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VIETNAM Annual Economic Report 2020

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0 Executive summary

- The **economic outlook in Vietnam has shifted markedly** since the onset of the Covid-19 crisis. Despite the initially successful containment of Covid-19 - via thorough contact tracing and strict border closures -, **GDP growth in 2020 was limited to 2.9%,** the slowest in a decade.
- Despite challenges, including a new and ongoing Covid wave since late April 2021, **Vietnam hopes for a recovery in 2021** (6.5% GDP growth, IMF - Jan. 2021). Manufacturing and retail sales are expected to lead the recovery, while travel and hospitality services will remain subdued. The current account surplus, over-assessed in 2019, has been declining, as tourism receipts and remittances have collapsed. Foreign direct investments (FDI) inflows also sharply declined (-25%). The government's fiscal deficit is expected to widen more than currently envisaged by the Ministry of Finance.
- Sizable **risks to this outlook** include the slow vaccination roll-out, a postponed and protracted recovery, economic slowdown linked to weaker labor market conditions, worsening corporate balance sheets, persistent banking system weakness and trade tensions.
- Despite talks of moving up the development ladder, Vietnam's economic growth currently is still **dependent on goods' trade and labor-intensive manufacturing.** One major handicap is the generally low-quality education and increasing **shortage of skilled workers**, provoking wage inflation and high workers' turn-over. Trends to further limit free opinions and speech impede the development of skills crucial for innovation.
- **Foreign-invested enterprises (FIEs) contributed to over 70% of Vietnamese exports in 2020**. Vietnam's robust economic performance of the past three decades has been heavily dependent on exports and FDI, and there are increasing **nationalistic calls** for changing that. One challenge for Vietnam remains indeed the lack of a diverse domestic industrial base; most SMEs continue to operate in the informal sector.
- Vietnam is dependent on **two key trade partners with diverging views**: **China** provides the bulk of primary material and intermediary components, on which Vietnam's export-oriented industry depends, and the **USA**, the largest buyer of Vietnamese products, wants to reduce its sharply increased trade deficit with the country.
- The **new Vietnamese Law on Investment 2020** offers a mix of progress and regress. The distinction between local/Vietnamese and FIEs leads to open discrimination, in particular with regard to market access in Vietnam and fair competition. FDI incentives have been reoriented towards a limited range of sectors with increased expectations for technology transfer: high-tech sectors (e.g. software development, ICT products), recycling, pharma and other health industries.
- **A new government** - new PM, Industry & Trade Minister as well as Finance Minister, all belonging to the less liberal faction within the all-controlling Communist Party of Vietnam - have little economic policy experience. They will have to balance action between keeping commitments towards foreign partners, while catering to powerful domestic interests, notably held by State-Owned Enterprises (SOEs) and few but huge Vietnamese private conglomerates. Corruption remains endemic, and the Communist Party-led fight against it does not tackle root causes.
- In conclusion, Vietnam is at a crucial point in its transformation process towards market-oriented socialism. In a world that has become more volatile and divided and in a situation marked by pandemic and climate change challenges, **the country needs to adapt its economic development strategy** to achieve more inclusive and sustainable development. With Covid-19, inequalities have been deepening further, as over 56% of non-farm workers remain stuck in the informal economy. Also, Vietnam, one of the world's most vulnerable countries to climate change, is severely reeling from years of rapid development with little consideration for the environment.

1 Economic problems and issues

The gap between **Vietnam's two "economic" realities has become more apparent in 2020**: On the one side, there is the official, positive and optimistic view, supported by steady GDP growth (average annual GDP growth of 5.9% between 2010 and 2020) and openness towards trade integration and foreign investments. On the other side, there is a "hidden", less rosy picture, which reveals a society moving at different pace and a business environment that is lacking key ingredients, such as legal certainty, fair competition and reliable dispute settlement mechanisms. The imminent task for the new government is to limit permanent negative effects and support the post-Covid recovery, while setting the stage for reforms to boost productivity and reduce the above-mentioned gap ("economic dualism").

In its latest Art. IV consultations (2020), the IMF has outlined three key **policy priorities** for the Vietnamese government:

- **Macroeconomic policies need to remain supportive** to ensure a resilient and inclusive recovery. Vietnam's labor market was hit hard in the second quarter of 2020, particularly the sizable informal sector with limited access to social insurance. Using hiring subsidies and active labor market policies to incentivize job training should be encouraged. Coverage of the existing social safety net should be permanently scaled up and its efficiency improved. Over time, policies should aim at reducing labor informality by improving labor skills and lowering hiring/firing costs for formal workers, thereby encouraging firm formalization.
- A sustained recovery also hinges on **safeguarding financial stability.** Corporates in Vietnam entered the crisis with relatively weak balance sheets, particularly small and medium enterprises. **Government support should be better targeted to illiquid but viable firms**. Continued strong supervision, together with timely efforts to address problem loans and strengthen regulatory and supervisory frameworks, will help address financial system risks. The Government also needs to improve revenue mobilization and move forward with an overdue comprehensive reform of direct and indirect taxes.
- **More decisive reforms are needed to make the most of Vietnam's considerable growth potential.** This requires tackling the sources of pervasive low productivity. Priority should be given to **improving the business environment**, **enhancing governance** and **access to technology and innovation**, and **reducing skills mismatches**. Without well trained and broadly informed workers, capable of thinking independently, it is hard to see how Vietnam could become an innovative service economy.

As for Vietnam's **business environment**, the latest 2020 World Bank Doing Business report points to major obstacles and the need for accelerated government reforms. K**ey "technical" obstacles** relate to: **extremely complicated, complex and lengthy administrative procedures** required to start a business, incl. to acquire land, to pay taxes, to trade across borders and to resolve insolvency. Vietnam's main competitors for FDI attraction - e.g. Malaysia and Indonesia - do better in those fields. And this is without taking into account less measurable risk factors, such as Vietnam's weak rule of law, lack of independent justice, endemic corruption and absence of free media.

The World Bank is highlighting **3 key principles for action** that Vietnam should follow, in order to become an upper middle- and high-income economy over the next few decades[1]:

- **Non-discrimination and further opening of the economy:** That means offering a level-playing field and an attractive, undistorted and open business environment to all, not only to a few privileged operators (e.g. state-owned enterprises with their respective privileges, foreign investors in certain sectors benefitting from temporary special regimes, or domestic conglomerates having the means to bend the rules). As for further liberalization, that means **allowing free and fair competition between domestic and foreign players as widely as possible and opening up new markets, incl. public procurement**.
- **Reducing companies' cost to comply with the rules:** Currently, there is an abundance of plans and legal texts that confuse and dishearten investors. Even if they are able to identify the rules to be followed, it remains very hard and costly to comply with them. **Tax payment is an exemplary case**. Beyond simplification, there is also a need for the government to catch up with digitalization. So far, only a limited rage of governmental e-services are available to firms.
- **Enforcing the rules:** Here, the main challenge is about **fairness**, as investors not only want a set of rules easy to follow and comply with, but they also expect that these **rules equally apply to all**. Key words here are: allowing the circulation of free and transparent information, strengthening regulatory bodies and protecting consumer interests (especially in sectors dominated by few operators only). Good rules and free trade agreements are useless if they cannot be properly implemented.

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1 Vietnam, a lower middle-income country since 2010, aims at becoming an upper middle-income economy by 2030 and being a developed country with a modern economy in 2045.

2 International and regional economic agreements

2.1 Country's policy and priorities

Vietnam, member of the **WTO** since 11.1.2007, continues to integrate into the global economy via the conclusion of additional free trade agreements with important partners and country groups. As member of the ASEAN Economic Community (AEC), Vietnam is part of the ASEAN Free Trade Area (**AFTA**).

The Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP), in force in Vietnam since 14.1.2019, currently comprises 10 additional countries - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru and Singapore. The agreement provides for a gradual elimination of customs duties on 95% of goods traded among signatory states. On 1 February 2021, the UK formally applied to join the CPTPP.

The EU-Vietnam Free Trade Agreement (EVFTA) and Investment Protection Agreement (EVIPA) entered into force on 1 August 2020. This FTA is considered as the most comprehensive and ambitious agreement that the EU has so far concluded with a developing country in Asia. Almost 99 percent of custom duties between the EU and Vietnam will be eliminated over a period of 10 years. There are important provisions for public procurement, intellectual property rights and investment liberalization. Challenges have already started to arise in the field of human rights, as a consequence of Vietnam's increasing crack-down on free speech and the expression of alternative opinions. For detailed information, incl. full legal texts, please check here

The UK-Vietnam Free Trade Agreement (UKVFTA), signed on 29 December 2020, just two days before UK's exit from the EU, became effective on 1.5.2021. This agreement is largely based on the EVFTA. To conclude the deal, the UK apparently accepted to import a slightly increased rice quota from Vietnam.

The Regional Comprehensive Economic Partnership (RCEP), signed under Vietnamese ASEAN presidency in November 2020, includes 15 countries, the 10 ASEAN member states as well as South Korea, China, Japan, Australia and New Zealand. The RCEP, a much less progressive agreement, is to become the world's largest trade pact, covering about 30% of global GDP and a third of the world's population. Under the agreement commitment, Vietnam is to abolish 89.6 percent of tariff lines in 15-20 years. Depending on progress in ratifications, the RCEP may enter into force by the end of this year or next year.

Once all FTAs are in force and fully implemented, Vietnam will have a network of agreements comprising 58 partner countries, incl. 14 G20 member states. In terms of international integration, it will rank among the most open economies in the region. For foreign investors in the export business, this remains one of Vietnam's key incentives.

FTAs, especially the CPTPP and EVFTA, have stimulated and accelerated institutional reform in Vietnam in order to improve the legal environment in compliance with Vietnam's obligations. However, practice shows that there still is a long way to go for Vietnam's legislation and administrative procedures to fulfill all commitments taken under FTAs.

- Several current laws are inconsistent to what Vietnam has committed to in liberalization of investment and trade in services in the EVFTA and CPTPP. For example, the new investment law still subjects foreign investors to discriminatory regulations and practices in different services, such as distribution, finance, insurance, transportation, telecommunication, architect and construction. Overlapping and conflicting legal provisions and practice make it difficult for enterprises to comply with the law. In some areas, for instance taxation, enterprises must comply with too many regulations, which change regularly and hamper planning of operations by enterprises. In the insurance sector, the Law on insurance business (latest revision in 2019) is not up-to-date with practice and in conflict with other laws and regulations.
- Public information on real estate remains limited and non-transparent, it is difficult for foreign investors to access Vietnam's land database.

2.2 Outlook for Switzerland

Switzerland's main exports (pharmaceuticals, food, medical devices, machinery and equipment) to Vietnam are similar to those of the EU/UK. Without comparable FTA, Swiss companies are poised to be discriminated.

16 rounds of **negotiations for a FTA between Vietnam and the EFTA** have already taken place since 2012, and substantial progress has been achieved in several areas. Switzerland is pushing for an advanced FTA, similar to the EVFTA, and shares the view that the remaining few unresolved differences should now be resolved at political level; For Vietnam, treating 4 European economies differently than the 27 EU members and the UK makes no sense and would only attract disadvantages: a discriminatory treatment would discourage potential FDI, dealing differently with 4 trade partners from Europe would add to the administrative challenges of Vietnamese customs.

Some Swiss firms also expect increased competition also from countries, such as Japan, Australia or Canada that are members of the CPTPP and will benefit from lower tariffs.

3 Foreign trade

3.1 Development and general outlook

3.1.1 Trade in goods

Vietnam's economy is highly dependent on trade in goods. Exports contributed to 82.9% of GDP in 2020 (80.2% in 2019). Overall trade sums up to 160% of Vietnam's GDP.

According to Vietnamese Customs' data, Vietnam's total trade grew by 5.4% in 2020, reaching USD 545.4 billion. Exports reached USD 282.7 billion (+7%), whereas imports amounted to USD 262.7 billion (+3.7%). In goods' trade, Vietnam had a surplus of USD 20 billion last year (vs. USD 10.9 in 2019).

<u>Key Vietnamese export partners and products</u>
The **USA** remained Vietnam's leading export market with USD 79.6 billion of goods imported from Vietnam (28% of all Vietnamese exports). The 20% increase in 2020 is largely attributed to trade diversion, as American suppliers move from China to Vietnam. **China** followed as the 2nd largest market for Vietnamese products (USD 48.5 billion, +17.1%); in particular, Vietnam's export of phones and phone parts to China surged 48.8% year-on-year to USD 12.34 billion.

Other important export partners are: the EU (US$ 34.8 billion, -2.7%), ASEAN (US$ 23.1 billion, -8.7%), Japan (US$ 19.2 billion, -5.7%) and South Korea (US$ 8.7 billion, -5.1%).

Phones and phone parts continued to be the country's largest export item in 2020, despite a tiny decline (-0.4%); those account for around 20% of exports. Machinery, equipment, tools and accessories (USD 8.9 billion, + 48.6%) as well as computers, electronics and components (USD 8.6 billion, + 24.1%) form two other major export categories. Traditional exports of textiles and garments (-9.2%) as well as footwear (-8.3%) continued to recede.

<u>Key Vietnamese import partners and products</u>
China continued to be Vietnam's most important supplier (US$ 84.2 billion, +11.5%). It was followed by: South Korea (US$46.9 billion, -0.2%), ASEAN (US$ 30.5 billion, -5.5%), Japan (US$ 20.3 billion, +4.1%), EU (US$ 15.3 billion, +2.9%) and the USA (US$ 13.7 billion, -5%).

Vietnam mainly purchases **components and materials required for its labor-intensive manufacturing sector** (US$ 245.6 billion, +4.1%); those accounted for 93.6% of total imports (+4.1%). Consumer goods' imports decreased to US$16.8 billion (-3.8%).

<u>Legislation</u>
In line with its FTA commitments, the Vietnamese government has been revising some tariffs for some countries. Specifically, the new Decree No. 111/2020/ND-CP on Vietnam's Preferential Export Tariffs and Special Preferential Import Tariffs was published in September 2020 to meet EVFTA commitments to be implemented in 2020-22.

Foreign-invested enterprises continue to face some trade restrictions: Goods banned for export include petroleum products. Goods banned from import include cigars, tobacco, petro products, newspapers and journals, and aircraft.

3.1.2 Trade in services

There are only limited Vietnamese data available on trade in services. According to Vietnam's General Statistics Office, services exports in 2020 were estimated at USD 6.3 billion (-68.4%). The closure of Vietnamese borders - from March 2020 onward and continuing up to now - caused a big drop in income from tourism (valued at about 10% of overall GDP in 2019). Imported services, assessed at US$ 18.3 billion, dropped by 14.5%. In services' trade, Vietnam traditionally had a deficit; this was close to US$ 12 billion in 2020.

The lack of detailed data is a drawback, as this sector, incl. e-commerce, is growing in importance in Vietnam. The country imports more and more travel, transportation and software services, whilst its own exports of services are also picking up (inbound tourism, transportation, professional & management services as well as IT services).

3.2 Bilateral trade

3.2.1 Bilateral trade in goods

According to Swiss Customs data, overall bilateral trade in 2020 decreased by 11% to CHF 3.2 billion (CHF 3.6 billion in 2019), with Vietnamese exports to Switzerland amounting to CHF 2.7 billion (-6%) and Swiss exports to Vietnam CHF 535 million (-30%). The trade surplus - for Vietnam - remained stable, at CHF 2.1 billion (same as in 2019).

There are major differences between Swiss and Vietnamese Customs data on Vietnamese exports to Switzerland. This results in an underestimation of the importance of Switzerland as trade partner for Vietnam.

<u>Main traded goods in 2020</u>
Switzerland's top 5 export categories to Vietnam were: Pharma & chemical products (42%), machinery (38.5%), precision instruments (8.7%), agricultural products (3.3%) and non-precious metals (2.6%).
Vietnam's top 5 export categories to Switzerland were: precious metals/gold (45.2%), electronics/mobile phones (14%), footwear (12.4%), textiles (11.3%) and agricultural/aquatic products (5%).

Within ASEAN, Vietnam is Switzerland's third most important trade partner. If all Swiss trade partners are considered, Vietnam ranks as Switzerland's 28th most important trade partner.

3.2.2 Bilateral trade in services

There are no data available on Swiss exports and imports of services to/from Vietnam.

4 Direct investments

4.1 Development and general outlook

The total stock of foreign direct investments (FDI) in Vietnam stood at US$ 384.04 billion by the end of 2020. Asian countries – Singapore, South Korea, China, Japan, Taiwan and Hong Kong - continue to hold the bulk of FDI. The lower ranked Netherlands, USA, UK, Germany and France are currently the top Western investors.

Ongoing tensions between some Western governments and China have made Vietnam an attractive option for the relocation of international manufacturers seeking to diversify their operations. Taiwan's Foxconn is one of the latest major manufacturers to move some of its Apple production line to Vietnam amidst the fallout from the recent Sino-U.S. trade war. Given Vietnam's own dependence on Chinese inputs, such diversification is however partial at best.

As a consequence of the Covid-19 crisis, 2020 FDI inflows declined by 25% (US$ 28.5 billion for the year, until 20 Dec. 2020). The biggest portion went to manufacturing/processing (US$ 13.6 billion – 47.7%) and electricity production/distribution (US$ 5.1 billion - 18%), while the rest went into real estate, services, transportation and information technology.

Major FDI projects in 2020 include:
1) The Liquefied natural gas power plant project (LNG) in Bac Lieu province by Singaporean investors with total registered capital of US$ 4 billion.
2) The Southern Vietnam Petrochemical Complex Project in Vung Tau by Thai investor. This is an added capital project with US$ 1,386 billion additionally injected.
3) The West Lake Urban Center Project in Hanoi by Korean investor. It is also an added capital project with US$ 774 million further added.
4) The Pegatron Vietnam project in Hai Phong by Taiwanese investor with total registered capital of US$ 481 million to produce games equipment, phone accessories, smart speakers, games control board, computer
5) The Radian Jinyu Tire Factory Project in Tay Ninh province by Chinese investor with total registered capital of US$ 300 million to produce TBR steel tires.

HCMC overpassed Hanoi, becoming the leading city in attracting FDI in 2020. Bac Lieu, a coastal city in the Mekong delta ranked second thanks to the significant liquefied natural gas-fired power plant project worth approximately US$4 billion. Hanoi ranked third with total registered capital of US$4.36 billion and 496 projects.

In term of provincial competitiveness, Quang Ninh ranked top, followed by Dong Thap, Long An, Binh Duong and Da Nang according the annual Provincial Competitiveness Index (PCI) survey based on inputs from nearly 12,000 domestic and foreign-invested enterprises.
At the level of legislation, different new laws of interest to foreign investors include the law on investment (LOI) and the law on public-private partnership (PPP) - in force since January 1, 2021.

New Law on Investments 2020 and its guiding decree (Decree 31/2021/ND-CP dated 26 March 2021)
This new law includes both progress and regress, including different incentives and amplified discrimination.

One prominent change includes the introduction of:
- A Prohibition List with business activities, where foreign investors are not allowed to invest in;
- A Conditional Business list, where foreign investors must satisfy market entry conditions in order to invest in.

Banned business areas applied to foreign investors remained unchanged. Many business activities are listed in the Conditional Business List for foreign investors, including some important sectors like insurance, banking, securities services; education services; hydropower, offshore wind power and nuclear energy; real estate etc. Conditions mainly refer to foreign control, activities, and capital contributions. Each conditional industry is subject to a specific set of restrictions. The Ministry of Planning and Investment (MPI) maintains a full list of conditional sectors and industry-specific requirements on its National Business Registration Portal.

Despite calls for a more level-playing field and fair competition, discrimination towards foreign businesses has been increased. Newly, the maximum "foreign investor"-stake in a “local joint stock company” has been lowered from 51% to 50%. Under the previous LOI, a joint stock company with more than 50% but lower than 51% foreign capital ownership would still receive benefits applied to domestic enterprises. The change makes it now impossible for foreign investors to both control a joint venture and enjoy the same investment conditions as local investors.

Investment incentives are newly focused on FDI in the following sectors/company type:
- high-tech (including software development, clean energy technologies, information and communications technology-related products);
- recycling;
- public transportation;
- microfinance;
- education (investment in infrastructure for education and training institutions)
- Start-ups.

New Law on Public-Private Partnership – PPP (Law No. 64/2020/QH14)
Although it was hoped that the new PPP Law would make a legal framework on PPP more in line with international practice and address the shortcomings of existing legislation, this Law does not go as far as expected, and may not drive foreign investors to support PPP to the extent that Vietnam’s authorities had intended. Several obstacles from the previous law have not been addressed. These include the slow disbursement of state budget money, legal uncertainty in Vietnamese courts, heavy and unclear administrative procedures.

International law firms highlight 5 notable changes:
- **Investment incentives**: Only investors engaged in the following five sectors - transportation, healthcare, education, transmission grid and water - may benefit from incentives, such as preferred corporate income tax, exemption or reduction of land lease fee, credit support, and more.
- **Minimum investment capital requirement**: This requirement is lowered, depending on the type of project and area in which it is located.
- **State capital participation:** The new law sets a limit of 50 percent of total investment capital for state investment in PPP projects. This includes the funding for land clearance.
- **Revenue risk-sharing mechanism**[2] is applied to PPP projects, where the actual project revenue is less than 75% of the revenue forecasted in the financial model. Other measures such as concession extensions or tariff adjustments have not addressed.
- **Government guarantees**: Given that attracting new investment is the main goal for the new law, Vietnam is committed to providing guarantees to private and foreign investors. These include guarantees of access to land and land use, right to the mortgage of property, and revenue risk sharing, among others.

Privatization of State Owned Enterprises (SOEs) continued to lag behind plans in 2020 - mainly due to the “un-readiness” of the enterprises concerned as well as land-use rights issues. In June 2020, the Prime Minister issued Decision No.908/QD-TTg approving a list of 124 SOEs that should be equitized within 2020. However, 91 of these enterprises were not yet privatized by the end of 2020, according to the Ministry of Finance.

[2] The State will share 50% of the downside below the 75% threshold.

4.2 Bilateral investment

According to Vietnam's Ministry of Planning and Investment (MPI), Switzerland ranked as the 19th most important foreign investor in 2020, with a FDI inflow of US$102.23 million, slightly down compared to 2019. In 2020, eleven new projects were initiated, and nine existing ones have added capital. These projects are in manufacturing, trading, consulting, real estate, hospitality and logistics.

The overall stock of Swiss direct investment in Vietnam currently stands at US$ 2.058 billion. Pharmaceuticals, food processing, IT, logistics and hospitality are so far the main sectors. Some 20'000 jobs have been created by Swiss companies in Vietnam. A steadily improving business environment as well as the rapid conclusion of a progressive FTA (EFTA-VN) would make Vietnam more attractive as location for Switzerland's high quality and innovative firms and should help unlash the real potential that exists for "win-win" economic cooperation.

- Benefitting from government policies and incentives as well as low labor costs, the majority of Swiss firms export their goods and services either to the region or beyond[3].
- Despite a big population and a growing middle-class (13% of the 98 million population presently), only few Swiss investors - mostly multinationals - also tap into the domestic market to sell their products and services in VN.
- While a number of regulatory and market factors play a role for this reluctance, certain trends work as disincentives:
  - Legal restrictions or prohibition for foreign companies un accessing the domestic
  - Shortage of skilled workers
  - Complex administrative procedures
  - Difficult access to government procurement
- While VN authorities often are willing to consider pragmatic solutions, uncertainties remain.

Swiss companies, products and services have a good reputation in Vietnam. Swiss firms are considered as good employers to work for. Nestlé, Roche, DKSH, Züllig, Novartis, Schindler, ABB all are on the "2020 list of top 100 Vietnam best places to work".

One particular feature of investing in Vietnam includes community engagement and competition for government awards/recognitions. Both are expected by society and government. Nestlé Vietnam is a leader in promoting healthy lifestyle attitudes and responsible consumption, especially among the younger generations. The two Swiss pharma multinationals, Novartis (health digitalization) and Roche (breast cancer), are both actively engaged in supporting health sector challenges. Others, like Schindler, strongly invest in vocational skills training for their workers. Such private sector contributions to the modernization of Vietnam bring "win-win" benefits to all, including society.

5 Trade, economic and tourism promotion "Country advertising"

5.1 Foreign economic promotion instruments

In cooperation with the S-GE ASEAN regional hub in Singapore, two trade officers - one based at the Embassy in Hanoi and the other at the CG in Ho Chi Minh City – with a 50% assignment each for S-GE offer consultancy services and support to Swiss firms interested in doing business with Vietnam. Both also help implement trade promotion events supported by S-GE. Due to Covid-19, the annual Swiss Education Fair/SEF Vietnam, run by the ASEAN SBH, was postponed to September 2021. Also the **ITU Digital World 2021** on the theme of "Building the digital world. Together." that was to take place in Hanoi last year was rescheduled to 12 to 15 October 2021.

Based in Zurich, the Swiss-Asian Chamber of Commerce (SACC) serves as meeting point and relay between entrepreneurs and government institutions for enhancing economic relations between Switzerland and Asian countries. The chamber has a dedicated Vietnam Committee.

A non-governmental, non-political and non-profit organization, the Swiss Business Association (SBA) in Ho Chi Minh City - with just under a hundred members - acts as exchange platform, facilitating contacts between Swiss firms established in Vietnam and companies interested to become active in the country.
The European Chamber of Commerce in Vietnam (EuroCham) is the main voice of the European business community in Vietnam. Created in 1998 and comprising more than 950 affiliated companies, it acts as umbrella organization and is a key vector for companies and business sectors to engage in policy dialogue with the Vietnamese authorities. Seminars and events are partly also open to non-members against payment of a fee.

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[3] An alternative to FDI is cooperating with Vietnamese companies. This model works well for example for "On shoes", which is collaborating with several Vietnamese shoe manufacturers, producing on the basis of On designs and quality controls.

5.2 The host country's interest in Switzerland

Among Vietnam’s small but very rich elite, Switzerland enjoys an excellent reputation both as top tourist destination and as provider of high quality education. Vietnamese have had longstanding interest in Swiss private college education and hospitality studies.

Education, research and innovation continue to be most promising topics for enhancing bilateral exchanges and cooperation. The SBFI is open and interested in doing more to support academic exchanges as well as joint research. Each year, young Vietnamese graduates compete for Swiss Government Excellence Scholarships to obtain a Master’s Degree or PhD from a Swiss universities. Several cooperation between Swiss universities already exist. Since recently, the Swiss National Science Foundation (SNSF) and its Vietnamese counterpart (NAFOSTED) have a MoU and support joint research projects undertaken by Swiss-Vietnamese teams. A first call, launched in last October, is to fund up to 10 projects, co-supported by a Swiss financial contribution of up to CHF 2.5 million.

Switzerland is seen by Vietnam as a prosperous country with an internationally renowned financial center. SECO’s development cooperation program continues to offer a Swiss bank training program for Vietnamese executives; Vietnamese banks remain little efficient and have a lot of catch-up to do.

There is a nascent Vietnamese start-up industry, which the government wishes to boost, newly also with incentives offered to foreign start-ups. Foreign investors are encouraged to build research centers and contribute to elevate the quality of education and research.

Annexes:

1. Economic structure
2. Main economic data
3. Main trade partners, including Switzerland
4. Bilateral trade
5. Main investing countries, including Switzerland

ANNEX 1

Economic structure

Distribution of GDP

Sectors	**2015**	**2020**
Primary sector Agriculture, Forestry and Fisheries	17.0	14.8
Manufacturing sector (incl. construction and mining)	33.3	33.7
Services	39.7	43.7
Taxes	10.1	9.8

Since 2015, taxes (tax payments, without subsidies) are separately accounted for in the GDP distribution

Distribution of Employment

Sectors	**2015**	**2020**
Primary sector Agriculture, Forestry and Fisheries	44.0	31.6
Manufacturing sector (Industry and Construction)	23.0	31.7
Services	33.0	36.7

According to the IMF (2020 Art. IV consultations), 56.2% of non-farm workers in Vietnam continued to work in the informal sector. In agriculture, the overwhelming portion of employment is informal.

Source: General Statistics Office of Vietnam, www.gso.gov.vn

ANNEX 2

Main economic data

	2019	2020	2021
GDP (US$ bn)	**329.5**	**340.8**	**364.1**
GDP per capita (US$)	**3416**	**3500**	**3704**
Growth rate (% of GDP)	**7**	**2.9**	**6.5**
Inflation rate (%)	**2.8**	**1**	**2.3**
Unemployment rate (%) *Source: EIU*	**3.2**	**4.9**	**4.3**
Fiscal balance (% of GDP)	**-4**	**-3.2**	**-3.5**
Current account balance (% of GDP)	**3.8**	**2.2**	**2.3**
Total external debt (% of GDP)	**37.1**	**38.5**	**38.6**
Debt-service ratio (% of exports)	**n.a.**	**n.a.**	**n.a.**
Reserves (months of imports)	**3.5**	**3.7**	**4.1**

Source (except for the unemployment rate): IMF Staff report for Article IV Consultation (Jan. 2021)

[3] Forecast for the year following that under review in the annual report

ANNEX 3

Vietnam's Main Trade Partners in 2020
(*according to Vietnamese Customs data*)

Rank	Country	***Exports*** *from Vietnam (US$ million)*	Share (%)	Change[4] (%)	Rank	Country	***Imports*** *by Vietnam (US$ million)*	Share (%)	Change[10] (%)
1	USA	77,077	27.4	25.7	1	China	84,187	32.0	11.5
2	China	48,905	17.4	17.9	2	South Korea	46,895	17.9	-0.2
4	Japan	19,284	6.8	-5.2	4	Japan	20,341	7.7	4.1
4	South Korea	19,107	6.8	-3.2	5	Taiwan	16,701	6.4	10.2
5	Hong Kong	10,437	3.7	45.9	6	The US	13,713	5.2	-5.0
6	Netherlands	6,999	2.5	1.7	7	Thailand	10,965	4.2	-6.0
7	Germany	6,644	2.4	1.4	8	Malaysia	6,575	2.5	-10.3
8	India	5,235	1.9	-21.5	9	Indonesia	5,382	2.0	-5.9
9	The UK	4,955	1.8	-13.9	10	Australia	4,677	1.8	5.0
10	Thailand	4,917	1.7	-7.3	11	India	4,435	1.7	-2.0
11	Canada	4,361	1.5	12.1	12	Ireland	4,061	1.5	62.6
12	Taiwan	4,322	1.5	-1.6	13	Singapore	3,670	1.4	-11.4
13	Cambodia	4,149	1.5	-5.3	14	Argentina	3,384	1.3	4.7
14	UAE	3,916	1.4	-18.2	15	Germany	3,348	1.3	-9.6
15	Australia	3,621	1.3	2.7	16	Kuwait	3,168	1.2	-10.6
16	Philippines	3,550	1.3	-4.8	17	Brazil	2,907	1.1	5.7
17	Malaysia	3,419	1.2	-9.7	18	Russian Federation	2,001	0.8	9.6
18	France	3,297	1.2	-12.4	19	Philippines	1,754	0.7	11.1
19	Mexico	3,159	1.1	11.8	20	France	1,520	0.6	-4.7
20	Italy	3,117	1.1	-9.6	21	Italy	1,511	0.6	-19.5
21	*Switzerland (according to Swiss figures)*	*2,984*		*-6%*					
57	Switzerland (according to VN figures)	269	0.1	-82.7	22	*Switzerland*	594	0.2	-17.4
	EU	40,500	14.2	-3.4		EU	15,340	5.8	2.9
	Total	282,650	100%	7.0		Total	262.700	100 %	3.7

4 Change from the previous year in %

ANNEX 4

Bilateral trade in goods
(According to Swiss Federal Customs)

	Export (CHF m)	*Change (%)*	***Import (CHF m)***	*Change (%)*	***Balance (in million)***	***Volume (in million)***	*Change (%)*
1990	3.2	-44.5	5.9	-65.8	-2.7	9.1	-60.3
1995	31.7	33.8	34.8	25.3	-3.1	66.5	29.1
2000	78.4	-1.1	146.4	38.0	-68.0	224.8	21.3
2005	116.6	-15.7	195.0	14.0	-79.0	311.6	2.4
2010	273.2	-51.2	2'886.3	34.7	-2'613.1	3'159.5	16.9
2011	256.3	-6.2	1'112.6	-61.5	-856.3	1'368.9	-56.7
2012	322.4	-*	672.1	-*	-349.7	994.5	-*
2013	1’678	420.3	1’193	77.5	485	2’871	188
2014	422.7	-74.8	957.0	-19.8	-532.1	1’380	-52
2015	496.0	17.3	977.1	2.1	-481.1	1’473	6.8
2016	542.3	9.3	1‘468.0	50.2	-925.6	2‘010	36.5
2017	617.4	13.8	1'422.2	-3.1	-804.8	2'039.6	1.5
2018	665,2	7,7	1’474	3,6	-808,8	2'139,2	4,8
2019	765	15.0	2'877	95,2	-2'122	3642	70,2
2020 (Total 2)	**535**	**-30.0**	**2704**	**-6.0**	**-2169**	**3239**	**-11.1**

Explanations:

The Swiss Customs Administration made changes to the way it calculates imports and exports as of 1 January 2012. Since then, comparisons between 2012 and the previous years have no longer been possible.
Total 2 includes: gold bars and other precious metals, coins, precious stones and gems, works of art and antiques
The indicated change (%) is compared to the previous year.

Composition of traded goods

Swiss Federal Customs Data

Main Swiss Exports	**2019**	**2020**		
	Total (Mio CHF)	Total (Mio CHF)	(% of total)	Var. (+-%)
1. Pharmaceutical Products	325.42	189.87	35.5	-41.7
2. Electrical machinery and equipment	135.16	171.61	22	-13
3. Non-electrical machinery and equipment	125.55	88.36	16.5	-29.6
4. Medical and Optical instruments	35.34	24.75	4.6	-29.9
5. Watches & parts	24.65	22.09	4.1	-10.4
Main Swiss Imports	**2019**	**2020**		
	Total (Mio CHF)	Total (Mio CHF)	(% of total)	Var. (+-%)
1. Precious metal (gold)	1,393.71	1,222.17	45.2	-12.3
2. Electrical machinery and equipment	399.65	379.67	14.0	-5.0
3. Footwear	339.40	336.51	12.4	-0.9
4. Textile and garments	288.28	306.65	11.3	6.4
5. Agricultural/Aquatic products	142.98	134.08	5.0	-6.2

Vietnamese Customs' Data

	Main Swiss Export Items	***2020*** *(USD million)*	*Share (%)*	*Var. (%)*
1	Machinery, equipment, tools and spare parts	171.2	28.8	-25.0
2	**Pharmaceuticals**	97.5	16.4	-35.8
3	Computers, electronics and accessories	89.2	15.0	20.5
4	Dairy products	21.3	3.6	31.3
5	**Chemical products**	20.6	3.5	-42.1
6	Plastic products	18.6	3.1	-6.8
7	**Chemicals**	16.1	2.7	-24.0
8	Products of steel and iron	12.7	2.1	-10.0
9	**Pharmaceutical materials**	10.3	1.7	9.7
10	Fragrances, cosmetics and personal care	7.0	1.2	-24.3

	Main Swiss Import Items	***2020*** *(USD million)*	*Share (%)*	*Var. (%)*
1	Precious metals (gold)	103.4	38.4	-92.6
2	Aquatic products	36.1	13.4	70.9
3	Footwear	27.4	10.2	-16.8
4	Computers, electronics and accessories	24.3	9.0	2.8
5	Machineries, equipment, tools and spare parts	18.5	6.9	0
6	Textiles and Garments	11.9	4.4	-12.0
7	Iron and Steel products	8.5	3.2	-14.2
9	Vegetables and Fruits	5.1	1.9	6.7
8	Bags, wallets, suitcases, hats, umbrellas etc…	5.0	1.9	-19.3

ANNEX 5

MAIN INVESTING COUNTRIES IN VIETNAM in 2020

Rank	Country	Stock of total direct investment (USD million)	Share (%)	Variation (stock %)	Inflows over the past year (USD million)*
1	South Korea	70'645.07	18.39	1.04	3,949.11
2	Japan	60'257.61	15.69	1.01	2,367.98
3	Singapore	56'551.43	14.72	1.13	8,994.11
4	Taiwan	33'707.22	8.77	1.04	2,048.4
5	Hong Kong	25'661.86	6.68	1.09	1,999.57
6	British Virgin Islands	22'255.21	5.79	1.02	902.93
7	China	18'459.74	4.8	1.13	2,459.43
8	Malaysia	12'900.50	3.35	1.02	195.02
9	Thailand	12'873.88	3.35	1.18	1,785.49
10	Netherlands	10'418.10	2.71	1.03	896.54
11	The United States	9'437.27	2.45	1.0	360.24
12	Samoa	8'208.16	2.13	1.12	242.18
13	Cayman Islands	7'248.81	1.88	1.01	388.27
14	Canada	5'050.22	1.31	1.0	67.46
15	United Kingdom	3'841.71	1.0	1.03	249.44
16	France	3'609.98	0.93	1.0	134.38
17	Germany	2'218.19	0.57	1.08	146.06
18	Luxembourg	2'103.06	0.54	-0.85	49.33
19	***Switzerland***	***2'058.05***	***0.53***	***1.03***	***102.23***
20	Australia	1'913.98	0.49	1.00	71.26
		384'044.21			**28'530.10**

** Data as up to 20 December 2020 - including new, added and share investments*

Source: Foreign Investment Agency - Ministry of Planning and Investment (MPI)