



AHK Blog 2021 in Review & Outlook to 2022

December 2021

Introduction

CONTENT

2021 in Review

Vietnam Economic Review

Vietnamese - German Business Relation

Joint Economic Committee

10 Years of Vietnamese - German Strategic

Partnership

Frankfurt Meets Ho Chi Minh City

Special Projects 2021

Outlook to 2022

Trending

Competence Contact for German Agri-Food Producers

Contact Point for German Supply Chain Diligence

German Business Incubator Vietnam

In 2021, the COVID-19 pandemic has affected Vietnam's socio-economic severely. The government's social distancing measures to control the spread of the Coronavirus led to businesses' suspending production, disrupted supply chain, and difficulties for Vietnam's trade sector. After taking control of COVID-19 with large-scale vaccination campaign in major cities, Vietnamese government has gradually eased lockdown restrictions and has been planning for opening borders and coexist with the pandemic.

Which are the highlights in Vietnam's economy in 2021 and the trending in Vietnamese-German business relation in the upcoming years? This blog of AHK Vietnam will share reflective insights into 2021 and a 2022 outlook for the Vietnam economy and the Vietnamese - German relations.



MARKO WALDE
Chief Representative
AHK Vietnam

Vietnam's Economic Review 2021



2021 IN REVIEW

Vietnam's Economic Review

► Economic Development

Thanks to its solid foundations, the economy has proven resilient through different crises, the latest being COVID-19. Vietnam was one of only a few countries to post GDP growth in 2020 when the pandemic hit. However, the COVID-19 Delta variant has dealt a shock to Vietnam and GDP is estimated to grow between 2 - 2,5 percent in 2021.

2.5%

GDP Growth

2.0%

Inflation Rate



Source: The World Bank, IMF

Vietnam's Economic Review

► Trade

By the end of November, total export turnover reached more than US\$301.7 billion, up 18.3%, corresponding to an increase of US\$46.7 billion compare to the same period last year. Total import turnover reached nearly US\$303. billion, up 27.9%, corresponding to an increase of US\$ 65.5 billion compared to the same period last year.

According to the preliminary statistics, Vietnam's total trade turnover in 2021 will exceed US\$660 billion. In the past 10 years, Vietnam's export structure has changed drastically. Every two years, the US\$100-billion-growth mark is conquered. Notably, the structure of key export industries has shifted significantly from labor-intensive industries such as textiles, footwear, fishing, and mining to high-tech sector like manufacturing mobile phones, computers, and machinery...

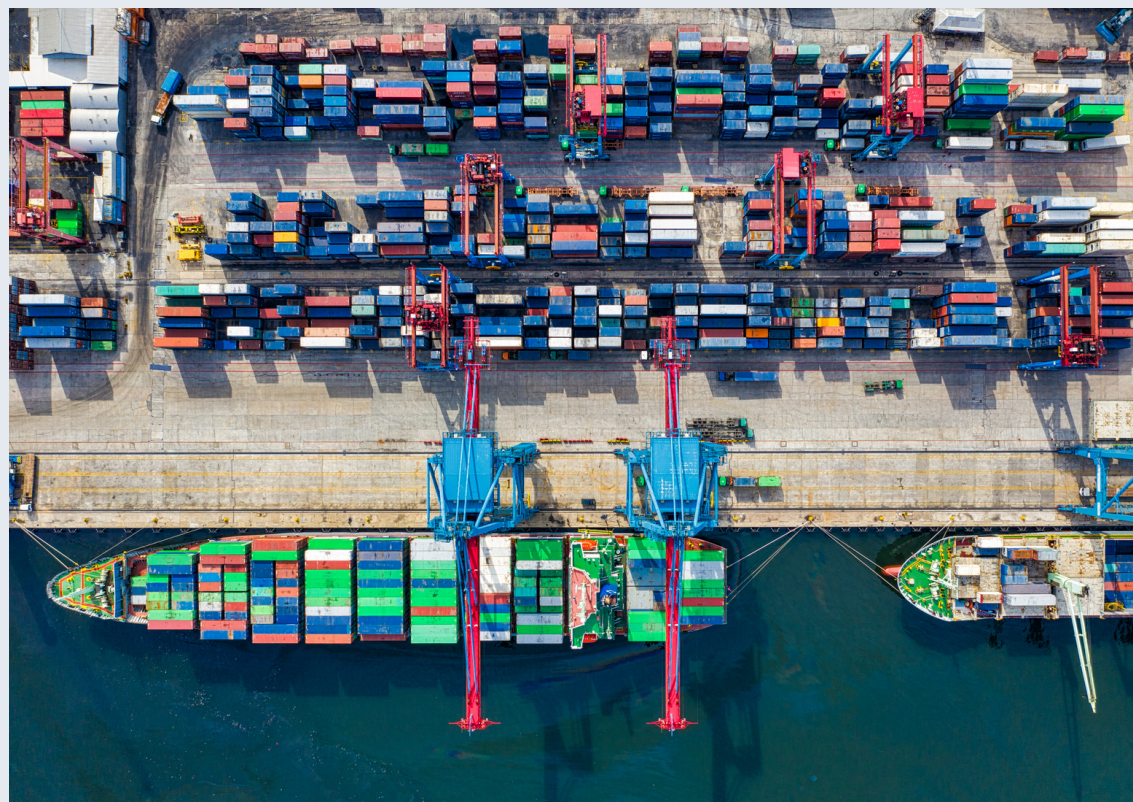
Vietnam has signed and implemented 17 Free Trade Agreements (FTA), especially the Free Trade Agreement with the EU which entered into effect from 1 August 2020. Major trading partners are the USA, China, South Korea, Japan, ASEAN, EU/Germany...

+18%

Export growth
11 months of 2021

+28%

Import growth
11 months of 2021



Vietnam's Economic Review

► Investment

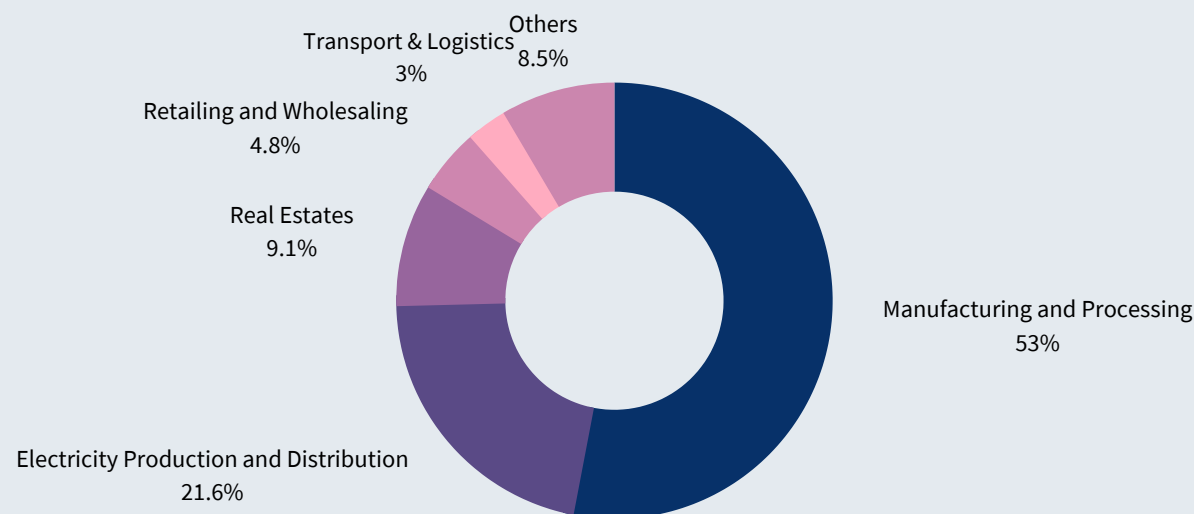
Total FDI registered from January 1 to November 20, 2021 reached US\$26.46 billion (+0.1%). Foreign investment in the 11 months of 2021 is estimated at US\$17.1 billion, down 4.2% compared to the same period in 2020.

Foreign investors have invested in 18 sectors out of 21 national economic sectors. In particular, the processing and manufacturing industry ranks first with over 14 billion USD, accounting for 53% of the total registered investment capital. The electricity production and distribution industry ranks second with a total investment capital of over 5.7 billion USD, accounting for 21.6% of the total registered investment capital. This was followed by real estate, wholesale and retail businesses with total registered capital of \$2.41 billion and \$1.27 billion, respectively.

In terms of new projects, the manufacturing, retailing & wholesaling, science and technology industries have attracted the most projects, accounting for 30.5%, 28.1% and 16.5% of all projects, respectively.

Source: Minister of Planning and Investment (MPI).

There were 100 countries and territories with investment in Vietnam in 11 months of 2021. In particular, Singapore tops with a total investment of over US\$7.6 billion, accounting for 28.7% of total FDI capital in Vietnam, down 5.9% over the same period in 2020; South Korea ranked second with \$4.36 billion, accounting for 16.5 percent of total investment, up 17.6 percent over the same period. Japan ranked third with a total registered investment capital of US\$3.7 billion, accounting for nearly 14% of total investment, up 54% over the same period.



Vietnamese - German Business Relation 2021



Vietnamese-German Relations



► Joint Economic Committee

Federal Minister for Economic Affairs and Energy Peter Altmaier and Vietnam's Minister of Industry and Trade, Tran Tuan Anh, co-chaired the first session of the German-Vietnamese Joint Economic Committee (JEC) on January 12, 2021, with the support of the AHK Vietnam.

The JEC was set up to identify possible fields for more intensive cooperation and remove barriers which businesses are facing in Vietnam. The first session focused on **tackling the COVID-19 pandemic, trade and investment promotion, renewable energy, industry 4.0, German dual vocational training and attracting Vietnamese skilled workforce for working and living in Germany.**

More than 200 participants were representing German and local companies giving their comments, recommendation and feedback to the ministries on purpose of strengthening the business relation between the 2 nations.



Vietnam and Germany can look back on many years of close and strong partnership, and today's first session of the German-Vietnamese Economic Committee aims to further advance this partnership. The free trade agreement which entered into force in August 2020 has already given an important boost to our trade relations. During the current COVID-19 pandemic, exchange between our countries and our businesses is more important than ever. We need open markets and free trade if we are to succeed in overcoming this crisis and getting our economies going again."



Peter Altmaier
Former German Minister
for Economic Affairs and Energy

Source: BMWi

Vietnamese-German Relations

► 10 Years of Strategic Partnership

October 11, 2011, marked the 10th anniversary of the Vietnamese - German strategic partnership. After a decade of implementation, the strategic partnership between Vietnam and Germany has seen progress in all areas.

Bilateral Trade

Germany is the main gateway for Vietnamese goods to access the EU market, accounting to roughly 30% of Vietnam's total exports to the EU, and thus Vietnam's largest trading partner in the EU. On the other hand, Vietnam is a bridge for goods "Made in Germany" to enter the ASEAN market, namely the largest importer of Germany in ASEAN and the 4th

largest in Asia, only after China, Japan, and South Korea. Top export goods are automobiles and machinery, which account for 60% of Germany's total export volume to Vietnam.

Over the past decade, the two countries' **trade turnover has doubled to over US\$ 15 billion in 2020.**



Vietnam's total export to EU

Source: Destatis (2020)



US\$ 15 Billion

total German - Vietnamese bilateral trade turnover in 2020



2021 IN REVIEW

Vietnamese-German Relations

► 10 Years of Strategic Partnership

EU - Vietnam Free Trade Agreement (EVFTA)

The EVFTA offers countless opportunities for companies on both sides. European and German companies can enjoy protection of investments with trade facilitations in Vietnam. This will happen through removing tariffs, reducing regulatory barriers and overlapping red tape, and ensuring protection of geographical indications, as well as opening services and public procurement markets and making sure the agreed rules are enforceable. New market access opportunities across a range of sectors will also be created. Overall, the mere fact that Vietnam closed this comprehensive, next-generation FTA is inspiring among investors.

The EVFTA, with its liberalisation of customs duties and the strengthening of trade and business relations, offers numerous opportunities for EU and German businesses. It will provide greater access to an emerging market with almost 100 million people, including about 55 million at working age. Furthermore, the agreement presents greater opportunities for partnership and cooperation and creates stronger relations with the Southeast Asian region.

In addition, the EVFTA highlights the principle of non-discrimination that allows German companies to be entitled to the same treatment as Vietnamese companies during their entire procurement process. The impartiality enables fair competition between parties and creates a more favourable and supportive environment for the development of German companies as well as their trade activities in Vietnam.



Listen to AHK Vietnam's podcast on EVFTA
"One-year enforcement EU - Vietnam FTA" for more.

Vietnamese-German Relations

► 10 Years of Strategic Partnership

Investment

Germany ranks third within the EU with 409 valid projects and total registered capital of more than US\$ 2.2 Billion. Roughly 500 German enterprises, including many large corporations have chosen Vietnam as an important link in their global supply chains. these investment have created around 47,000 jobs in Vietnam.

On the flip side, Germany is also an attractive location for Vietnamese investors. Vietnam currently has 41 investment projects in Germany, worth more than US\$ 218 million in fields of finance, banking, IT, restaurant, and hospitality.

409

Valid projects

US\$ 2.2 Bil.

Total registered capital

500

German enterprises creating...

47,000

...jobs in Vietnam.



Vietnamese-German Relations

► 10 Years of Strategic Partnership

Investment

Despite of Covid-19 outbreak in previous months, German businesses in Vietnam expect economic resilience and further revival of their own activities in the up-coming time. Vietnam remains a strategic investment destination in the process of restructuring the global and regional supply chain, a potential domestic market to attract international corporations. In line with pro-active economic integration, Vietnam has implemented various measures to appeal FDI flows. German businesses are drawn in by the reasonable and high-quality labour, open investment environment, the new generation of free trade agreements (EVFTA) and growing local market.



The "China + 1" - Trend

Many foreign businesses consider to enlarge their supply chains to Vietnam or to diversify their business operation into Vietnam according to the "China plus one" strategy because this country owns an agile and flexible economy as well as a swiftly responsive ability to the ever-increasing speed of product innovation. Vietnam is an emerging market of almost 100 million people, including about 55 million workforces. Furthermore, the agreement presents greater opportunities for partnership and cooperation as well as creates stronger relations with the Southeast Asian region.



2021 IN REVIEW

Vietnamese-German Relations

► Frankfurt Meets Ho Chi Minh City

In November 2021, in collaboration with the AHK Vietnam, the City Frankfurt has organized the very first Round Table in Ho Chi Minh City post COVID 19. The Lord Mayor of Frankfurt, Mr. Peter Feldmann and members of the delegation discussed the future cooperation possibilities with local authorities and businesses, in eye witness of Mr. Tran Phuoc Anh – director of the department of Foreign Affairs of HCMC.

The visit implies the special interest of the two cities to promote cooperation. Cooperation fields including **education and training, cultural exchanges between local youth, healthcare industry, urban transport system development, infrastructure, and establishment of financial centers** – the strengths of Frankfurt.

On the occasion of this delegation visit, Vietnamese enterprises have the opportunity to expand their networking and gain access to European market.



Vietnamese-German Relations

► Special Projects

AHK Relocation Flight: A part of the Recover and Resilience Roadmap for Vietnam after the corona crisis.

AHK has successfully organized three relocation flights, bringing more than 600 investors, diplomats, experts and Vietnamese citizens from 26 countries around the world to return to Vietnam. Our purpose is to continuously promoting investment, production and business activities despite of COVID-19 situation as well as contributing to the successful implementation of the dual goal: promoting business development, socio- economic and effective pandemic prevention in the most difficult situation.

Although each charter flight is a new challenge with many more difficulties to face with, there is one thing unchanged, that is our determination to bring valuable investors and experts to Vietnam. AHK Vietnam hopes to accompany Vietnam to successfully implement dual goal: promoting socio-economic development and effectively preventing the pandemic in the new normal conditions of Vietnam. With intellectual workforces from European countries, our purpose is to continue promoting investment, production and business activities, that contribute to effectively support Vietnam's economy and business eco system to recover fastest right after this pandemic.



2021 IN REVIEW

Vietnamese-German Relations

► Special Projects

German Vaccination Campaign

AHK Vietnam and GBA Vietnam, with the support of German Embassy, German General Consulate and the local authorities in 14 provinces and cities of Vietnam, had joined hands to support and accelerate the vaccination process in Vietnam. This campaign aimed to help German enterprises in Vietnam ensure the health of workers and rebuild production, thereby boosting the economy as a whole as Vietnam is returning to the "new normal".

People who received vaccination doses are the German business community, including German, local and international employees of German enterprises and their relatives.

5,000 doses out of millions Astra Zeneca doses that the German government gifted to Vietnam via the COVAX mechanism were used in the campaign.

5,000

Astra Zeneca doses used.



Vietnamese-German Relations

► Special Projects

German Dual Vocational Training

The quality of human resources is an **important Unique Selling Point** that helps Vietnam attract more FDI.

Foreign companies conducting business activities in Vietnam want to find skilled, qualified workforce that are competent in operating machinery for production. However, the current shortage of skilled workers on the Vietnamese labor market affects both domestic and international companies. The German dual vocational and education training (VET) program poses **a practical solution for enterprises.**



The dual VET system, coordinated between firms and special training institutions has long been a cure for youth unemployment and considered as an optimal way to match trained people to their future jobs in Germany. By being embedded in companies, apprentices get a taste of what a particular job is like and find out whether it suits them. They also form relationships at the firm and managers get to observe them. This paves the way for the official, sustainable cooperation/employment relationship between the firms and the apprentices once the training is complete.

Apprentices who later become employees, unlike most other new hires, already have the bespoke practical skills most useful to their employer. Many firms find that their former apprentices have already absorbed the corporate culture and need less additional training.

Vietnamese-German Relations

► Special Projects

German Dual Vocational Training in Vietnam

The AHK Vietnam with the brand AHK Academy is a contact point for consultation and coordination of the dual vocational training according to DIHK/German standards in Vietnam. We are monitoring and verify the quality of training programs including the content and implementation process.

Our partners are international companies such as BOSCH Vietnam, Mercedes Vietnam, Van Laack Asia, Logwin Air + Ocean Vietnam,...

9

Training Occupations

327

Graduated apprentices

443

Current apprentices



Graduation ceremony for graduates from 2016 - 2020 training batch at BOSCH Training Center (TGA) with 12 apprentices of the Industrial Mechanic occupation and 12 apprentices of the Mechatronics occupation.

Outlook to 2022



TRENDING

According to our AHK World Business Outlook survey in fall 2021, the challenges for German companies in Vietnam are numerous more than a year and a half after the start of the COVID-19 pandemic. Most recently, the economic recovery has lost pace: Only 33 percent of German companies surveyed in Vietnam still expect the economy in Vietnam to develop better over the next twelve months. That expectations are more subdued than they were in spring 2021. Also in the other countries in ASEAN such as Malaysia, Singapore and Thailand, German companies there have significantly fewer positive expectations than they did at the beginning of 2021.



German businesses are confident about their own business development in Vietnam. They expect a further revival of their own activities despite the cooling economy. They are confident about the business development in the coming twelve months. 55 percent of German companies in Vietnam expect their own businesses to improve. 83 percent of survey participants intend to invest further in their activities in Vietnam and 33 percent assume an increase in employment in the upcoming 12 months.

For the mid-term expectation we hope German investors will increase investments in Vietnam based on the improved conditions here. We strongly believe that there will be many FDI flows for high-valued projects into Vietnam, in the long term, including from Germany. German investors would bring their well-known technology in management and training, allow more value-added production, less waste of material and resources. Also this year, the Asia-Pacific Committee of German Business calls for Stronger EU Commitment in Asia and confirms the growing importance of Vietnam as a production location. Vietnam is playing an increasingly important role for German businesses in the region, as the EU was recently able to conclude a high-quality and comprehensive free trade agreement (FTA) with Vietnam.

AHK PROJECTS

► Competence Contact for German agriculture and food products in Vietnam

The project aims to support German companies to expand their businesses in Vietnam in the field of agricultural products and food processing.



◀ German Supply Chain Diligence

The German Supply Chain Diligence requires large companies to make sure social and environmental standards are maintained.

Labor protection: Suppliers and distributors across the globe of German companies must comply with the rules on labor protection including working conditions, occupational safety, minimum wage as well as other basic requirements in the working environment.

Commitments to protect the environment: solutions for consequences of mercury pollution and other toxic substances.

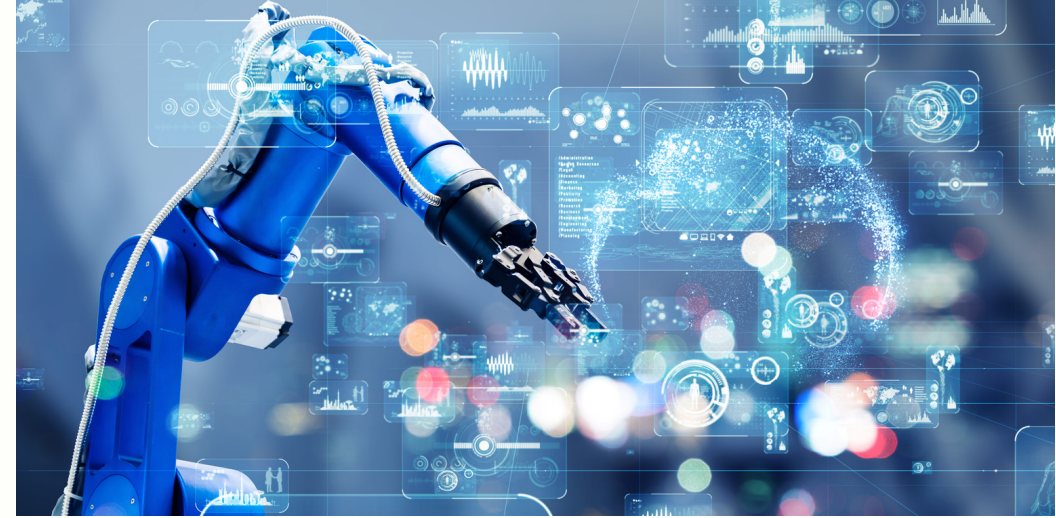


OUTLOOK TO 2022

AHK PROJECTS

► German Innovation Center

The upcoming project of AHK Vietnam named "German Innovation Center " will be a cooperating project between the German Federal Ministry of Economy and Energy, the Ministry of Industry and Trade of Vietnam and AHK Vietnam.



◀ German Business Incubator Vietnam (GBIV)

GBIV - a project of AHK Vietnam, which provides ecosystem for German and local start-ups and offers businesses working spaces, networking opportunities, and workshops.

The incubator is accommodated in Deutsches Haus HCMC – “German House HCMC”. It is one of the most modern and most energy-efficient office buildings in the South of HCMC – Vietnam’s business metropolis. Furthermore, the Deutsches Haus HCMC is located in Le Duan Boulevard, right in the heart of district 1, the city’s central business district.

In that sense, it is an excellent starting point for your own business activities in Vietnam.



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