Circular No. 96/2012

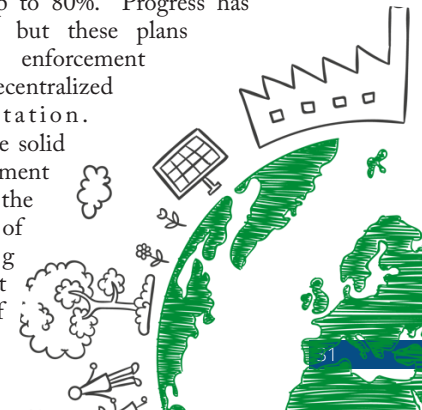
The Ministry of Finance (MoF) and the Ministry of Industry and Trade (MoIT) are in charge on mechanisms supporting the development of wind

power projects in Vietnam which emphasize the development and the Feed-In-Tariff (FIT) especially for wind power projects. Moreover, on April 6, 2020, the Prime Minister issued Decision No. 13/2020 / QĐ-TTg on the mechanism to support the development of solar power projects in Vietnam and update on the Mechanism to Encourage Development of Solar Power Projects (previously: Prime Minister Decision 11/2017/QĐ-TTg, 11 April 2017). But also Prime Minister Decision 24/2014/QĐ-TTg of 24/03/2014 regulates the support mechanism for development of biomass power projects and Prime Minister Decision 31/2014/QĐ-TTg of 5/05/2014 on the support to the development of projects to produce power from waste.

Decree No. 108/2009/ND-CP and Decree No. 24/2011/ND-CP on investment in the form of Build Operate Transfer (BOT), Build Transfer Operate (BTO), Build Transfer (BT) Contract; and Decision No. 71/2010/QĐ-TTg promulgating the regulation on pilot investments in the Public-Private Partnership form - According to the regulations, investors enjoy preferential treatment and cost assistance such as exemption of land use and rental fee, compensation and land acquisition, exemption of import taxes of materials, equipment, machines, and special vehicles. Besides that, preferential policies of corporate income tax and natural resource tax are also applicable.

Decision 1929 and No. 2502/QĐ-TTg of the Prime Minister on Urban water and Industrial park water supply development plan

This development plan aims to achieve 100% demand of water for urban areas (up from 70%), reducing water loss rate from 37% to 15% by 2025, improve drainage for all urban areas and wastewater is treated up to 80%. Progress has been made, but these plans still lack enforcement and decentralized implementation. Similarly, the solid waste treatment plan and the set targets of achieving treatment of 95% of



urban solid waste, 75% of rural solid waste and that 85% of the solid waste collected is treated properly and recycled. The vision of these measures stretches until 2050.

PRACTICALLY SPEAKING

The Vietnamese clean technology industry is expected to grow steadily and despite the current track is set on a massive upscaling of coal power projects, the plans call for an increased focus on clean technology for power production. Currently, hydro-power makes up a substantial share of Viet Nam's electricity mix, including Viet Nam's electricity mix, including small and medium hydro-power plants. Solar water heaters are reasonably common throughout the country and biogas digesters have spread fairly widely in rural areas. There are some factories producing electricity from waste or using biogas or biomass for heating or drying, and there is some production of biofuel. The potential to expand hydro-power is very limited, but vast efficiency increases can be achieved, whilst there is substantial potential for expansion of waste-to-energy and biofuel production. Investment agreements have been signed, but up to date Vietnam has near zero deployment of wind and solar Photovoltaic (PV) power generation, despite considerable potential, and no Concentrating Solar Power (CSP), geo-thermal power generation or tidal power generation. Due to vested interests and institutionalized factors Vietnam is only going slowly towards non-hydro renewable energy. Especially for local investors the development of solar PV was in 2020 very interesting good progress in solar development has been made; but far off sufficient electricity supply or direct power sales agreement necessities. In addition, certain obstacles have to be overcome and after an expiration of the current solar PV power purchase agreement and FiT regime,

companies have to get prepared for a bidding mechanism.

The role of and domination by some large State-owned Enterprises (SoEs) must not be neglected when entering the energy market in Vietnam. For example, the Electricity Vietnam (EVN), Vietnam Coal and Mining Cooperation (VINACOMIN), Vietnam Petroleum and Gas Cooperations (Petrovietnam and Petrolimex groups) jointly control most power generation and distribution; also the coal mining, import, export and distribution; and oil and gas exploration, refinement, import, export and product distribution is in the hands of these big players and all their subsidiaries. They are controlled by the Central Government, with debates in the National Assembly but also local approvals from provincial assemblies might be required from case to case or in line with the overarching national development goals. An additional layer of complexity and opportunity has been added recently by the creation of power generation companies, which have been split off EVN's monopoly status, while big challenges still prevail regarding electricity distribution, oversupply and undersupply in certain areas and the project finance guarantee system. Summing up, a distant market management without knowledge and contacts to the various players is not recommended.

The EU Vietnam Free Trade Agreement (EU Vietnam FTA) includes a comprehensive and binding chapter on Trade and Sustainable Development (chapter 13) to support stable economic growth, social development and environmental protection and through the so-called Green Tech Annex of the FTA tackling non-tariff barriers affecting the renewable energy sector.

Christoph Schill

*Treasurer EuroCham Green Growth SC
greengrowth@praxis.be*



CORPORATE MEMBERS

 ADAMED GROUP <i>R.O of ADAMED PHARMA</i> <i>S.A. in Hanoi</i> www.adamed.com	 ALMA <small>HAPPINESS HARMONY HOME</small> <i>ALMA Resort</i> www.alma-resort.com	 ALPLA <i>ALPLA Packaging (Vietnam)</i> www.alpla.com	 ACCLIME <i>Acclime Vietnam</i> www.vietnam.acclime.com
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MEMBERSHIP AT CEEC



As an independent non-profit organisation, the **Central and Eastern European Chamber of Commerce in Vietnam** is created and funded from members for members.

By joining the Chamber, our members will receive following benefits:

- B2B Matchmaking;
- Market overview, research & consulting;
- Chances to expand network with networking events, workshops;
- CEEC members also got offer and discount from Qatar Airways, health check for residents from CarePlus; health insurance and schooling; personnel resource from cooperated universities and AIESEC VN
- Enhance visibility through CEEC channels;
- and Benefits from being dual membership of EuroCham-CEEC.

Through CEEC's affiliation agreement with EuroCham, members of CEEC are also members of the European Chamber and entitled to access their services and benefits. Consequently, the membership categories are similar: individual members, SME members and Large Enterprise membership. Application form and information can be found in our dedicated website section or through our office contacts in Hanoi and Ho Chi Minh City. The main requirements to become a member of CEEC are: being from or being closely related to one of our represented countries and interested in doing business in Vietnam. According to our statutes, our members come from: Austria, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovak Republic, Slovenia.

Besides, our members' voices will be heard through direct channels as one of our Board Members, also Vice Chairman in EuroCham, is very active in the Government advisory council.

Further information about our members and membership application form can be found at: www.ceecvn.org/members

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REPRESENTATIVE OFFICE IN HCMC
 Room 1101, Me Linh Point Tower, 2 Ngo Duc Ke, Dist.1, HCMC
 Email: info@egis.vn
 Tel: (84) 028 38220 999 - Fax: (84) 028 38229676
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VIETNAM IN FIGURES



ONE OF THE FASTEST GROWING ECONOMIES in ASEAN

- > Since 2002, GDP per capita increased by 2.7 times, real GDP grew by about 7% in 2019.
- > Given the Covid-19 pandemic impacts, Vietnam's projected economic growth reaching 6.8% until 2021.
- > GDP spent on education 2019: 5.8%
- > GDP spent on healthcare 2019: 7.5%, as expected to grow at a CAGR rate of 12.5%
- > Internet penetration rate 2019: 66%



YOUTHFUL LABOUR FORCE

70% of population is under 35 years of age



GROWING MIDDLE CLASS

Accounting for 13% of the population, expected to reach 26% by 2026.



GROWING URBAN POPULATION

By 2035, 54 million inhabitants in cities



ONE OF THE MOST ATTRACTIVE DESTINATIONS OF FDI IN ASEAN

3rd place; Over 3,800 new FDI projects in 2019 (-US \$ 20.38 billion)



The Best Companies to Work for in Asia 2020 (recognised by HR Asia Awards)

17 signed and effective FTAs

The notable EU-Vietnam Free Trade Agreement (EVFTA) and EU-Vietnam Investment Protection Agreement (EVIPA) ratified by Vietnam's National Assembly and expected to come into effect from August 1, 2020

03 FTAs are under negotiations.

08 UNESCO World Heritage sites

15% growth of international arrivals, reaching 18 million foreign tourists in 2019

GLOBAL TOP 5 EXPORTS

1. Electrical machinery & equipment
2. Footwear
3. Clothing & Accessories
4. Machinery including computers
5. Knits or crochet clothing



Egis Pharmaceuticals Private Limited Company is one of the leading generic pharmaceutical companies in the CEE and CIS regions.

Website
<https://vn.egis.health>

Egis Pharmaceuticals Private Limited Company is one of the leading generic pharmaceutical companies in the CEE and CIS regions with activities extending to every field of pharmaceutical production from research and development, through active ingredient and finished production to sales and marketing.

In our home country, Hungary, our APIs and drugs are developed and produced at three production sites. Over more than one hundred years that have passed since the foundation of our company in 1913, Egis has grown into an internationally renowned company with 4364 employees worldwide.

As one of the companies in the Central Eastern European region firmly committed to innovation, we devote approximately 50 EUR million yearly to R&D. Our research and development activities focus on high-quality, value-added branded generic products.

Our products are sold to 65 countries and 77% our 527 million euro turnover derived from export. Besides Hungary, we sell our products under the brand name Egis in 17 countries (including Vietnam) through our network of subsidiaries and representative offices. Our drugs acting on the cardiovascular, central nervous and respiratory systems account for two-thirds of our turnover and we continuously open towards new areas. In 2013 Egis launched Europe's first biosimilar monoclonal antibody and it is our strategic goal to become a key player in the biosimilar therapies' segment.

Our high quality products have been marketed in Vietnam since 1950s. Vietnam always plays an important role in our business strategies. We always provide our highest quality innovative products which are manufactured at EU-GMP certificated sites located in Hungary to worldwide patients. Our efforts are creating significant value for patients and shareholders.

Headquarter

Address: 1106 Budapest, Keresztúri út 30-38., Hungary
Phone: +36 1 803-5555
Telefax: +36 1 803-5529, +36 1 803-5511
E-mail: mailbox@egis.hu

Representative Office in Vietnam

Address: Room 1101, Me Linh Point Tower, 2 Ngo Duc Ke, Ben Nghe Ward, Dist. 1, HCMC
Tel: +84.28.38220999, Fax: +84.28.38229676
Email: info@egis.vn



Headquarter



Kormend Site



Bokenyfoldi Site

Egis - Health. Quality. Life





HANOI OFFICE

Floor 17, MIPEC Tower
229 Tay Son, Dong Da Dist

Email: office@ceecvn.org - Ms. Thu Nguyen

www.ceecvn.org

HO CHI MINH CITY OFFICE

5th floor, Deutsches Haus Ho Chi Minh City
33 Le Duan, District 1

Email: monika@ceecvn.org - Ms. Monika Jurzak

www.ceecvn.org

*This is an internal booklet issued by the Central and Eastern European Chamber of Commerce in Vietnam (CEEC).
We recommend You to contact CEEC for further information and professional advice for each particular circumstance.*