

DuaneMorris

OPPORTUNITIES FOR COOPERATION BETWEEN GERMAN AND VIETNAMESE BUSINESSES

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AGENDA

- VIETNAM'S LATEST ECONOMIC DEVELOPMENTS
- THE EU- VIETNAM FREE TRADE AGREEMENT AND INVESTMENT PROTECTION AGREEMENT – WHAT ARE THEY?
- OPPORTUNITIES IN CERTAIN SECTORS

Vietnam's latest economic developments

Vietnam 2019 Economy at a glance



- GDP: **US\$266.5 billion**
- GDP per capita: **US\$2,786**
- GDP Growth: **7.02%** (record breaking since 2010)
- Inflation: **2.79%**
- Population: **About 96.4 million**
- Labor force aged 15 and above: **59.1%**
- Total export and import turnover: **US\$ 517.26 billion**
- Regional Minimum wage (Region I): **VND 4.180 million (US\$ 180) per month (Jan 2020)**
- Vietnam's average age: **30.9 years old**

Vietnam's management of Covid-19 and 2020 – Economy until now

- As of 11 October 2020, the country had 1,109 confirmed cases, 1,024 recoveries, and 35 deaths.
- Vietnam is cited by global media as having one of the best-organized epidemic control programs in the world.
- Due to Covid-19, Vietnam's GDP growth in 3 consecutive quarters decreases compared with last year but remains positive (3.68%, 0.39% and 2.62% respectively).
- According to World Bank, Vietnam is expected to remain one of the fastest-growing economies in the world in 2020. This projected performance means that Vietnam would be the fifth-fastest growing country in the world in 2020.

Welcome to the most dynamic country on this planet : Vietnam!

JLL City Momentum Index The World's Top 20 Most Dynamic Cities



1 Bengaluru	6 Nairobi	11 Nanjing	16 Chongqing
2 Hyderabad	7 Chennai	12 Manila	17 Hangzhou
3 Hanoi	8 Ho Chi Minh City	13 Beijing	18 Bangkok
4 Delhi	9 Xi'an	14 Shanghai	19 Shenzhen
5 Pune	10 Guangzhou	15 Kolkata	20 Chengdu

● India ● China ● Other Asia ● Africa

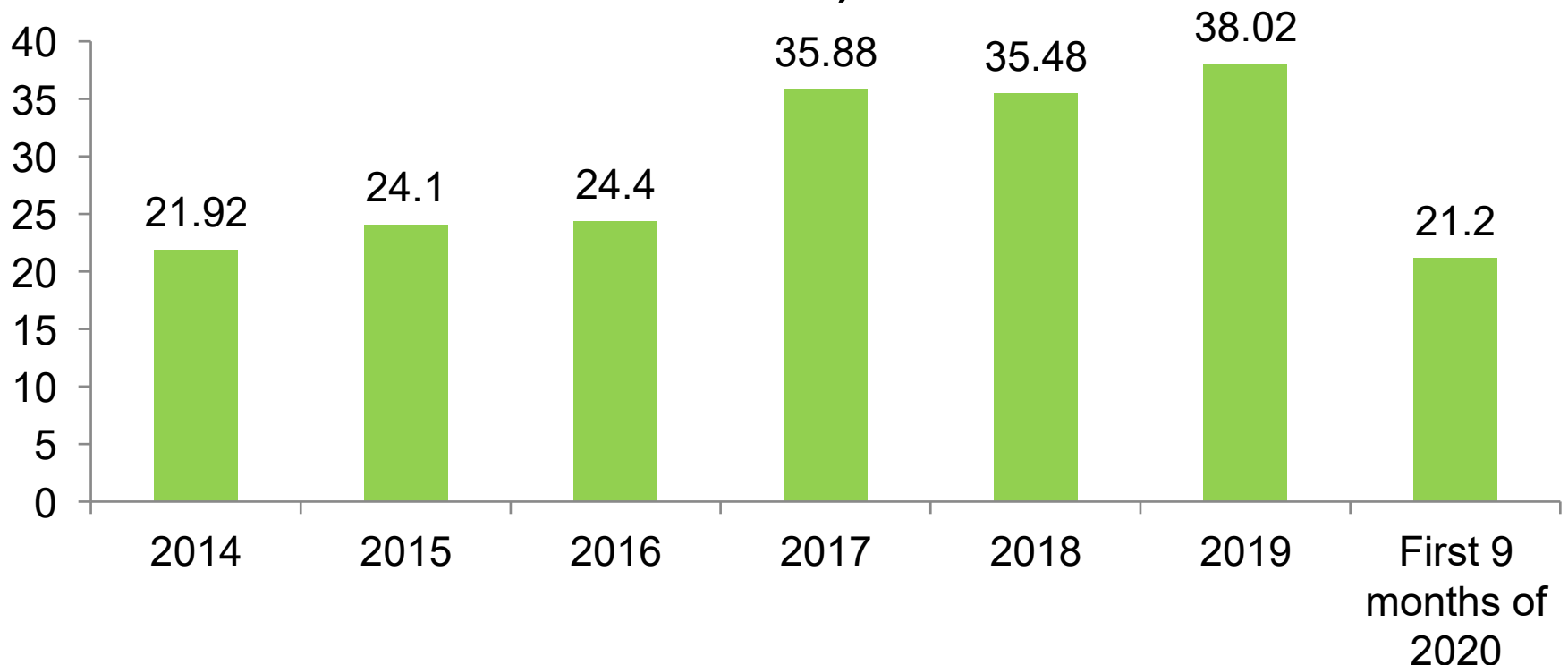
Source: JLL, 2019

96.4 million people

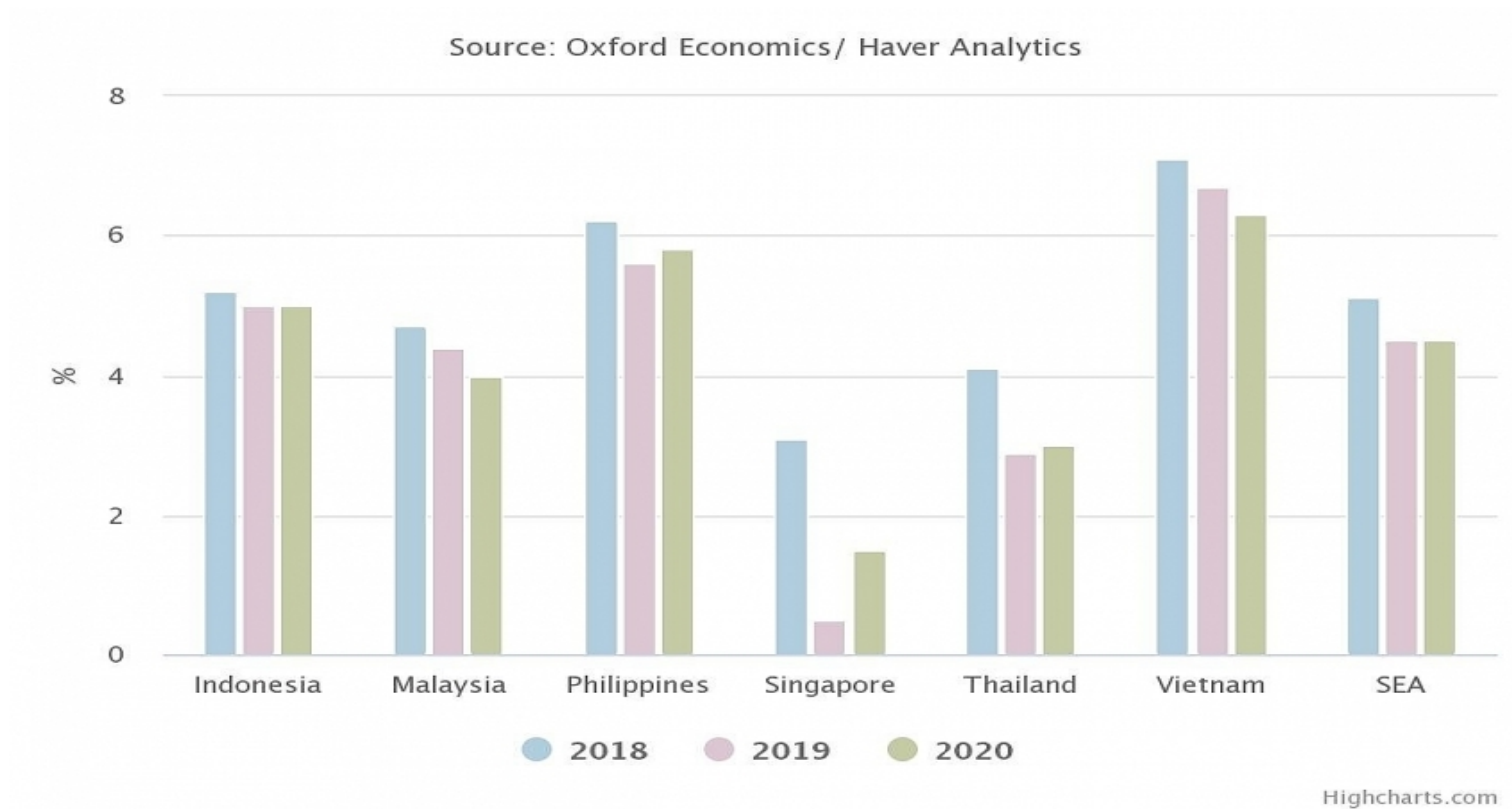
Growing middle-class
(doubled by 2020 to
33 million people
according to Boston
Consulting Group)

Increasing Foreign Direct Investment

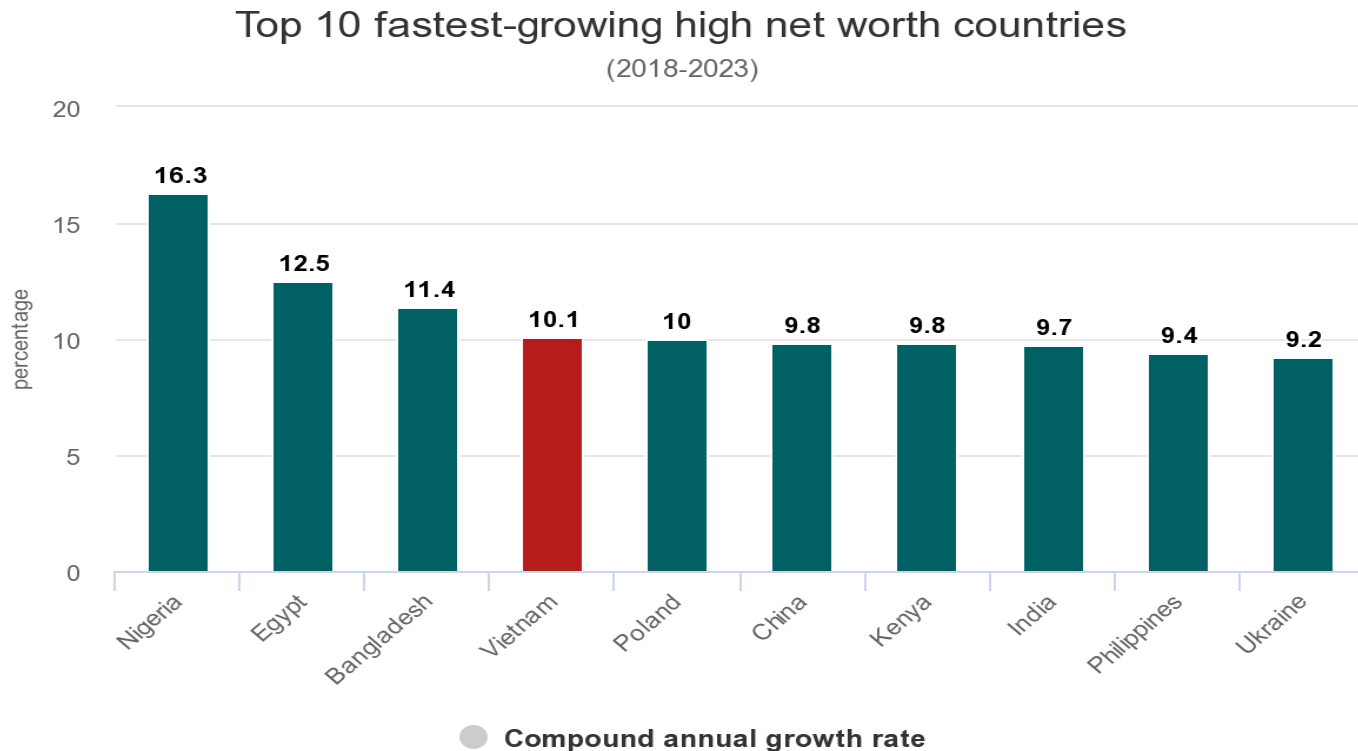
Foreign Direct Investment Value (2014-2019) (billion USD)



SOUTHEAST ASIA GDP GROWTH



The 4th fastest-growing high net worth country



Wealth-X (2019)

Source: High Net Worth Handbook 2019, Wealth-X

EU – Vietnam Free Trade Agreement



EVFTA AND IPA

- The EVFTA is a new generation free trade agreement between Vietnam and 28 EU member countries
- On 2nd December 2015, both Vietnam and the EU concluded the negotiations.
- On 26 June 2018, the EVFTA was divided into 2 agreements in terms of trade and investment following the European Court of Justice's opinion on the EU – Singapore FTA
- The EVFTA will cover trade issues while investment protection and investment-related dispute settlement will be under the IPA.
- On 30th June, the EVFTA and the IPA were signed in Hanoi.
- EVFTA takes effect from 01 August 2020.
- The EVFTA is the first comprehensive and ambitious trade and investment agreements that the EU has ever concluded with a developing country in Asia

EVFTA – Comprehensive agreement

- **Trade in goods**

Market access for goods – tariffs

Rules of Origin

Export duties

Technical Barriers to Trade (TBT)

Sanitary and Phytosanitary Measures

Customs and Trade Facilitation

Administrative Cooperation in Customs Matters

- **Services and investment:**

E-commerce/ Renewable energy generation

Liberalisation commitments / market access

Cross-cutting issues

Dispute Settlement

Government Procurement

State Owned Enterprises & Subsidies

Intellectual Property Rights

Geographical Indications

Trade and Sustainable Development

Cooperation and Capacity building

Annexes (car; green tech and pharma)

EVIPA

- Applies to covered investment and its investors
- “Investment” means every kind of asset which is owned or controlled, directly or indirectly, by an investor of EU/ Vietnam in the territory of Vietnam/ EU, which has the characteristics of an investment (for example, commitment of capital or other resources, the expectation of gain or profit, the assumption of risk and a certain duration).
- Investment protection
- Investor-to-State dispute settlement mechanism (“ISDS”)
- EVIPA will replace all bilateral investment agreements between Vietnam and other EU members

EVFTA – Benefits for Vietnam

- Vietnam's annual economic expansions rate may grow an additional 15% every year
- Tariffs for most of Vietnamese export product to the EU will gradually reduce to 0% and Vietnam's export to EU is expected to grow about 35% for next few years
- The real wages of skilled laborers may increase by up to 12% while real salary of common workers may rise by 13%
- The EVFTA is the legal framework for a more stable relationship in bilateral trade for Vietnam when competing in the international market
- The EVFTA will generate greater effects, e.g. increased quality of investment flows from EU, acceleration of the process of sharing expertise and transfer of green technology and the creation of more employment activities

EVFTA – Benefits for the European Union

- 23 of the 27 member states of the EU (UK not included) are trade partners of Vietnam
- Improvement of intellectual property rights
- Higher level of security over EU's investment in Vietnam
- Better access to EU's second important trading partner in ASEAN

Opportunities and challenges in some specific sectors

Automotive



- Almost fully liberalization of EU machinery and appliances exports
- EU exported car parts will be duty free after seven years
- Cars and motorcycles will be duty free after ten years
- 3 years after the FTA comes into effect, Vietnam will accept UNECE (standards adopted from the EU, U.S., Russia and many other states which settle e.g. Worldwide harmonized Light vehicle Test Procedures) certification without any further testing requirements
- Demand for automobiles in Vietnam is at no other time set to surge like this moment
- Vietnam is going to be the new production hub in Asia for the machinery and especially automotive tier two manufacturing industry where several German and European automotive companies already experienced their own success story



Pharmaceutical Products

- Already 8% of EU exports to Vietnam (2015)
- Improvement of intellectual property right
- Simplification of marketing authorization
- Centralized procurement system for pharmaceuticals which will legally secure market access

Alcoholic Beverages



- Geographical Indications will be better protected
- Tariffs for alcoholics will be reduced after 7 or 10 years
- Vietnam removed /decreased restrictions in manufacturing of beverages

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Jim Elliot

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Thank you very much!

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