

EVFTA to bring future opportunities

Ahead of the landmark enforcement of the EU-Vietnam Free Trade Agreement, European investors in Vietnam are making preparations in anticipation of the benefits that this historic agreement will bring. **Nicolas Audier**, co-chairman of the European Chamber of Commerce in Vietnam, talked with **VIR's Bich Thuy** about possible changes in the EU investment picture in Vietnam in the months to come.

This upcoming year is considered a milestone in the Vietnam-EU business co-operation, with the EU-Vietnam Free Trade Agreement (EVFTA) expected to be signed and take effect. What were the highlights in EU investments in Vietnam in 2018, and what preparations are EuroCham members making to take advantage of the FTA?

EuroCham celebrated some historic milestones in 2018. We marked two decades in Vietnam with a gala dinner and awards ceremony, bringing together over 600 business leaders, investors, European ambassadors and the People's Committee of Ho Chi Minh City. We also published the 10th edition of our white-book of trade and investment issues, and reached over 1,000 members for the first time, making us one of the largest European business associations in the world. These achievements are testament to Vietnam's economic growth and development, and show that it is becoming an even more attractive trade and investment destination for European companies, thanks to its growing international integration and domestic reforms.

Even before the EVFTA is ratified and implemented, new European companies are opening representative offices and branches or are looking for sourcing partners in Vietnam, in anticipation of the benefits that this historic agreement will bring. For instance, the EU is set to import even greater quantities of agricultural products and seafood from Vietnam, taking advantage of lower prices once tariff reductions come into effect, and we have seen new European companies moving to Vietnam before the EVFTA is ratified to prepare for these new opportunities.

The same is true across other sectors and industries: so, it is clear that the EVFTA has put Vietnam on the radar of more and more European investors. Indeed, in October, EuroCham was proud to co-organise a luncheon in Brussels with the Vietnamese prime minister and 20 major European backers who all wish to grow their presence here.

For current EuroCham members, their focus is first and foremost on helping to get the EVFTA ratified and implemented. For this reason, EuroCham led two missions to Brussels in 2018. In October, EuroCham addressed the European Parliament and high-level decision-

makers on the commission. Our members are also in regular correspondence with the Vietnamese government, through our 16 sector committees, sharing their sector-specific insights and recommendations as new legislation is introduced to ensure the EVFTA's smooth implementation.

Vietnam will have to fulfil many commitments in the deal. What does the country still have to meet, and will this cause any difficulties for EU business activities in the country?

The government has made a number of welcome legislative changes to prepare the ground for the smooth implementation of the EVFTA. Despite these positive steps, more remains to be done to address the concerns of the European Parliament – where a crucial vote in the New Year will decide whether or not the agreement is ratified – and address the barriers that EU companies face in doing business in Vietnam.

In EuroCham's October 2018 Mission to Brussels, we met with EU commissioners and members of the European Parliament (MEPs) to take a positive message about Vietnam to Europe. We heard no objections to the trade and investment benefits of the EVFTA – these are undisputed – but MEPs remain concerned about issues such as labour and social rights as well as environmental protection and sustainability.

We were pleased to tell MEPs about the government's timetable to revise Vietnam's Labour Code, which will represent major progress towards alignment with the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Further concrete progress in this area would send a positive signal to MEPs ahead of the vote in the European Parliament.

Despite the undeniable improvements to Vietnam's trade and investment environment, European companies still face challenges doing business in Vietnam. In particular, issues such as homologation in the automotive sector, and special consumption tax in the wines and spirits sector. However, the government continues to show that it is listening to the concerns of business leaders and taking on board their comments when drafting new legislation. For our part, we are committed to working with the government



EVFTA encourages EU expansion in hi-tech initiatives in Vietnam

The country is seeking to accelerate the digital transformation across industries like agriculture, manufacturing, healthcare, education, finance and banking, and energy. The EVFTA will provide the legal and policy framework and intellectual property rights incentives to further encourage European companies to expand the breadth of their operations in Vietnam, and invest in research and development initiatives centred around 5G and the Internet of Things, that will provide the foundation for Industry 4.0.



Once ratified and implemented, the EVFTA will see these overseas funding figures rise further, as EU companies and investors look to grasp greater access to Vietnam's fast-growing consumer market.

to create an even more open and attractive trade and investment environment in Vietnam, ahead of the EVFTA coming into force.

Despite efforts from the Vietnamese government and EuroCham, EU investment in Vietnam remains modest. Do you think that this major deal can change the situation?

Without a doubt. The EVFTA represents an historic change in EU-Vietnam relations. The moment the EVFTA enters into force, it will eliminate tariffs on 65 per cent of the value of EU exports, with the remaining tariffs being phased out over the following decade. Customs duties will also be eliminated over the same period, and Vietnam has also gone further than World Trade Organization terms on market access for EU service providers.

Taken together, these provisions will boost European investment. The EU is the fifth-largest foreign investor in Vietnam, with 2,500 investment projects worth around \$44 billion in 2017, according to the Vietnamese Ministry of Planning and Investment.

Once ratified and implemented, the EVFTA will see these figures rise further, as EU companies and investors look to grasp greater access to Vietnam's fast-growing consumer market.

Earlier in 2018, we asked our members what impact this major in-

ternational deal would have on their business and investment plans, and their response was clear: around 80 per cent of EuroCham members said that the EVFTA deal would have either a significant or moderate impact on their medium- and long-term business plans.

Could you make any forecasts about movements of EU investment in Vietnam in the coming months when the EVFTA takes effect? What are their key priorities?

Vietnam is an attractive trade and investment destination for European companies, and will become even more so once the EVFTA is

ratified and takes effect. First and foremost, this is because the agreement will give European investors greater access to Vietnam's fast-growing domestic market. The country's middle-class consumers are a magnet for European companies, and we know that there is strong and growing demand here for Europe's products and services, from our world-leading cars to our cutting-edge medical devices and our innovative service sectors.

Second, the EVFTA means that Vietnam can become an investment hub for European companies in the wider Southeast Asia region.

Third, manufacturing will remain one of the most attractive sectors for European companies.

Our markets complement each other, with hi-tech European equipment and know-how in industrial digitalisation helping to support the growth of Vietnam's manufacturing sector over the last few decades, and this will increase even further once the EVFTA comes into effect. ■

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