

EU – VIET NAM
Trade and Investment Agreements
- New Opportunities for DANISH ENTERPRISES

EU – VIET NAM
Handels- og Investeringsaftaler
- Nye Muligheder for DANSKE VIRKSOMHEDER

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ABBREVIATIONS

4C	<i>Common Code for the Coffee Community</i>
AANZFTA	<i>ASEAN-Australia-New Zealand Free Trade Area</i>
ACFTA	<i>ASEAN-China Free Trade Area</i>
ACV	<i>Airports Corporation of Viet Nam</i>
ADB	<i>Asia Development Bank</i>
AFTA	<i>ASEAN Free Trade Area</i>
AGRIBANK	<i>Viet Nam Bank of Agriculture and Rural Development</i>
AGROTRADE	<i>Agro-Processing and Market Development Authority</i>
AHKFTA	<i>ASEAN-Hong Kong, China Free Trade Area</i>
AHTN	<i>ASEAN Harmonized Tariff Nomenclature</i>
AIFTA	<i>ASEAN-India Free Trade Area</i>
AJFTA	<i>ASEAN-Japan Free Trade Area</i>
AKFTA	<i>ASEAN-Republic of Korea Free Trade Area</i>
ANA	<i>All Nippon Airways Holdings</i>
APEC	<i>Asia-Pacific Economic Cooperation</i>
Art.	<i>Article</i>
ASC	<i>Aquaculture Stewardship Council</i>
ASEAN	<i>Association of Southeast Asian Nations</i>

BAP	<i>Best Aquaculture Practices</i>
BITs	<i>Bilateral Investment Treaties</i>
BRC	<i>Ba Vi Research Centre</i>
BRIC Countries	<i>Brazil, Russia, India, and China</i>
BTAs	<i>Bilateral Trade Agreements</i>
CAAV	<i>Civil Aviation Authority of Viet Nam</i>
CAI	<i>EU-China Comprehensive Agreement on Investment</i>
CBD	<i>The UN Convention on Biological Diversity</i>
CIAT	<i>International Center for Tropical Agriculture</i>
CIF	<i>Cost, Insurance, and Freight</i>
CIP	<i>Copenhagen Infrastructure Partners</i>
CIPM	<i>Cuu Long Corporation for Investment, Development and Management for Transport Infrastructure Projects</i>
CIT	<i>Corporate Income Tax</i>
CITES	<i>The UN Convention on International Trade in Endangered Species</i>
CO2	<i>Carbon Dioxide</i>
COP 26	<i>The 26th UN Climate Change Conference of the Parties</i>
CPA	<i>Comprehensive Partnership Agreement</i>
CPTPP	<i>Comprehensive and Progressive Agreement for Trans-Pacific Partnership</i>
CPV	<i>Communist Party of Viet Nam</i>
CVFTA	<i>Viet Nam-Chile Free Trade Area</i>

CWS	<i>Coldwater Shrimp</i>
DCP	<i>Department of Crop Production</i>
DWT	<i>Deadweight Tonnage</i>
EAEU	<i>Viet Nam-Eurasian Economic Union Free Trade Area</i>
EFTA	<i>European Free Trade Association</i>
<i>e.g.</i>	<i>exempli gratia, which means 'for example'</i>
EIU	<i>Economist's Economic Intelligence Unit</i>
ESMAP	<i>WB's Energy Sector Management Assistance Program</i>
EU	<i>European Union</i>
EuroCham	<i>European Chamber of Commerce in Viet Nam</i>
EVFTA	<i>EU-Viet Nam Free Trade Agreement</i>
EVIPA	<i>EU-Viet Nam Investment Protection Agreement</i>
EVN	<i>Viet Nam Electricity Group</i>
FAO	<i>Food and Agriculture Organization</i>
FAOSTAT	<i>FAO's Corporate Statistical Database</i>
FDI	<i>Foreign Direct Investment</i>
FIEs	<i>Foreign-invested Enterprises</i>
FPT	<i>The Corporation for Financing and Promoting Technology</i>
FTAs	<i>Free Trade Agreements</i>

GATS	<i>WTO's General Agreement on Trade in Services</i>
GDP	<i>Gross Domestic Product</i>
Global G.A.P.	<i>Global Good Agricultural Practices</i>
GNI	<i>Gross National Income</i>
GPA	<i>WTO's Agreement on Government Procurement</i>
GSP	<i>Generalized System of Preferences</i>
GVCs	<i>Global Value Chains</i>
GW	<i>Gigawatt</i>
HS	<i>Harmonized System</i>
IBC	<i>International Beverage Company</i>
ICD	<i>International Cooperation Department</i>
ICO	<i>International Coffee Organization</i>
ICT	<i>Information and Communication Technology</i>
<i>i.e.</i>	<i>id est, which means 'that is'</i>
IFDI	<i>Inflow Foreign Direct Investment</i>
IIT	<i>Intra-industry Trade</i>
ILO	<i>International Labor Organization</i>
IMF	<i>International Monetary Fund</i>
IP	<i>Intellectual Property</i>
IPRs	<i>Intellectual Property Rights</i>

IPSARD	<i>Institute of Policy and Strategy for Agriculture and Rural Development</i>
IQF	<i>Individually Quick-Frozen</i>
IRRI	<i>International Rice Research Institute</i>
ISDS	<i>Investor-State Dispute Settlement</i>
IT	<i>Information Technology</i>
ITA	<i>WTO's Information Technology Agreement</i>
ITA 2	<i>WTO's Information Technology Agreement 2</i>
IUU	<i>Illegal, Unregulated and Unreported Fishing Practices</i>
JPA	<i>Jetstar Pacific Airlines</i>
JVFTA	<i>Viet Nam-Japan Free Trade Area</i>
KVFTA	<i>Viet Nam-Republic of Korea Free Trade Area</i>
km	<i>Kilometer</i>
kWh/m ²	<i>Kilowatt hour per square meter</i>
m	<i>Meter</i>
M&A	<i>Merge and Acquisition</i>
m/s	<i>Meter per second</i>
MARD	<i>Ministry of Agriculture and Rural Development</i>
MEAs	<i>Multilateral Environmental Agreements</i>
MFN	<i>Most Favored Nation</i>

MIC	<i>Ministry of Information and Communications</i>
MNEs	<i>Multinational Enterprises</i>
MOET	<i>Ministry of Education and Training</i>
MOF	<i>Ministry of Finance</i>
MOH	<i>Ministry of Health</i>
MOIT	<i>Ministry of Industry and Trade</i>
MONRE	<i>Ministry of Natural Resources and Environment</i>
MOST	<i>Ministry of Science and Technology</i>
MOT	<i>Ministry of Transport</i>
MoU	<i>Memorandum of Understanding</i>
MPI	<i>Ministry of Planning and Investment</i>
MW	<i>Megawatt</i>
NCC	<i>National Competition Commission</i>
NCDs	<i>Non-communicable Diseases</i>
ODA	<i>Official Development Assistance</i>
OEC	<i>Observatory of Economic Complexity</i>
OFDI	<i>Outward Foreign Direct Investment</i>
PETROLIMEX	<i>Vietnam National Petroleum Group</i>
PIT	<i>Personal Income Tax</i>
PPP	<i>Public-Private Partnership</i>

PSDP 8	<i>8th Power Sector Development Plan</i>
PVN (Petro Vietnam)	<i>Vietnam Oil and Gas Group</i>
PwC	<i>PricewaterhouseCoopers International Limited</i>
R&D	<i>Research and Development</i>
RCEP	<i>Regional Comprehensive Economic Partnership</i>
RFA	<i>Rainforest Alliance</i>
RTAs	<i>Regional Trade Agreements</i>
RTE	<i>Ready-to-Eat</i>
SBV	<i>State Bank of Viet Nam</i>
SCIC	<i>State Capital Investment Corporation</i>
SDGs	<i>United Nations Sustainable Development Goals</i>
SEDS	<i>Viet Nam's Socio-economic Development Strategy 2021-2030</i>
SMEs	<i>Small- and Medium-sized Enterprises</i>
SOCBs	<i>State-owned Commercial Banks</i>
SOEs	<i>State-owned Enterprises</i>
SPS	<i>Sanitary and Phytosanitary Measures</i>
SSC	<i>Strategic Sectoral Cooperation</i>
TBT	<i>Technical Barriers to Trade Measures</i>
TRIMs	<i>Trade-related Investment Measures</i>
TRQs	<i>Tariff Rate Quotas</i>

TSD Chapter	<i>Chapter 13 of the EVFTA on Trade and Sustainable Development</i>
UK	<i>United Kingdom</i>
UKVFTA	<i>Viet Nam-United Kingdom Free Trade Agreement</i>
UN	<i>United Nations</i>
UNCTAD	<i>United Nations Conference on Trade and Development</i>
UNESCO	<i>United Nations Educational, Scientific and Cultural Organization</i>
UNFCCC	<i>The UN Framework Convention on Climate Change</i>
UNIDO	<i>United Nations Industrial Development Organization</i>
US	<i>United States</i>
USD	<i>United States Dollar</i>
UTZ	<i>Utz Kapeh (meaning ‘Good Coffee’ in the Mayan language Quiché)</i>
VALC	<i>Viet Nam Air Leasing Company</i>
VASCO	<i>Viet Nam Air Service Company</i>
VASEP	<i>Viet Nam Association of Seafood Exporters and Producers</i>
VAT	<i>Value-added Tax</i>
VATM	<i>Viet Nam Air Traffic Management Corporation</i>
VCIS	<i>Viet Nam Customs Information System</i>
VEC	<i>Vietnam Expressway Corporation</i>
VEPR	<i>Viet Nam Institute for Economic and Policy Research</i>
VFA	<i>Viet Nam Food Association</i>
VICOFA	<i>Viet Nam Coffee - Cocoa Association</i>

VIETRADE	<i>Viet Nam Trade Promotion Agency</i>
VietGAP	<i>Vietnamese Good Agricultural Practices</i>
VIETTEL	<i>Army Telecommunication Industry Corporation</i>
VINACAFE	<i>Vietnam National Coffee Corporation</i>
VINACHEM	<i>Vietnam National Chemical Group</i>
VINACOMIN	<i>Vietnam National Coal and Mineral Industries Group</i>
VINAFOOD I	<i>Vietnam Northern Food Corporation</i>
VINAFOOD II	<i>Vietnam Southern Food Corporation</i>
VINAFOR	<i>Vietnam Forest Corporation</i>
VINALINES	<i>Vietnam National Shipping Lines</i>
VINATABA	<i>Vietnam National Tobacco Corporation</i>
VN-EAEU FTA	<i>Viet Nam-Eurasian Economic Union Free Trade Area</i>
VNA	<i>Viet Nam Airlines</i>
VNACCS	<i>Viet Nam Automated Cargo Clearance System</i>
VND	<i>Viet Nam Dong</i>
VNPT	<i>Viet Nam Post and Telecommunications</i>
VNR	<i>Vietnam Railways</i>
VRG	<i>Vietnam Rubber Group</i>
VSPB	<i>Viet Nam Social Policy Bank</i>
VTC	<i>Vietnam Multimedia Corporation</i>
WASI	<i>Western Agroforestry and Scientific Institute in Dak Lak</i>

WB	<i>World Bank</i>
WCO	<i>World Customs Organization</i>
WTO	<i>World Trade Organization</i>
WWS	<i>Warm Water Shrimp</i>
€	<i>EURO</i>

INTRODUCTION

This book is an introduction to Viet Nam as a potential emerging market, and the new opportunities provided to Danish enterprises by the European Union - Viet Nam trade and investment agreements.

The book aims to provide enterprises with adequate and operational knowledge of the current business environment in Viet Nam, updating them on new opportunities and market changes arising from the European Union - Viet Nam agreements, as well as providing a primer on the post-COVID-19 economy and geopolitics. The book also introduces Viet Nam's key agricultural products, in particular coffee, rice, shrimp and prawn. The co-authors have attempted to strike a balance between a general introduction to Vietnamese trade and business on the one hand, and the technical and legal depth of detail required by operators in specific sectors, on the other hand. Throughout the book, emphasis is put on a coherent and informative presentation of the many facets of Vietnamese business and economy.

Two new major trade agreements set up the European Union (EU) and Viet Nam as significant trading partners and puts the EU on course for the expanding Southeast Asian market in the years to come. The EU-Viet Nam Free Trade Agreement (*EVFTA*) entered into force on 01 August 2020, while the EU-Viet Nam Investment Protection Agreement (*EVIPA*) will enter into force once it has been ratified by all EU Members. The EVIPA will by then replace 21 bilateral investment treaties (BITs) currently in force between Viet Nam and the EU Members.¹ The EVFTA and the EVIPA (*the Agreements*) are the most ambitious the EU has ever concluded with a developing country. The Agreements were driven by their mutual strategic importance and with implications well beyond economics.

In a survey conducted by EuroCham in 2018,² 132 European enterprises operating in Viet Nam, representing over 10 percent of the EuroCham's membership, responded. 64 percent of them are either very familiar or somewhat familiar with the content of the EVFTA. However, 28 percent of them remain vague about the EVFTA's content. In reality, the number of European enterprises unaware of the Agreements could be much higher.

The Agreements will open new opportunities for Danish enterprises to explore the Vietnamese market and building on trade relations that have evolved into a modern and mature partnership over the past 50 years.

Today, Viet Nam is a politically stable and vibrant economy of almost 100 million inhabitants, with one of the fastest growing middle classes in the Southeast Asia and a young and dynamic workforce. Vietnamese key exports are in food, textiles and electronics with agricultural exports ranked second in the Southeast Asia and 15th in the world. In addition, Viet Nam has shown considerable economic resilience to the impact of COVID-19 pandemic, as exemplified by the maintenance of production of its primary exports.

¹ EU (2021), <https://ec.europa.eu/trade/policy/countries-and-regions/countries/vietnam/>

² European Chamber of Commerce in Viet Nam (EuroCham) (2018), *EVFTA Report 2018 | The EU-Vietnam Free Trade Agreement: Perspectives from Vietnam*, p. 27.

The Agreements will level the competition for the EU enterprises with those countries with whom Viet Nam has already concluded free trade agreements (FTAs), *e.g.*, nine other Southeast Asian countries, Australia, New Zealand, Chile, China, India, Japan, South Korea, the UK, among others. The Agreements reduce the costs for Danish enterprises to do business in Viet Nam due to the elimination of nearly all tariffs and the reduction of non-tariff barriers. Moreover, the Agreements contain many cost-reducing provisions that make doing business easier and more transparent. Intellectual property rights (IPR) holders will be granted strengthened legal protection and can take more effective action against IPR infringements. Viet Nam further liberalizes its markets for services by offering access beyond its WTO commitments.

The Agreements promote integration of EU-Viet Nam value chains via increased foreign direct investment (FDI) activity and expanded bilateral trade in intermediate goods and services. Both Danish and Vietnamese enterprises can take advantage of this opportunity with the support of the Agreements.

The COVID-19 crisis has made it clear that diverse markets and supply chains will be key to managing risks of trade and supply chain disruptions due to changing trade relationships, climate change, natural disasters and epidemics. The combined impact of COVID-19 and world trade tensions could lead to a profound restructuring of global value chains (GVCs) by reducing dependence on a few global production hubs, *e.g.*, China, India, and Thailand, thus paving the way for Viet Nam to step in to fill GVCs gaps. The reality shows that trade tension between the United States (US) and China has made Viet Nam the 6th trading partner of the US for the trade in goods in 2020 by import value.³ Viet Nam has also become an important production center for both textile and electronics.

Viet Nam is now ready as a country of production with a great need for high technologies. Key strategies and plans to stimulate green growth and sustainable use of natural resources have been adopted but are awaiting full implementation. Danish enterprises possess world-leading expertise and technologies in renewable energy, energy efficiency, water and waste handling, food production, health, education, construction, and sea transport, among others, which are all important areas for a sustainable development in Viet Nam. Danish enterprises are expected to provide green transition and digitalization solutions for Viet Nam's development with the support of the Agreements.

The Agreements facilitate Danish enterprises to export their key goods and services, *e.g.*, petroleum and petroleum products, fish, raw hides, skin and furs, medicinal and pharmaceutical products, power-generating machinery and equipment, dairy products, frozen meat, organic food, sea transport, information and communication technology (ICT), and construction. The Agreements also invite Danish enterprises to open new commercial activities *e.g.*, by facilitating import of key goods and services from Viet Nam, at competitive import prices compared to countries with no EU FTAs (like India, Thailand, Brazil, Bangladesh, Ecuador, China, among others). Such products include rice, coffee, shrimp and prawn, cashew, pepper, rubber, textile and apparel, footwear, furniture, electronics and processed agricultural products.

³ Statista (2021), <https://www.statista.com/statistics/>, Release date: March 2021.

In the coming years, Viet Nam will continue to demonstrate its ambition of improving investment facilitation for development, e-commerce, and domestic regulation of services. Viet Nam will reduce further red tape, adopt more predictable tax policies, increase transparency in administrative procedures, and simplify appraisal procedures for investment projects. Viet Nam will continue the development of e-government initiatives, the modernization of customs administration through the national single-window, and the e-customs clearance.

The EVFTA came into effect in a very special context as the whole world was struggling with the COVID-19 pandemic, with the global economy being heavily affected, thus restraining the immediate positive impact of the EVFTA. However, as the COVID-19 epidemic comes under control, Viet Nam will again constitute an attractive market for Danish enterprises.

Many enterprises around the world are already successfully doing business in Viet Nam, and Samsung, Apple, Foxconn, Unilever, Toyota, IBM, Microsoft, Nestlé, being among the largest. But so are many Danish enterprises, like Carlsberg, SKIOLD, A.P. Møller-Mærsk, Ørsted, Lego, and several Danish small- and medium-sized enterprises (SMEs). Other Danish enterprises are also on their way to Viet Nam. Viet Nam is one of the emerging markets in Asia, but at the same time Viet Nam is at a crossroad of its economic development. Doing business with Viet Nam is also accessing to broad Asia's market - a region that is a strategic priority for the Danish Government.

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Chapter One

VIET NAM – EMERGING MARKET AND CONTINUOUS REFORM

This first chapter expects to provide Danish enterprises an adequate knowledge of current business environment in Viet Nam, updating them on market changes arising from the deeper international economic integration of Viet Nam as well as the COVID-19 response. This chapter includes 5 sections. *Section One* introduces an overall picture of Viet Nam's socio-economic development with main indices. *Section Two* updates the Viet Nam's business partners. *Section Three* gives informative contents on Viet Nam's trade policy. *Section Four* mentions some factors (other than trade policy) influencing businesses to operate in Viet Nam. Finally, *Section 5* shows that Viet Nam, as an emerging market, continues to reform and adapt its trade and investment policies in light of its policy objective of becoming a developed and high-income country by 2045.

I. Viet Nam's Socio-economic Development – Main Indices⁴

The section gives an overall picture of Viet Nam's socio-economic development. The State structure is reviewed followed by an introduction to the main indices in economy, education, health, workforce, climate and environment, internet and digitalization of Viet Nam.

1. Overview

Viet Nam (officially named Socialist Republic of Viet Nam) is a densely populated country located in the Southeast Asia, bordering the Gulf of Tonkin and East Sea (*Biển Đông* in Vietnamese), and Gulf of Thailand, as well as China (in the North), Laos (in the Northwest), and Cambodia (in the West). It covers a total area of approximately 331,212 km². The combined length of the country's land boundaries is 4,639 km, and its coastline is 3,444 km long. The exclusive economic zone of Viet Nam covers 417,663 km² in the East Sea. Its capital is Hanoi and its largest city is Ho Chi Minh City. Viet Nam is home to a population of approximately 100 million people, including various ethnic groups, of which 54 are officially recognized. The national language of the country is Vietnamese, which is spoken by the majority of the population and written with the Latin alphabet (unlike the languages of neighboring countries). With improved relations with Western countries and globalization, English has been increasingly used as a second language, and the teaching of English is now obligatory in most schools nationwide. Major urban areas are Ho Chi Minh City, Hanoi, Can Tho, Hai Phong, Da Nang, and Bien Hoa.

⁴ The main indices and data come from the WB and the WTO sources, [Vietnam : Development news, research, data | World Bank, CountryProfile | World Development Indicators \(worldbank.org\)](#), [Vietnam | Data \(worldbank.org\)](#), accessed on 30 December 2021; and WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021.

Vietnamese people are very eager and adaptable in learning foreign culture, whether it is Eastern or Western culture. They are open and optimistic about foreign investment and the opportunities brought by increasing integration in international markets. This creates great advantages for and support to the government's foreign policy objectives of 'multilateralization and diversification', especially in the field of international business cooperation.

As stipulated in the current *Constitution* of 2013, the National Assembly is the highest representative body of the people of Viet Nam, and the highest body of State power. The National Assembly is elected for a term of 5 years. The President, the Prime Minister, the Chief Justice of the Supreme People's Court, and the Prosecutor General of the Supreme People's Procuracy are elected from the members of the National Assembly. Their working terms are the same as that of the National Assembly.

Legislative power is vested in the uni-cameral National Assembly. Between sessions of the National Assembly, the Standing Committee of the National Assembly functions as the legislature. The National Assembly enacts, amends, and annuls laws, while the Standing Committee enacts ordinances (*Constitution* of 2013, Art. 74). Both the National Assembly and the Standing Committee make decisions on the basis of a simple majority (*Constitution* of 2013, Art. 85).

The Government is the executive branch. In general, the Government promulgates decrees stipulating specific measures to implement laws and resolutions issued by the National Assembly, including ordinances and resolutions issued by Standing Committee (the *Law on Promulgation of Legal Normative Documents* of 2020). The *Law on Handling Administrative Violations* of 2012 provides remedies against the misconduct of the executive branch. Currently, the central government of Viet Nam is composed of 18 ministries and 12 ministry-level agencies.⁵

The local government is divided into three levels: province, district and commune. Currently, the local government of Viet Nam consists of 63 provincial administrations and central municipalities.⁶

The hierarchy of Viet Nam's courts is: 1) the Supreme People's Court; 2) the High People's Court; 3) Provincial People's Courts; 4) District People's Courts, and 5) Military Courts. The People's Courts operate in five divisions: criminal, civil, administrative, economic, and labor. The Supreme People's Procuracy is responsible for prosecuting criminal activities as well as supervising judicial activities.

As of 2021, Viet Nam maintains diplomatic relationships with 189 nations throughout the world. Viet Nam has established strategic partnerships and comprehensive partnerships with 30 countries.⁷ Viet Nam is member of most important regional and global organizations, such as the United Nations (UN), the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific

⁵ Viet Nam's Government Portal (2021), <http://www.chinhphu.vn/portal/page/portal/English/>

⁶ Viet Nam's Government Portal (2021), <http://www.chinhphu.vn/portal/page/portal/English/>

⁷ Government of Viet Nam (2021), *Full Text of the Government's Work Report for the 2016-2021 Term*, see at chinhphu.vn, 06:34 PM, 24 March 2021.

Economic Cooperation (APEC), the World Bank (WB), the International Monetary Fund (IMF), the Asia Development Bank (ADB), and World Trade Organization (WTO).

Viet Nam's Government accordingly is committed to maintaining political stability in avoiding internal and external conflicts, to maintain peace and create a favorable environment for consolidating the achievements of sustained economic reforms over the past 35 years.

2. Economy

In 1986, the 6th National Congress of the Communist Party of Viet Nam (CPV) initiated what is known as socialist-oriented market economic reform ('*đổi mới*'). Private ownership began to be encouraged in industry, commerce, and agriculture. State-owned enterprises (SOEs) were gradually restructured to operate under market constraints. These reforms initiated a process that dismantled the largely planned economy, opened a 'closed door' economy to international markets and trade, and initiated pro-business reforms. As a result, Viet Nam achieved approximately 6.5 percent annual GDP growth between 1986 and 2016, and 6.8 percent from 2016 to 2019,⁸ making it one of the world's fastest growing economies and transformed the country into a lower-middle-income emerging economy. Viet Nam has made enormous progress in economic development, trade, poverty reduction, and in structural reform. The reforms are not yet complete and will continue.

Viet Nam has pursued export-oriented trade policies and recognized international economic integration as a key driver for its institutional improvement, economic growth, and development. Viet Nam has increased its participation in GVCs, improved its business environment, and made efforts to promote intellectual property (IP) awareness and use. Viet Nam recently became part of the group of the 20 largest traders among WTO Members.⁹ Viet Nam has further integrated into the world economy, with its ratio of trade to GDP increasing to 210 percent in 2019.¹⁰

i) Infrastructure

***Transport:*¹¹**

⁸ Government of Viet Nam (2021), *Full Text of the Government's Work Report for the 2016-2021 Term*, see at chinhphu.vn, 06:34 PM, 24 March 2021.

⁹ WTO (2020), *World Trade Statistic Review*, https://www.wto.org/english/res_e/statis_e/wts2020_e/wts20_toc_e.htm.

¹⁰ MacroTrends, [Vietnam Trade to GDP Ratio 1986-2021 | MacroTrends](#)

¹¹ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, pp. 148-155.

Following the Prime Minister's *Decision No. 995/QĐ-TTg* issued on 9 August 2018, the Ministry of Transport (MOT) is preparing 5 national transport plans (road, railway, seaport system, airport system, and inland water infrastructure) for the period 2021-2030.

Road transport is the most common means of transport in Viet Nam. Currently, the road system has a total length of 595,316 km, of which 25,151 km of national highways account for 4.2 percent of the national road network, while expressways extend over less than 1,000 km. Another 786 km of expressways are under construction under public-private partnerships (PPPs) or similar schemes. The road network covers the whole territory. The future plan includes densifying the expressway network (to be increased more than 5-fold until 2030), maintaining current infrastructure, improving the connectivity between roads and other modes of transport, and upgrading routes connecting with Cambodia, China, and Laos.

The *railway sector* consists of only a very small share of the transport segment (passenger and cargo combined), and its competitiveness has eroded over last 15 years. In 2019, the railway system carried 0.2 percent of all passengers. A similar trend is observed for cargo transport.

Regarding *maritime transport*, Viet Nam plays an important role for maritime traffic both globally and, particularly, regionally. It is a gateway to the sea for neighboring countries and regions such as Laos, north-western Thailand, and south-eastern China. The total tonnage of the Vietnamese fleet reaches 7.55 million deadweight tonnage (DWT). It is the world's 29th largest fleet and the fourth largest in the ASEAN region. It consists of 1,507 vessels, including 1,047 cargo ships, 100 bulk carriers, 156 tankers, 39 container ships, and 19 ships transporting liquified gas. Half of the cargo vessels carried domestic freight, while the other half are international transport ships mainly serving routes to East and Southeast Asia. In 2019, the average age of Vietnamese ships was about 16.3 years, and its transport volume was estimated at 154.6 million tons. The overseas cargo shipping market remains dominated by foreign firms (75-80 percent cargo).

Viet Nam has an extensive seaport system, which includes 45 ports and nearly 200 terminals, and more than 82.8 km of wharves with a total capacity of over 550 million tons per year. According to Viet Nam Maritime Administration (Vinamarine), Vietnamese ports operated at their capacity in 2019 and moved 654 million tons of cargo. Maritime cargo is heavily concentrated around 5 seaports: Ho Chi Minh City, Cai Mep - Thi Vai, Hai Phong, Quang Ninh, and Da Nang. In large seaports (Cai Mep - Thi Vai and Hai Phong) and in projects under construction (Van Phong, Khanh Hoa), investments were made to meet the increasing demand for trade by sea.

The Government's *Decree No. 37/2017/ND-CP on Conditions for Business Operations of Seaports* issued on 04 April 2017 prescribes the requirements for seaport operations and allows for private ownerships of ports. Foreign capital contribution must not exceed 50 percent as per Viet Nam's WTO commitment on container handling services. Vietnamese seaports are subject to the supervision of the Ministry of Trade (MOT), Vinamarine, and provincial governments. Ports in Viet Nam are owned and directly operated under different types of enterprises, such as SOEs, domestic private-owned enterprises, and joint-ventures.

Regarding *air transport*, there are 22 airports with civil service in operation throughout Viet Nam, and international carriers operate in 9 of them. The three major international airports

are Noi Bai Airport in the north (Hanoi), Da Nang in the center, and Tan Son Nhat in the south (Ho Chi Minh City). Six international airports (Can Tho, Chu Lai, Da Lat, Hai Phong, Hue, and Nha Trang) have been built or upgraded since 2013, and currently all of them receive international flights. In 2019, total air cargo reached 1.6 million tons of which two thirds of air cargo is shipped internationally. In the same year, Vietnamese airports serviced 116.1 million passengers of which 41.6 million on international flights.

The national flag carrier, the SOE Viet Nam Airlines (VNA), accounts for 36.3 percent of the domestic passenger market, and 21.4 percent of international flights. VietJet Air, a privately owned enterprise, became a major provider of air transportation services in recent years. It accounts for similar shares as the VNA (41.7 percent and 18.4 percent of the domestic and international passenger transport markets, respectively). As of June 2020, there are 75 passenger airlines and 19 cargo airlines with regular scheduled flights to and from Viet Nam.

The Government holds a 86.2 percent stake in VNA and owns 100 percent of Viet Nam Air Service Company (VASCO) - a regional airline in southern Viet Nam, 68.9 percent of the low-cost carrier Jetstar Pacific Airlines (JPA), and 49 percent of the Cambodian national airline Cambodia Angkor Air. VNA also holds a 32.5 percent stake in Viet Nam Air Leasing Company (VALC) - a joint-venture. JPA, the VNA subsidiary specialized in the low-cost segment, is the third most important carrier in the domestic market with a market share of 13.7 percent. However, its market share in international passenger transport is only marginal (2.4 percent). VNA underwent a partial equitization in 2014. All Nippon Airways Holdings (ANA) is the strategic foreign partner with a capital share of 8.8 percent, several local (45) and foreign (36) institutional partners, as well as numerous individual shareholders, mostly local, hold the remaining 5 percent of shared capital.

The aviation industry is under the administration of the Civil Aviation Authority of Viet Nam (CAAV), an agency under the MOT. The Airports Corporation of Viet Nam (ACV), a SOE partially equitized in 2015, manages 21 airports. Air traffic control is provided by the Viet Nam Air Traffic Management Corporation (VATM).

The *Civil Aviation Law* (amended) of 2014 provides the legal framework for the activities of the sector. Viet Nam continues to liberalize and develop its air transport market through bilateral and multilateral agreements. Viet Nam is party to 69 bilateral and 6 multilateral agreements on air transport liberalization. Viet Nam became a party to the 1999 *Convention for the Unification of Certain Rules for International Carriage by Air (Montreal Convention)* in 2018.

According to Vietnamese law, the FDI must not exceed 34 percent of the registered capital in aviation businesses, and the total contribution of foreign capital through other forms of business partnerships must not exceed 49 percent of the registered capital. Through the participation of foreign operators, Viet Nam aims at creating a dynamic and competitive air passenger and cargo transport environment. However, foreign airlines are not allowed to operate in the domestic market for passenger transport and cargo.

The Government strongly encourages the private sector to invest in aviation infrastructure to ease the pressure on the State budget. Private sector participation is possible under different forms, including a PPP or a concession. The Van Don International Airport (in

Quang Ninh Province) is the first airport in Viet Nam to be developed under a BOT scheme, and it started operations in December 2018.

*Telecommunication:*¹²

Viet Nam's telecommunication market continued to grow in recent years. This expansion is expected to be sustained in coming years, given the Government's plan to promote the application and development of IT solutions to meet objectives of sustainable economic growth and economic integration. The development of IT-related activities in the country continues to boost the demand for telecommunication services. In 2019, the telecommunication services accounted for 7.7 percent of GDP and 0.6 percent of total employment, indicating that labor productivity in the sector is almost double the national average. In 2018, the revenue of telecommunications services was estimated at USD 16.3 billion, with mobile data its most important segment (36 percent of market share). In 2019, almost all users (99.8 percent) had access to 2G coverage. Since then, the country has made significant progress in upgrading its telecommunication systems. 4G services have been offered since 2017, and they cover up to 97 percent of the population in 2020. Piloting of the 5G network was launched in 2019, and its pilot commercialization started in December 2020.

The fixed-telephone penetration rate is currently 34.5 per 100 inhabitants, while mobile-cellular subscriptions are 131.7 per 100 habitants. The market is driven by mobile broadband subscriptions rather than fixed broadband ones, and two thirds (68.7 percent) of the population has access to the Internet. The market is dominated by three State-owned operators: the Viet Nam Post and Telecommunications (VNPT) and MOBIFONE Telecommunications Corporation, and the Ministry of Defense-owned VIETTEL. Jointly, they control more than 95 percent of the market in three of the telecom's subsectors (fixed-line telephone, mobile telephone, and mobile broadband). In the fixed-line broadband services, VNPT and VIETTEL currently have 80 percent market share, and a private company - FPT - accounts for 15.5 percent of this segment. VNPT is the main actor in the two segments related to fixed connections, while VIETTEL is the dominant actor in mobile subscriptions (52-55 percent of market share). VIETTEL is the major telecommunication enterprise in Viet Nam, and its revenue in 2018 represented 55 percent of the sector's total revenue.

ii) Industries

Manufacturing, information technology (IT) and high-tech industries now form a large and fast growing part of the national economy. *Tourism* in Viet Nam is a component of the modern Viet Nam's economy. In 2019, Viet Nam received 18 million international arrivals, up from 2.1

¹² WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, pp. 144-147.

million in the year 2000, contributing 7.5 percent of the total GDP.¹³ Ho Chi Minh City, Ha Long, Hanoi, and Da Nang were ranked in the top 100 most visited cities in the world in 2019.¹⁴ Viet Nam is home to 8 UNESCO World Heritage Sites.¹⁵

Regarding *electricity generation*, Viet Nam has been highly successful in providing universal electrification (99 percent in 2020) and in keeping pace with double-digit growth in electricity demand in the past two decades (installed capacity increased from 5 GW in 2000 to 58 GW in 2020).¹⁶ Viet Nam plans to double *energy* generation capacity over by 2030, according to the Government's latest draft energy master plan (*National Power Sector Development Plan for Period 2021-2030, and Vision toward 2045*, or the *8th Power Sector Development Plan (PSDP 8)*).¹⁷ Viet Nam's energy sector is dominated by the State-controlled Viet Nam Electricity Group (EVN). Other giant energy SOEs are Vietnam Oil and Gas Group (Petro Vietnam - PVN), Vietnam National Coal and Mineral Industries Group (VINACOMIN). Though Viet Nam is a relative newcomer to the oil industry, it is currently the third largest oil producer in Southeast Asia. Most of Viet Nam's power supply is generated by either hydroelectricity or fossil fuels such as coal, oil and gas, while diesel and renewable energy supplies make up the remainder.

Viet Nam exploits four big sources of *renewable energy* - hydroelectricity, wind power, solar power and biomass. Renewable energy will form a key part of Viet Nam's energy mix. As of 2021, Viet Nam has become one of the most successful ASEAN countries in attracting investment in renewable energy and promoting various types of renewables within the country. Wind and solar have a combined share of 10 percent of the country's electrical generation at the start of 2020, already meeting the Government's 2030 goal, suggesting future displacement of growth in coal capacity.

Viet Nam's wind resource mostly lies along its coastline of more than 3,000 km, and in the hills and highlands of the northern and central regions. A WB's ESMAP study estimated that over 39 percent of Viet Nam's area had annual average wind speed over 6 m/s at a height of 65m. Wind energy capacity is expected to contribute more than 12 percent to Viet Nam's total installed capacity by 2035. At the end of 2019, Viet Nam's place was in top 12 countries for offshore wind globally. Viet Nam had the 9th highest installed capacity of offshore wind, with 99 MW operating, which was more than Japan, South Korea, and the US, and behind the UK, China, Germany, Denmark, Belgium, Netherlands, Chinese Taipei (Taiwan), and Sweden.¹⁸

Viet Nam has a great potential to develop solar power, especially in the central and southern regions. The average number of sunshine hours in the northern region ranges from

¹³ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021.

¹⁴ Euromonitor International, *'Top 100 City Destinations: 2019 Edition'*.

¹⁵ UNESCO, *UNESCO World Heritage Centre - World Heritage List*

¹⁶ WB (2021), *The Vietnam Inclusive and Sustainable Recovery Development Policy Operation (P176717)*, p. 29.

¹⁷ Viet Nam's Ministry of Industry and Trade (MOIT) (2021), Draft of *National Power Sector Development Plan for Period 2021-2030, and Vision toward 2045*, or the *8th Power Sector Development Plan (PSDP 8)*, *Quy hoạch điện VIII: Định hướng phát triển ngành điện Việt Nam trong tương lai (moit.gov.vn)*, 24 February 2021.

¹⁸ WB, ESMAP (2021), *Offshore Wind Roadmap for Vietnam*, pp. 17, 41.

1,500 to 1,700 hours of sunshine per year. Meanwhile, the central and southern regions have higher average annual sunshine hours, from 2,000 to 2,600 hours per year. The average daily solar radiation intensity in the north is 3.69 kWh/m² and the south is 5.9 kWh/m².

iii) Trade in Goods

In 2021, the total value of Viet Nam's export was USD 336 billion. The top exports were telephones; computers and electrical products; machinery, equipment, and tools; textiles and garments; footwear; wood and article of wood; iron and steel; and transport vehicles. The main destination was the US, China, Japan, South Korea, Hongkong, Netherlands, and Germany. Viet Nam was the world's biggest exporter of cashews, rice, coffee, cement, fuel wood, metal-clad products, and cinnamon. The total value of Viet Nam's imports was USD 332 billion. The top imports were integrated circuits, telephones, fabric, iron and steel, plastic material, and chemical and chemical products, importing mostly from China, South Korea, Japan, Chinese Taipei (Taiwan), the US, and Thailand. Viet Nam was the world's biggest importer of materials for textiles and garments, and footwear, cashews nuts, residues and waste from the food industries and prepared animal fodder.

According to the *Observatory of Economic Complexity* (OEC), among the world's top 50 merchandise traders, Viet Nam recorded a significant advancement in world ranking, improving its position from 39th in 2009 to 20th in 2019 and 2020.¹⁹ Viet Nam's merchandise trade exhibits strong intra-industry trade (IIT) patterns. *Electronics* and *apparel products* (including *footwear*) continued their dominance in both exports and imports. These two industries actively participate in GVCs, with significant FDI. The growth of IIT in agricultural products, *clothing* and apparel, and consumer electronics reflects the demand for trade-in-varieties caused by rapid urbanization in Viet Nam over the last three decades. The increasingly rich and urban consumers demand more differentiated products through trade.²⁰

Viet Nam has become a major exporter of *agricultural products*. It is now the world's largest producer of *cashew*, with a one third global share; the largest producer of *black pepper*, accounting for one third of the world's market; and the second largest *rice* exporter in the world. Viet Nam is also the world's second largest producer and exporter of *coffee*. Other primary exports include *tea*, *rubber*, and *fishery* products. Fishery represented 2.6 percent of merchandise exports in 2021. Viet Nam had a trade surplus in fisheries products. In 2021, agriculture, forestry, and fisheries contributed 12.36 percent to GDP and 28.9 percent to employment.²¹

¹⁹ OEC, *Vietnam (VNM) Exports, Imports, and Trade Partners* | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

²⁰ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, p. 22.

²¹ Viet Nam's General Department of Statistics (January 2022).

iv) Trade in Services

Services are the main sector in the economy. In 2021, the share of services in GDP was 40.95 percent. Most services are oriented to serve the domestic market. Viet Nam committed to some further liberalization of its services sector in recent bilateral trade agreements (BTAs) and FTAs. Viet Nam is a net importer of services. The main service imports are travel and transport services. *Transport services*, especially freight transport, facilitate Viet Nam's participation in GVCs as well as Danish enterprises doing business in Viet Nam. The total value of services' imports was USD 19.41 billion. The top services imported were sea transport, travel, construction service, air transport, and insurance services. In 2021, Viet Nam exported USD 3.67 billion in services. The top services exported were travel, air transport, sea transport, miscellaneous business, professional and technical services, and financial services.²²

v) FDI

Since its accession to the WTO in 2007, Viet Nam has received large FDI inflows. As of 20 December 2021, the country has had 34,527 FDI projects from 140 countries and territories with total registered capital of USD 408.1 billion.²³ In 2021, FDI plays a key role in Viet Nam's economic transformation, representing 20 percent of GDP and employing 5 million people, and approximately 73 percent of gross exports were attributed to FDI. FDI is also the main driving force of the country's productivity improvement. Processing and manufacturing accounted for approximately 58.2 percent of the total foreign capital invested in Viet Nam. Inflow FDI (IFDI) in Viet Nam's manufacturing sector is dominated by electronics multinational enterprises (MNEs) and apparel producers engaged in processing and final assembly. This FDI manufacturing sector generates a large trade surplus (15 percent of GDP in 2018).²⁴

As of the end of 2021, the Viet Nam's MPI had granted investment certificates for 1,448 projects overseas, with a total capital of USD 20.9 billion. Vietnamese outward FDI (OFDI) is active in 18 sectors across 78 countries and territories on 5 continents. Main sectors for OFDI are exploration and mining, mostly for oil and gas, accounting for 32.3 percent of total registered investment. Other important sectors for Vietnamese OFDI are activities in agriculture, forestry, and fisheries (13.6 percent), and telecommunications and information technology (12.8 percent).²⁵ The destination of the Viet Nam's OFDI has been mainly Laos, Cambodia, Venezuela,

²² OEC, *Vietnam (VNM) Exports, Imports, and Trade Partners* | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

²³ Viet Nam's Ministry of Planning and Investment (MPI), Foreign Investment Agency (2021), *Report on Foreign Investment in Viet Nam in 2021*.

²⁴ IMF (2019), *Vietnam: 2019 Article IV Consultation - Press Release; Staff Report; and Statement by the Executive Director for Vietnam*, IMF Country Report No. 19/235.

²⁵ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, p. 46.

Russia, Myanmar, Peru, Algeria, the US, Malaysia, Australia, and others. Laos received the most OFDI valued at USD 5.2 billion, followed by Cambodia and Venezuela with USD 2.8 billion and USD 1.8 billion, respectively. The SOEs like PVN, VIETTEL, and State-owned Commercial Banks (SOCBs) are Viet Nam's largest sources of OFDI.²⁶

3. Education, Health and Workforce

i) Education²⁷

Viet Nam has made many efforts to modernize the education system, including advancing human capital development, increasing enrollments in higher education, and adapting the education system to the needs of the country's market-based economy.

In 2020, the literacy rate was at approximately 95.4 percent. Viet Nam is among the countries with the highest adult literacy rate in the Asia-Pacific region. In addition, the country has been recording an increasing amount of capital investment into online education start-ups. The online education is expected to have a more significant role in the future in the country.

Managed by the Ministry of Education and Training (MOET), the education system in Viet Nam consists of both public and private institutions. As of December 2018, there were a total of 14,980 businesses in operation in the education and training sector. In that year, approximately 121,800 people were employed in the sector. In 2020, the number of newly established businesses for the education sector reached approximately 3,740.

Today, the fast-growing middle class with higher incomes and increasing living standards is able to invest in good quality education. The young population is supported by their parents not only for education within the country, but also abroad. Moreover, to improve the quality of education in the country, the Government initiatives facilitate foreign investments that allow foreign-funded schools. The Government has eased regulations which has allowed for more FDI in the sector. In 2019, the value of FDIs in education and training sector reached USD 4.3 billion.

ii) Health²⁸

Viet Nam has made significant progress in improving the population's health parallel to its economic development. An average Vietnamese could now expect to live to 75.4 years (in 2019), compared to 70 years in the 1990s. This is relatively high compared to countries with

²⁶ Viet Nam's Ministry of Planning and Investment (MPI), Foreign Investment Agency, *Report on Foreign Investment in Viet Nam in 2019*.

²⁷ Statista (2021), [Education in Vietnam - statistics & facts | Statista](#)

²⁸ Statista (2021), [Health in Vietnam - statistics & facts | Statista](#)

similar GDP per capita. As people live longer, both the public and private healthcare sectors have been striving to meet the population's growing demands. *E.g.*, the number of hospitals in Viet Nam is rising fast, especially in the number of private facilities. The market size of health industry in Viet Nam is approximately USD 5.1 million.

Although improvements are still needed, Viet Nam had made progress in increasing both the ratio of patient beds, as well as medical doctors. In addition, Viet Nam is currently working to achieve universal healthcare by 2030 as part of the United Nations Sustainable Development Goals (SDGs). In 2018, the majority of Vietnamese had health insurance.

As a result, there had been significant improvements in its population's health, such as a decline in the infant mortality rate. Viet Nam is now to prepare a healthcare system for the demands of a rapidly aging population. By 2050, the share of people over 65 years old was forecast to reach more than 20 percent of entire population.

In Viet Nam, there were a total of 1,094 public hospitals (in 2018). The number of newly established businesses for the human health and social work sector reached 901 (in 2020). There were 96,200 medical doctors across the health sector and 8.8 medical doctor per 10,000 inhabitants (in 2019), 53,600 assistant physicians and 107,600 nurses (in 2017). There were 330,800 patient beds across the health sector (in 2020) and 28.5 patient beds per 10,000 inhabitants (in 2019).

iii) Workforce

In 2022, the Vietnamese population approaches 100 million. Viet Nam has a young population, with a median age of 31. Around 67 percent of the population is of working age (*i.e.*, between 15 and 64), with a 77 percent labor participation rate, and around 62 percent of the labor force is between 25 and 49. In 2020, the labor force was over 56.5 millions of people.²⁹ Viet Nam has the potential to benefit from a demographic advantage for approximately three decades (between 2010 and 2040). However, its ability to do so will depend on improving the quality of education and training for its workforce and creating jobs. The scarcity of high-skilled labor may pose a disadvantage to the business, but the country's low-skilled manufacturing wages will remain competitive for coming years.³⁰ The Viet Nam's Government is also considering changes to the country's population policy, because if the country's fertility rate remains below replacement level, it could lead to a worker shortage in the future.³¹

4. Climate and Environment

²⁹ WB, [Labor force, total - Vietnam | Data \(worldbank.org\)](https://data.worldbank.org/SH.LS.MS.DS?locations=VN)

³⁰ The Financial Express, [EIU report: Vietnam rises as an alternative to China, beating India - The Financial Express](https://www.financialexpress.com/news/vietnam-rises-as-an-alternative-to-china-beating-india-the-financial-express/14-january-2021-6:00:32-am/), 14 January 2021, 6:00:32 am; EurAsian Times Desk, [Vietnam Beats China, India to Become Next Manufacturing Hub: Reports \(eurasian-times.com\)](https://eurasian-times.com/vietnam-beats-china-india-to-become-next-manufacturing-hub-reports/), 14 January 2021.

³¹ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, p. 14.

The country's climate is divided into three distinct zones according to the Köpenick climate classification, including subtropical humid climate in the north, tropical monsoon climate in central and south-central regions and tropical savannah in the central and southern region. At the same time, it is directly affected by the monsoon climate in the low latitude regions. There are four seasons in the north (spring, summer, autumn and winter) and two seasons in the south (rainy and dry seasons). Humidity averages 84 percent throughout the year. Annual rainfall ranges from 1,200 mm to 3,000 mm. Seasonal divisions are more clearly marked in the northern half than in the southern half of the country. The country is endowed with land and climate favorable to agriculture.³²

Viet Nam is ranked 16th worldwide in biological diversity, being home to approximately 16 percent of the world's species.³³ It has three World Natural Heritage Sites - the Ha Long Bay, Phong Nha Ke Bang National Park, and Trang An Landscape Complex,³⁴ together with 11 biosphere reserves.³⁵ At the same time, Viet Nam was ranked 13th among economies most affected by climate change between 2000 and 2019 by Germanwatch.³⁶ The Vietnamese authorities are increasingly aware of the vulnerability of the country and the economy to climate change and the environmental impact of the current economic model. It is an urgent need to address the challenges of climate resilience and green growth.

Environmental issues in Viet Nam are numerous and varied, *e.g.*, air pollution, water pollution, wetland degradation, deforestation, climate change, among others. This is due in part to the effects of last century's war, and also because of Viet Nam's recent industrialization following the economic reforms from 1986, amongst other reasons. Environmental issues relating to free trade have recently emerged also.³⁷

Viet Nam is committed to multilateral environmental agreements on many topics, *e.g.*, biodiversity, climate change, comprehensive nuclear test ban, desertification, endangered species protection, environmental modification, hazardous wastes, ozone layer protection, ship pollution, tropical timber, wetlands, etc. To comply with these commitments, Viet Nam would need to strengthen regulations and enforcement on the illegal wildlife trade, as well as *illegal, unregulated, and unreported* fishing practices (IUU), to enable Viet Nam to fully benefit from free trade. Besides, one possible way is through the development of renewable energy solutions such as solar power and wind power which have the potential to reduce air pollution. For all these

³² International Coffee Organization, *ICO Coffee Profile - Viet Nam, 2019*, p. 7.

³³ [Biodiversity Week: 16 Facts about Vietnam - Education For Nature - Vietnam \(env4wildlife.org\)](https://www.environmentvietnam.org/en/biodiversity-week-16-facts-about-vietnam-education-for-nature-vietnam)

³⁴ UNESCO, [Viet Nam - UNESCO World Heritage Centre](https://whc.unesco.org/en/list/vietnam)

³⁵ UNESCO, [Biosphere reserves in Asia and the Pacific \(unesco.org\)](https://www.unesco.org/en/biosphere-reserves-asia-pacific)

³⁶ David Eckstein *et al.* (2021), Germanwatch, *Global Climate Risk Index 2021: Who Suffers Most from Extreme Weather Events? Weather-related Loss Events in 2019 and 2000-2019*, p. 47.

³⁷ Tran Nguyen Tuyen (2021), [Một số vấn đề về môi trường ở Việt Nam hiện nay- thực trạng và giải pháp \(hdll.vn\)](https://hdll.vn), 25 March 2021; Thang Nam Do (2020), [Vietnam's environmental challenges risk EU free trade | East Asia Forum](https://www.eastasiaforum.org), 6 July 2020.

commitments, Viet Nam's Government has reason to promote environment-friendly business, and it is also suitable to Danish enterprises.

5. Internet and Digitalization

Viet Nam is among the countries with the most internet users in the Asia-Pacific region. As of January 2021, out of its population of approximately 100 million people, the number of internet users reached about 69 million. Internet usage in Viet Nam is predominantly mobile-based, thanks to the high smartphone penetration rate. Using the internet has become a daily habit among many Vietnamese people, with multiple purposes including work, study, entertainment, and more.³⁸

The need for public digitalization is increasing in Viet Nam, which has been markedly exacerbated by the ongoing COVID-19 pandemic. Especially in the healthcare sector, there is a great need for digitalization, which is backed by several initiatives from Viet Nam's Government. E-commerce is also growing, which can be attributed to a large and young population, an increase in internet and smartphone consumption and increasing consumer confidence around online payments. Lockdown measures due to the COVID-19 pandemic, such as restrictions on the opening of businesses and retail stores as well as mobility restrictions, have accelerated the growth of e-commerce, where online shopping has become much more widespread. The pandemic also led to an increase in e-banking, as banks encouraged customers to perform transactions electronically to reduce the risk of virus transmission when handling cash. Similarly, online education has seen an upswing during the pandemic.³⁹

II. Viet Nam's Business Partners

Viet Nam has business partner networks with almost all economies in the world through its active participation in various trade and investment agreements as well as GVCs.

1. Viet Nam's Participation in Trade Agreements

Viet Nam has been a member of the ASEAN since July 1995. It considers ASEAN as the cornerstone of its international integration. Since acceding to the WTO in 2007, as of January 2022, Viet Nam was a signatory to 15 FTAs, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic

³⁸ Statista (2021), [Internet usage in Vietnam - statistics & facts | Statista](#)

³⁹ Danish Trade Council, [Situation report from the export market Vietnam \(thetradecouncil.dk\)](#), 15 November 2021; <https://thetradecouncil.dk/situationsrapporter-fra-danske-eksportmarkeder/vietnam>, 26 May 2021.

Partnership (RCEP), and especially the EVFTA as well as the EVIPA. Besides, the negotiation of the FTAs with the European Free Trade Association (EFTA) and Israel is on-going.

Table No.1. FTAs of Which Viet Nam Is A Party, 2021 (Source: WTO)⁴⁰

No.	FTA	Effective Date	Trading Partners
1	ASEAN Free Trade Area (AFTA)	01 January 1993	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand)
2	ASEAN-China Free Trade Area (ACFTA)	21 September 2005 (for trade in goods); 26 June 2008 (for trade in services)	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand), and China
3	ASEAN-Japan Free Trade Area (AJFTA)	01 December 2008	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand), and Japan
4	Viet Nam-Japan Free Trade Area (JVFTA)	01 October 2009	Japan
5	ASEAN-Republic of Korea Free Trade Area (AKFTA)	01 January 2010 (for trade in goods); 14 October 2010 (for trade in services)	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand), and Republic of Korea
6	ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)	01 January 2010	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand), and Australia, New Zealand
7	ASEAN-India Free Trade Area (AIFTA)	19 August 2010 (for trade in goods); 01 July 2015 (for trade in services)	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand), and India
8	Viet Nam-Chile Free Trade Area (CVFTA)	01 January 2014	Chile
9	Viet Nam-Republic of Korea Free Trade Area (KVFTA)	20 December 2015	Republic of Korea

⁴⁰ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, pp. 36-37.

10	Viet Nam-Eurasian Economic Union Free Trade Area (VN-EAEU FTA)	05 October 2016	Eurasian Economic Union Member States (Belarus, Kazakhstan, Russia, Armenia, Kyrgyzstan)
11	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	14 January 2019	10 other CPTPP countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore)
12	ASEAN-Hong Kong, China Free Trade Area (AHKFTA)	11 June 2019	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand), and Hong Kong
13	Viet Nam-European Union Free Trade Agreement (EVFTA)	01 August 2020	27 EU Members (Austria, Belgium, Bulgaria, Croatia, Czech, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden)
14	Viet Nam-United Kingdom Free Trade Agreement (UKVFTA)	01 May 2021	United Kingdom
15	Regional Comprehensive Economic Partnership (RCEP)	01 January 2022	9 other ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand), and Australia, China, Japan, Republic of Korea, and New Zealand

The Economist's Economic Intelligence Unit's (EIU's) report underlines that 'Viet Nam's proliferating membership of free trade agreements represents a strong point of its trade relations, reducing export costs'.⁴¹

Prior to its WTO accession, Viet Nam concluded BTAs with some 40 partners. These BTAs continue to be in effect (*e.g.*, the BTA with the US), unless the agreement is replaced with a new agreement (*e.g.*, the agreement with Cuba).⁴²

China and the US remain Viet Nam's largest trade partners. The direction of trade is a reflection of Viet Nam's participation in GVCs. In addition to China, other Asian economies supplied almost 50 percent of total merchandise imports in 2021. Notably, imports from Japan, the Republic of Korea, and Chinese Taipei (Taiwan) maintained a stable share. Regarding exports,

⁴¹ EurAsian Times Desk, [Vietnam Beats China, India to Become Next Manufacturing Hub: Reports \(eurasianimes.com\)](https://eurasianimes.com), 14 January 2021.

⁴² WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, p. 37.

the EU-27 remains the third largest market for Vietnamese merchandise trade, accounting for 17.8 percent in 2021.⁴³

Table No.2. Direction of Merchandise Trade, 2021 (Source: Viet Nam's General Customs)

Trading Partners	Exports	Imports
United States	28.6%	4.5%
China	16.7%	33.1%
EU-27	11.9%	5.9%
ASEAN	8.6%	12.4%
Japan	6.0%	6.8%
Republic of Korea	6.5%	16.9%
Hong Kong, China	3.6%	0.5%
Chinese Taipei (Taiwan)	1.4%	6.3%
Others	16.7%	13.6%
Total	USD 336.3 billion	USD 332.2 billion

By end-2019, Viet Nam signed 67 bilateral investment treaties (BITs). The recently ratified EVFTA is coupled with a single EVIPA, which is expected to replace 21 BITs and is currently pending ratification by the EU countries. IFDI came from 135 economies and mainly from Asian economies, including the Republic of Korea, Japan, Singapore, Chinese Taipei (Taiwan).⁴⁴ Main destinations for Vietnamese OFDI include Laos (23.8 percent), Cambodia (13.3 percent), Myanmar (6.5 percent), Malaysia (4.1 percent), Russia (13.7 percent), Venezuela (8.8 percent), Algeria (6.1 percent), Peru (6 percent), and the US (3.4 percent).⁴⁵

A full list of signed agreements to which Viet Nam is a party is on the UNCTAD website.⁴⁶ Viet Nam has signed double taxation avoidance agreements with approximately 80 countries.⁴⁷ Viet Nam does not operate a Generalized System of Preferences (GSP), nor it

⁴³ Viet Nam Customs (2021).

⁴⁴ MPI (2019), Foreign Investment Agency, *Report on Foreign Investment of 2019*.

⁴⁵ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, p. 46.

⁴⁶ UNCTAD, <http://investmentpolicyhub.unctad.org/IIA/CountryBits/229>

⁴⁷ <http://taxsummaries.pwc.com/ID/Vietnam-Individual-Foreign-tax-relief-and-tax-treaties>

provides duty-free and quota-free market access for products originating from least developed countries (LDCs).⁴⁸

2. Viet Nam's Participation in Global Value Chains (GVCs)

Trade integration facilitated Viet Nam's participation in GVCs, first as an exporter of low-tech manufactured goods and later of more complex high-tech goods. Viet Nam has emerged as a manufacturing hub for textiles and apparel, footwear, and consumer electronics, particularly smart phones.⁴⁹

China is the main supplier of capital goods (10 percent) for the *electronics* sector in Viet Nam, while 32 percent of intermediate imports were sourced from the Republic of Korea, 26 percent from China, 8 percent from Japan, and 7 percent from the US. Viet Nam exported electronic intermediates for further processing elsewhere, specifically 17 percent were destined for China, 7 percent for the Republic of Korea, and 6 percent for the US. Final goods for consumers or industries were shipped to the US, the United Arab Emirates, Austria, the Republic of Korea, and China. Major Viet Nam's trading partners of electronic products by end-use in 2019 were Republic of Korea, China, Japan, the US, Thailand, Hong Kong, the United Arab Emirates, Austria and Malaysia.⁵⁰

Regarding manufacturing of *apparel*, 53 percent of intermediate imports for the garment sector were sourced from China, 13 percent from the Republic of Korea, and 10 percent from the US. Once processed, Vietnamese garment exports were shipped to the US (37 percent), the EU (15 percent), Japan (9 percent), and the Republic of Korea (7 percent). Major Viet Nam's trading partners for garment apparel by end-use in 2019 were China, Republic of Korea, the US, Japan, Germany, and Belgium.⁵¹

III. Viet Nam's Trade Policy⁵²

1. Overall Trade Policy Objectives and Trade Policy Formulation

⁴⁸ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, p. 42.

⁴⁹ Hollweg C. H., Smith T., and Taglioni D. (2017), *Vietnam at a Crossroads: Engaging in the Next Generation of Global Value Chains*, Washington, DC: World Bank, <https://openknowledge.worldbank.org/handle/10986/26215>.

⁵⁰ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, pp. 26-27.

⁵¹ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, p. 27.

⁵² Most contents of this section is referenced by the WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021.

Viet Nam recognizes international economic integration as one of the important drivers for its institutional improvement, economic growth, and development. In January 2016, the Government approved an *Overall Strategy for International Integration through 2020, Vision toward 2030*. The Strategy states that the objectives of international integration are, *inter alia*, to take ‘full advantage of favorable global condition to soon turn Viet Nam into a modern-oriented industrialized country’, and to improve ‘people’s living standards’.⁵³

Trade policy is formulated at the central level and is in principle implemented uniformly nation-wide. The Ministry of Industry and Trade (MOIT) remains the focal point of the Government for trade and trade-related matters. Its responsibilities include: *first*, formulating trade strategies, plans, and programs; *second*, preparing and drafting legislation on trade and trade-related issues; *third*, supervising trade policy implementation; and *fourth*, promoting trade. In trade negotiations, the MOIT plays a leading role in coordinating with other competent authorities that have trade-related portfolios, such as the Ministry of Finance (MOF), the Ministry of Agriculture and Rural Development (MARD), the Ministry of Health (MOH), and the Ministry of Science and Technology (MOST) (*Commercial Law*, Art. 8 and *Law on Foreign Trade Administration*, Art. 3). In 2015, the National Committee for International Economic Cooperation was transformed into the Inter-ministerial Steering Committee on International Economic Integration.⁵⁴ This is the inter-sectoral coordination mechanism for policy formulation and economic cooperation, and is chaired by the Deputy Prime Minister. It holds regular and extraordinary meetings, whose participants include senior officials from all ministries and selected agencies. It also produces periodical reports. The Secretariat of this Steering Committee is hosted by the MOIT.

2. Investment Policy

Viet Nam’s current *Constitution* of 2013 affirms the protection of assets from nationalization (Art. 53). Viet Nam’s investment regime was substantially updated by revising both the *Law on Enterprise* and the *Law on Investment* in 2020. Art. 9 of the *Law on Investment* of 2020 stipulates the protection of foreign investors from nationalization or confiscation through administrative measures. The list of exceptional reasons for expropriation by the Government subject to compensation includes national defense and security, national interests, states of emergency, and prevention of, or recovery after, natural disasters. Some changes applied by the *Law on Investment* of 2020 include the definition of foreign-invested enterprises (FIEs) as those where a foreign investor holds 50 percent or more of the charter capital. The *Law on Enterprise* of 2020 increases the protection of minority shareholders and enhances the recognition of online business registrations.

⁵³ Government of Viet Nam (2016), Part III, Objectives and Guiding Viewpoints, *Overall Strategy for International Integration through 2020, Vision toward 2030*.

⁵⁴ Prime Minister’s Decision No. 04/QĐ-BCĐLNKT dated on 09 January 2015.

Viet Nam provides *investment incentives*,⁵⁵ mainly through tax reductions, for projects in geographical areas with difficult socio-economic conditions or in industrial zones. Specific supports, such as access to credit, lower taxes and land use rents, and exemption of import duties, are also accorded to some selected activities and sectors, such as fishery products, SMEs, supporting industries, or renewable energy. Enterprises in hiring workers with disabilities or a high proportion of women can be entitled to a reduction of corporate income tax (CIT), concessional loans, priority in land lease applications and a reduction in associated fees.

Viet Nam seeks to attract investment in cleaner production and efficient use of resources by creating a new type of industrial zone, named *eco-industrial parks*, for the purpose of economic, environmental, and social benefits. Currently, there are three pilot eco-industrial parks. The Government encourages existing industrial zones to transform into eco-industrial parks. The country has several policies to encourage FIEs to set up units to produce high-tech products.

Currently there are no *trade-related investment measures (TRIMs)* in Viet Nam's investment policy. After more than 30 years of attracting FDI, on 20 August 2019, the CPV's Politburo issued *Resolution No. 50-NQ/TW on the Direction for Improving Institutions and Policies, Quality and Effectiveness of Foreign Investment Cooperation toward 2030*.⁵⁶ It calls for shifting FDI to high-tech industries and ensuring those investments include provisions relating to environmental protection.

3. Importation and Exportation Policies

Viet Nam seeks 'to diversify export-import markets' and 'to actively take part in the global production network and the value chains'.⁵⁷

Table No.3. Viet Nam's Merchandise Trade in 2021⁵⁸

Merchandise	Exports	Imports
Telephone sets	17.1%	6.5%
Machinery and other electrical equipment	28.0%	36.0%
Textiles and textile articles	9.7%	7.9%

⁵⁵ *Law on Investment* of 2020, Chapter 3.

⁵⁶ *Resolution No. 50-NQ/TW dated 20 August 2019 on the Direction for Improving Institutions and Policies, Quality and Effectiveness of Foreign Investment Cooperation toward 2030*.

⁵⁷ Government of Viet Nam (2011), Section 1, Viewpoints of the Strategy, *Strategy on Exports and Imports for 2011-2020, Vision toward 2030*.

⁵⁸ The data were compiled and calculated by Nguyen Thi Hoang Thuy dated 31 December 2021.

Footwears	5,3%	
Vegetable products, fruit and nuts	2.1%	0.4%
Misc. manufactured articles	4.5%	
Base metals	5.8%	8,2%
Plastics and rubber	2.5%	7.1%
Live animals and products thereof	2.5%	
Mineral products	1.1%	6.1%
Chemicals and products	1.3%	4.6%
Precision instruments		3.6%
Transport equipment	3.2%	3.1%
Other	14.2%	11.4%
Total value	USD 336.3 billions	USD 332.2 billions

i) Customs Procedure

Viet Nam continued to reform its policies and measures on customs procedures. It adopted and revised relevant legislation, including the *Law on Customs* of 2014 and the *Law on Tariffs (Export Tax and Import Tax)* of 2016.

The uniform application of HS codes at the time of importation is ensured by using a List of Exports and Imports based on the HS Nomenclature of the World Customs Organization (WCO), the ASEAN Harmonized Tariff Nomenclature (AHTN) and Vietnamese law. Viet Nam's customs procedures follow the revised *Kyoto Convention* and the process of timely incorporation of international treaties of which Viet Nam is a party. Under Art. 29 of the *Law on Customs* of 2014, a customs declaration must in principle be made electronically, but it may be made on paper as regulations prescribe. Electronic customs declaration and online tariff payment can be made 24 hours a day, 7 days a week.

Customs uses an automatic customs clearance and national single-window mechanism comprising: *first*, an automatic clearance system (Viet Nam Automated Cargo Clearance System (VNACCS)); and *second*, a business information database system (Viet Nam Customs Information System (VCIS)). The VNACCS focuses on three stages: before, during, and after customs clearance. It has new functions and procedures, such as tax-free list registration procedures, and procedures

for general application of both commercial and non-commercial goods. Through the VNACCS and the single-window, Customs authorities send information related to the licensing application of the specialized agencies, and the licensing procedures will be conducted through the system. The VNACCS also connects with information systems of related parties such as those providing warehouse, port, service, forwarding, transportation, and banking services. With a view to ensuring fast clearance of goods, consignments with questionable prices will be moved to the post-customs clearance stage for identification.

ii) Importation Policy

Import Duties

Viet Nam's Customs Tariff establishes three categories of import duty rates: *first*, the 'preferential rate', *i.e.*, the MFN rate of duty generally applicable to WTO Members; *second*, 'special preferential rates' applicable according to Viet Nam's preferential trade regimes; and *third*, the 'ordinary' rate of customs duty. The ordinary duty, which is 1.5-fold the MFN rate, is applied on trade with non-WTO Members (unless MFN treatment was agreed bilaterally).

The Customs Tariff contains 10,813 tariff lines at the HS 8-digit level. The simple average applied MFN rate for all goods was 11.9 percent, for agricultural products (following WTO definition) was 18.1 percent and for non-agricultural products was 10.9 percent.

Viet Nam fully implemented its tariff concessions in 2019. Its final bound rates average 14.7 percent for all goods in 2020. Most tariff lines were initially bound in the 0-40 percent range, with peaks in the initial bound rates for 'sensitive' items such as sugar (100 percent), wines and spirits (65 percent), tobacco (80-150 percent), and motor vehicles (100 percent). The difference between bound and applied MFN rates leaves some scope for flexibility in Viet Nam's tariff policy. Viet Nam is a party to the plurilateral Information Technology Agreement (ITA), with zero duty on such goods applied.

Viet Nam bound all of its tariff lines at *ad valorem* rates, with some exceptions. Currently, only second-hand motor vehicles are subject to applied *non-ad valorem* rates.

Viet Nam accords tariff preferences under FTAs to its ASEAN partners, Australia and New Zealand, Chile, China, the Eurasian Economic Union members, India, Japan, the Republic of Korea, as well as the EU partners from 01 August 2020.

Tariff Rate Quotas (TRQs)

TRQs regulate imports of eggs, sugar cane, tobacco, and salt. Viet Nam also has TRQs for preferential imports of rice, paddy, and unmanufactured tobacco from Cambodia and Laos in accordance with bilateral memoranda concluded in 2005 (with Laos) and 2007 (with Cambodia).

Importation Ban and Restrictions

Viet Nam applies import *prohibitions, restrictions, and licensing* in accordance with the *Law on Foreign Trade Management* of 2017, and other legal documents (e.g., *Law on Chemicals* amended in 2018, *Law on Drug Prevention and Combat* of 2000, Government's decrees, ministerial circulars, etc.). Viet Nam *prohibits* the importation of certain chemicals, weapons, right-hand drive vehicles, and certain pre-owned consumer goods. Import *restrictions* may also be applied to comply with international treaties to which Viet Nam is a party. Goods subject to import restrictions administered by various ministries entail import *licensing* requirements which are also employed to administer importation of goods subject to TRQs.

Customs Duties Exemptions

Viet Nam exempts various goods from customs duties. Under Art. 16 of the *Law on Export Tax and Import Tax* of 2016, import duty exemptions are extended to raw materials, supplies and components imported for export production, goods temporarily imported for re-export, certain goods and fixed assets imported for projects entitled to investment incentives, certain goods imported to serve petroleum activities, and imported goods related to information technology, the environment, and education. Import duty exemption also extends to certain goods, which are bought, sold, or exchanged across the national boundary by border residents within allowable quotas.

Domestic Taxes Affecting Imported Goods

Excise tax is levied on certain goods and services, including cigarettes, alcoholic beverages, motor vehicles, motorcycles, and gasoline. No distinction is made between domestically produced and imported goods. Excise tax is levied on the import-duty-inclusive price for imports on a CIF basis. The *environmental protection tax* continues to be applied on petroleum products, coal, hydrogen-chlorofluorocarbon liquids, plastic bags, and various pesticides and herbicides. *Value-added tax (VAT)*, which is levied at a general rate of 10 percent, constitutes almost 33 percent of the Government's total tax revenue, while import and export duties account for about 10 percent.

iii) Exportation Policy

To be a registered exporter, domestic investors need a valid business registration certificate, whereas a foreign investor must hold a valid investment certificate. The *Law on*

Foreign Trade Management of 2017 and *Decree No. 09/2018/ND-CP* stipulate rights to export by FIEs in Viet Nam. The Law also stipulates the rights of foreign traders without a physical presence in Viet Nam, as prescribed in *Decree No. 90/2007/ND-CP* issued in 2007. FIEs may export their products as any other goods unless: *first*, they are listed as banned or suspended from exportation; or *second*, they have not been granted the right to be exported. The Law allows foreign traders without presence in Viet Nam, other relevant organizations and individuals of countries and territories that are WTO Members, and countries and territories with signed bilateral agreements with Viet Nam to export in accordance with regulations and international treaties to which Viet Nam is a party. The right to export does not extend to the establishment of a network in Viet Nam to purchase goods for export.

Viet Nam levies *export duties* on certain products, such as fish, minerals, coal, rubber, and raw hides and skins. also levies *royalties (severance tax)* on natural resources, such as basic metals and minerals, timber, water, crude oil, and natural gas used in domestic production or exported. Royalty payments are levied at *ad valorem* rates.

Export Support and Promotion

Viet Nam has continued to implement the *National Program on Trade Promotion* with a view to supporting trade promotion activities. This has been conducted mainly through the Viet Nam Trade Promotion Agency (VIETRADE) under the MOIT.

Specific trade promotion measures under the Program include: *first*, organizing and participating in trade fairs and exhibitions abroad; *second*, organizing international trade fairs, exhibitions, and conferences in Viet Nam; *third*, organizing the display, introduction, and export of goods through a common store on an e-commerce trading floor; *fourth*, organizing overseas trade delegations from Viet Nam; *fifth*, assisting foreign business delegations entering Viet Nam for conducting business or discussing investment opportunities; *sixth*, supporting both developing and existing commercial infrastructure and logistics in service of foreign trade activities, and *seventh*, organizing the Viet Nam Logistics Forum. Other trade promotion measures include activities supporting R&D, improving the quality of product and goods, and training.

iv) Exceptional Circumstances

Exports and imports can also be temporarily suspended in exceptional circumstances, such as war, natural disasters, epidemics, or environmental incidents, products causing serious effects on health and the environment, and balance of payment reasons.

4. Policy on Competition

Viet Nam is a member of the ASEAN Expert Group on Competition. Among the FTAs that Viet Nam has concluded, 6 FTAs have separate chapters on competition policy, including the AANZFTA, the VJEPA, the VN-EAEU FTA, the VKFTA, the CPTPP, and the EVFTA. In general, the chapters on competition in these FTAs include provisions on competition authorities, anti-competitive conduct, enforcement procedures, information security, transparency, cooperation, consultation and notification of competition issues, technical assistance, and dispute settlement. In addition, the CPTPP contains provisions on SOEs and subsidies.

i) The National Competition Commission (NCC)

Viet Nam has modernized its institutional framework for competition. With the *Law on Competition* of 2018 and the Government's decrees for its implementation, the National Competition Commission (NCC) was created as the enforcement authority. The NCC is responsible for investigating and adjudicating anti-competitive acts, monitoring economic concentration, and settling complaints about its decisions.

ii) Price Controls

Viet Nam maintains *price controls* on certain goods and services. The MOF at the central level and the Department of Finance at the provincial level are the competent authorities for implementing price control.

Goods and services subject to *price stabilization* include: refined petrol and oil; electricity; liquefied petroleum gas; nitrogenous fertilizer and NPK fertilizer; plant protection chemicals; vaccines preventing diseases for bovine animals and poultry; kitchen salt; health foods, medical nutrition foods, and supplements, including nutritional products for children up to 36 months old; edible sugar; paddy and ordinary rice; and preventive and curative medicines for human use. Examples of price stabilization measures include: improving circulation of goods in the domestic market; making purchases for national reserves or selling out these reserves; financial or monetary support; establishing a price stabilization fund for certain products; and fixing prices or the price framework. Price stabilization is currently applied only to refined petrol and oil.

Goods and services subject to *price fixing* include: aviation services, including take-off and landing, air navigation, and security screening charges; telecommunications connecting services; electricity, electricity transmission, and electricity system support services; domestic air transport on monopoly routes; land and forests, ground water, and potable water; lease and rent/purchase options for housing built with State funds; medical care services and education/training services; national reserve goods, goods or services under State plan, goods or services funded by the State budget for the public interest; domestically produced cigarettes; and lease of State-owned infrastructure works. Price fixing measures applies to State-

monopolized sectors, important resources, national reserve goods, and goods or services for public interest and purchased with the State budget.

The Government currently regulates retail electricity prices that vary between consumer groups, time of consumption, and voltage levels. However, the wholesale market for electricity started operations in 2019, and a fully operational retail electricity market is planned for 2024.

iii) State Trading

Government agencies have the right to exercise State monopoly in commercial activities directly or through designating other organizations or individuals to perform commercial activities. Currently, industrial explosive materials, gold materials for the production of gold bars, cigarette and cigars (imports), national reserve activities, and fireworks, among others, are subject to State trading requirements.

(iv) State-owned Enterprises (SOEs)

As of 31 December 2018, SOEs employed 1.13 million workers, accounting for 7.6 percent of the employees of the corporate sector. At the end of 2019, Viet Nam had 487 SOEs, of which 54 were centrally managed and 433 were managed by Provincial People's Committees. The Government continues to hold a controlling stake, *i.e.*, more than 51 percent of the charter capital, in 185 enterprises. Concerning the corporate governance and State administration of SOEs in Viet Nam, a number of legal documents were issued, including the *Law on Enterprise* of 2020 and the *Law on Management and Use of State Capital Invested in Production and Business Activities* of 2014.

Viet Nam's Government encouraged private ownership of farms and factories, economic deregulation, and foreign investment, while maintaining control over strategic industries.

Table No.4. Eleven Key Sectors in Which 100 Percent SOEs Will Remain⁵⁹

No.	Sector
1	Mapping services for national defense and security
2	Manufacture and sale of industrial explosives
3	Electricity distribution, national electricity system dispatching, management of electrical grids, multipurpose hydropower and nuclear power playing a significant role in socio-economic development, and national defense and security

⁵⁹ ADB (2020), Edimon Ginting and Kaukab Naqvi (Editors), *Reforms, Opportunities, and Challenges for State-owned Enterprises*, p. 343.

4	Management of national and State-invested municipal railroad infrastructure, coordination of State-invested national and municipal railroad traffic
5	Air traffic services, aeronautical information services, and search and rescue services
6	Maritime safety (excluding dredging and maintenance of public navigable channels)
7	Public postal services
8	Lottery business
9	Publishing (excluding printing and publication)
10	Printing and manufacture of notes and gold bullion and golden souvenir
11	Credit instruments for socio-economic development, services for banking system, and credit institution safety

Every year, the MOF reports to the Prime Minister on the State capital investment in enterprises. Enterprises that will remain 100 percent State-owned include those considered essential for national security and the maintenance of public order, for socio-economic development, or to guarantee the supply of key services. These enterprises are involved in electricity distribution, grid management, multipurpose hydropower, railroad infrastructure, air traffic services and related safety services, maritime safety, public postal services, lottery businesses, and publishing. The Government also intends to maintain majority ownership in equitized companies in large and ‘sensitive’ sectors of the economy, *e.g.*, in food (rice wholesale), energy (large-scale mineral mining, gas, manufacture of basic metals, petrol and oil importation, electricity retail), telecommunication services with a network infrastructure, aviation (airport management, air navigation systems, air transport services), and financial and banking services. Viet Nam’s regulations were reviewed and adjusted in order to narrow the number of industries and fields in which the Government holds 100 percent of charter capital. The Government holds 100 percent of capital mainly in the fields of State monopoly, security and defense, public services that non-public sectors do not provide, and social security. Specifically, according to *Decision No. 58/2016/QĐ-TTg* on the criteria for classification of SOEs and the list of SOEs to be rearranged in the 2016-2020 period, the Government holds 100 percent of the charter capital in 103 enterprises operating in 11 fields of State monopoly, security and defense, public postal services, and key infrastructure such as railway and road.

Table No.5.

**21 Corporations to be Transferred to the Commission for the Management of State Capital Corporation
(as of 2020)⁶⁰**

	Corporation	Total Assets (VND trillion)	Ownership by Government	Sector/Field	Debt Ratio	Commanding Body
1	State Capital Investment Corporation (SCIC)	66	100%	Finance	-	Ministry of Finance (MOF)
2	Electricity of Vietnam (EVN)	692	100%	Energy/Power	70.4	Ministry of Industry and Trade (MOIT)
3	Vietnam National Petroleum Group (PETROLIMEX)	54	76%	Energy/Petrol	62.1	MOIT
4	Vietnam Oil and Gas Group (Petro Vietnam - PVN)	770	100%	Energy/Oil and Gas	44.0	MOIT
5	Vietnam National Chemical Group (VINACHEM)	57	100%	Chemicals	-	MOIT
6	Vietnam National Coal and Mineral Industries Group (VINACOMIN)	140	100%	Energy/Coal	83.6	MOIT
7	Vietnam National Tobacco Corporation (VINATABA)	18	100%	Tobacco	-	MOIT
8	Cuu Long Corporation for Investment, Development and Management for Transport Infrastructure Projects (CIPM)	37	100%	Transport/Transport Infrastructure	.	Ministry of Transport (MOT)

⁶⁰ ADB (2020), Edimon Ginting and Kaukab Naqvi (Editors), *Reforms, Opportunities, and Challenges for State-Owned Enterprises*, pp. 343-344.

9	Airports Corporation of Vietnam (ACV)	47	95%	Transport/Airport	-	MOT
10	Vietnam Expressway Corporation (VEC)	78	100%	Transport/Transport Infrastructure	-	MOT
11	Vietnam Airlines (VNA)	96	86%	Transport/Airlines	83.2	MOT
12	Vietnam Railways (VNR)	21	100%	Transport/Railway	-	MOT
13	Vietnam National Shipping Lines (VINALINES)	30	100%	Transport/Maritime	-	MOT
14	Vietnam National Coffee Corporation (VINACAFE)	2	100%	Agriculture	-	Ministry of Agriculture and Rural Development (MARD)
15	Vietnam Forest Corporation (VINAFOR)	5	51%	Agriculture	-	MARD
16	Vietnam Northern Food Corporation (VINAFOOD I)	11	100%	Food	-	MARD
17	Vietnam Southern Food Corporation (VINAFOOD II)	8	51%	Food	-	MARD
18	Vietnam Rubber Group (VRG)	70	75%	Agriculture	-	MARD
19	MOBIFONE Corporation	28	100%	Information Technology and Telecommunication	-	Ministry of Information and Communications (MIC)
20	Vietnam Post and Telecommunication Group (VNPT)	89	100%	Information Technology and Telecommunication	-	MIC
21	Vietnam Multimedia Corporation (VTC)	3	100%	Information Technology and Telecommunication	-	MIC

v) Government Procurement

Viet Nam is not a signatory to the *WTO's Agreement on Government Procurement (GPA)*. In two recently concluded FTAs, *i.e.*, the CPTPP and the EVFTA, Viet Nam made its first commitments to open its Government procurement to foreign suppliers bidding directly from abroad. The Government procurement chapters of both FTAs are based, to a large extent, on the legal text and market access schedule structure of the GPA.

Government procurement is regulated by the *Law on Bidding* of 2013. The Government procurement regime was revised to expand the scope of application, covering: *first*, development investment projects and procurements of which at least 30 percent of the project value is financed through the State budget; and *second*, investment projects by SOEs. Government procurement may be conducted through domestic bidding or international bidding. In the case of domestic bidding, only domestic tenderers are allowed to participate in a tender. In general, foreign suppliers must have a partnership with domestic contractors or be sub-contractors of domestic contractors when participating in an international bid, unless domestic contractors do not have full capacity to participate in a bidding.

Government procurement in the form of PPP is regulated by the *Law on Public-Private Partnership Investment* of 2020. The *Law on Public Investment* of 2014 is also relevant for regulating Government procurement. If the procurements are related to the petroleum sector, including services directly related to the search for, exploration of, and mining of petroleum, the relevant provisions set forth in the *Law on Petroleum* prevail. Government procurement projects funded by official development assistance (ODA) loans and grants are usually governed by regulations of relevant donors or in accordance with international treaties or agreements between the Government and its development partners.

The MPI is the authority for general administration of Government procurement and the management of procurement projects that are under the decision competence of the Prime Minister. Other ministries and provincial governments are responsible for administering procurement projects within their own administration.

5. Policy on Intellectual Property Rights (IPRs)

Viet Nam actively participates in multilateral, regional, and bilateral cooperation in the area of IPRs, which strengthen the introduction of international standards and best practices and improve the efficiency of IPRs registration and protection.

The *Law on Intellectual Property* was amended in June 2019. The amendment aims to implement commitments under the CPTPP. On 01 July 2018, the *Law on Technology Transfer* was revised. This revised Law requires disclosure of technology secrets under certain circumstances, such as on the ground of national security, national defense, social welfare, and other interests

of the Government and society. Viet Nam's IPR law has a regime of 'international exhaustion'. Therefore, 'parallel imports' are not considered to infringe on IPRs. IPR enforcement is primarily practiced through the imposition of administrative penalties. Civil and criminal remedies are rarely used.

Viet Nam launched its first *National Intellectual Property Strategy* in August 2019, the first such policy at the national level. The Strategy will guide IP policies in the country for the next decade to support competitiveness and promote economic, cultural, and social development.

IV. Other Factors Influencing Businesses Operations in Viet Nam

This section mentions some factors (other than trade policy) influencing businesses to operate in Viet Nam, such as law and policy enforcement, ease of doing business.

1. Law and Policies Enforcement

Viet Nam's current legal system is influenced by many legal traditions, from European continental legal system with former Soviet Union's socialist legal ideology, to new-learned many other legal systems coming from international integration process.

On entry into force, an international treaty may be applied in Viet Nam through changes in domestic legislation or through direct application. When changes in domestic legislation are deemed necessary for a treaty's application, the relevant authorities develop an implementation plan, and propose changes in legislation for the legislature's consideration. The National Assembly, the President, or the Government, when deciding whether to be bound by a treaty, shall also decide on the direct application of all or part of that treaty 'if the provisions are sufficiently clear and specific for implementation'. In the event of a discrepancy between the provisions of international treaties and domestic legislation, those of the treaties prevail (*Law on Treaties* of 2016, Art. 6).

Adopting a Resolution ratifying the EVFTA defines the direct application of the EVFTA within the Viet Nam's domestic legal order.⁶¹ It is the same with the WTO's Agreements.⁶²

In the event of conflicts between provisions from various legal documents, the one promulgated by a higher legal hierarchy, or the one of a later date, if promulgated by the same level of hierarchy, prevails (*Law on Promulgation of Legal Normative Documents* of 2020).

Vietnamese legislation is divided into 10 forms of 'legal normative documents' (e.g., law, ordinance, decision, decree, circular, among others). All have binding effects and may be invoked

⁶¹ Viet Nam National Assembly's Resolution No. 102/2020/QH14 dated 08 June 2020 Approving the EVFTA.

⁶² Viet Nam National Assembly's Resolution No. 71/2006/QH11 dated 29 November 2006 Approving Protocol of Accession to the Agreement Establishing the WTO.

in the People's Courts. 'Official letters', 'notices', or 'guidelines', though not recognized as 'legal normative documents' and not binding, are relied on by many ministries to set policy and clarify implementation issues.

The *Law on Promulgation of Legal Normative Documents* of 2020 is expected to provide a coordination mechanism for policy formulation and legislative process, which helps stakeholders such as Government agencies, private associations, and individuals to provide input into the drafting of legal documents. As per the Law, holding public consultations is mandatory for both policy formulation and the drafting of legal normative documents. The competent authorities responsible for drafting the legislation must provide the public with a comment period of no fewer than 30 days. The drafting authorities must publish the proposed bill, written responses to all comments received, and the revised text of the proposed legislation on their websites. The Government holds regular dialogues on economic policies with representatives of businesses, academia, industry associations, and international organizations. The Prime Minister and cabinet members participate in such dialogues. Ministries formulate specific strategies and measures to address concerns raised in the dialogues.

2. Ease of Doing Business

According to the *WB's Doing Business 2020 Report*,⁶³ Viet Nam substantially improved on *ease of doing business*. Viet Nam ranks 70th among 190 economies in 2019.

i) Banned and Conditional Businesses

Viet Nam uses a 'negative list' approach to approve foreign investment, meaning foreign businesses are allowed to operate in all areas, except for prohibited sectors. Art. 6 of the *Law on Investment* of 2020 classifies restricted investment activities for national and foreign investors in banned and conditional businesses. Trade in specific narcotic substances, chemicals and minerals, and wild fauna and flora species are listed as *banned* activities in Appendices 1, 2, and 3 of the *Law on Investment* of 2020. Prostitution, trafficking in humans or their organs, human cloning, and trade in firecrackers are *forbidden* activities following the amendment of the Law. For reasons of national defense and security, social order and security, social ethics, or public health, investment in *conditional businesses* must satisfy certain conditions.

ii) Investment Projects Approval

⁶³ WB (2020), *WB's Doing Business 2020 Report*.

Investment projects that have a significant environmental impact, use forest or rice cultivation lands (more than 500 hectares), or relocate people (more than 20,000 in mountainous areas or more than 50,000 elsewhere) require approval by the National Assembly. For projects with a lower relocation impact (more than 10,000 in mountainous areas or more than 20,000 elsewhere), the Prime Minister is responsible for the approval procedure. Furthermore, approval by the Prime Minister is required for investment projects in the building and commercial operation of airports and air transport, national seaports, and golf courses; petroleum prospecting, exploitation, and processing; betting and casino businesses; cigarette production; and development of industrial parks, export-processing zones, and investment projects valued at VND 5 trillion (approximately USD 217 million) or more. The approval of a People's Committee at the provincial level is required for projects involving land allocation or leasing out by the Government without auction, tender, or transfer, changes in land-use purposes, or the use of restricted technologies.

Arts. 33 to 35 of the *Law on Investment* of 2020 provide guidance on the criteria to be used by the approving authorities (People's Committee, Prime Minister, or National Assembly). They include the necessity of the project, conformity with socio-economic development strategy and master plans, objectives, scope, site, duration and schedule for implementation, land-use, relocation and resettlement, environmental protection issues, capital investment, socio-economic effects, special policies, investment incentives, support, and conditions. The assessment and application of these criteria by the relevant approving authority is done on a case-by-case basis.

iii) Land-use Right

Private ownership of land is not permitted in Viet Nam. However, the *Law on Land* of 2013 allows *land to be leased* to FIEs through annual payment or one-off rental payment for the entire period of the lease for projects in agriculture, forestry, aquaculture, or salt making, non-agricultural production and business land, construction of public facilities for business purposes, and housing projects for lease. In the case of housing investment projects for sale or sale combined with leasing, the Government may *allocate land* to FIEs. Moreover, the Law authorizes assets associated with the land and the value of land-use rights to be mortgaged. The allocation of land-use rights is the competence of the provincial People's Committees. Although the duration of a land-lease agreement should not exceed 50 years, special cases with slow capital recovery in areas with difficult or exceptionally difficult socio-economic conditions might be granted a land lease of up to 70 years. Leases may be extended upon expiry of the initial term.

iv) Taxation

All taxes are imposed at the national level. There are no local taxes. Most business activities and investments in Viet Nam will be affected by the following taxes:

- Corporate income tax (CIT): Flat rate is 20 percent. Enterprises operating in the oil and gas industry are subject to CIT rates ranging from 32 to 50 percent (depending on the location and specific project conditions). Enterprises engaging in prospecting, exploration and exploitation of mineral resources (*e.g.*, silver, gold, gemstones) are subject to CIT rates of 40 or 50 percent, depending on the project's location.
- Various withholding taxes (excluding VAT): levied on certain payments to foreign parties, and the rates depend on the nature of activities, *e.g.*, 5 percent for general services, 1 percent for goods, 5 percent for interest, and from 10 to 15 percent for royalties.
- Capital assignment profits tax (20 percent).
- Value-added tax (VAT): Flat rate is 8 percent from 2022. 5 percent for essential goods and services, zero percent for exported goods/services.
- Import duties.
- Personal income tax (PIT) on Vietnamese and expatriate employees: PIT rates depend on residency status and nature of income. Residents are taxed on their worldwide taxable income, while non-residents are taxed on their Viet Nam sourced income only. Regarding employment income, progressive tax rates from 5 to 35 percent apply for residents, while 20 percent applies for non-residents on the Viet Nam sourced income. Regarding other income, tax rates vary from 0.1 to 10 percent.
- Social insurance, health insurance, and unemployment insurance contributions: Employer contributes 17.5 percent, three percent, and one percent respectively, while employee contributes 8 percent, 1.5 percent, and one percent respectively.

There are various other taxes that may affect certain specific activities, including:

- Special sales tax (Excise tax).
- Natural resources tax.
- Property taxes.
- Export duties.
- Environment protection tax.

v) Foreign Workers

Decree No. 140/2018/ND-CP details the provisions and procedures for contracting foreign workers. Employers can only recruit foreign nationals for high-skilled positions such as manager, managing director, expert, or technical worker. Local companies must also justify that their efforts to hire suitable local employees were unsuccessful before recruiting foreigners, and local

authorities and/or the national government must approve these justifications in writing. This does not apply to board members elected by shareholders or capital contributors. Workers in 11 WTO's service sectors can transfer within their enterprises and work in Viet Nam. These service sectors include business, communication, construction, distribution, education, environment, finance, healthcare, tourism, cultural entertainment, and transport.

V. Continuous Reform

1. Efforts to Counter the Negative Effects of the COVID-19 Pandemic since 2020

The COVID-19 pandemic continues to have a significant impact on production and supply chains globally. Given its deep integration with the global economy, Viet Nam suffered from the COVID-19 pandemic due to weakened demands and reduced trade. Since the onset of the pandemic, domestic and international demands have dropped. Viet Nam's GDP growth was only 2.91 percent⁶⁴ and 2.58 percent⁶⁵ in 2020 and 2021, respectively.

Following the onset of COVID-19 pandemic, Viet Nam introduced a series of measures and incentives, alleviating the impact on enterprises. The Government adopted accommodating monetary and fiscal policies to help the most affected people and businesses. They include a fiscal support package equivalent to 3.6 percent of GDP in 2020, fee cuts, tax payment deferrals and deductions, financial incentives for employers and employees, and temporary discounts in electricity bills.⁶⁶

On the monetary policy, the State Bank of Viet Nam (SBV) objectives are to maintain exchange rate stability and anchor inflation while supporting the economy. It issued guidelines to commercial banks to reschedule loans, reduce/exempt interest, and provide loan forbearance. According to the IMF, as of mid-September 2020, banks had registered a credit package totaling VND 300 trillion (approximately 3.8 percent of GDP) at lower interest rates and supported nearly 1.1 million customers with outstanding loans of approximately VND 2,300 trillion, by rescheduling repayments, exempting, or reducing interest on existing debts, and extending new loans. The SBV asked credit institutions to channel credit to 5 priority economic sectors and to accelerate consumer loans. The SBV also introduced measures to help credit institutions reduce their cost of funding and to allow them to reduce interest rates and fees. Furthermore, enterprises affected by COVID-19 are eligible for interest-free concessional loans from the Viet Nam Social Policy Bank (VSPB) for paying salaries to workers who temporarily stopped working.

⁶⁴ Government of Viet Nam (2021), *Full Text of the Government's Work Report for the 2016-2021 Term*, see at chinhphu.vn, 06:34 PM, 24 March 2021.

⁶⁵ VnExpress (2021), Minh Son, [Vietnam finishes 2021 with 2.58 pct GDP growth - VnExpress International](#), 28 December 2021 | 08:15 PM.

⁶⁶ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, pp. 8 and 20.

The total loan value is planned at VND 16.2 trillion (approximately 0.2 percent of GDP). In addition, the SBV committed to inject liquidity, including through refinancing windows, into the VSPB (up to VND 16 trillion at zero percent interest) and other credit institutions to implement the Government's programs.⁶⁷

Viet Nam introduced various measures in response to the COVID-19 pandemic in the area of customs. Customs authorities enhanced the application of IT to customs clearance and goods clearance in order to minimize direct contact between customs officers involved in goods import and export procedures. By August 2020, all core customs procedures were completely automated through the VNACCS/VCIS system, processing more than 99.6 percent of declarations. Customs authorities directed the implementation of fast clearance of goods, especially aid goods to fight the pandemic, and worked to reduce the number of cases in which samples are required for customs clearance. Regarding goods in transit or trans-shipment, customs procedures were simplified, *e.g.*, by not requiring supporting documents in some cases. Customs also simplified the renewal process for priority enterprises, submission of declarations, and inspections. Likewise, the time for customs clearance of exports was shortened. Viet Nam temporarily eliminated applied MFN tariffs on medical and certain personal protective equipment. Viet Nam imposed temporary export licensing requirements on face masks, and temporary export quotas on rice for the purpose of national food security.⁶⁸

On 11 October 2021, the Government issued *Resolution No. 128/NQ-CP* ensuring safety for epidemic prevention and control, concurrently production and business recovery and promoting socio-economic development.

2. Long-term Reform

Viet Nam's *Socio-economic Development Strategy 2021-2030 (SEDS)*, adopted in February 2021, outlines an ambitious reform agenda to become an upper middle-income country by 2030 and a high-income country by 2045. The SEDS agenda puts emphasis on three breakthrough areas: market institutions, innovation and human resources development, and infrastructure development. At the same time, the SEDS also specifies 10 major tasks to achieve Viet Nam's development targets. Reform priorities for the next decade include further improvement of market institutions, clearer delineation of the role between the State and the market in the economy, promotion of innovation and digital transformation, inclusiveness, and effective management of natural capital.

To continue its trajectory of strong economic growth, the Government acknowledges the need to spark a 'second wave' of reforms. In coming years, Viet Nam continues to:

⁶⁷ IMF, *Policy Responses to COVID-19*, see at <https://www.imf.org/en/Topics/imf-andcovid19/Policy-Responses-to-COVID-19>.

⁶⁸ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021, pp. 51, 54, 70, 73.

- Demonstrate its ambition by pursuing sustainable development and Industrial Revolution 4.0;
- Explore the possibility of improving investment facilitation for development, e-commerce, and domestic regulation on services;
- Reduce further red tape, adopt more predictable tax policies, increase transparency in administrative procedures, and simplify appraisal procedures for investment projects;
- Develop e-Government initiatives, modernize customs administration through the national single-window, and the e-customs clearance;
- Simplify and streamline the implementation of some border measures, such as TRQs on specific products, reference pricing, and customs valuation methods;
- Commit towards harmonization of national standards with international ones to remove obstacles to trade;
- Restructure SOEs and facilitate private economy sectors;
- Keep up the momentum of the structural reform agenda, maintain active engagement in the multilateral system, and make trade inclusive for all;
- Promote growth by exploiting rapid digital innovation and reshaping participation in GVCs post-COVID-19;
- Adapt trade and investment policies in light of the policy objective of becoming a developed and high-income country by 2045.

The COVID-19 pandemic has reaffirmed the importance of the focus areas and strategic shifts that support Viet Nam in its quest for sustainable and green development. The pandemic emphasizes the urgency for reforms in these areas to respond to the emergence of various global trends, including the development of a contact-free economy, rising protectionism and the revamping of GVCs, greater emphasis on the value of human lives given rising global health and climate risks, green recovery, and potential widening of income gaps within and across countries.⁶⁹

Viet Nam's incentives for international firms for setting up units to manufacture hi-tech products, pool of low-cost workers and proliferation of free trade agreements (the latest one is with the EU) place it at an enviable position among Asian peers,

the EIU's Report suggests.⁷⁰

⁶⁹ WB (2021), *The First Vietnam Inclusive and Sustainable Recovery Development Policy Operation (P176717)*, p. 54.

⁷⁰ FE Bureau (2021), [EIU report: Vietnam rises as an alternative to China, beating India - The Financial Express](#), 14 January 2021, 6:00:32 AM.

Today, Viet Nam is politically stable, vibrant economy of almost 100 million inhabitants, with one of the fastest growing middle classes in the ASEAN region with a young, hard-working, and dynamic workforce. Viet Nam is competitive and attractive to foreign enterprises due to its relatively high literacy rate and education levels, high awareness of learning English, comparatively low wages, relatively low inflation, stable currency, good connectivity, and central location within the ASEAN region. Viet Nam is one of the world's biggest exporters of rice, shrimp and prawn, coffee, and cashew. Vietnamese key exports are in food, textiles, electronics, and agricultural exports ranked second in the ASEAN and 15th in the world. In addition, Viet Nam has shown considerable economic resilience to the impact of COVID-19 pandemic, as exemplified by the maintenance of production of its primary exports. Viet Nam is committed to continuing its global economic integration and reforms, and sustainable growth.

Chapter Two

THE EU-VIET NAM TRADE AND INVESTMENT AGREEMENTS

- EMERGING DENMARK-VIET NAM BUSINESS RELATIONS

This chapter introduces the new opportunities provided to Danish enterprises by the EVFTA and the EVIPA (the Agreements), including an update on new market changes arising from the Agreements, as well as a primer on the post-COVID-19 economy and geopolitics. The chapter is divided into two sections. *Section One* analyzes the implications and main benefits of the Agreements for both the EU and Viet Nam. *Section Two* traces the Denmark-Viet Nam relations under the Agreements - from traditional relations to emerging business partnership.

I. The Implications and the Main Benefits of the EVFTA and the EVIPA

1. The Implications of the EVFTA and the EVIPA (The Agreements)

Two new major trade agreements set the EU and Viet Nam up as significant trading partners and put the EU on course for the expanding ASEAN market in the years to come. The EU and Viet Nam signed the *EU-Viet Nam Free Trade Agreement (EVFTA)* and the *EU-Viet Nam Investment Protection Agreement (EVIPA)* on 30 June 2019. The European Parliament subsequently gave its consent to both Agreements on 12 February 2020. The EVFTA was ratified by the National Assembly of Viet Nam on 8 June 2020 and entered into force on 01 August 2020. The EVIPA will enter into force when it is ratified by all EU member, then to replace the 21 BITs in force between Viet Nam and the EU Members. As of September 2021, 8 EU members have ratified EVIPA.⁷¹

The Agreements are the most ambitious the EU has ever concluded with a developing country. It represents an historic change in the EU-Viet Nam relations and was made possible due to its strategic importance to both parties, with implications that go well beyond economics.

i) The Implications of the Agreements for the EU

The Agreements represent an important stepping-stone towards securing a stronger partnership with a dynamic ASEAN and paves the way for future EU-ASEAN trade and investment agreements. ASEAN is the EU's third largest trade partner after the US and China. Ensuring better access for the EU's enterprises to the ASEAN market is a priority for the EU, especially in the context of existing and potential trade tensions worldwide, as well as the response of market

⁷¹ EU (2021), see at <https://ec.europa.eu/trade/policy/countries-and-regions/countries/vietnam/>, accessed on 10 November 2021.

diversification demands by the EU's enterprises. The Agreements with Viet Nam are the second (following those with Singapore) to have been concluded between the EU and an ASEAN country.

The *EU-China Comprehensive Agreement on Investment* (CAI) approval process has been suspended since June 2021 thus increasing Viet Nam importance as an alternative investment destination and production hub for the EU's enterprises. Considerable investment over the past decade has made South Korean giant Samsung the most profitable firm in Viet Nam and has turned the country into the second largest exporter of smartphones after the US. In recent years, Apple and the Taiwanese tech giant Foxconn have also invested heavily in Viet Nam. The country is now ready for increased EU's investment.

In addition to its geopolitical role, Viet Nam has become the EU's 15th most important trade in goods partner worldwide, and the EU's largest trade partner in Southeast Asia in 2020.⁷² Viet Nam's success in signing various other trade and investment treaties (mentioned in Chapter One - Section Two) would provide a safe business environment for the EU's investors in Viet Nam.

ii) The Implications of the Agreements for Viet Nam

The Agreements are a crucial step to consolidate Viet Nam's long process of international integration. The Agreements are one of the 15 FTAs in which Viet Nam actively participate as of 2021. Such FTAs help Viet Nam reduce its trade dependence on China and the US, and create an inter-dependence of interests between Viet Nam and international community within a geopolitically complex world. The EU continues to play a pivotal role in Viet Nam's development. By promoting trade and investment linkages with the EU as the world's largest trading block, Viet Nam aims to alternate and balance its long-term trade and political interests in the inherently sensitive geopolitical context. The Agreements with the EU have become more important for Viet Nam in the context where the US remain outside of the CPTPP.

Deeper international integration would help Viet Nam diversify its partners and product base, helping it better cope with and recover more quickly from global shocks such as the COVID-19 pandemic.

The EU is, in its turn, Viet Nam's fifth largest trade-in-goods partner in 2021 with a trade value of USD 57 billion.⁷³ The economic structures of Viet Nam and the EU are complementary, while those of Viet Nam and China are competitive in sectors such as electronics, textiles, wooden furniture and agricultural products. With a total FDI outward stock of € 6.1 billion in 2019,⁷⁴ the EU ranks 5th among Viet Nam's FDI partners. A WB study showed that the full implementation

⁷² EU (2021), see at <https://ec.europa.eu/trade/policy/countries-and-regions/countries/vietnam/>, accessed on 10 November 2021.

⁷³ EU (2021), see at https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_vietnam_en.pdf, accessed on 10 November 2021.

⁷⁴ EU (2021), see at <https://ec.europa.eu/trade/policy/countries-and-region/countries/vietnam>, accessed on 10 November 2021.

of the EVFTA can increase Viet Nam's GDP by 2.4 percent, boost exports by 12 percent, and lift an additional 100,000 to 800,000 people out of poverty by 2030.⁷⁵

Table No.6. EU - Viet Nam: Trade in Goods (Source: EU)⁷⁶

Trade in Goods 2018-2021, USD billion			
Year	EU Imports	EU Exports	Balance
2018	41.8	13.9	-27.9
2019	41.6	14.9	-26.7
2020	35.1	14.6	-20.5
2021	40.1	16.9	-23.2

Table No.7. EU - Viet Nam: Trade in Services (Source: EU)⁷⁷

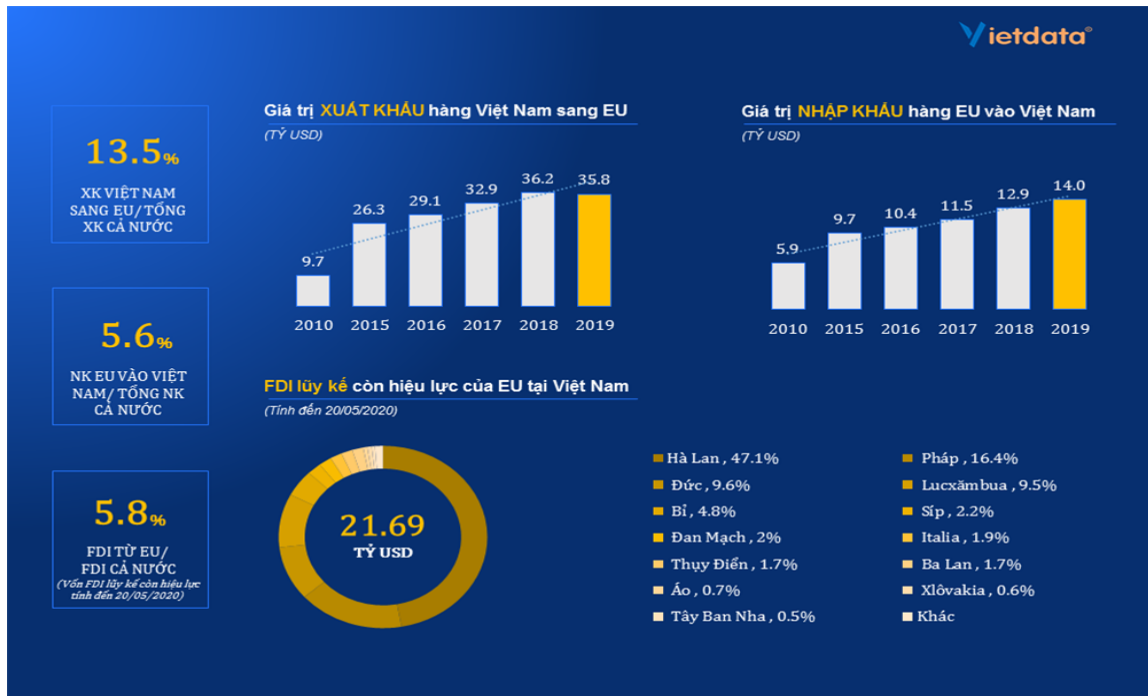
Trade in Services 2017-2019, EURO billion			
Year	EU Imports	EU Exports	Balance
2017	1.9	1.9	0.1
2018	1.8	3.4	1.6
2019	2.1	3.7	1.6

⁷⁵ WB (2020), *Vietnam: Deepening International Integration and Implementing the EVFTA*, p. 10.

⁷⁶ EU (2021), <https://ec.europa.eu/trade/policy/countries-and-region/countries/vietnam>, accessed on 10 November 2021.

⁷⁷ EU (2021), <https://ec.europa.eu/trade/policy/countries-and-region/countries/vietnam>, accessed on 10 November 2021.

Chart No.1. Viet Nam - EU Trade in Goods and FDI (Value in USD million)



Source: Viet Nam's General Customs; MPI, Foreign Investment Agency; Compiled by Vietdata⁷⁸

2. The Main Benefits of the EVFTA and EVIPA⁷⁹

The Agreements create opportunities to increase trade and support jobs and growth. They offer more opportunities for enterprises of both Viet Nam and the EU sides. The main benefits are outlined below.

i) Removing Tariffs

The EVFTA eliminates approximately 99 percent of tariffs on both sides. It means that 99 percent of exports from Viet Nam to the EU will be exempt from customs duties from 2026, while the same applies to the EU exports to Viet Nam from 2030.

Specifically, Viet Nam is expected to eliminate 98.3 percent of its total tariff lines for goods originating from the EU from 2030. On 01 August 2020, the application day of the Agreement,

⁷⁸ Vietdata, *Viet Nam - EU Trade and Investment*, see at <https://www.vietdata.vn/quy-mo-thuong-mai-va-dau-tu-giua-viet-nam-eu1064284662>

⁷⁹ EU (2021), see at https://trade.ec.europa.eu/doclib/docs/2018/october/tradoc_157444.pdf, accessed on 10 November 2021.

48.5 percent of total tariff lines were zero-rated. Tariffs for the remaining 1.7 percent may be reduced after 2030, or TRQs may apply in line with Viet Nam's WTO commitments.

Reciprocally, the EVFTA takes into account the more sensitive agricultural products in the EU - such as rice, sweet corn, garlic, mushrooms, and sugar - for which the access of Vietnamese products to the EU market is limited by TRQs.

ii) Reducing Non-tariff Barriers

According to the EVFTA, trade in many products will be facilitated by:

- An increased use by Viet Nam of international standards in its regulations.
- Agreed rules on animal and plant health.
- The recognition by Viet Nam of the EU certificates of conformity for cars.
- The recognition by Viet Nam of the 'Made in EU' origin marking for most non-agricultural product.

iii) Ensuring Protection of IP, Especially Geographical Indications (GI)

169 traditional European food and drinks products from a specific geographical origin will be protected against imitation on the Vietnamese market. This includes famous European delicacies like *Champagne*, *Parmigiano Reggiano cheese*, *Rioja wine*, *Feta cheese*, *Danablu cheese*, etc. Distinctive 39 Vietnamese products, such as *tea Mộc Châu*, *coffee beans Buôn Ma Thuột*, will also be protected in the EU markets.

iv) Opening up Public Procurement Markets

With regard to public procurement, the EVFTA provisions are similar to those of the GPA. The EU's enterprises will have better access to the Vietnamese public procurement markets than enterprises from any other country. This means that they will be able to bid for public contracts involving entities such as:

- Vietnamese central administration, including as regards infrastructure projects.
- The two largest of Viet Nam's city administrations: Hanoi and Ho Chi Minh City.
- Important SOEs.

Viet Nam is expected to complete the opening for the scheduled entities in 15 years from the day the EVFTA is effective (*i.e.* from 01 August 2035).

v) Levelling the Playing Field for the EU Enterprises Doing Business with Vietnamese Partners

The Agreements level the playing field for the EU enterprises doing business with Vietnamese partners through:

- Significant regulation on SOEs and Government's subsidies to avoid that an unfair advantage is given to local enterprises; and
- Better protection for the EU innovations, artworks, and brands from being unlawfully copied.

vi) Granting Access for the EU Service Providers

The EVFTA provides the best access to the Viet Nam's services markets ever granted by Viet Nam to a trade partner. It will substantially improve access for the EU enterprises to a broad range of services sectors, including postal and courier services, environmental services, banking and insurance and maritime transport.

In general, market access and national treatment commitments under the EVFTA are similar to those under the GATS. However, the EU service providers enjoy preferential conditions in some sectors, such as freight transportation, storage and warehouse services, cargo-handling services, telecommunications, and distribution.

vii) Promoting and Protecting the EU Investments in Manufacturing in Viet Nam

The EVIPA that accompanies the EVFTA will help promote high-quality investment between Viet Nam and the EU. The EU enterprises offer high quality and sustainable investment to Viet Nam, and benefit from increased market access through the EVFTA. They also enjoy enhanced protection thanks to the high-level investment protection standards and a reformed investment dispute resolution mechanism under the EVIPA. Viet Nam has committed to open up to investments in manufacturing in a number of key sectors, such as food products and beverages, tires and tubes, ceramics and construction materials.

viii) Making Rules Effective and Enforceable

The EVFTA sets out a formal State-to-State dispute resolution mechanism that is expected to be faster and more efficient than the WTO framework. There will be a possibility for fast and amicable solutions through voluntary mediation instead of formal dispute resolution procedures.

Both parties have agreed on a modern and reformed investment dispute resolution mechanism which guarantees the respect of the substantive investment protection rules applicable to investors of both parties. Investors will be protected against discrimination, expropriation and nationalization by the host Government without adequate compensation, or denial of justice in the national executive and legal systems. The EVIPA builds the right balance between protecting investors and safeguarding the sovereign right of a State to regulate in the defense of public interest.

The Agreements are a very good opportunity for Viet Nam to improve its institutional and legal reforms. It can help promote transparency and modern institutions in Viet Nam, especially in areas of the environment, Government procurement, IP, investment, labor standards, legal issues, RoO, and NTBs.

With the Agreements, the two partners' have established a long-term business relationship based on strong complementarity. Viet Nam's competitiveness in the agri-food sector and labor intensive industries is undeniable, while the EU, with its capital, high skilled labor force and high-tech and top quality management expertise, is a competitive and reliable supplier for Viet Nam.

The global economic impact of the COVID-19 pandemic has significantly restrained the positive effect of the EVFTA. Even so, Viet Nam's export turnover to the EU market until October 2021 increased by 14.2 percent compared to 2020, reaching 40.1 billion USD, while Viet Nam's imports of goods from EU markets reached 16.9 billion USD, an increase of more than 15.3 percent.⁸⁰ According to the EU's statistics, Viet Nam ranked 10th of the EU's top import partners in 2020.⁸¹ The EVFTA, which came into force only from 01 August 2020, has great potential to bolster these commercial ties even further. The practice has showed that the current EU trade agreements with Mexico has increased the EU exports to Mexico by 416 percent since 2000, exports to Chile have increased by 170 percent since 2003, and exports to South Korea have increased by 59 percent since 2011.⁸²

It is too early to assess the impact of the EVFTA, especially given the consequences of the COVID-19 pandemic. But certainly, for Viet Nam and the EU countries, the EVFTA and the EVIPA will be the one of important tools for the post-COVID-19 economic recovery.

⁸⁰ Viet Nam Institute for Economic and Policy Research (VEPR) (2021), *Assessment Report: One-year Implementation of EVFTA - Impacts on the Vietnamese Economy and Policy Formation*, November 2021.

⁸¹ EU (2021), https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_vietnam_en.pdf, accessed on 10 November 2021.

⁸² Denmark's Ministry of Foreign Affairs, um.dk, Trade Policy and Analysis (2019), *Insight: Understanding Danish Exports*, dated 14 January 2019.

II. Denmark-Viet Nam Relations under the EVFTA and EVIPA – from Traditional Relations to Emerging Business Partnership

Table No.8. Viet Nam - Denmark Economic Relations (compiled by Nguyen Thanh Tam)

	ODA from DK	Two way import-export		FDI from DK
Duration	<ul style="list-style-type: none"> 1972-2015: Bilateral ODA After 2015: Multilateral ODA 	1995 -		1991 -
Amount	USD 1.3 billion (until 2015)	VN exported to DK (2021)	DK exported to VN (2021)	Total cumulative registered capital (until March 2022): USD 1.78 billion
		USD 354.6 million	USD 233.8 million	
Rank		51/80	53/76	22/139 investors (March 2022)
Business fields	Climate change, environment protection, green technology, food safety, judicial reform, healthcare, education, sustainable growth, energy, others.	Textiles and garments, seafood, wood and articles of wood, furniture products from materials other than wood, plastic products, electric wires and cables, articles of iron or steel, footwears, products of rattan, bamboo, sedge and carpet, ceramic products, coffee, others.	Machinery, equipment, tools and spare parts, chemical products, pharmaceutical products, seafoods, material for textiles and garments and footwears, plastics, articles of iron or steel, milk and dairy products, others.	Industry, toys, construction, agriculture, forestry, food processing and safety, textile, wood furniture, clean technology, ICT, electronics, software, sea transportation, health, others.
Others				147 projects (March 2022)

			135-140 enterprises
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1. Traditional Relations⁸³

i) Diplomatic Relations

Over 50 years ago - in 1971 - Denmark was among the very first Western countries to recognize Viet Nam and establish diplomatic relations with Viet Nam. Since then, relations have matured into a strong network of bi-lateral and multi-lateral agreements and treaties.

In 2013, Denmark and Viet Nam concluded the *Comprehensive Partnership Agreement (CPA)*. This was an important milestone as it elevated the bilateral relationship from traditional development cooperation to a full-fledged partnership encompassing political dialogue, trade and investment, green growth, energy, food safety, education, and health.

ii) ODA Relations

Denmark began providing humanitarian assistance and preferential loans to Viet Nam to support its post-war reconstruction. Danish development aid to Viet Nam particularly accelerated from 1993 when Viet Nam was selected as a priority country for Danish development cooperation. From 1972 to 2015, Denmark had disbursed approximately USD 1.3 billion in ODA, making it one of the largest bilateral donors in Viet Nam. Since 2015, Denmark has continued to grant to Viet Nam under the various multilateral ODA programs co-funded with international organizations or other governments. The Danish development aid focused on climate change, environment protection, green technology, food safety, judicial reform, healthcare, education, sustainable growth, and energy.

2. Emerging Business Partnership under the EVFTA and EVIPA

i) Existing Business Relations

⁸³ Vietnam News (2021), *Denmark - Viet Nam: 50 Years - A Well-established Partnership and Strong Ties*, <https://vietnamnews.vn/life-style/expat-corner/964660/denmark-%E2%80%93-viet-nam-50-years-%E2%80%93-a-well-established-partnership-strong-ties.html>, 03 June 2021, 08:18.

Viet Nam's main export markets in the EU are the Netherlands, Germany, France, Italy, Spain, and Belgium. The main import markets of Viet Nam are Germany, Ireland, Italy, France. Thus, Denmark and Vietnam are mutually not among each country's major import or export markets. Nevertheless, trade between the two countries has grown at a considerable pace.

Table No.9. Denmark - Viet Nam Two-way Exports (1995-2021)⁸⁴

Country	Export Value (USD million)		Export Growth Rate Per Year (percent)
	1995	2021	
Viet Nam	19.8	354.6	13.1
Denmark	33.2	233.8	9.19

During the 24 years, the Danish exports to Viet Nam have increased at 9.19 percent per year, from USD 33.2 million in 1995 to USD 233.8 million in 2021. The main Danish products exported were chemical products, pharmaceutical products. In 2021, Denmark did not export any service to Viet Nam.

During the same period, the Vietnamese exports to Denmark have increased at 13.1 percent per year, from USD 19.8 million in 1995 to USD 233.8 million in 2021. The main Vietnamese products exported were textiles and garments seafood, wood and articles of wood. In 2021, Viet Nam did not export any service to Denmark.

Since 1991, a growing number of Danish enterprises have chosen Viet Nam as their production base. Approximately 135-140 Danish enterprises⁸⁵ has been doing business effectively in Viet Nam with various mode of entry to Vietnamese market, such as representative office, 100 percent foreign-owned enterprise (joint stock company, limited liability company, branch), joint-venture, but not yet PPP agreement.

According to the MPI statistics,⁸⁶ the total cumulative registered capital of Danish enterprises in Viet Nam from 1991 to 20 March 2022 is USD 1.78 billion with 147 projects, ranking Denmark as 22nd out of 139 foreign investors in Viet Nam. The Danish enterprises have invested in various sectors, such as industry, toys, construction, agriculture, forestry, food processing and safety, textile, wood furniture, clean technology, ICT, electronics, software, sea transportation, health, among others.

Among many Danish enterprises doing business with Vietnamese partners, are Carlsberg (food and beverage), Lego (toys), SKIOLD (rice), Ørsted (wind energy), A.P. Møller-Mærsk (sea

⁸⁴ OEC (2021), *Denmark (DNK) and Vietnam (VNM) Trade* | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

⁸⁵ Embassy of Denmark in Viet Nam, The Trade Council, *List of Danish Companies in Vietnam*, last updated on 21 July 2017.

⁸⁶ MPI, Foreign Investment Agency, *Foreign Investment Report of Q1-2022 (until 20 March 2022)*, 28 March 2022.

transportation), Copenhagen Infrastructure Partners (CIP), Danisa (food), JYSK (furniture), Blue Water International A/S (sea transportation), Copenhagen Delights (kids fashion), ECCO Sko A/S (footwear), Espersen (seafood), EuroCare Denmark ApS (Pharmaceuticals), Novo Nordisk (Pharmaceuticals), Nowaco A/S (frozen food stuff), Scan Group A/S (Logistics), Scandinavian Design ApS (furniture), Vestas Asia Pacific A/S (wind energy), Grundfos (pumps), Semco Maritime (architecture, engineering and construction). In fact, many well-known Danish enterprises have operated business with Vietnamese partners.

ii) Emerging Interests and Opportunities

Being an open economy with small domestic market, international trade is an important contributor to economic welfare for Denmark. Although the main and traditional trade partners of Denmark are the EU, Nordic, North American and BRIC countries, the Agreements could open new opportunities for Danish enterprises to explore Vietnamese market, especially in the context of post-COVID-19 economic recovery.

Fair Competition

The Agreements will level the competition for the EU's enterprises with those countries with whom Viet Nam has already concluded FTAs, *e.g.*, ASEAN countries, Australia, New Zealand, Chile, China, India, Japan, South Korea, the UK, among others. The Agreements reduce the costs for Danish enterprises to do business in Viet Nam due to the elimination of nearly all tariffs and the reduction of non-tariff barriers. Moreover, the Agreements contain many cost-reducing provisions that make doing business easier and more transparent. IPR holders will be granted strengthened legal protection and can take more effective action against IPR infringements. Viet Nam further liberalizes its service markets by offering access beyond its WTO commitments. Danish enterprises will also have better access to the Vietnamese public procurement markets.

GVCs Integration

The Agreements promote the EU-Viet Nam value chains integration via increased FDI activity and expanded bilateral trade in intermediate goods and services between two parties. The COVID-19 crisis has made it clear that diverse markets and supply chains will be key to managing risks of trade and supply chain disruptions due to changing trade relationships, climate change, natural disasters and pandemics. The combined impact of COVID-19 and trade tensions could lead to a profound restructuring of GVCs by reducing dependence on a few global production hubs, *e.g.*, China, India and Thailand, thus paving the way for Viet Nam to step in to fill GVCs gaps. The reality shows that trade tension between the US and China has made Viet Nam

the 6th trading partner of the US for the trade in goods in 2020 by import value.⁸⁷ Viet Nam has also become an important production hub for both textile and electronics. In recent years, international enterprises moved facilities to Viet Nam in response to rising costs in China and the desire to diversify production locations (*e.g.*, Nike, Adidas, Foxconn, Samsung, Intel, among others).⁸⁸ GVCs can also be shorter with fewer countries participating in.

Indonesia, Thailand, Malaysia, Myanmar, and Viet Nam are all determined to take opportunities from the US-China trade tension and even the COVID-19 pandemic in a race to receive FDI flows brought by MNEs moving out of China. In particular, Viet Nam has shown enthusiasm for EU's MNEs, and a readiness to exploit business advantages from EVFTA and EVIPA that other Southeast Asian countries currently do not have. In addition, practice shows that, instead of completely abandoning Chinese markets, foreign investors may choose to add production facilities in other countries, *e.g.*, Viet Nam, also known as the 'China+1' strategy. Both Danish and Vietnamese enterprises can seize on these opportunities with the support of the Agreements.

Danish Exporters and Importers

The EVFTA facilitates Danish enterprises to export their key goods and services, *e.g.*, petroleum and petroleum products, fish, raw hides, skin and furs, medicinal and pharmaceutical products, power-generating machinery and equipment, dairy products, frozen meat, organic food, sea transportation, ICT, and construction.

The EVFTA also invites Danish enterprises to open new commercial activities *e.g.* by facilitating their import of key goods and services from Viet Nam, including coffee, shrimps and prawns, rice, cashew, pepper, rubber, textile and apparel, footwear, wooden furniture, electronics and processed agricultural products, with competitive import prices compared to that from countries having no FTAs with the EU (such as China, Thailand, Cambodia, India, Pakistan, Brazil, Ecuador, etc.), thereby improving profits for Danish importers and creating more jobs in Denmark.

More Opportunities for Danish Enterprises

Strong economic growth in recent years have created several major problems for Viet Nam, but concurrently offering new opportunities for Danish enterprises.⁸⁹

⁸⁷ Statista (2021), <https://www.statista.com/statistics/>, Release date: March 2021.

⁸⁸ Mai Phuong and Nguyen Nga (2022), Thanh Nien Online, 'Ông lớn' chuyển sản xuất đến Việt Nam (thanhnien.vn), 07:24, 08 January 2022.

⁸⁹ Denmark's Ministry of Foreign Affairs, The Trade Council (2021), Situation report from the export market Vietnam (thetradecouncil.dk), 15 November 2021.

Urbanization and industrialization have had a detrimental effect on both the environment and natural resources, which has resulted in increasing levels of pollution and demands for adequate waste management. Waste production in Viet Nam is expected to double over the next 15 years (*i.e.*, 2035), and this is increasingly problematic to deal with. Viet Nam is among the 10 countries in the world most affected by air pollution, and plastic emissions into the sea are also a growing problem. Over the past two decades, Viet Nam has been the fastest growing emitter of greenhouse gas emissions per capita of the world. Together, waste management and pollution have significant costs for several production sectors and human health in Viet Nam.

The demand for water is also increasing and the local waterworks are having a hard time keeping up. The unsustainable use of natural resources such as sand, fisheries and wood can adversely affect long-term growth. The problem is exacerbated by the fact that Viet Nam's population and economy are very vulnerable to climate impacts, *e.g.*, due to the long coastline, and the low-lying Mekong Delta region.

The food sector in Viet Nam remains among the main export areas and is continuously optimized. In recent years, the focus on food quality and safety, ecology and antibiotic consumption has significantly increased. The growing economy has also created a need for intensification of the livestock sector and a consequent need for agriculture and slaughterhouse equipment as well as genetic breeding material. In addition, post-harvest technology and equipment for food processing, utilization of by-products and handling of fertilizers are very necessary. It provides opportunities for Danish companies with *e.g.*, dairy products, frozen meat products, organic products, and food ingredients, among others.

Viet Nam is experiencing a marked increase in energy demand, which continues to lag behind production. Electricity consumption has tripled over the last decade and continues to grow faster than production. It has created an increasing dependence on fossil fuels. Therefore, there is an urgent need to speed up the transition to green energy. At the same time, Viet Nam faces significant expansions of the energy sector in the coming years. Here, the Danish partners focus on increased levels of renewable energy and energy efficiency in industry, as well as efforts to enable an energy system with a higher share of fluctuating renewable energy.

Box No.1. Danish Enterprises and Green Solutions for Viet Nam - Some Examples

In July 2020, Copenhagen Infrastructure Partners (CIP) together with Asiapetro and Novasia signed a Memorandum of Understanding (MoU) with Binh Thuan Provincial People's Committee to develop the 3.5 GW La Gan offshore wind energy project. The project has a total estimated investment value of over USD 10 billion and will implement the highest international standards, using the most advanced wind-power technology. The La Gan offshore wind farm will bring significant benefits to Viet Nam. Over its lifetime, the project will power 7 million households and result in 130 million fewer tons of CO₂ emissions. According to a detailed economic impact study performed by international consultants BVG Associates, the La Gan project is projected to contribute over USD four billion to the Viet

Nam's economy and create more than 45,000 full-time jobs. The Vietnamese content is estimated to be 44 percent across the full supply chain.⁹⁰

Ørsted (Denmark), one of the world's leading wind power companies, proposed to research an investment of up to USD 11.9 - 13.6 billion for an offshore wind power project in Hai Phong with a total capacity of 3,900 MW; and a 4.6 GW wind power project in Tuy Phong, Binh Thuan. Ørsted's potential offshore wind power projects are in line with the direction of Viet Nam's *National Strategy on Energy Development* prioritizing the exploitation and use of renewable energy resources. Therefore, these potential projects not only receive the support of the Government, but will also be well received by the Vietnamese public.⁹¹

Offshore wind power projects (built 20-50 km from shore) will not affect local tourism industry, fishing, or waterway traffic. These projects will create thousands of high-quality jobs, bring opportunities for many Vietnamese partners and suppliers to participate in the wind power production chain. These projects will support Viet Nam to do a green transition, reduce carbon emissions and provide renewable energy for people and enterprises.

LEGO Group has invested USD 1.3 billion factory in Binh Duong province. This will be LEGO's 6th factory in the world and 2nd in Asia with the expectation of expanding LEGO's global supply chain. This project is expected to be launched in the second half of 2022, and start its operation in 2024, and create 4,000 new jobs. The project also helps the LEGO Group achieve its goal of building its first carbon-neutral plant, powered by solar energy.⁹²

In the field of technology, the need for public digitization is increasing in Viet Nam, which has been significantly reinforced by the ongoing COVID-19 pandemic. Especially in the healthcare industry, there is a great need for digitalization, telemedicine, e-health, which are backed up by several initiatives from Viet Nam's Government. Viet Nam faces demands to digitalize large parts

⁹⁰ Copenhagen Post (2021), *Viet Nam Supplement 2021*, issued on 03 September 2021, p. 9, see at issuu.com/cphpost/docs/vietnam_da55a961f8626f

⁹¹ Vnexpress (2021), see at <https://vnexpress.net/tap-doan-dien-gioi-lon-nhat-the-gioi-de-xuat-dau-tu-du-an-tai-Hai-Phong-4380809.html>, 03 November 2021, 14:24 (GMT+7).

⁹² Hai Minh (2021), *VGP News* :. | Tập đoàn LEGO đầu tư nhà máy 1 tỷ USD tại Bình Dương | BÁO ĐIỆN TỬ CHÍNH PHỦ NƯỚC CHXHCN VIỆT NAM (baochinhphu.vn), 06:11 PM, 08 December 2021.

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of the public sector, as well as develop Internet of Things (IoT) and block chain technology for Vietnamese homes, universities, businesses and hospitals, and others.

Lock-down measures due to the COVID-19 pandemic, such as restrictions on opening businesses and retail stores, as well as mobility restrictions, have accelerated the growth of e-commerce, where online shopping has become much more widespread. The pandemic has also led to an increase in e-banking, as banks encouraged customers to carry out transactions electronically to reduce the risk of virus transmission when handling cash.

Viet Nam is now ready as a country of production with a great need for high technologies. Key strategies and plans to stimulate green growth and sustainable use of natural resources have been adopted, but are awaiting full implementation. Danish enterprises possess world-leading expertise and technologies in renewable energy, energy efficiency, water and waste handling, food production, health, education, construction, and sea transportation, among others, which are all important areas for a sustainable development in Viet Nam. There is an increasing focus among the Vietnamese consumer on product quality and safety, which provides opportunities for Danish enterprises with *e.g.*, dairy products, frozen meat products, organic products, and food ingredients. Danish enterprises are expected to provide green transition and digitalization solutions for Viet Nam's development with the support of the Agreements. Doing business with Viet Nam will be very good opportunities for Danish enterprises in opening the door to step in the broader Southeast Asian market, and even China's market. Some key elements make Viet Nam an attractive location for business development. It includes the low cost to start a business, regulations that encourage foreign investment, and its Government's openness to the global economy, its strategic location with direct access to some of the world's main shipping routes, and competitive labor costs.

3. Shared Commitments

i) Denmark - Viet Nam Strategic Sectoral Cooperation (SSC)⁹³

Denmark's major engagement with Viet Nam has been sector cooperation in energy, education (including vocational training), statistics, health, agriculture, and food safety.

In 2013, Viet Nam and Denmark entered into a long-term cooperation to strengthen Viet Nam's *energy* transition. The Danish Energy Agency cooperates with the MOIT in Viet Nam through the joint Danish-Vietnamese Energy Partnership Programme which is now in its third phase and amounts to about USD 9.8 million. It is a valuable government-to-government cooperation in technical areas pertaining to the green transition of the energy system. Notably, the program focuses on modeling and energy planning including offshore wind, the integration of renewables, and energy efficiency in energy-intensive industry sectors. It has resulted in close

⁹³ Denmark's Ministry of Foreign Affairs, The Trade Council (2021), *Situation report from the export market Vietnam (thetradecouncil.dk)*, 15 November 2021.

working relations to enable a more ambitious approach to the green transition. The emphasis is on strengthening existing cooperation focusing on renewable energy, including improving the legal framework for investment in green energy.⁹⁴

In the field of *health*, the focus is on strengthening the Vietnamese health sector, and meeting the increasing demands for the treatment of non-communicable diseases (NCDs), developing telemedicine, and e-health.

In Viet Nam, there is a strong response in the field of food, including *food safety* efforts and against excessive antibiotic consumption. There is also a focus on food waste and the increase of organic production.

Denmark is continuously working to strengthen *vocational training* and development of capacity in relation to the competences demanded by international enterprises. Special attention is paid to the food sector, furniture production, among others.

ii) Global Commitment on Green Transition

By signing the *Paris Agreement*, Denmark and Viet Nam have committed to the ambition to reduce our national CO2 footprints and work for a greener and more sustainable future. As a close and longstanding partner to Viet Nam, Denmark and Danish enterprises already contribute extensively to Viet Nam's green transition with technology, expertise, and investments - *i.e.*, in renewable energy. Denmark fully supports Viet Nam's aim to reduce the country's dependence on fossil fuels that today play a significant role in its energy system.

At the 26th UN Climate Change Conference of the Parties (COP 26) in November 2021, Viet Nam, together with more than 40 countries have committed to shift away from coal. Signatories to the agreement have committed to ending all investment in new coal power generation domestically and internationally. They have also agreed to phase out coal power in the 2030s for major economies, and the 2040s for poorer nations. Dozens of organizations also signed up to the pledge, with several major banks agreeing to stop financing the coal industry.⁹⁵

The Viet Nam's Government is making effort to reverse the trend of reliance on coal-based energy and to embark on a low-carbon pathway for the energy sector. There is a clear focus on expanding the use of renewable energy resources (solar and wind). The *PSDP 8*, which is under preparation, is expected to continue the reorientation of the sector toward a low-carbon, even zero-carbon future. *PSDP 8* will reduce the footprint of planned coal-based power generation from 63 GW to 35 GW (by 2030), while scaling-up the planned renewable energy capacity from 12 GW to 36 GW (by 2030). It aims at reducing green-house gas emissions by 27 percent by 2030 with international support.

⁹⁴ Ministry of Climate, Energy and Utilities of Denmark, Danish Energy Agency (2021), *Supporting Long-term Energy Planning, Renewable Energy Integration, Energy Efficiency and Offshore Wind in Vietnam*, see at <http://ens.dk/en/our-responsibilities/global-cooperation/country-cooperation/vietnam>

⁹⁵ BBC News (2021), COP26: More than 40 countries pledge to quit coal - BBC News, 04 November 2021.

As a dynamic economy in the ASEAN region, strongly affected by climate change and exhausted resources, Viet Nam is well aware of the importance of transforming the energy source structure towards raising the rate of renewable energy consumption, associated with economical, efficient and sustainable use of energy. Currently, Viet Nam is drafting the *National Power Sector Development Plan for the Period of 2021-2030, with A Vision towards 2045 (Eight Power Sector Development Plan - PSPD 8)*, in which the orientation of Viet Nam's energy source structure is as follows: *first*, diversifying energy sources, focusing on developing clean and renewable energy sources; *second*, having an roadmap of actively and proactively reducing the development of fossil energy sources towards zero; *third*, economical and efficient use of energy.⁹⁶

iii) Digitalization

Strong emphasis is placed on digital transformation as a cross-cutting driver in several major themes in *Viet Nam's 2021-2030 Socio-economic Development Strategy (SEDS)*. Digital transformation is considered a critical driver for Viet Nam to renew its growth model and enhance its competitiveness. Digital transformation is also at the heart of three other major tasks, namely human resource development, promotion of science, technology, and innovation (STI), and economic restructuring.

Resolution No. 52-NQ/TW dated 27 September 2019 of the CPV's Politburo on a number of guidelines and policies to actively participate in the Fourth Industrial Revolution shows that the application of more advanced technology to production, business and the digitization in Viet Nam's economy are inevitable and irreversible.

In June 2020, Prime Minister issued *Decision No. 749/QĐ-TTg* for Viet Nam's program of digital transformation until 2025, with a vision toward 2030. *Decision No. 749/QĐ-TTg* sets out a vision for Viet Nam to undertake all of its public services online and announces a target that the digital economy should account for 30 percent of GDP by 2030.

iv) Shared Commitments within the Agreements: Value-based Trade, Sustainable Development, and Institutional Transformation

'Trade has many benefits, but it should not come at any cost. It should be based on values'.⁹⁷ Sustainable development is at the core of the EU-Viet Nam bilateral trade and investment relationship. It is crucial that the Agreements help to support economic growth, social

⁹⁶ Viet Nam's Prime Minister's Speech in Moscow (Russia) at the event organized on 13-15 October 2021, see at [Xây dựng lộ trình hài hòa, hợp lý để chuyển đổi nguồn năng lượng*](#) (cnnd.vn), 05:00 PM, 14 October 2021.

⁹⁷ European Commission (2017), 'Speech by Cecilia Malmström, European Commissioner for Trade, UNAM University'.

development, and environmental protection. Strong provisions are included to respect the core labor standards, ensure sustainable management of forests and fisheries, and promote fair and sustainable trade.

Art. 3 Chapter 13 of the EVFTA on Trade and Sustainable Development (TSD Chapter) requires Viet Nam to 'reaffirm its commitments to respect, promote and effectively implement the principles concerning the fundamental rights at work. 'These include 'freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labor, the effective abolition of child labor, and the elimination of discrimination in employment and occupation. It will benefit not just enterprises and consumers on both sides through job creation and economic growth, but millions of Vietnamese workers and their families who will gain improved labor rights and better protection at work.

Viet Nam is working towards ratification of the remaining ILO core convention - *Convention No. 87* on freedom of association by 2023. Now, Viet Nam is working together with the ILO to create a new legal and institutional industrial relation framework aligned with ILO Conventions on Freedom of Association and Collective Bargaining. The new generation of FTAs has played an important role for Viet Nam to modernize its labor law and industrial relations. The EVFTA, together with the CPTPP, will encourage political leaders and policy-makers to stay on the course of reform within the parameters set by the ILO standards and the FTAs. The EVFTA will provide Viet Nam with solid encouragement and incentive to continue its journey towards democratic governance in labor markets, as the TSD Chapter intends to achieve.

The EVFTA dedicates one specific article on the common commitment of the EU and Viet Nam to achieve climate change objectives and sets commitments on biodiversity, illegal trade in wildlife, forestry, and fisheries, and on the promotion of sustainable aquaculture.

The EVFTA includes commitments to the effective implementation by each party of all the ratified Multilateral Environmental Agreements (MEAs), including, among others, the UN Convention on Biological Diversity (CBD), the UN Convention on International Trade in Endangered Species (CITES), and the UN Framework Convention on Climate Change (UNFCCC). Regarding the UNFCCC, a dedicated article on climate change further underlines the common commitment of the EU and Viet Nam to achieve climate change objectives. The EVFTA also establishes specific safeguards against a 'race to the bottom' in the labor and environmental areas. This means that neither the EU nor Viet Nam can deviate from, or fail to effectively enforce, any of its domestic labor and environmental laws to attract trade or investment.

In the *SEDS*, the Government proposes to implement its FTAs to increase the benefits of international integration and the competitiveness of their economy, enterprises, and products. It has also linked the FTAs and international commitments with environmental sustainability and aims to contribute to the environmental protection of the region and the planet.

Viet Nam is resolutely implementing the policy of 'not bartering away the environment for economic growth', 'resolutely closing down natural forests', and improving land use efficiency. Viet Nam is well aware of the environment-

friendly trade demands, that cannot export wooden furniture if it uses wood due to deforestation, cannot sell seafood if it is caught illegally.⁹⁸

The EVFTA is not only expected to enhance trade but also places emphasis on trade and investment practices that foster sustainable development in renewable energy and a core set of environmental engagements such as the UNFCCC.

Over the past 50 years, Denmark and Viet Nam have built a modern and mature partnership which is transformed from aid to trade. A solid technical foundation and common understanding has been built through the engagement of Danish enterprises and the ongoing cooperation between Danish and Vietnamese authorities on energy, food safety, health, and education. The legal and regulatory framework for trade and investment promotion contained in the Agreements takes this partnership to a new level. Danish enterprises and their Vietnamese partners can now focus more on an expanding market for matching modern Danish technology and know-how with Viet Nam's investment needs and goal of becoming a higher middle-income country by 2035.

⁹⁸ Government of Viet Nam (2021), *Full Text of the Government's Work Report for the 2016-2021 Term*, see at chinhphu.vn, 06:34 PM, 24 March 2021.

Chapter Three

SOME KEY AGRO-BUSINESSES OF VIET NAM - SHARED OPPORTUNITIES WITH DANISH ENTERPRISES

The position of Viet Nam's agricultural sector has improved in the international arena. According to the United Nations' Food and Agriculture Organization (FAO), Viet Nam's agricultural sector is one of the fastest growing in the world, and it is one of the world's leading exporters of agricultural products. Viet Nam's agricultural products are exported to over 160 countries and territories in the world, including the EU, the US and Japan. Some products have attained prominent export positions globally in recent years, such as cashews and pepper (ranked first), coffee (ranked second), rice (ranked third), and seafood (ranked fourth).⁹⁹

In 2019, the EU is Viet Nam's second largest agricultural and aquatic products export market with export turnover reaching USD 3.55 billion.¹⁰⁰ In 2021, the export value to the EU reach USD 5.59 billion.¹⁰¹ The Agreements bring benefits for food and agriculture businesses of both EU and Vietnamese farmers and enterprises. With the EVFTA, the EU agri-food producers, including Danish enterprises, are set to benefit from the Viet Nam's growing market.¹⁰² According to the survey conducted by Nguyen Thi Hoang Thuy,¹⁰³ most Vietnamese enterprises believe that the Agreements will bring benefits to them and expect to do business with the Danish enterprises.

Viet Nam's main global agricultural product exports included coconuts, rice, and coffee, while the main imports included cotton and maize. Within fisheries, the main exports included frozen shrimp and prawns, and frozen fillets of catfish. The main imports included frozen shrimp and prawns, and flours, meals, and pellets of fish or crustaceans, mollusks, or other aquatic invertebrates.¹⁰⁴

This chapter introduces main stakeholders in Viet Nam's agricultural sector in *Section One*, and a specific focus on the three key agro-businesses of Viet Nam which are coffee, shrimps and prawns, and rice in next *Section Two*, *Section Three*, and *Section Four* respectively.

⁹⁹ UNIDO (2020), *Viet Nam Industry White Paper 2019 - Manufacturing and Subsector Competitiveness*, p. 56.

¹⁰⁰ MOIT (2019), *Viet Nam Import - Export Report 2019*.

¹⁰¹ Quang Tue (2022), Xuất khẩu nông sản sang EU tăng mạnh nhờ EVFTA - Nhịp sống kinh tế Việt Nam & Thế giới (vneconomy.vn), 14:00, 10 January 2022.

¹⁰² EU (2021), see at https://trade.ec.europa.eu/doclib/docs/2018/october/tradoc_157445.pdf, accessed on 10 November 2021.

¹⁰³ Survey Result compiled by Nguyen Thi Hoang Thuy dated 31 December 2021.

¹⁰⁴ WTO (2021), *Trade Policy Review - Report by the Secretariat: Viet Nam*, WT/TPR/S/410/Rev.1, 09 July 2021pp, 110-118.

I. Main Stakeholders in Viet Nam's Agricultural Sector

Main stakeholders in Viet Nam's agricultural sector include: *first*, government agencies; *second*, trade associations; and *third*, enterprises.

1. Government Agencies

i) The Ministry of Agriculture and Rural Development (MARD) and Its Sub-agencies

MARD has primary responsibility for agricultural policies, including preparing draft legislation, implementing the legislation, supporting production, and regulating inputs and outputs. It is also responsible for fisheries and other subsectors.

Under the MARD structure, several agencies are responsible for the delivery of agricultural services, such as the Centre for Informatics and Statistics, the National Centre for Agriculture and Fisheries Extension, the National Centre for Rural Water Supply and Environmental Sanitation, the Department of Crop Production (DCP), the Agro-Processing and Market Development Authority (AGROTRADE), International Cooperation Department (ICD), the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD), the Western Agroforestry and Scientific Institute in Dak Lak (WASI), Ba Vi Research Centre (BRC), and the Directorate of Fisheries. Under the Directorate, belongs the Viet Nam Institute of Fisheries Economics and Planning, which studies the economics, mechanisms, and policies and plans for fisheries development.

ii) Other Ministries

Other ministries responsible for various aspects of agricultural policy include:

- Ministry of Natural Resources and Environment (MONRE) is responsible for land-use.
- Ministry of Industry and Trade (MOIT) is responsible for food distribution and international trade.
- Ministry of Health (MOH) is responsible for social policies and food security.
- Ministry of Finance (MOF) is responsible for fiscal policy, including support to agriculture.
- Viet Nam Bank of Agriculture and Rural Development (AGRIBANK), which is the main source of credit for farmers, is a government agency and has 1,600 branches in rural areas.

iii) The Provincial People's Committees of 63 Provinces Nation-wide

The provincial People's Committees of 63 provinces nation-wide are responsible for some aspects of agricultural policy in the provinces.

2. Trade Associations

The private sector is formally represented by, *e.g.*

- Viet Nam Food Association (VFA) for enterprises engaged in trade and processing agricultural products. VFA membership is a voluntary.
- Viet Nam Farmers' Union, with some sector-specific associations also representing producers.
- Viet Nam Coffee - Cocoa Association (VICOFA).
- Viet Nam Association of Seafood Exporters and Producers (VASEP).
- Viet Nam Fishery Society.
- Viet Nam Pangasius Association.
- Viet Nam Sea Culture Association.
- Viet Nam Tuna Association.

3. Enterprises, Including SOEs and Private Enterprises

In Viet Nam, SOEs play a dominant role in the production, processing, and trade of agricultural products. Examples of biggest SOEs include: Viet Nam Northern Food Corporation (VINAFOOD 1) and Viet Nam Southern Food Corporation (VINAFOOD 2), INTIMEX Group Joint Stock Company (INTIMEX Group), Viet Nam National Coffee Corporation (VINACAFE), Viet Nam Rubber Corporation (VRC), Viet Nam National Tea Corporation (VINATEA), among others.

However, private enterprises and FIEs are playing an increasingly important role in the agricultural trade. Many of them have been successful, such as Nestle Viet Nam, Highlands Coffee, Trung Nguyen, Minh Phu Seafood JSC, Soc Trang Seafood JSC (STAPIMEX), CAMIMEX, Sao Ta Foods JSC (FIMEX Vietnam), Thuan Phuoc Seafood and Trading Corporation, Hai Viet Corporation, Falcon Rice Mills, Ecorice, Vilaconic Joint Stock Company, among others.¹⁰⁵

¹⁰⁵ See at vietnamcredit.com.vn

II. Vietnamese Coffee

This section is divided into four topics: *first*, a description of the coffee landscape globally and in Viet Nam; *second*, a discussion of how Vietnamese coffee might enter the Danish market?; *third*, a discussion of the feasibility for Vietnamese coffee to compete in the Danish market under the EVFTA conditions; and *fourth*, how upgrading Vietnamese coffee in the GVC can offer opportunities for both Danish and Vietnamese enterprises in coming years.



1. Coffee Globally and in Viet Nam

i) Coffee in the World

Coffee is more than just a drink. It is a culture, an economy, an art, a science, and a passion. Coffee is one of the three most popular beverages in the world (alongside water and tea), and one of the most profitable international commodities. Two species of coffee plants, *Arabica* and *Robusta*, supply almost all of the world's consumption. *Arabica* is considered a milder and more flavorful and aromatic brew than *Robusta*, but more delicate and vulnerable to pests, requiring a cool subtropical climate. *Arabica* must grow at higher elevations (600 - 2,000 meters) and needs a lot of moisture, and it has fairly specific shade requirements. Latin America, Eastern Africa, Asia, and Arabia are leading producers of *Arabica* coffee which represents 70 percent of the world market. The *Robusta* bean is hardier and can

grow at lower altitudes (under 600 meters). *Robusta* coffee is cheaper to produce, has twice the caffeine content of *Arabica*, and is typically the bean of choice for inexpensive commercial coffee brands. Western and Central Africa, Southeast Asia, and Brazil are major producers of *Robusta* coffee which represents 30 percent of the world market.¹⁰⁶

In 2020, coffee was the world's 112nd most traded product, with a total trade of USD 65 billion. The world's top 5 exporting countries of coffee were Brazil (USD 5.0 billion), Switzerland (USD 2.86 billion), Germany (USD 2.58 billion), Colombia (USD 2.52 billion), and Viet Nam (USD 1.98 billion). The world's top 5 importing countries of coffee were the US (USD 5.68 billion), Germany (USD 3.54 billion), France (USD 2.89 billion), Italy (USD 1.5 billion), and Canada (USD 1.21 billion).¹⁰⁷

Table No.10. The World's Top 5 Exporting and 5 Importing Countries of Coffee in 2020

The World's Top 5 Exporting Countries		The World's Top 5 Importing Countries	
Country	USD billion	Country	USD billion
Brazil	5.0	US	5.68
Switzerland	2.86	Germany	3.54
Germany	2.58	France	2.89
Colombia	2.52	Italy	1.5
Viet Nam	1.98	Canada	1.21

ii) Coffee in Viet Nam¹⁰⁸

The coffee industry is very important for Viet Nam reflected in the fact that since 2017, Viet Nam celebrates *Viet Nam Coffee Day* on 10 December.

Located in Southeast Asia with tropical and subtropical climate, Viet Nam has a large area of red basalt soil suitable for coffee growing, which was introduced by the French in 1857. *Arabica* was the first coffee variety to be brought into Viet Nam. It was tried in Catholic churches in northern provinces, such as Ninh Binh, Thanh Hoa, Nghe An and Ha Tinh, and then spread to some central provinces, such as Quang Tri and Quang Binh. Finally, coffee was brought to the southern provinces of the Highlands (Tay Nguyen) and the Southeast region of the country. The Highlands (Tay Nguyen) have become the most suitable place to cultivate coffee. Later, in 1908,

¹⁰⁶ Britanica, Nathan Myhrvold (2021), Coffee | Origin, Types, Uses, History, & Facts | Britannica, last updated on 16 November 2021, accessed on 30 November 2021.

¹⁰⁷ International Trade Centre (2021).

¹⁰⁸ International Coffee Organization, *ICO Coffee Profile - Viet Nam, 2019*.

French growers brought two other varieties of coffee to Viet Nam, namely *Robusta* and *Exelsa*. Later, they introduced other varieties from Congo. Coffee grows very well in this region, and the area under coffee cultivation has expanded. The two main types of coffee (*Robusta* and *Arabica*) are produced in Viet Nam, among which *Robusta* accounts for 97 percent of total production. Total areas covered by coffee farming are estimated at 600,000 hectares, with the main coffee provinces situated in the Highlands (Tay Nguyen), including Dak Lak (190,000 hectares), Lam Dong (162,000 hectares), Dak Nong (135,000 hectares), Gia Lai (82,000 hectares) and Kon Tum (13,500 hectares). Other relatively small producing provinces are situated in the Northwest mountain and Southeast region of Viet Nam. Coffee production is dominated by the unshaded method, although some farms include shade trees. Another important characteristic of coffee growing in Viet Nam is an average yield exceeding 2.3 metric tons per hectare, one of the highest yields in the world.

Viet Nam is newcomer to the world's coffee export market – with entry only in the '90s. In 1995, Vietnamese coffee export was only 3.53 million 60 kg bags. But since early 2000s, Viet Nam has become the second largest green coffee beans producer and the fifth largest exporter in the world with an average annual output that currently exceeds 25 million bags. From 1986 to 2016, coffee production in Viet Nam has increased nearly 100-fold, from 18,400 tons in 1986 to 1.76 million tons in 2016. Between 90 to 95 percent of the annual production is exported to approximately 90 countries all over the world. The coffee industry creates many jobs and develops the local economy as well as contributes significantly to the development of the country. The average value of coffee exports is around USD 3 billion per year, accounting for over 10 percent of the country's total agricultural exports. In 2021, according to the MOIT's data, Viet Nam exported 1.56 million tons of coffee, with a turnover of about 3.07 billion USD. The average export price of coffee in the year reached 1,968 USD per ton.¹⁰⁹ Coffee was the 21st most exported product of Viet Nam. The main destination of coffee exports was Germany, the US, Italy, Japan, and Spain. In 2020, Viet Nam imported USD 84.96 million in coffee, becoming the 48nd largest importing country of coffee in the world. Coffee was the inconsiderably imported product of Viet Nam. Viet Nam imported coffee primarily from Laos, Brazil, Indonesia, Cote d'Ivoire, and China.

Table No.11. Top 5 Countries Importing and Exporting Coffee from and to Viet Nam

Importing Country	Exporting Country
Germany	Laos
US	Brazil
Italy	Indonesia
Japan	Cote d'Ivoire

¹⁰⁹ MOIT (2019), *Viet Nam's Import - Export Report 2019*.

Spain	China
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Robusta make up approximately 95 percent coffee exports from Viet Nam, whose production is strongly focused on creating large volumes of *standard coffees* mostly directed to the instant coffee market. The price of *Robusta* is lower than *Arabica*.

During the last decade, green coffee beans accounted for more than 90 percent of Viet Nam's exported volume. However, exports of highly processed coffee have increased in recent years.

iii) Several Challenges for Vietnamese Coffee¹¹⁰

First, sustainability issues are the major concern in Viet Nam, including the coffee industry. Climate change poses a serious threat to the coffee industry, while poor farming practices cause environmental degradation.

Climate change has brought about several disasters for coffee production in Viet Nam, *e.g.*, tropical storms, record temperatures and droughts. According to the *International Center for Tropical Agriculture (CIAT)*, rising temperatures and shifting rainfall patterns may cost Viet Nam 50 percent of its current *Robusta* coffee production areas by 2050.

Intensive cultivation practices have led to excessive use of inputs (fertilizer, irrigation, etc.) and has caused coffee plants to quickly become exhausted and lose productivity. Likewise, cultivation practices have resulted in severe soil pollution, leading to increased diseases and pests. Low quality fertilizer and plant protection products have caused extensive harm to the ecosystem, destroying farmland, and resulting in decreasing quality of coffee, affecting competitiveness.

While coffee is a plant that requires lots of water, traditional and obsolete irrigation is still the main method used in most coffee growing areas, causing severe ground water loss. In many localities, the drilling of wells for irrigation has led to the destruction of ground water resources and pollution of the soil, which is wasteful and ineffective.

About 50 percent of the total coffee trees cultivated in Viet Nam are between 10 to 15 years old. This is in the age-span where coffee trees are at their highest yield. In coming years, Viet Nam's coffee production will be mainly based on this age-group. Of the other half of coffee plants in Viet Nam, 30 percent are between 15 to 20 years old and about 20 percent are more than 20 years old, beyond their most productive age, and with progressively decreasing yields. In the next few years, ageing coffee trees will directly affect the productivity and quality of Vietnamese coffee.

¹¹⁰ International Coffee Organization (2019), *ICO Coffee Profile - Viet Nam, 2019*.

Second, the weak coffee processing capacity and weak brands. Although Viet Nam is the world's second largest coffee exporter, the EU consumers, including Danes, have little or no knowledge of Vietnamese coffee brands. Over 90 percent of Vietnamese coffee is processed and packaged under the brands of other countries. Vietnamese coffee exports are mainly marketed and sold under foreign trademarks, *e.g.*, Nescafé (belonging to Nestlé, Switzerland). Therefore, a Vietnamese coffee brand(s) has not yet materialized on international markets. The lack of brand recognition impacts negatively on the export of Vietnamese coffee. Vietnamese enterprises export mainly green coffee beans, and *standard coffees* mostly directed to the world's instant coffee market.¹¹¹ Consequently, Vietnamese coffee image is missing as part of sales and export promotion.

Table No.12. Some Coffee Trademarks Known in Viet Nam

Trung Nguyên	Dakmak	Legend Revived	Hello 5	Trường Sơn Coffee
Anh Coffee	Farm World Coffee	Lamant Coffee	Honee Coffee	Real Bean Coffee
Anni Coffee	Lion Coffee	Folliet	BonCafé	Café RuNam

Recently, a number of Vietnamese coffee enterprises have become aware of the importance of trademarks and registered them in foreign countries, *e.g.*, the trademarks 'Trung Nguyên', 'G7' (belonging to Trung Nguyên) and Vinacafe.¹¹² 'Coffee beans Buôn Ma Thuật' - recognized now as a geographical indication protected by the EVFTA¹¹³ - was illegally registered in China by a Chinese enterprise from 2010 to 2012.¹¹⁴

iv) Response to the Challenges

In 2014, Viet Nam's Government released *Viet Nam Sustainable Coffee Plan up to 2020, and Vision toward 2030*. The Plan sets specific environmental instructions, including putting a cap on nation-wide coffee cultivation at 600,000 hectares, exploring water saving irrigation methods, as well as using environmentally friendly fertilizer and pesticide inputs that are safe for humans

¹¹¹ Centre for the Promotion of Imports from Developing Countries (CBI), Netherland's Ministry of Foreign Affairs (2020), *Entering the Scandinavian Market for Coffee*,

<https://www.cbi.eu/market-information/coffee/scandinavia/market-entry>, last updated on 15 January 2020.

¹¹² International Coffee Organization (2019), *ICO Coffee Profile - Viet Nam, 2019*.

¹¹³ Annex 12-A of the EVFTA, *List of Geographical Indications*, see at Official Journal of the European Union, L 186/1296, dated 12 June 2020, p. 1299.

¹¹⁴ INVESTONE, *Những bài học lớn về bảo hộ thương hiệu của doanh nghiệp Việt* (investone-law.com)

and the environment. Efforts are now directed towards improving the quality of premium coffee beans.¹¹⁵

Various farmers have introduced advanced agricultural production technology to obtain national and international certifications of coffee cultivation technology for sustainable development, such as 4C (Common Code for the Coffee Community), VietGAP (Vietnamese Good Agricultural Practices), UTZ (UTZ Certified), and RFA (Rainforest Alliance). By the end of 2019, according to *Global Coffee Platform*, 55 percent of the total coffee growing area of Viet Nam were certified by sustainable development initiatives.¹¹⁶

According to the survey conducted by Nguyen Thi Hoang Thuy,¹¹⁷ fifteen of the Vietnamese enterprises that responded the questionnaire confirmed that they had exported coffee to Denmark, with diverse products, such as *Arabica*, *Robusta*, green coffee beans, roasted coffee, standard and specialty, and organic coffee. Twenty four of the Vietnamese enterprises that responded to the questionnaire confirmed that they have international certificates. Seven of the Vietnamese enterprises that responded the questionnaire confirmed that they had imported coffee products from Denmark and were satisfied with the quality of products. All these enterprises are aware that Denmark is an important market for 'organic, eco-friendly, and fair trade coffees', which is expected to continue growing strongly for the coming years.¹¹⁸

2. How Can Vietnamese Coffee Enter the Danish Market?

i) How Is the End Market Segmented in Denmark?¹¹⁹

First, Market Segmentation by Quality (and Price)

¹¹⁵ International Coffee Organization (2019), *ICO Coffee Profile - Viet Nam, 2019*.

¹¹⁶ Global Coffee Platform (2022), *Vietnam - Global Coffee Platform*, accessed on 17 January 2022.

¹¹⁷ Survey Result compiled by Nguyen Thi Hoang Thuy dated 31 December 2021.

¹¹⁸ Euromonitor, *Coffee in Denmark*, see at <https://www.euromonitor.com/coffee-in-denmark/report>

¹¹⁹ Centre for the Promotion of Imports from Developing Countries (CBI), Netherland's Ministry of Foreign Affairs (2020), *Entering the Scandinavian Market for Coffee*,

<https://www.cbi.eu/market-information/coffee/scandinavia/market-entry>, last updated on 15 January 2020.

Chart No.2. Coffee End Market Segmentation by Quality (and Price)



Lower End Segment: This segment is in decline and lowest priced, but still maintains a large market share. Coffee on the low end of the market are mainly sold in supermarkets and through service channels, such as offices and universities. The largest retailer groups in Denmark are: Coop Denmark (which operates the stores of Kvickly, Brugsen, Fakta and Irma), and Salling Group (which includes the stores Netto, Føtex, Salling and Bilka).

Middle End Segment: Typically consists of *Arabica* and *Robusta* varieties in blends, such as high-quality *espresso*. The middle-end segment represents a stable and large coffee market. It is often sold in supermarkets and by the food service industry.

High End and Upper End Segment: High-quality coffee mainly consists of washed *Arabicas*. These coffees are often single origin and coffees with a background story. The upper end of this segment consists of specialty coffees of excellent quality, often from micro lots that go through innovative processing. These are mainly fully traceable and single origin *Arabica* beans with a cupping score of 85 and above. Long term contracts between suppliers and buyers characterize this segment, as well as higher paid prices. Buyer and supplier usually agree on projects for local communities and distribution of money to farmers. The high or upper end segment is a small market but is growing. These coffees are mainly sold directly by specialty roasters and specialized coffee houses, at their physical or online shops and at coffee events (e.g. the Danish Coffee Festival).

Second, Market Segmentation by at-home Consumption and out-of-home Consumption

At-home Consumption: Most coffee consumption in Denmark takes place at home. In 2018, retail sales in Denmark accounted for approximately 75 percent of the country's coffee volume sales. Capsules and pods have a relatively low market share in Denmark at four percent of all retail sales in 2018.

Out-of-home Consumption: Out-of-home consumption is growing also in Denmark, where consumers increasingly look for unique, high-quality coffee in coffee shops. Denmark showed the highest growth rate of new coffee shops in Europe in 2018, with an annual outlet growth of 14.5 percent. Out-of-home consumption had a 25 percent market share in 2018 in Denmark.

ii) Through What Channels Can Vietnamese Coffee Access Directly in the Danish Market?¹²⁰

All stakeholders, including importers, roasters, intermediaries / agents, can use different channels to bring Vietnamese coffee *directly* to the Danish market (*i.e.*, not via the re-exporting channels located in other EU countries). Entry points to the market varies according to the coffee quality and supply capacity.

Danish Importers

Importers play a vital role in the coffee market. In most cases, importers have long-standing relationships with their suppliers / exporters abroad and customers in Denmark and abroad. In general, importers either sell the green beans to roasters within Denmark or re-export them to other European buyers. *Large importers* usually have minimum quantity requirements starting at around 10 containers, covering a wide range of qualities, varieties and certifications. At the same time, they provide strong support on logistics, marketing, and financial operations. Examples of large importers in Denmark include *BKI* and *NAF Trading*. *Specialized importers* are able to buy smaller volumes of high-quality or single origin coffees.

Large importers in Denmark can buy Vietnamese green coffee beans with high volumes (10 containers or more). It would be convenient if these importers have agents or representative offices in Viet Nam, which can be the first point of contact. *Specialized importers* can work directly with Vietnamese producers if they have evidence of high cupping scores at least 80 or higher, although some Danish buyers may require scores higher than 85, plus sustainability certification, such as organic or fair trade coffee, or they are selling single origin coffee. According to *Quality Test Scores of New Robusta Varieties by Specialty Coffee Association*, some new *Robusta* varieties invented by Vietnamese researchers are scored over 80, such as the varieties TR11 and TR13

¹²⁰ Centre for the Promotion of Imports from Developing Countries (CBI), Netherland's Ministry of Foreign Affairs (2020), *Entering the Scandinavian Market for Coffee*,

<https://www.cbi.eu/market-information/coffee/scandinavia/market-entry>, last updated on 15 January 2020.

scored 81.25 and 81.75 respectively. Similarly, some new *Arabica* varieties are also scored over 80, such as the varieties TN1, TN6, and THA1 scored 80.75, 81.5 and 82 respectively.¹²¹

Danish Roasters

Most *large roasters* buy their own green coffee beans at the country of origin, although they might also source through *importers*. *Roasters* usually perform analysis and cup testing to check the evenness of the roast and to identify any defects that can occur in post-harvest processes, such as fermentation, drying and storage. *Large roasters* usually blend different qualities of green coffee beans to maintain quality constant. The final product is distributed to retailers and the food service industry. *Large roasters* can operate under their own brands or private labels. An example of private label coffee roaster in Denmark is *Impact Roasters*. *Large roasters* can work only with large suppliers who are able to supply large volumes at consistent quality.

Even though *small roasters* mostly source their green coffee beans from *importers* that also help with finance services, quality control and logistics, a growing number of *smaller roasters* imports green coffee beans directly from origin. *Small roasters* are often specialized in certain high-quality blends and single origins. However, not all *small roasters* are able to sustain direct trade relations, since they have to take on additional responsibilities which are usually outsourced to traders, such as logistics, documentation and pre-financing. Therefore, many *small roasters* continue to buy via *importers*, but still maintain direct connection with their producers. Examples of *small roasters* in Denmark directly importing coffee include *La Cabra Coffee Roasters* and *Coffee Collective*. *Small roasters* can work with Vietnamese suppliers who have high-quality coffees, micro lots, sustainability certification and if they are willing to engage in long-term partnerships.

Intermediaries / Agents

Agents act as *intermediaries* between coffee *exporters*, coffee *importers* and *roasters*. An *agent* has the knowledge to evaluate and select interested sellers and buyers. *Agents* can play a very important role if Vietnamese *exporters* have limited experience exporting to Denmark, or they have limited quantities of non-specialty coffee, or they lack financial and logistical resources to carry out trade activities, or they need a trusted and reputable Danish partner within the coffee sector.

3. Is It Feasible for Vietnamese Coffee to Compete in Danish Market under the EVFTA Support?

¹²¹ International Coffee Organization (2019), *ICO Coffee Profile - Viet Nam, 2019*, p. 11; and Western Agroforestry and Scientific Institute in Dak Lak (WASI), 2018.

i) Coffee in Denmark

The Scandinavian countries import relatively high volumes of *Arabica* and low volumes of *Robusta*, which is the main coffee exported from Viet Nam. In 2020, Sweden and Norway import very low volumes of *Robusta* from Viet Nam, with one percent and 0.47 percent of total coffee imports respectively. But Denmark sourced approximately one percent of its total coffee imports from Viet Nam, amounting to 1,576 tons. Sweden imported approximately 3,181 tons, and Norway 463 tons from Viet Nam that year. Norwegian, Danish, and Swedish imports from Viet Nam went down -25, -10, and -3 percent respectively between 2016 and 2020.¹²²

Table No.13. Main Green Coffee Beans Suppliers to Denmark in 2020¹²³

Supplier	Quantity
Germany	27.7 percent
Sweden	27.1 percent
Poland	7 percent
Netherlands	4.4 percent
Viet Nam	1.4 percent
Others	32.4 percent

In 2020, Denmark exported USD 58.3 million worth of coffee, making it the 41st largest exporting country of coffee in the world. Coffee was the 259th most exported product in Denmark. The main destination of coffee exported was Sweden, Norway, Iceland, Germany, and the US. In the same year, Denmark imported USD 172.87 million in coffee, becoming the 31st largest importing country of coffee in the world. Coffee was the 136th most imported product in Denmark. Denmark imported coffee primarily from Germany (27.7 percent), Sweden (27.1 percent), Poland (7 percent), Brazil (5.4 percent), and the Netherlands (4.4 percent). Denmark imported only USD 2.5 million in coffee from Viet Nam (representing 1.4 percent of the value of coffee imported by Denmark).¹²⁴ The Vietnamese coffee that Denmark imported was mainly

¹²² International Trade Centre (2021).

¹²³ International Trade Centre (2021).

¹²⁴ International Trade Centre (2021).

unroasted and not decaffeinated.¹²⁵ However, Vietnamese coffee have possibly entered the Danish market via re-export from other EU countries (such as Germany, the Netherlands, etc.).

Table No.14. Denmark's Top 5 Coffee Export and Import Partners in 2020

Country Importing from Denmark	Country Exporting to Denmark
Sweden	Germany
Norway	Sweden
Iceland	Poland
Germany	Brazil
Norway	Poland

ii) What Is Robusta Coffee Used for?¹²⁶

First, Robusta is best used for decaf coffee. Since *Robusta* is a harsh tasting bean with the highest caffeine content (2.7 percent), it can be used for decaf without losing all coffee taste, while decaf *Arabica* beans (with a caffeine content of 1.5 percent) would lose most of their taste. Even if the decaf process is expensive, it is much cheaper to use *Robusta* beans instead of more expensive *Arabica* beans.

Second, Robusta is used for instant coffee. This is because instant coffee needs to retain some flavor, which *Arabica* would lose in the process of making instant coffee.

Third, Robusta is used for Arabica blends. A pure *Arabica* can be a bit underwhelming, especially if it's an *Arabica* coffee with milk and sugar. This is why a hint of *Robusta* will help. Many coffee blends contain some *Robusta*, though not all mention exactly how much. What *Robusta* does in a blend is balance out the good flavor of *Arabica* with more caffeine taste. A pure *Robusta* would be too harsh to drink in a hot brew. But a blend of e.g., 30 percent *Robusta* and 70 percent *Arabica* would please most people. In addition, *Robusta* beans produce a thicker crema on the *espresso* coffee. Better quality *Robusta* are in some *espresso* blends.

Fourth, cold brewed Robusta for iced drinks turns out better. Cold brewing extracts nutrients and flavor very differently than a hot brew. This means less acidity, and more sweetness. The flavors in *Robusta* coffee will be much easier to observe in a cold brew. Certainly,

¹²⁵ OEC, Coffee, not roasted, not decaffeinated in Denmark | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

¹²⁶ See at <https://coffeeandteacorner.com/what-is-robusta-used/>

coffee connoisseurs the world over know the taste of *cà phê sữa đá* (iced milk coffee) - a well-known Vietnamese style coffee, and *Affogato* - an Italian delicacy of coffee-based dessert or drink. Both such delicious cold drinks should be made with strong coffee, and the most suitable coffee is *Robusta*.

iii) The EVFTA Supports Vietnamese Coffee

Table No.15.

Comparison of Import Duty Rates of Coffees Exporting from Countries to the EU from 01 August 2020

Coffee Code	Brazilian Coffee	Vietnamese Coffee
090111	0%	0%
090112	8.3%	
090121	7.5%	
090122	9%	

Source: Compilation by Nguyen Thi Hoang Thuy.

As of 01 August 2020 (the day where the EVFTA becomes effective), the EU's importers, including the Danish importers, can import several types of Vietnamese coffee with import duty rates of zero percent, *i.e.*, at the most competitive prices. Besides, the EVFTA protects the geographical indication for '*coffee beans Buôn Ma Thuật*' in the EU's market, including Denmark.

4. GVC Upgrading for Vietnamese Coffee - Opportunities for both Danish and Vietnamese Enterprises

The coffee GVC encompasses a range of activities that create and shape the value of coffee from research, cultivation, collection, processing, marketing, and distribution. GVC analysis is a useful tool in assessing the level of competition, role, and position of each country in the GVC, thereby providing appropriate trade strategies to enhance the advantages of each country. Countries can participate in the coffee GVC in one, two, or three levels – low-added value, average-added value, and high-added value.¹²⁷

Low-added Value Level: Cultivation, Collection and Preliminary Processing

¹²⁷ Thang Thi Hong Nhung *et al.* (2019), 'Vietnam's Participation in the Global Coffee Value Chain', *International Journal of Economics, Commerce and Management*, United Kingdom, Vol. VII, Issue 12, December 2019.

In the *cultivation* level, Viet Nam's coffee has a high position in the GVC. Viet Nam is currently the world's leading country in producing *Robusta* coffee and second in total coffee production in the world, in term of volume, just behind Brazil. However, currently, Viet Nam is only involved mainly in low-added value level such as *cultivation*, *collection*, and *preliminary processing*, which negatively affects the development of the coffee industry in the future.

Average-added Value Level: Processing. In Viet Nam, only some enterprises invest in the *deep processing* such as VINACAFE, Trung Nguyen and Nescafe (belonging to Nestle). The processing capacity of *instant coffee* and *roasted coffee* remains low.¹²⁸

High-added Value Level: Research and Development (R&D), Distribution, and Marketing.

Generally, major *processors* usually distribute their blended coffee through wholesale channels, and supply coffee to restaurants, hotels, airports, and supermarkets. Coffee *roasters* and *processors* have their distribution systems that ensure their products are always available in the consumption market. Besides, there are also trading enterprises selling finished products with their own trademarks. In Viet Nam, the percentage of deep processed and high-value added coffee accounts for only 10 percent of total green coffee output, while raw coffee exports account for 90 percent.¹²⁹

Box No.2. Nestlé and Sustainable Coffee in Viet Nam

Nestlé, a large coffee player, as of 2021, owns four factories in Viet Nam, where it produces its *Nescafé soluble coffee brand*.

Nestlé established a subsidiary, Nestlé Vietnam Co., Ltd., in 1995. Nestlé continuously expanded its investment and diversified its products. As of 2021, Nestlé's total investment in Viet Nam reached USD 730 million, employing 2,200 employees, operating four factories and two distribution centers. In which, three factories are operating in Dong Nai province and one factory in Hung Yen province. Every year, Nestlé accompanies Vietnamese coffee farmers to practice sustainable farming and bring into the rural economy USD 700 million through sustainable coffee purchasing. Nestlé is one of the pioneering FIEs contributing to Viet Nam's sustainable and inclusive growth.

*Source: Interview with General Director of Nestlé Viet Nam Binu Jacob at the Seminar 'COVID-19 and FDI: Impacts and Prospects' organized by the Government Portal in the afternoon of 27 September 2021.*¹³⁰

Nestle's products made in Viet Nam were exported to Philippines, Thailand, Cambodia and South Korea.¹³¹ Another example of successful coffee business in Viet Nam: in 2017, Boncafé,

¹²⁸ Thang Thi Hong Nhung et al. (2019), 'Vietnam's Participation in the Global Coffee Value Chain', *International Journal of Economics, Commerce and Management*, United Kingdom, Vol. VII, Issue 12, December 2019.

¹²⁹ Thang Thi Hong Nhung et al. (2019), 'Vietnam's Participation in the Global Coffee Value Chain', *International Journal of Economics, Commerce and Management*, United Kingdom, Vol. VII, Issue 12, December 2019.

¹³⁰ Government of Viet Nam, www.chinhphu.vn, *Sẵn sàng đoàn kết, chia sẻ khó khăn để cùng vượt qua đại dịch COVID-19 (Ready to Unite and Share Difficulties to Overcome the COVID-19 Pandemic)*, 06:20 PM, 27 September 2021.

¹³¹ Vietnamcredit, [VIETNAM'S TOP 10 BEVERAGE COMPANIES \(vietnamcredit.com.vn\)](http://VIETNAM'S TOP 10 BEVERAGE COMPANIES (vietnamcredit.com.vn))

a producer of gourmet café, opened its first showroom in Ho Chi Minh City alongside a hi-tech factory producing and exporting coffee in Binh Duong City.¹³²

The Danish enterprises also can invest in business plans with Vietnamese partners, who are in need of technology upgrades and regulatory compliance with the EU home markets. *E.g.*

- Sustainable production.

Harvesting is one of the important stages and affects the quality of the coffee. Harvesting and drying methods directly affect the quality of the beans. Besides, coffee processing methods such as wet and semi-dry processing also have different impacts on coffee quality. Each processing method will bring different flavors of coffee. Danish enterprises can invest in business plans with Vietnamese partners to produce organic and high-quality coffee, *i.e.*, cultivation, collecting, processing (roasting) with smart agricultural practices.

- R&D, including the research for *Arabica* development.
- Distribution, marketing, exporting.
- Building and developing a system of coffee logistics services (*e.g.*, sea transportation, insurance, warehouses).
- Investing in supporting industries to coffee production, *e.g.*, production of organic fertilizer and plant protection products. Danish enterprises also have opportunities to export these products to Vietnamese partners.

Box No.3. SiccaDania in Viet Nam¹³³

In Viet Nam, SiccaDania (Danish enterprise) has cooperated with DEVEX, a German enterprise, to provide processing equipment that turn extracts from local coffee beans into instant coffee powder.

Our technology is giving a boost to Viet Nam's coffee industry. The EU-Viet Nam Free Trade Agreement will enable us to further develop our strong and competitive position in our sector in Viet Nam.

Christine Holt, Director of Global Sales and Marketing, SiccaDania.

III. Vietnamese Shrimps and Prawns

This section is divided into four topics: *first*, a description of the shrimps and prawns trade globally and in Viet Nam; *second*, a discussion of how Vietnamese shrimps and prawns might enter the Danish market; *third*, a discussion of the feasibility for Vietnamese shrimps and prawns

¹³² [Homepage - Boncafé Vietnam \(boncafe.com.vn\)](http://boncafe.com.vn)

¹³³ EU, [SiccaDania \(europa.eu\)](http://siccadania.europa.eu)

to compete in the Danish market under the EVFTA conditions; and *fourth*, how upgrading Vietnamese shrimps and prawns in the GVC can offer opportunities for both Danish and Vietnamese enterprises in coming years.



1. Shrimps and Prawns in the World and in Viet Nam

i) Shrimps and Prawns in the World

Generally, worldwide consumers' awareness of the difference between Coldwater Shrimp (CWS) and Warm Water Shrimp (WWS) is non-existent or very low. CWS is typically *pandalus borealis* caught in Greenland, Canada, Norway, Iceland, and the Faeroe Islands. While WWS is typically black tiger prawn (*penaeus monodon*) and *Vannamei* shrimp (*litopenaeus vannamei*) caught in Ecuador, Argentina, India, Viet Nam, Thailand, Indonesia, among others.

The Observatory of Economic Complexity (OEC) divides the shrimps and prawns markets into two categories as follows:

First, frozen shrimps and prawns were the world's 137th most traded product, with a total trade value of USD 19.5 billion in 2019. The world's top 5 exporting countries were India (USD 4.63 billion), Ecuador (USD 3.89 billion), Viet Nam (USD 2.03 billion), Indonesia (USD 1.28 billion),

and Argentina (USD 1.07 billion). The world's top 5 importing countries were China, the US, Japan, Spain, and France.¹³⁴

Table No.16. The World's Top 5 Exporting and Importing Countries: Frozen Shrimps and Prawns

Top 5 Exporting Countries	Top 5 Importing Countries
India	China
Ecuador	US
Viet Nam	Japan
Indonesia	Spain
Argentina	France

Second, prepared and preserved shrimps and prawns were the world's 517th most traded product, with a total trade value of USD 6.22 billion in 2019. The world's top 5 exporting countries were Viet Nam (USD 1.32 billion), Thailand (USD 993 million), China (USD 943 million), Indonesia (USD 458 million), and Netherland (USD 422 million). The world's top 5 importing countries were the US (USD 1.45 billion), Japan (USD 723 million), the UK (USD 343 million), Germany (USD 338 million), and Denmark (USD 280 million).¹³⁵

Table No.17.

The World's Top 5 Exporting and Importing Countries: Prepared and Preserved Shrimps and Prawns

Top 5 Exporting Countries	Top 5 Importing Countries
Viet Nam	US
Thailand	Japan
China	UK
Indonesia	Germany

¹³⁴ OEC (2021), Shrimps and prawns, frozen (HS: 030613) Product Trade, Exporters and Importers | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

¹³⁵ OEC (2021), Shrimps and prawns, prepared or preserved (HS: 160520) Product Trade, Exporters and Importers | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

Netherland	Denmark
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ii) Shrimps and Prawns in Viet Nam

Viet Nam has more than 600,000 hectares of shrimps farming with two species of black tiger shrimp and white leg shrimp with an output of 300,000 tons per year. The main farming areas are concentrated in the Mekong Delta provinces, which account for 95 percent of shrimps production and are also the hub of shrimps processing factories. The 5 provinces with the largest shrimps farming area include Ca Mau, Bac Lieu, Soc Trang, Ben Tre and Kien Giang.¹³⁶

The shrimps and prawns industry has played an important role in Viet Nam's seafood exports during the past two decades. Every year, this industry contributes approximately 40-45 percent of the total seafood export value, which is worth USD 3.5-4 billion. Currently, Vietnamese shrimps and prawns are exported to approximately 100 countries, of which the 5 largest markets include the US, Japan, the EU, China, and Republic of Korea.¹³⁷

Table No.18. Five Largest Seafood Export Markets of Viet Nam in 2021

(Source: Compiled and Calculated by Nguyen Thi Hoang Thuy Based on the Viet Nam's General Customs' Data)

No.	Market	The Share of Total Export Value (Percent)	Total Export Value (USD billion)
1	US	23.1	2.05
2	Japan	15.0	1.33
3	EU	11.5	1.02
4	China	11.0	0.98
5	Republic of Korea	9.1	0.81

Before 2015, Viet Nam used to be the world's largest shrimps and prawns exporter, but the acceleration of India since 2015 and the breakthrough of Ecuador since 2018 have caused Viet Nam's exports to face strong competition and fall down to the 3rd position. In recent years,

¹³⁶ VASEP (2021), *Report on the Shrimps and Prawns Industry for 2016-2021 and Forecast to 2025*.

¹³⁷ VASEP (2021), *Report on the Shrimps and Prawns Industry for 2016-2021 and Forecast to 2025*.

shrimps and prawns have increasingly accounted for a larger share of the total seafood export value of Viet Nam.¹³⁸

In 2021, the Viet Nam's export value of shrimps of all kinds to the EU was USD 613 million (out of the total USD 3.9 billion of global export value). Regarding *frozen shrimps and prawns*, Viet Nam exported USD 2.03 billion (worth 10.04 percent), and imported USD 590 million (worth 3.02 percent) worldwide.¹³⁹ Regarding *prepared and preserved shrimps and prawns*, Viet Nam exported USD 1.32 billion (worth 21.2 percent), and imported USD 33.6 million (worth 0.54 percent).¹⁴⁰

Table No.19. Viet Nam's Export and Import Values of Shrimps and Prawns in 2021

	Export Value (USD Million)	Import Value (USD Million)
Frozen Shrimps and Prawns	2,030.0	590.0
Prepared and Preserved Shrimps and Prawns	1,320.0	33.6
All kinds - worldwide	3,350.0	623.6
EU	613.0	

2. How Can Vietnamese Shrimps and Prawns Get in the Danish Market?

The Danish fish and seafood market is very dynamic. Even if Denmark exports large volumes of products from this category, it is also a major importer. Shrimps and prawns imports are seeing a significant increase.

In 2019, regarding *frozen shrimps and prawns*, Denmark exported USD 320 million (worth 1.64 percent), and imported USD 276 million (worth 1.41 percent) worldwide.¹⁴¹ Regarding *prepared and preserved shrimps and prawns*, Denmark exported USD 269 million (worth 4.32 percent), and imported USD 280 million (worth 4.5 percent).¹⁴²

¹³⁸ VASEP (2021), *Report on the Shrimps and Prawns Industry for 2016-2021 and Forecast to 2025*.

¹³⁹ OEC (2021), *Shrimps and prawns, frozen (HS: 030613) Product Trade, Exporters and Importers* | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

¹⁴⁰ OEC (2021), *Shrimps and prawns, prepared or preserved (HS: 160520) Product Trade, Exporters and Importers* | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

¹⁴¹ OEC (2021), *Shrimps and prawns, frozen (HS: 030613) Product Trade, Exporters and Importers* | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

¹⁴² OEC (2021), *Shrimps and prawns, prepared or preserved (HS: 160520) Product Trade, Exporters and Importers* | OEC - The Observatory of Economic Complexity, accessed on 29 November 2021.

Traditionally, Denmark is mainly a market for CWS. However, the retail sector is experiencing an increasing demand for WWS. Therefore, the trend of import of CWS decreases while that of WWS increases. The downward tendency in catches of CWS compared with WWS have reduced their market share and raised the prices of CWS in retail markets. Part of the explanation for the development in the market is a reduction in the catch of CWS and the expansion of WWS aquaculture production in Asia and South America. At the same time, change in the population's ethnic composition may have an effect on the consumption of CWS. Denmark (together with other Scandinavian countries) is still a stronghold in a good awareness of sustainable trade. The product certification plays a central role in the market for shrimps and prawns. The trends in the Danish market for shrimps and prawns are composed of different drivers with a focus on sustainable trade, eco-friendly certification, demographic change, and price.¹⁴³

The consumption of shrimps and prawns by the domestic Danish market is relatively small compared with the high level at which shrimps of all kinds are traded and processed. Traditionally, Danish seafood traders import shrimps and prawns from Greenland and Canada and re-distribute (re-export) them to the end-user markets in Europe, Russia and China. Denmark, therefore, appears as a big shrimps and prawns exporter. However, the bulk of this is imported, processed and then re-exported.¹⁴⁴

Denmark imports all types of shrimps, including *frozen*, *chilled*, and *processed* CWS and WWS.¹⁴⁵ Danish imports of *frozen* CWS products originate mainly from Greenland, Canada, and Faeroe Islands. Danish imports of *frozen* WWS are primarily of the genus *Penaeus* (HS 03061350) originating mainly from Viet Nam and Bangladesh. The two dominant *processed* shrimps products coming from Greenland and Canada are HS 16052099 and HS 16052010, thus mainly CWS.¹⁴⁶

Cat tiger shrimps (*Parapenaeopsis sculptilis*) are farmed in Viet Nam. Various names are used interchangeably as well, such as small black tiger shrimps (*Penaeus monodon*). The cat tiger shrimps are good in brine because the texture of the meat resembles that of CWS. Its flavor is very neutral, therefore it can be manipulated with salt, sugar and sorbitol to give the taste of CWS in brine. The cat tiger shrimps are usually hand peeled, which makes it a less damaged and broken product.¹⁴⁷ This Vietnamese shrimp products can be a good choice for CWS substitution.

¹⁴³ FAO, GLOBEFISH, GEMBA Seafood Consulting (2012), *The European Market for Shrimp: Trade Interactions in the Import of Warmwater and Coldwater Shrimp to the Main European Shrimp Markets*, pp. 1, 7 and 11.

¹⁴⁴ FAO, GLOBEFISH, GEMBA Seafood Consulting (2012), *The European Market for Shrimp: Trade Interactions in the Import of Warmwater and Coldwater Shrimp to the Main European Shrimp Markets*, p. 28.

¹⁴⁵ FAO, GLOBEFISH, GEMBA Seafood Consulting (2012), *The European Market for Shrimp: Trade Interactions in the Import of Warmwater and Coldwater Shrimp to the Main European Shrimp Markets*, p. 28.

¹⁴⁶ FAO, GLOBEFISH, GEMBA Seafood Consulting (2012), *The European Market for Shrimp: Trade Interactions in the Import of Warmwater and Coldwater Shrimp to the Main European Shrimp Markets*, p. 30.

¹⁴⁷ FAO, GLOBEFISH, GEMBA Seafood Consulting (2012), *The European Market for Shrimp: Trade Interactions in the Import of Warmwater and Coldwater Shrimp to the Main European Shrimp Markets*, p. 31.

According to the survey conducted by Nguyen Thi Hoang Thuy,¹⁴⁸ nine of the Vietnamese enterprises that responded the questionnaire confirmed that they have exported shrimps and prawns to Denmark, in the form of diverse products, such as wild shrimps, frozen black tiger shrimps, frozen Vannamei shrimps, eco-shrimps, lobsters, prepared and preserved shrimps, etc. Fifteen of the Vietnamese enterprises that responded to the questionnaire confirm that they are holder of international certificates (e.g., BAP, Global G.A.P, ASC, Naturland). Interviewees (i.e., Vietnamese enterprises) generally expressed an interest in the Danish shrimps and prawns market.

International Certificates for Vietnamese Shrimps and Prawns¹⁴⁹



3. Is It Feasible for Vietnamese Shrimps and Prawns to Compete in Danish Market under the EVFTA Support?

In October 2017, the EU issued an ‘Yellow Card’ to Viet Nam, raising the prospect of a possible ban on seafood imports unless Viet Nam took action to tackle *Illegal, Unregulated and Unreported (IUU)* fishing. This ‘Yellow Card’, which is in effect a warning, also came with nine areas that Viet Nam should address, in order to have the Card removed. These include changes

¹⁴⁸ Survey Results compiled by Nguyen Thi Hoang Thuy dated 31 December 2021.

¹⁴⁹ VASEP, Tổng quan ngành tôm (vasep.com.vn)

to the legal framework to bring it into line with international rules on conservation and management of fisheries, and ensuring the effective implementation of enforcement measures and sanctions. The EU's 'Yellow Card', and the potential damage to the reputation of Viet Nam's seafood in international markets, prompted Viet Nam's Government and the fisheries sector to act. IUU education campaigns have raised awareness among fishermen, there is greater recording and oversight of where fish are caught, and new legislation has been passed introducing strict sanctions for IUU fishing. However, it is not simple or easy. Viet Nam has a coastline of over 3,000 km and over 100,000 fishing vessels, most of which are small boats. The Government is working hard to fit tracking equipment to all these vessels, but this is a time-consuming and cost-intensive process. The EU's 'Yellow Card' has hurt business, but Vietnamese side sees huge opportunities to raise their standards.¹⁵⁰

In accordance with the *Law on Fisheries* of 2017, Viet Nam took concrete steps in the fight against IUU fishing.¹⁵¹ A national committee was established in May 2019 to coordinate efforts by central agencies and local authorities to combat IUU fishing. Coastal towns and provinces established their own anti-IUU units to supervise fishing activities. Fishing boats using seaports must file reports on their cargoes, origin of product, and ships' logs. Viet Nam is improving its legal framework, and trackers are installed on boats to monitor seafood product origin and enforce maritime law.

Viet Nam is a member of several international and regional organizations involved in fisheries and aquaculture, including FAO and the Asia-Pacific Fishery Commission, which is an FAO Article XIV Regional Fisheries Body. Viet Nam is also a member of the Southeast Asian Fisheries Development Center, the Network of Aquaculture Centres in Asia-Pacific, and the Mekong River Commission. It is also a cooperating non-member of the Western and Central Pacific Fisheries Commission to improve the monitoring and management of the tuna catches in Viet Nam and to contribute to reducing IUU fishing.

It should be noted that capture fishery is directly impacted by the IUU regulations and carding process, while aquaculture shrimps and prawns are not the direct target of the 'Yellow Card'. The products of shrimps and prawns will not be missing the opportunities to take advantage of the EVFTA's preferential tariff rates. To date, there are approximately 200 shrimps processing plants approved by the European Commission with periodic field inspections in Viet Nam,¹⁵² and quite a lot of Vietnamese shrimps producers hold ASC certificate.

Table No.20. The EU's Commitment on Import Tariff Rates – Shrimps and Prawns
(with HS Codes of 03061710, 03061791, 03061792, 03061793)

	Base Tariff Rate	GSP Tariff Rate	EVFTA Tariff Rate

¹⁵⁰ MOIT (2019), *Viet Nam's Import - Export Report 2019*, p. 113.

¹⁵¹ MARD, *VN Adopts EU Recommendations to Combat IUU Fishing*, see at <https://www.mard.gov.vn/en/Pages/vn-adopts-eu-recommendations-to-combat-iuu-fishing.aspx>.

¹⁵² VASEP, *Tổng quan ngành tôm* (vasep.com.vn)

VIET NAM			0%
Thailand	12%		
India		4.20%	
Indonesia		4.20%	

Source: compiled by Nguyen Thi Hoang Thuy.

Vietnamese Shrimps and Prawns Products Found in *Super Brugsen* (Danish Supermarket)



4. GVC Upgrading for Vietnamese Shrimps and Prawns - Opportunities for Both Danish and Vietnamese Enterprises

The following example shows that Danish enterprises can use the merge and acquisition (M&A) mode to enter the Vietnamese market. It is concurrently a good opportunity for the Vietnamese shrimps industry to upgrade in the shrimps GVC.

Box No.4. An Example of Opportunities for Shrimps and Prawns GVC Upgrading¹⁵³

¹⁵³ Hanoitimes, <http://hanoitimes.vn/danish-feed-company-takes-major-share-in-vietnam-shrimp-manufacturer-316518.html>

In 2020, Viet-Uc Seafood Corporation launched a high-tech shrimps farm in the northern province of Quang Ninh (Viet Nam), and currently operates 8 other hatchery facilities in the southern and central regions. Last year, BioMar, the Denmark-headquartered feed company, signed a Memorandum of Understanding with Viet-Uc Seafood aiming at establishing a partnership on aquafeed production in Viet Nam, which will help Viet Nam's shrimps production be clean and traceable. Now, BioMar has acquired a majority share in the Vietnamese Viet-Uc Seafood Corporation.

IV. Vietnamese Rice

This section is divided into four topics: *first*, a description of the rice trading landscape globally and in Viet Nam; *second*, a discussion of how Vietnamese rice might enter the Danish market?; *third*, a discussion of the feasibility for Vietnamese rice to compete in the Danish market under the EVFTA conditions; and *fourth*, how upgrading Vietnamese rice in the GVC can offer opportunities for both Danish and Vietnamese enterprises in coming years.



1. Rice in the World and Rice in Viet Nam

i) Rice in the World

Rice is the most widely consumed staple food for over half of the world's human population, especially in Asia and Africa. It is the agricultural commodity with the third-highest worldwide production, after sugarcane and maize. There are many varieties of rice and culinary preferences tend to vary regionally. Rice can be grown practically anywhere, even on a steep hill or mountain area with the use of water-controlling terrace systems. Although rice species are native to Asia and certain parts of Africa, centuries of trade have made it commonplace in many cultures worldwide. More than 90 percent of the world's rice is grown in Asia, mainly in China, India, Indonesia, and Bangladesh, with smaller amounts grown in Japan, Pakistan, and various Southeast Asian countries. Rice is also cultivated in parts of Europe, North and South America, and Australia. With the exception of the type called *upland rice*, the rice plant is grown on submerged land in the coastal plains, tidal deltas, and river basins of tropical, semi-tropical, and temperate regions.¹⁵⁴

There are many criteria of categorizing the over 40,000 rice varieties are cultivated in the world.¹⁵⁵ Based on the *processing methods*, rice is classified as white rice, brown rice, red cargo rice, parboiled rice, broken rice, and others. Based on the *varieties*, rice is typically classified as long-, medium-, and short-grain rice. Based on the *stickiness*, rice is classified as glutinous (also known as sweet rice) and non-glutinous rice. Based on the *fragrance*, rice is classified as aromatic and non-aromatic rice. Well-known rice types in the world include:¹⁵⁶

- *Arborio* rice, which is the natively Italian medium-grain and sticky rice used for dishes like *risotto* and rice pudding.
- *Basmati* rice, which is the long-grain and aromatic rice commonly found in India and Pakistan and used for dishes like saffron or curries rice.
- *Jasmine* rice, which is originally cultivated in Thailand and Viet Nam and it is similar to *Basmati* rice, but slightly sticky while cooking, used for boiling and steamed rice, stir-fried rice.
- *Sushi* rice, which is the short-grain and extremely sticky Japanese rice used for *sushi* dish.
- *Rosematta* rice, which is the medium-grain rice that is native to India.
- *Valencia* rice, which is the natively Spanish medium-short-grain rice and also known by various other names including *pearl* rice or *round* rice, used for *paella* dish.

Specialty rice can be defined as rice with different grain shape, size, color, chemical composition, nutritional content and cooking characteristics than the common long-, medium-

¹⁵⁴ FAO, Corporate Statistical Database (FAOSTAT) (2020); International Rice Research Institute (IRRI) (2004), [IRRI rice knowledge bank](#); Britanica (2021), [rice | Description, History, Cultivation, & Uses | Britannica](#)

¹⁵⁵ Rice Association (2018), ["Varieties - Rice Association"](#).

¹⁵⁶ Fine Cooking (2008), ["Guide to Rice"](#); Centre for the Promotion of Imports from Developing Countries (CBI), Netherland's Ministry of Foreign Affairs, (2021), [The European Market Potential for Specialty Rice](#), 15 September 2021; [12 Different Types of Rice - What's Your Favorite? - Home Stratosphere](#)

or short-grain types. *Specialty* rice varieties include aromatic rice such as *basmati* and *jasmine* rice, glutinous rice used for *risotto*, *sushi* or *paella* and colored rice. Additionally, wild rice (*Zizania aquatica*), which is actually a water grass seed, is also consumed.¹⁵⁷

Other uses and by-products of rice are *e.g.*, instant rice, rice flour, rice milk, rice oil, rice noodle, rice cake, etc.

In European trade statistics, different rice varieties are not differentiated. The trade codes are mainly based on different processed rice products: unprocessed (paddy rice), brown rice (husked), white rice (milled) and broken rice. Husked and milled rice are the most important types for the *specialty* rice trade.¹⁵⁸

Table No.21. Product Codes in the Harmonised System (HS) Used for Trade Statistics

1006	RICE
100610	Paddy rice (includes the inedible husk)
100620	Brown rice (husked)
100630	White rice (semi-milled, wholly-milled, whether or not polished or glazed)
100640	Broken rice

The global rice trade is a small fraction of the world trade. Many countries consider rice as a strategic food staple, and various governments subject its trade to a wide range of controls and interventions. Developing countries are the main players in the world rice trade, accounting for 83 percent of exports and 85 percent of imports. While there are numerous rice importing countries, the number of exporting countries is limited. In 2020, rice was the world's 154th most traded product, with a total trade of USD 31.4 billion. The world's top 5 rice exporting countries were India (USD 8.0 billion), Thailand (USD 3.69 billion), Viet Nam (USD 2.79 billion), Pakistan (USD 2.1 billion), and the US (USD 1.88 billion). The world's top 5 rice importing countries were China (USD 1.46 billion), Saudi Arabia (USD 1.40 billion), Iran (USD 0.89 billion), Philippines (USD 0.86 billion), and Cote d'Ivoire (USD 0.83 billion).¹⁵⁹

Table No.22. The World's Top 5 Rice Exporting and Importing Countries in 2020

Exporting Country	Importing Country
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¹⁵⁷ Centre for the Promotion of Imports from Developing Countries (CBI), Netherland's Ministry of Foreign Affairs, (2021), *The European Market Potential for Specialty Rice*, 15 September 2021.

¹⁵⁸ Centre for the Promotion of Imports from Developing Countries (CBI), Netherland's Ministry of Foreign Affairs, (2021), *The European Market Potential for Specialty Rice*, 15 September 2021.

¹⁵⁹ OEC (2021), Rice (HS: 1006) Product Trade, Exporters and Importers | OEC - The Observatory of Economic Complexity

India	China
Thailand	Saudi Arabia
Viet Nam	Iran
Pakistan	Philippines
US	Cote d'Ivoire

ii) Rice in Viet Nam

Viet Nam's land area of 33 million hectares has three ecosystems that determine rice cultivation. These are the southern delta (with its Mekong Delta dominating rice coverage of 60 percent), the northern delta (the tropical monsoon area with cold winters - 32 percent), and the highlands of the north (with *upland rice* varieties of 8 percent).¹⁶⁰

Rice is the fundamental diet of Vietnamese people. All three meals in a day consists of rice as part of a main course. If rice is not served, then it's not a meal, but a snack. There are many types of rice in Viet Nam, such as white rice, brown rice, *jasmine* rice, glutinous rice (*gạo nếp*), broken rice (*tấm*), among others. In 2019, Viet Nam's *ST 25 Rice* was awarded as the World's Best Rice.¹⁶¹

¹⁶⁰ FAO Corporate Document Repository (2010), "[*Bridging the Rice Yield Gap in Vietnam – Bui Ba Bong*](#)"

¹⁶¹ The Diplomat, Akhilesh Pillalamarri (2021), [*Vietnam's Battle to Market Its Prized Rice – The Diplomat*](#)

Le riz ST25 du Vietnam, "Meilleur riz au monde en 2019"

La variété de riz ST25 a été créée par l'équipe de production de riz de haute qualité de Soc Trang



Ho Quang Cua



Tran Tan Phuong



Nguyen Thi Thu Huong

LA VARIÉTÉ DE RIZ ST25

créée par l'équipe de production de riz de haute qualité de Soc Trang

Variété à haut rendement

Résistante aux maladies

Résistante à la salinité

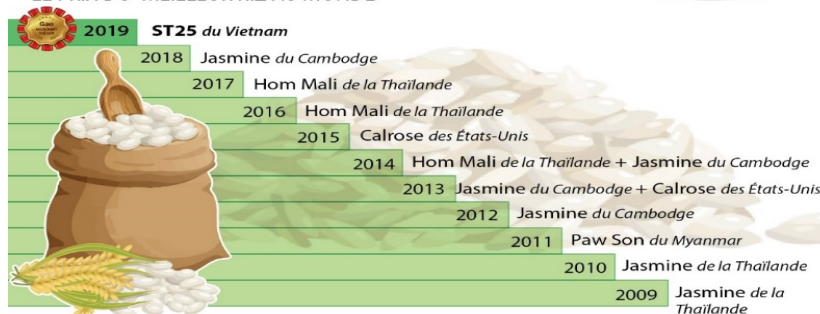
possède une tige solide

Adaptée à de nombreuses régions

Longs grains blancs et parfumés



LE PRIX DU "MEILLEUR RIZ AU MONDE"



Source : Magazine "The Rice Trader"

<https://infographics.vn>

© TTXVN

Box No.5. The Fairy Tale on Vietnamese Rice, Grass and Buffalo¹⁶²

¹⁶² Sự tích cỏ và lúa - Truyện cổ tích dân gian ý nghĩa cho bé (cotich.vn)

One day God was in Heaven, asking what humans wanted most. Vietnamese ancestors asked for two meals a day. God blessed every day a giant grain of rice rolls through the doors of the house of everybody. The housewives only needed to reach out their hand to catch the rice and they would have enough rice to eat for the day. All they had to do was to clean the house and then God would offer them the grain of rice at their door.

There was a woman who was lazy and rebellious, and did not listen to God's instructions. When the grain of rice rolled to the door and did not see the owner of the house cleaning the house to welcome the grain of rice, the grain of rice therefore rolled to another house. This woman angrily chased after the grain of rice with a broom, smashing it hard, causing the grain of rice to break into countless tiny pieces. Since then, humans have had to be hungry for a while. Humans went to tell God. God said: 'You have no respect for my precious grain of rice. From here on you must do your best to bring back the precious grain of rice. Everybody must seek broken pieces of my precious grain of rice, collect it, dig the soil, water it, and take care of it until it blooms and bears seeds. I will help you work, I will make the rain and the sunlight'.

From then on, humans began to learn how to grow rice. God sent an angel to bring down to the Earth some rice seeds and some grass seeds that were scattered all over the Earth to feed humans and animals. In the beginning, the angel planted all the grass seeds in his left hand. The grass grew very quickly. In only one night, it spread all over the ground. By the time the angel had sown half of the rice seeds in his right hand, there was no more ground left to sow. The angel had to bring half of the rice seeds back to Heaven. Therefore, on the ground, the grass grows a lot and is very strong, and the rice plant is very difficult to compete with grass to grow, if not taken care of, weeding will be overwhelmed by the grass. When God knew about this, God got angry and banished that angel to the Earth to become a buffalo, eating grass from generation to generation and pulling the plow for humans to grow rice.

So, in the beginning, humans had rice available to eat but did not know how to appreciate the grain of rice. Therefore, God forced humans to work hard to grow rice to eat, and to appreciate the hard labor of others.

Vietnamese rice has been exported to 150 economies. In 2021, Viet Nam exported USD 3.29 billion in rice, making it the 3rd largest exporter of rice in the world in term of trade value, ranked behind India and Thailand. Rice was the 18th most exported product in Viet Nam. The main destination of rice exports was Philippines, Cote d'Ivoire, China, Ghana, and Malaysia.

In 2020, Viet Nam imported USD 127.38 million in rice, becoming the 56th largest importer of rice in the world. Viet Nam imported rice primarily from Cambodia, China, India, Myanmar, and Laos.¹⁶³

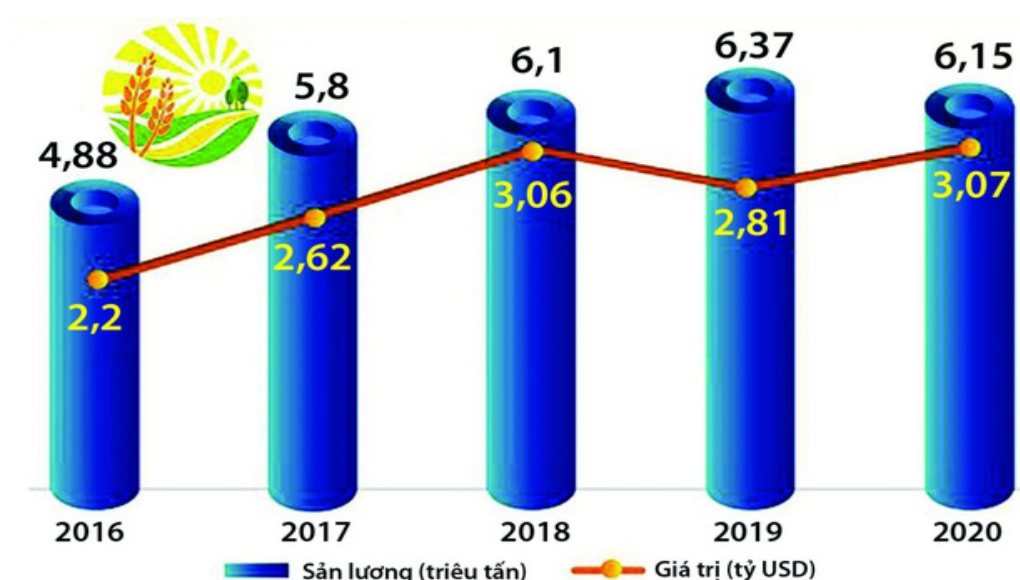
Table No.23. Top 5 Rice Exporting and Importing Partners of Viet Nam in 2021

Country Importing Vietnamese Rice	Country Exporting Rice to Viet Nam
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¹⁶³ OEC (2021), [Rice in Vietnam](#) | OEC - The Observatory of Economic Complexity, accessed on 28 November 2021.

Philippines	Cambodia
Ghana	China
Cote d'Ivoire	India
China	Myanmar
Malaysia	Laos

Chart No.3. Viet Nam's Rice Yield and Export Value, 2016-2020. (Source: MOIT)¹⁶⁴



2. How Can Vietnamese Rice Enter the Danish Market?

In 2020, Denmark exported USD 11.1 million in rice, making it the 50th largest exporter of rice in the world. Rice was the 530th most exported product in Denmark. The main destination of rice exported was Sweden (46.7 percent), Belgium (11.5 percent), the UK (9 percent), Greenland (4.7 percent), and France (4.6 percent). At the same year, Denmark imported USD 47.6 million in rice, becoming the 88th largest importer of rice in the world. Rice was the 354th most imported product in Denmark. Denmark imported rice primarily from Italy (18.6 percent), Poland (16.8 percent), Germany (13.6 percent), Pakistan (11.8 percent), and Cambodia (8.2 percent).¹⁶⁵

¹⁶⁴ MOIT (2019), *Viet Nam's Import - Export Report 2019*.

¹⁶⁵ OEC (2021), [Rice in Denmark](#) | OEC - The Observatory of Economic Complexity, accessed on 28 November 2021.

Table No.24. Top 5 Rice Exporting and Importing Partners of Denmark in 2019

Country Importing Rice from Denmark	Country Exporting Rice to Denmark
Sweden	Italy
Belgium	Poland
UK	Germany
Greenland	Pakistan
France	Cambodia

The science indices show that rice is less nutritious than other starch food (*e.g.* potato, wheat, barley, oats, beans, etc.).¹⁶⁶ But Danish people have still chosen rice to eat. It is maybe because they are usually curious eaters, and rice is gluten-free product which becomes safe food and suitable to many people adopting gluten-free diet. The nutrient value of rice depends on various factors, including the rice variety and cooking method.¹⁶⁷ But it is certain that cooked white rice is composed of negligible fat, which is favorable for people with weight or health concerns.

With the increasing integration of different nationalities in the EU (including Denmark), European and Danish consumers have become more and more exposed to transnational dishes. Additionally, as time has become a precious asset in the modern lifestyle, several convenient rice products have been introduced, such as instant rice, personal portions in easy pouches, microwave rice. Rice is also a common ingredient for ready-made meals and product mixes. In Denmark, rice has been common for food industry, such as Ready-to-Eat (RTE) market, Ready Meal market, and restaurant. There are a number of Danish rice processors, *e.g.*, Ebrofrost Denmark A/S,¹⁶⁸ producing and supplying pre-cooked individually quick-frozen (IQF) rice. They need various types of rice for their processing, including *Jasmine* rice, *Sushi* rice, etc., which Vietnamese rice and Vietnamese exporters can meet their demand. Besides, as local production of rice in the Southern Europe is decreasing, the Italian rice (for *risotto*) and Spanish rice (for *paella*) are increasingly being substituted by cheaper rice varieties from Asia, including Vietnamese *Sushi* rice or *Japonica* rice.¹⁶⁹

¹⁶⁶ United States Department of Agriculture (2016), [Nutrient data laboratory](#)"

¹⁶⁷ WHO (2018), [Guideline: Fortification of rice with vitamins and minerals as a public health strategy](#); FAO, Juliano, Bienvenido O. (1993), "Rice in human nutrition"

¹⁶⁸ Ebrofrost Denmark A/S, [Rice - Ebrofrost Denmark A/S \(danrice.dk\)](#)

¹⁶⁹ Centre for the Promotion of Imports from Developing Countries (CBI), Netherland's Ministry of Foreign Affairs, (2017), *Exporting Specialty Rice Varieties to Europe*, 06 November 2017.

3. Is It Feasible for Vietnamese Rice to Compete in Danish Market under the EVFTA Support?

In 2020, Denmark imported only USD 345 thousands in rice from Viet Nam (representing 0.7 percent of rice import value).¹⁷⁰ Viet Nam is one of the world leading rice exporting countries, but it is only a ‘small’ country when exporting rice to the EU, including Denmark. Vietnamese rice still has to increase its presence in the European markets.

The primary variety exported by Viet Nam and Thailand were *Jasmine* rice, while exports from India included aromatic *Basmati* variety. Vietnamese exporters can supply brown rice, as wholegrain food which is recommended by Danish Food Guide (*The Official Dietary Guidelines - Good for Health and Climate*).¹⁷¹

According to the survey conducted by Nguyen Thi Hoang Thuy,¹⁷² there are 7 of the Vietnamese enterprises that responded the questionnaire confirming that they have exported rice to Denmark, with diverse products, such as brown rice, white rice, broken rice, long-grain rice, medium-grain rice, short-grain rice, glutinous rice, etc. Eleven of the Vietnamese enterprises that responded the questionnaire confirmed that they are holders of international certificates. Interviewees (*i.e.*, Vietnamese enterprises) generally expressed an interest in the Danish rice market.

Following the EVFTA, the EU is to open TRQs for the import of 80,000 tons of rice originating in Viet Nam.¹⁷³

Table No.25. The EU’s Commitment on TRQs for Vietnamese Rice

	Frarant Rice	Milled Rice	Husked Rice	Total
Quota	30,000 metric tons	30,000 metric tons	20,000 metric tons	80,000 metric tons
Tariff Rate	0%	0%	0%	0%

Table No.26. Comparison of Import Tariff on Rice

Thailand	Cambodia	Pakistan	India	Viet Nam
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¹⁷⁰ OEC (2021), [Rice in Denmark | OEC - The Observatory of Economic Complexity](#), accessed on 28 November 2021.

¹⁷¹ FAO, [Food-based dietary guidelines - Denmark \(fao.org\)](#)

¹⁷² Survey Results compiled by Nguyen Thi Hoang Thuy dated 31 December 2021.

¹⁷³ The EVFTA, *see at* <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2020:186:FULL&from=EN#page=1298>, *Official Journal of the European Union*, dated 12 June 2020, English version.

65-211 Euro per ton	125 Euro per ton (2021)	65-211 Euro per ton	65-211 Euro per ton	0 Euro within the quotas
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Viet Nam benefits from lower import tariffs for a limited import volume and for rice at different stages of processing during specific periods of the year. European imports of milled rice from Viet Nam increased from 14,000 tons in 2018 to 53,000 tons in 2020. Husked rice imports remained under 16,000 tons.¹⁷⁴

The EVFTA supports importing Vietnamese *fragrant* rice, such as ‘*Jasmine 85*’, ‘*ST 5*’, ‘*ST 20*’, ‘*Nàng Hoa*’, ‘*VD 20*’, ‘*RVT*’, ‘*OM 4900*’, ‘*OM 5451*’, ‘*Tài nguyên Chợ Đào*’.¹⁷⁵ Besides, the EVFTA protects four GIs of Vietnamese rice in the EU market, including ‘*Rice Hải Hậu*’, ‘*Rice Hồng Dân*’, ‘*Rice Bảy Núi*’, ‘*Rice Điện Biên*’.¹⁷⁶ In 2021, the EU and the UK approved the trademark for ‘*ST 25*’ which was the World’s Best Rice in 2019. The breeder Mr. Ho Quang Cua stated that the success of the *ST 25* variety is down to the aroma of pandan leaves and the scent of early sticky rice.¹⁷⁷ Commercially, the *ST 25* is not yet widely available, but its success shows that Viet Nam has the capability to compete with Thailand and Cambodia in the aromatic premium rice segment.

4. GVC Upgrading for Vietnamese Rice - Opportunities for Both Danish and Vietnamese Enterprises

The Danish enterprises can invest in business plans with Vietnamese partners, who are in need of technology upgrades and regulatory compliance with the EU home markets, *e.g.*, to produce organic rice for local use and for regional export (due to lower shipping costs and quicker delivery thank to their proximity to Viet Nam). One example of successful Danish - Vietnamese rice value chain is following.

Box No.6. Tan Long’s Project - Example of Danish - Vietnamese Rice and Pork Value Chains¹⁷⁸

¹⁷⁴ Centre for the Promotion of Imports from Developing Countries (CBI), Netherland’s Ministry of Foreign Affairs, (2021), *Entering the European Market for Specialty Rice*, 15 September 2021.

¹⁷⁵ Commission Implementing Regulation (EU) 2020/991 for the Administration of Import Tariff Quotas for Rice Originating in the Socialist Republic of Viet Nam.

¹⁷⁶ The EVFTA, Annex 12-A - List of Geographical Indications, see at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2020:186:FULL&from=EN#page=1298>, *Official Journal of the European Union*, dated 12 June 2020, English version, L 186/1304 and L 186/1305.

¹⁷⁷ VnExpress, Thi Ha (2021), *World’s best rice from Vietnam gets trademark in EU, UK* - VnExpress International

¹⁷⁸ DanBred (2018), *Vietnam and Denmark Ink Deals to Unleash Potentials of Agri-Food Production* - DanBred, 05 September 2018.

A *Strategic Partnership Agreement (SPA)* between 6 leading Danish companies, namely *SKIOLD A/S*, *Munters A/S*, *DanBred P/S*, *Vilomix A/S*, *Tornordic A/S*, *Haarslev A/S*, and a Vietnamese *Tan Long Group* was signed in 2018 to formalize their agreements to adopt advanced Danish technologies on Tan Long's projects.

Tan Long Group is a JSC specializing in food value chain, including rice and pork. Rice farming is one of advantages of Tan Long Group with modern rice processing complexes in the southern provinces of Dong Thap and Can Tho. The Group is also working to expand its rice production up to 240,000 tons per year by building new automatic post-harvest handling, storage and preservation complexes with Danish modern technologies.

SKIOLD has been present in Viet Nam since 2014, assisting Vietnamese enterprises in consulting, identifying, designing, and developing quality and advanced solutions that increase productivity and efficiency, while reduce energy consumption and operating cost.

We are delighted and honored to become an important strategic partner of Tan Long Group, and we are excited to be main part of the largest paddy and rice project of 240,000 tons in Viet Nam. Our advanced technologies and extensive know-how will increase efficiency in the logistic chain, lower waste and increase the quality of the delicious rice produced in Viet Nam to highest standard. In association with Tan Long Group, we hope to benefit Viet Nam's porcine husbandry with the latest know-how and philosophies from Denmark for efficient pig farming, and strengthen the value chain from *Feed-Farm-Food (3F=BAF)* to secure high food safety and full traceability',

said Mr. Lasse Viegand Hansen, CEO of *SKIOLD A/S*.

Viet Nam is a large producer of agricultural products. The country is also developing a burgeoning food processing and agro-industrial base. Leading multinational food processors have also established food-processing operations and are able to offer a range of western-style products at reasonable prices. *E.g.*, Nestlé, Coca Cola, Carlsberg, Perfetti Van Melle, International Beverage Company (IBC), Heineken, among others.

Developing sustainable food value chains, enhancing food standards and food safety have long been at the center of Danish - Vietnamese mutual cooperation. Quality and food safety are the key factors in successful food exports, both in Viet Nam and Denmark. It demands high standards of hygiene, and environmental and quality control throughout the food production process - 'from farm to table'.

It is one of Europe's smallest countries, but Denmark is a major business hub with a very well developed food sector that has deep trade connections with the rest of the world. The Danes are among the most affluent consumers in Europe with generous spending on food and other comfort items. Also, they are curious in foreign food and love good food. With a diverse and sophisticated food landscape, Denmark relies on various imports. A lot of foods are locally grown,

but imports are also major.¹⁷⁹ Even if Denmark has significant purchasing power, the food market remains highly competitive on a range of issues, which opens up the potential for Vietnamese exporters to offer competitive prices under the EVFTA's support for their high quality agricultural products./.

¹⁷⁹ [Food Importers and Food Import Trends in Denmark 2020 – Best Food Importers](#), 10 February 2020.

Annexes

LEGAL FRAMEWORK FOR DOING BUSINESS IN VIET NAM

- Key published legal documents can be found in <http://vbpl.vn/>
- ‘One-stop-shop’ website for investment that provides relevant laws, rules, procedures, and reporting requirements for investors: <https://vietnam.eregulations.org/>
- A full list of signed agreements to which Viet Nam is a party is on the UNCTAD website, <http://investmentpolicyhub.unctad.org/IIA/CountryBits/229>
- A full list of signed double taxation avoidance agreements to which Viet Nam is a party is on the PWC website, <http://taxsummaries.pwc.com/ID/Vietnam-Individual-Foreign-tax-relief-and-tax-treaties>

No.	Main Legal Documents	Effective Date
<i>International Treaties</i>		
1	WTO Agreements	11 January 2007
2	Viet Nam-European Union Free Trade Agreement (EVFTA)	01 August 2020
3	Viet Nam-European Union Investment Protection Agreement (EVIPA)	
4	Viet Nam-United Kingdom Free Trade Agreement (UKVFTA)	01 May 2021
5	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	14 January 2019
6	Regional Comprehensive Economic Partnership (RCEP)	01 January 2022
7	ASEAN Free Trade Area (AFTA)	01 January 1993
8	ASEAN-China Free Trade Area (ACFTA)	21 September 2005 (for trade in goods); 26 June 2008 (for trade in services)

9	ASEAN-Japan Free Trade Area (AJFTA)	01 December 2008
10	ASEAN-Republic of Korea Free Trade Area (AKFTA)	01 January 2010 (for trade in goods); 14 October 2010 (for trade in services)
11	ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)	01 January 2010
12	ASEAN-India Free Trade Area (AIFTA)	19 August 2010 (for trade in goods); 01 July 2015 (for trade in services)
13	ASEAN-Hong Kong, China Free Trade Area (AHKFTA)	11 June 2019
14	Viet Nam-Japan Free Trade Area (JVFTA)	01 October 2009
15	Viet Nam-Chile Free Trade Area (CVFTA)	01 January 2014
16	Viet Nam-Republic of Korea Free Trade Area (KVFTA)	20 December 2015
17	Viet Nam-Eurasian Economic Union Free Trade Area (VN-EAEU FTA)	05 October 2016
18	New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards	11 December 1995
<i>Vietnamese Law</i>		
19	Constitution 2013	01 January 2014
20	Law on Treaties 2016	01 July 2016
21	Law on Promulgation of Legal Normative Documents 2020	01 January 2021
22	Civil Code 2015	01 January 2017
23	Criminal Code 2017	01 January 2018
24	Law on Enterprise 2020	01 January 2021

25	Law on Investment 2020	01 January 2021
26	Law on Public Investment 2019	01 January 2020
27	Law on Investment in the Form on Public-Private Partnership (PPP) 2020	01 January 2021
28	Law on Bankruptcy 2014	01 January 2015
29	Commercial Law 2005	01 January 2006
30	Law on Foreign Trade Administration 2017	01 January 2018
31	Law on Customs 2014	01 January 2015
32	Law on Tariffs	01 September 2016
33	Law on Tax Administration 2019	01 July 2020
34	Law on Competition 2018	01 July 2019
35	Law on Price 2012	01 January 2013
36	Law on Management and Use of State Capital Invested in Production and Business Activities 2014	01 July 2015
37	Law on Bidding 2020	01 January 2021
38	Law on Securities 2019	01 January 2021
39	Labor Code 2019	01 January 2021
40	Law on Intellectual Property 2019	14 June 2019
41	Law on Technology Transfer 2017	01 July 2018
42	Law on Land 2013	01 July 2014
43	Law on Environment Protection 2020	01 January 2022
44	Law on Standards and Technical Regulations 2018	01 January 2019
45	Law on Products and Goods Quality 2018	01 January 2019

46	Law on Consumer Protection 2010	01 July 2011
47	Law on Measurement 2011	01 July 2012
48	Law on Construction 2020	01 January 2021
49	The Law on Handling Administrative Violations 2020	01 January 2022
50	Law on Complaints 2011	01 July 2012
51	Law on Commercial Arbitration 2010	01 January 2011

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