



Vietnam – Germany: 10 years of Strategic Partnership Focus on Business Relation

AHK BLOG – November 2021



Delegierter der Deutschen
Wirtschaft in Vietnam
Delegate of German Industry
and Commerce in Vietnam

Supported by:



Federal Ministry
for Economic Affairs
and Energy

on the basis of a decision
by the German Bundestag

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Introduction

On October 11, 2011, Vietnam and Germany established a strategic partnership on the official visit of Chancellor Angela Merkel to Vietnam. This important milestone had demonstrated the determination of the two governments to create a new impetus for expanding and deepening the multifaceted cooperation between the two countries, thereby meeting the shared interests.

After a decade of implementation, the strategic partnership between Vietnam and Germany has witnessed progress in all areas of cooperation, particularly in **bilateral trade - investment**, promoting development in the field of **renewable energy, vocational training, industry 4.0** and **attracting high-quality human resources to work in Germany**. The **Free Trade Agreement between the EU and Vietnam** (EVFTA) that entered into force last August 2020 has set a solid foundation for the bilateral trade between Vietnam and Germany to further thrive. Currently, about **500 German companies** are investing and actively operating in Vietnam, generating income for more than **47,000 workers**. Furthermore, a **joint committee for development cooperation on the minister level between Vietnam and Germany** has been established at the beginning of 2021, which is also one of the first ones in Asia besides Australia. This Joint Economic Committee JEC aims to realize the economic partnership between the two countries and lift ties to a higher level while making them more practical, thus supporting businesses on both sides.

Despite of challenges during **the COVID-19 pandemic**, the strategic partnership between Vietnam and Germany has become more prominent. As Vietnam has been affected by the fourth wave of COVID-19, Germany has supported Vietnam with nearly 3.5 million doses of vaccines through bilateral and COVAX mechanisms as well as other medical equipment and supplies for epidemic prevention. A part of the aided vaccine doses was assigned to a vaccination campaign for the German business community in Vietnam, including German and Vietnamese employees and their relatives. AHK Vietnam is proud to join hands in this

worthwhile campaign, helping German businesses quickly rebuild production, thereby contributing to a healthy and prosperous Vietnam in the “new normal” after COVID-19.

Let’s journey through the dynamic cooperative business development between Vietnam and Germany over the past decade with this blog by AHK Vietnam.



Picture 1: Deutsches Haus – Symbol of the German – Vietnamese Partnership. Source: Deutsches Haus Vietnam

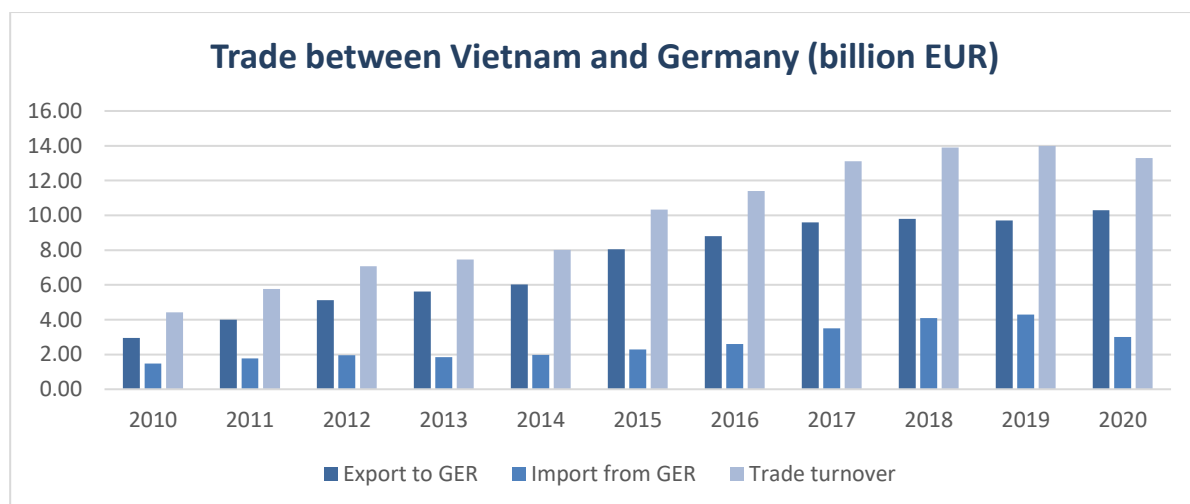
1. Bilateral trade and Investment

Vietnam has become increasingly attractive to German investors and businesses.

1.1. Bilateral trade

Germany is the main gateway for Vietnamese goods to access the EU market, accounting for roughly 20% of Vietnam's exports to the EU¹. On the other hand, Vietnam is a bridge for goods "Made in Germany" to enter the ASEAN market. Germany has been Vietnam's largest trading partner in the EU. Top export goods are automobiles and machinery, which account for 60% of Germany's total export volume to Vietnam². Meanwhile, Vietnam has also become Germany's largest trading partner in ASEAN, the 4th largest trading partner in Asia (i.e., only after China, Japan, and South Korea) in 2020, according to the General Statistics Office (GSO). Over the past decade, the two countries' trade turnover has doubled to over US\$ 15 billion³. Although the economies of the two countries have been heavily affected by the COVID-19 pandemic, bilateral trade as of August 2021 reached more than US\$ 7.2 billion, an increase of 11.3% over the same period in 2020⁴.

Thanks to the EVFTA the elimination of bilateral tariffs and export taxes and the reduction of non-tariff barriers affecting the cross-border exchanges of goods and services are expected to boost bilateral trade considerably and create new opportunities to access markets across a range of sectors, covering goods, services, and investment for German companies in Vietnam. This is particularly true in the automotive, green energy, electronics, IT, food processing, healthcare industry, and education industries. Trading activities between both parties have witnessed a sustainable development and are predicted to grow further in the time ahead, which greatly benefits German and Vietnamese exporters in different industries. For German exporters, traditional goods such as machinery and measuring equipment will likely profit the most. For the Vietnamese side, many positions already had low tariff rates due to the Generalised System of Preferences. However, further tariff reductions will apply and thus open chapters for agricultural produce, processed food, and footwear even further.



Source: Destatis

¹ General Department of Customs (2021).

² Konrad-Adenauer-Stiftung (2020).

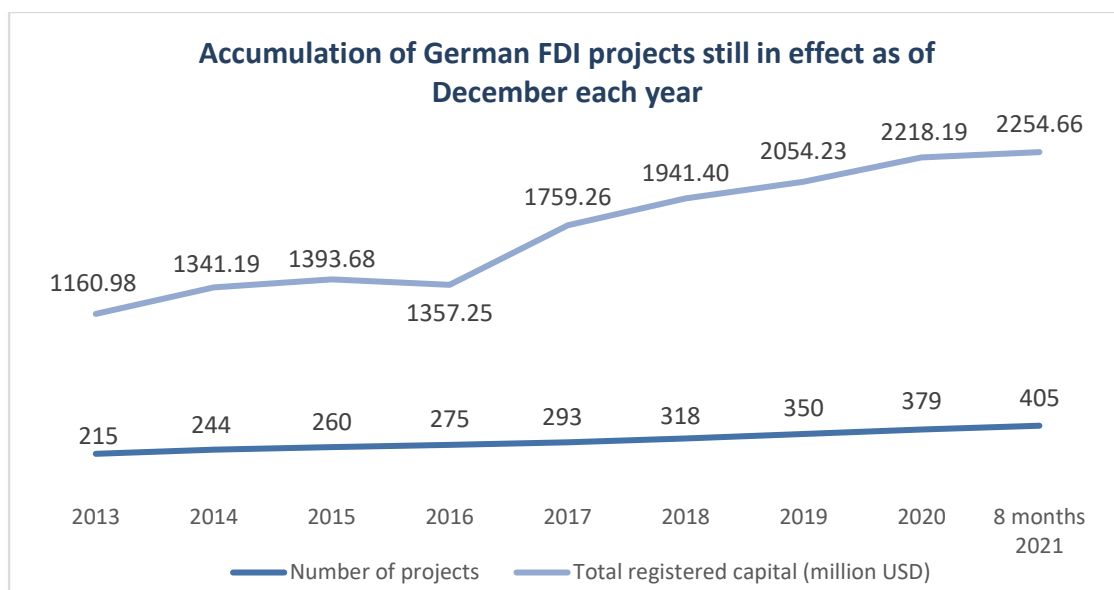
³ Destatis (2020).

⁴ GSO (2021).

1.2. Investment

In the field of investment, Germany ranks third within the EU with 409 valid projects and total registered capital of more than US\$2.2 billion⁵. Roughly 500 German enterprises, including many large corporations, have chosen Vietnam as an important link in the global supply chain. These investments have created around 47,000 jobs in Vietnam.

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. 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. For the mid-term, we hope that German investors will increase investments in Vietnam based on the improved conditions here. We strongly believe that there will be many funds for high-valued projects in the long term, including from Germany. German investors would bring their well-known technology in management and training, allowing for more value-added production and less waste of material and resources.



Source: GSO

In the future, Vietnam is expected to be an ideal investment hub for German businesses since the country holds many opportunities and development potential, regarding the "China plus 1" trend. The demand for diversifying investment of German businesses is increasing, and businesses are considering countries in Asia to open more assembly plants outside China. Businesses often prioritize the ASEAN region, in which Vietnam has always been a prominent destination. However, some German companies are still hesitant to invest in

⁵ Ministry of Planning and Investment (2021)

Vietnam due to limitations in the auxiliary industry and the domestic supply chain. Vietnam needs to improve this situation and address the outstanding challenges of infrastructure to take advantage of the “China plus 1” trend, thereby attracting more foreign investment from Germany.

That Vietnam’s economy has suffered from the many consequences of the COVID-19 pandemic with challenges like travel restrictions, supply chain disruption, problems in logistics, the two recent German FDI projects have become bright spots in the gloomy economic picture of Vietnam. Kurz group’s US\$40 million - project in Binh Dinh province and Tesa group’s US\$60 million – project in Hai Phong city have opened new prospects for business cooperation in the “new normal” phase when both Vietnam and Germany are enhancing economic recovery and growth post-COVID-19.



Picture 2: Representatives of Binh Dinh province grant an investment license to Kurz International Holdings GmbH from Germany. Source: BECAMEX VSIP Binh Dinh

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. The country is playing an increasingly important role for German businesses in the region.

On the flip side, Germany has become an important destination for Vietnamese investors. Vietnam currently has 41 investment projects in Germany, worth more than US\$ 218 million in fields of finance, banking, informatics, restaurant, hotel. Vietnam and Germany are expecting an investment protection to provide a further boost to bilateral economic relations. However, this investment protection agreement still needs to be ratified by the individual EU member states.

1.3. Potentials and Recommendations

Bilateral trade has increased but accounts for only about 0.3-0.4% of Germany’s total trade and less than Vietnam's trade turnover with some other partners. German investment in Vietnam is also relatively modest compared to the potential of the two countries. Therefore, Vietnam and Germany should continue to promote effective direct dialogue, create an open and sustainable investment environment, propose, and

implement investment projects on a larger scale, focus on strengthening the presence of German enterprises in Vietnam.

Our recommendations Local companies should improve their competitive advantages as soon as possible. Vietnam should adjust policies to speed the development of support industries in terms of educating high-quality workforce, exchanging experiences, and digitalization. Moreover, the government can create the most favorable conditions for foreign investors and businesses, and these EVFTA commitments will boost the economic growth of this country and attract more investors to Vietnam.



More on business conditions and investment environment in Vietnam? >>>Listen to AHK Vietnam's podcast "**One-year enforcement EU-Vietnam FTA**" here [>>>](#)

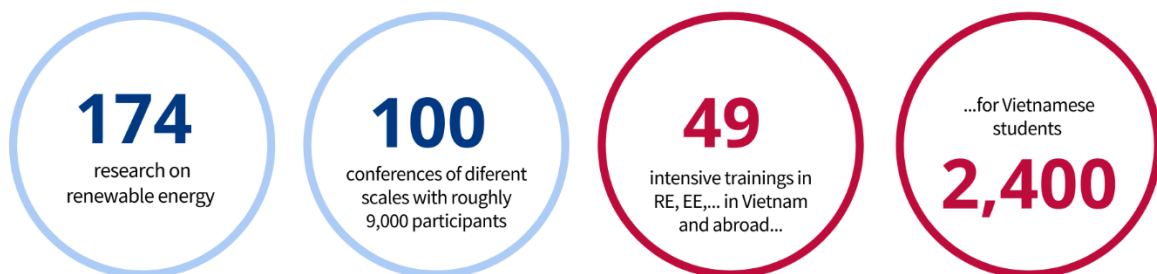
2. Renewable energy – a key priority in the German – Vietnamese cooperation

2.1. Vietnam as a global partner in Germany's "Green Growth"-Strategy

Vietnam has shown a strong determination for the development of renewable energy (RE) with a long-term vision of sustainable energy transition. In the past 10 years, cooperation in the field of sustainable energy has always been one of the top priorities in the relationship between Vietnam and Germany. Germany is currently one of Vietnam's top donor countries in this field. According to Dr. Guido Hildner, the German Ambassador to Vietnam, climate change will be one of the biggest challenges in the coming years. That Vietnam is considered as a "global partner" within the new strategy 2030 for the development cooperation of the German federal government - "Green Growth"-Strategy, which aims at sustainable development, thereby indicating the vitality of the German – Vietnamese strategic partnership. The focus of the joint implementation of the agenda 2030 for sustainable development and the Paris Climate Agreement is the cooperation in increasing energy efficiency (EE) and enhancing renewable energy in Vietnam, in particular the development of wind and solar energy as well as the modernization of the national power grid and energy storage. Accordingly, in the German – Vietnamese high-level talk last July, Germany has committed to supporting Vietnam with US\$170 million⁶ in the next two years to employ the model for sustainable development and environmental protection.

2.2. The Energy Support Program

The Energy Support Program (ESP) involves multiple strategic partners from both Vietnam and Germany. ESP has been supporting many research activities in RE, consulting, and proposing to the Government of Vietnam incentive mechanisms to promote sustainable energy transition as well as to enhance the transfer of know-how by organizing technical and financial training courses.



Picture 3: Achievements of cooperation on renewable energy between Vietnam and Germany within the framework of the ESP program. Source: The World & Vietnam Report (TWVR).

2.3. Cooperation on business-level in renewable energy

There has been an increasing number of German investors in Vietnam's renewable energy industry, in particular wind power projects.

PNE Offshore wind farms in Binh Dinh Province

The offshore wind power project in Binh Dinh province of PNE group – an international wind power pioneer from Germany - is a lighthouse project from German, according to the agreed goals of the

⁶ [MOIT](#)

Strategic Action Plan between the Vietnamese and the German governments, implemented off the coasts of Phu My and Phu Cat in Binh Dinh province, with an estimated total investment of about US\$4.8 billion. PNE Group is a German wind power pioneer and one of the most experienced project developers of onshore and offshore wind farms. PNE AG plans to develop between 154 – 166 wind turbines with a combined capacity of 2,000 MW. The first phase will be carried out in the 60-100m-deep zone with a capacity of 700 MW and a budget totalling \$1.6 billion. Previously, in September 2020, PNE hired a consultant to conduct a survey and make a pre-feasibility report for the project.



Picture 4: Online Meeting in October 2021 between PNE AG, AHK Vietnam, and Binh Dinh People Committee



Discover more on the green energy outlook in Vietnam in our podcast episode #20 “**Vietnam’s Renewable Energy Outlook**” here [>>>](#)

Implementing the cooperation content within the framework of the “Agreement on Cooperation in Industry and Energy” between the Ministry of Industry and Trade of Vietnam (MOIT) and the German group SIEMENS, on October 31, 2021, Siemens Gamesa Renewable Energy (SRGE) signed a Memorandum of Understanding with BCG Energy of Vietnam on the provision of equipment and technical solutions for wind power development in Vietnam. The signing ceremony occurred within the framework of the COP26 Climate Change Conference in the UK, with the participation of Vietnamese Prime Minister (PM) Pham Minh Chinh, Minister of MOIT Nguyen Hong Dien, and senior leaders from both sides. SRGE will then accompany Vietnam on Vietnam’s renewable-led pathway, building more than 500 MW of wind power in Vietnam in the next few years. The contract is expected to be worth roughly US\$400 million.

3. Vocational education & training and attracting high-quality human resources to work in Germany

3.1. Vocational education and training (VET) – A “lighthouse” in Vietnamese – German partnership

The Vietnamese technical and vocational education and training (TVET) has become one of the “lighthouse” projects in development cooperation between Vietnam and Germany. The project began in 2011, with two “arms”, also known as two components, financial cooperation, and technical cooperation. Both are supported by the German government. The financial component consists of grace loans and technical collaboration aided by non-refundable loans. There have been many colleges/training institutions in Vietnam supported by Germany to modernize teaching and training infrastructure and equipment according to international standards. In the technical cooperation component, the German government and German institutions have helped to reinforce technology transfer and to improve the expertise of the teaching and managing staff.

At the policy advisory level, the German Organization for Cooperation and Development (GIZ) has supported the Vietnamese Directorate of Vocational Education to implement significant changes such as developing a digital transformation strategy in vocational education.

TVET is implemented in Vietnam based on the core values of the German dual VET. Unlike in Vietnam, where the vocational education system has not been able to meet the requirements of the job market in both quantity and quality, Germany is one of the most successful countries in vocational education – with the lowest youth unemployment rate in the EU. In Germany, vocational education is as prestigious as attending a university. In the case of dual training, students train 70% at the company and spend their remaining 30% at the vocational institution. This training model provides opportunities to obtain practical experiences and thereby be acquainted with the actual workplace and their future function already during the education program.

The coordinated training programs are built upon German standards and meet all national requirements of Vietnam. It also integrates the requirements of industry 4.0 and digital transformation. On that basis, TVET has achieved great success with 80% of students graduating from training programs having long-term jobs and good incomes. Employing businesses are also satisfied with their skills. Moreover, TVET greatly facilitates and fosters partnerships between vocational schools and large enterprises such as General Motors, BOSCH... as well as other Vietnamese companies.



Picture 5: Graduation ceremony of Bosch TGA training center in 2020

The Delegation of German Industry and Commerce in Vietnam (GIC/AHK Vietnam) with the sub-brand “AHK Academy’s mission is to support companies in Vietnam to build a comparable, quality-assured dual VET program in nine training occupations. As a leading focal point regarding the German dual VET model, AHK Academy has accompanied many large enterprises and corporations such as BOSCH Vietnam, Mercedes Vietnam, VinFast, etc. in training skilled workers that fulfil the requirements of companies. High-quality human resource is the key factor in the context of re-building / re-constructing business in the “new normal”. Hundreds of apprentices graduate from our training programs annually and are immediately ready to work.

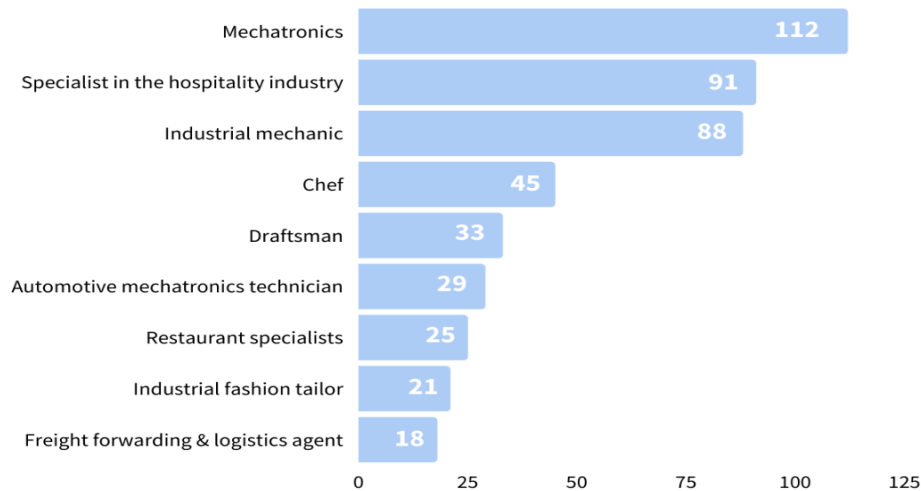


Figure 1: Graduates in 2020 by occupations of the German dual VET program. Source: AHK Academy



Visit **AHK Academy** here [>>>](#)



See also our blog about the **German dual VET in Vietnam** here [>>>](#)



Picture 6: Graduates with certificates and representatives from UT-HCMC, AHK and German businesses

3.2. Attracting high-quality a workforce from Vietnam to work in Germany

In recent years, Germany has been facing a severe labor shortage, which is also one of the major challenges to maintain its position in the context of global economic competition. In the coming time, Europe's leading economy will step up the attraction of human resources from Vietnam, along with some other countries from Asia and South America. More specifically, the German government will cooperate with economic enterprises to implement pilot projects, of which Vietnam regarded as a crucial partner. According to the German Chamber of Industry and Commerce (DIHK), Germany is facing labor shortages in the healthcare, logistics, construction, and information technology industries. This poses great chances for young workers in Vietnam to pursue career opportunities in Germany.

The Hand in Hand for International Talents project puts the German Skilled Immigration Act into practice. It supports small and medium-sized companies in the recruitment of international skilled workers in IHK-recognized occupations and accompanies businesses and skilled workers throughout the entire process. It is a pilot project jointly carried out by the German Federal Employment Agency and the DIHK Service GmbH and funded by the Federal Ministry for Economic Affairs and Energy (BMWi). The goal is to deliver information on working opportunities in Germany to qualified specialists in Chambers of Commerce and Industry's professions from non-EU countries. The professionals in question need to have had training and gained experience in the following professions:

- Careers in computer science, information and telecommunications technology, software development
- Careers in electrical systems, electrical engineering, electronic engineering
- Cooks, careers in the hotel and food service industry and in system catering



Picture 7: Our Kickoff Event of the Hand in Hand For International Talents Project in Vietnam



More information about **Hand in Hand for International Talents** here [>>>](#)

4. Industry 4.0

4.1. The flagship project Vietnamese – German university

“Industrial revolution 4.0” is the term that the German government representatives, researchers, and industry associations describe how new technologies improve the process of managing technical operation and manufacturing activities in the 21st century. This revolution provides new solutions for industrial production with machinery, warehousing systems, and goods integrated and connected so that we can create intelligent production systems that allow self-coordination without any manual intervention. Industry 4.0 benefits businesses in terms of reducing operation and production costs so that profit and productivity are increased, which in turn lead to GDP growth. Thus, the comprehensive and extensive cooperation will create many development opportunities for both Vietnam and Germany.

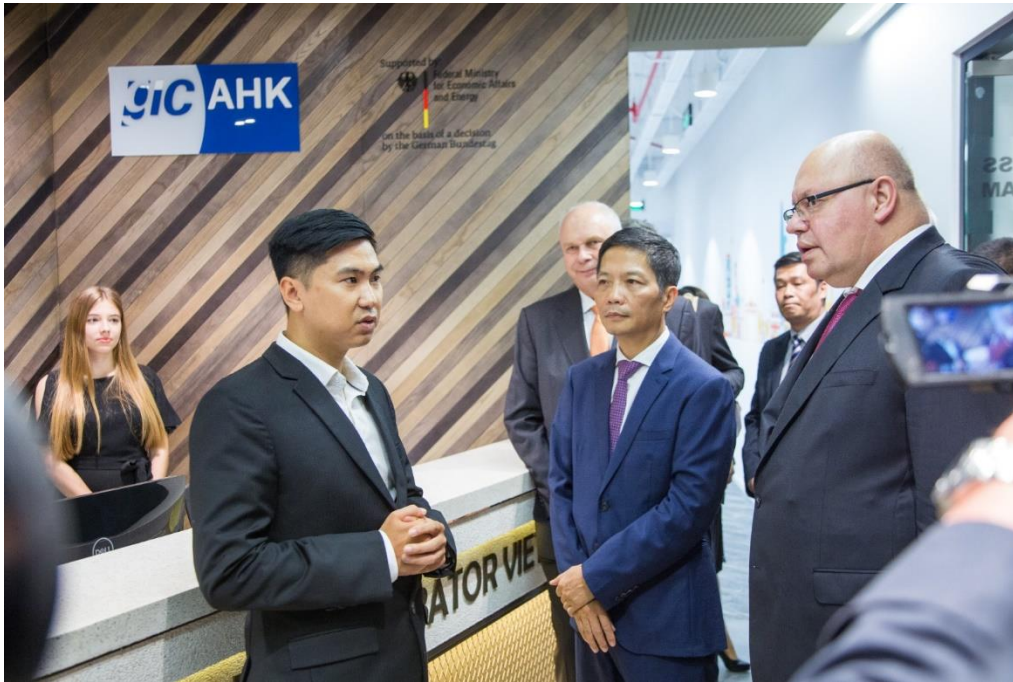
Acknowledging the importance of Industry 4.0, Vietnam has initiated a national strategy to pursue industry 4.0. Germany, Hessen State, and Vietnam have signed an intergovernmental agreement in 2020 on the development and expansion of Vietnamese – German University (VGU), which is considered a “bridge between societies”, aiming to become the leading university in Southeast Asia, with a strong focus on industry 4.0. VGU’s academic courses and research fields concentrate on Industry 4.0 and environmental technologies that serve sustainable development and contribute to the implementation of the Agenda 2030.



Picture 8: Flagship project – Vietnamese – German University. Source: DAAD Vietnam

4.2. Cooperation in Industry 4.0 for more social re-foundations in Vietnam

According to its socio-economic development strategy, Vietnam prioritizes the promotion of young Vietnamese to social re-foundations. The year 2016 was referred to as “the nationwide start-up year” in Vietnam. Start-up in Vietnam must align with the fourth industrial revolution, which offers both opportunities and challenges. Hence, it is essential for young Vietnamese to be familiar with Industry 4.0, and to grasp the opportunities timely so that the start-up ecosystem in Vietnam can achieve success and long-term growth. Vietnam highly values Germany’s practical experiences in the fields of start-up and industry 4.0 and expects further cooperation in the future.



Picture 9: Ecosystem for German and Vietnamese Start-ups at the AHK Vietnam – German Business Incubator Vietnam

At the first German – Vietnamese Joint Economic Committee in January 2021, Vietnam has made a request, seeking Germany's support for local enterprises to participate in production chains of parts and accessories of German companies and set up a centre for digital transformation in manufacturing to grasp new market opportunities in the industry 4.0 era. This move will help contribute to the development of supporting industries and lay a solid foundation for the sustainable growth of Vietnam's industrial sector. On the other hand, German companies can diversify their supply with this movement. Thus, German enterprises may avoid reliance on any country, still ensure the quality of auxiliary goods for production.

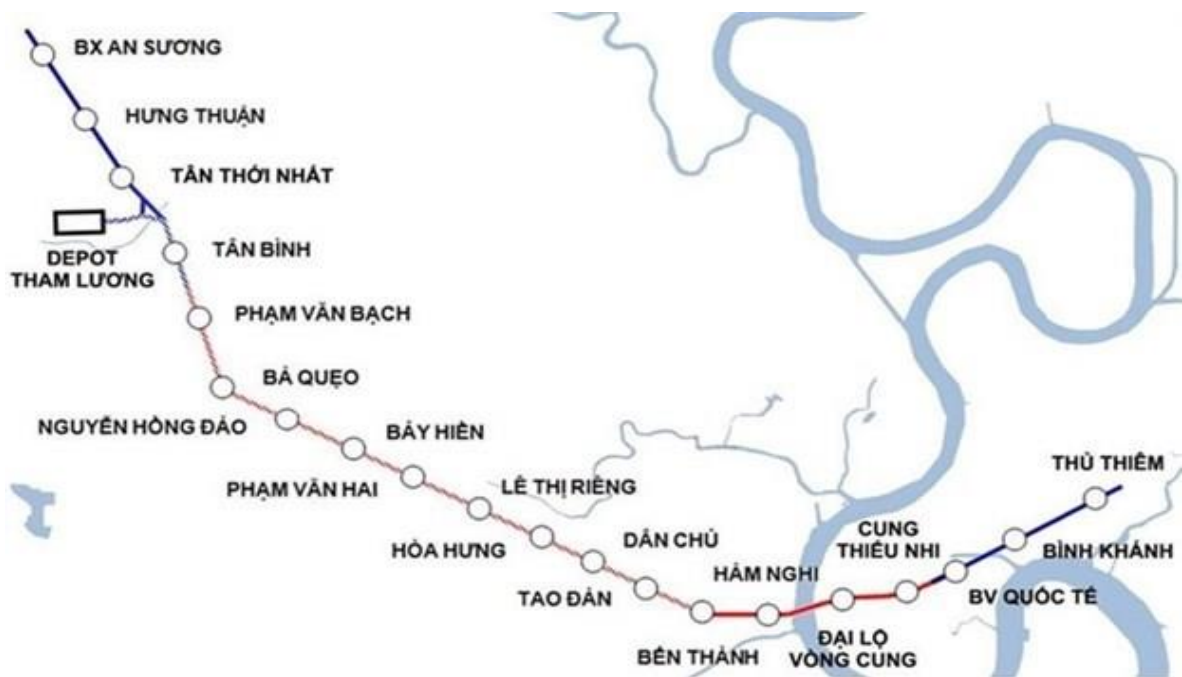


Picture 10: Exhibition and conference on print 4.0 and packaging in Hanoi. Source: VIR

Many German businesses have spotted Industry 4.0 opportunities in Vietnam. For instance, several German firms in the printing and packaging industry are seeking new opportunities in Vietnam to cash in on local growing demand for high-tech products amidst the wide influence of industry 4.0.

5. Further cooperation projects

- Starting the construction of the Metro project line 2 in HCMC by Vietnam.
- Further projects of AHK Vietnam such as Contact Point for German SMEs in the Healthcare Sector, German Desk – providing financial solutions for German companies and Vietnamese partners, German Business Incubator Vietnam and Competence Centre for German Agriculture and Food Industry in Vietnam.
- Upcoming projects of the AHK Vietnam: German Innovation Centre, German Education Campus, Project for the new German Supply Chain Due Diligence Act.
- Upcoming projects in the green sectors
- Cooperation in the field of air transport including airport construction, air traffic control, airspace management, personnel training, and emission reduction.
- Cooperation in banking including Fintech.
- Working together to construct a sustainable and climate-friendly transport sector in Vietnam.



Picture 11: The proposed route map and stations of the city's Metro Line No.2 in HCMC. Source: HCMC Authority of Urban Railways

6. Milestones of Vietnam – Germany Relations

Let us wrap up this blog with an illustration of the highlights of the 10-year-journey of Vietnam-Germany strategic partnership.



Picture 12: Milestones of Vietnam-Germany relations

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