

## OPENING REMARKS

### Webinar “Vietnam, a world of opportunity: Binh Duong Smart City, Smart Investment, Smart Manufacturing”

09/07/2020

**Good Morning and Afternoon,  
Ladies and Gentlemen,**

First of all, I would like to express my warm congratulations and heartfelt thanks to the Swiss Asian Chamber of Commerce for organizing this important webinar **Vietnam, a world of opportunity: Binh Duong Smart City, Smart Investment, Smart Manufacturing**, amid the till complex developments of the pandemic Covid-19 around the world. As always, I very much appreciate the fruitful cooperation and partnership between the Embassy of Vietnam and our friends of the Swiss Asian Chamber of Commerce.

Today, I would like to share with you the latest update about the Covid-19 situation, economic prospects of Vietnam.

**1. The unprecedented pandemic Covid-19's health crisis** has affected all aspects of life and the global economy, including supply and demand-side, financial market and the real economy, production and consumption, industries and services, domestic and foreign trade. Today, the number of infections passed 12 million cases, with more than 550 thousand death. The impact of the pandemic is truly immense. The International Monetary Fund's (IMF) World Economic Outlook update June 2020 projects global growth to fall by negative 4,9 %. The World Bank June report projects 5.2 % contraction in global GDP, 70 to 100 million people would fall into extreme poverty, and the risk of social instability would mount. More than 40% of all manufacturing industries and business sectors across countries are being directly affected by lockdown and restrictions imposed for disease control.

**2. Vietnam early success in containing the pandemic, emerging from the crisis with a growing economy.** As of July 8, Viet Nam recorded only 369 Covid-19 cases (229 imported cases), 345 recovered cases (93,5%) with Zero death. No new case infected over 3 months. At present, 11,373 people are under quarantines, including 109 at hospitals, 10,872 at centralized quarantine facilities and 392 at places of residence. The country hasn't seen new locally originated cases in weeks. International experts applauded the success of the Viet Nam in containing the virus thanks early and decisive measures. The Government decided to close schools, shut down borders and suspend international travel much earlier than other nations. Forbes has now predicted that Vietnam is one of the safest countries for COVID-19 travel because of effective measures. **Vietnam upbeat economic prospect:** The World Bank in late March expected that the Vietnamese economy will grow by 4.9% this year, one of the highest in ASEAN and Asia. Among the ASEAN-5 countries, Viet Nam has the best prospect for growth. IMF estimates in May 2020 that in the year 2021 the Vietnam's economy would be growing at 7% thanks to the sound economic fundamentals, and growth in merchandise exports. On Monday 6 July, Swiss UBS economist told CNBC's "Squawk Box Asia" Vietnam outlook is one of

the brightest in Asia thanks to a rebounding economy and the new trade deal with the EU. However, as the pandemic has disrupted both the global supply and demand of manufactured goods, having a serious impact on the Vietnamese heavily export oriented economy. With both export to GDP and import to GDP ratios surpassing 100% (World Bank 2020), Vietnam is particularly vulnerable to external shocks from the global market and has indeed witnessed a significant economic slowdown. According to the General Statistics Office of Vietnam, its GDP growth declined to 3.8% in the first quarter of 2020, compared to 6.8% in the same period.

**3. Government strong support and effective measures for economic recovery:** In face of these tremendous challenges, Viet Nam has been pursuing a “dual target” - to combat the pandemic on the one hand and sustain essential economic activity alongside institutional and structural reforms on the other. With the GDP growth target of over 5% and inflation target of below 4% this year, the Government efforts to restart the economy focusing on 5 major areas: (1) promoting domestic private investment, (2) attracting Foreign Direct Investment, (3) Strengthening export sector (4) promoting public investment, and (5) Encouraging domestic consumption. In order to promote growth, the government has initiated easy facilitation of investment and even proposed a cut in corporate income tax up to 30 per cent to boost investment. The National Assembly has been discussing the proposal to promote investment in private companies, small and medium enterprises (comprise nearly 97 per cent of total business) which have to shoulder a huge economic burden due to the disruption in the global supply and demand (in addition to US\$44 billion of loans of Vietnam’s commercial banks allocated to assist those businesses) as well as public enterprises with considerable tax benefits and even deferred tax payment, which in turn would promote capital consolidation, skilled labour, and induction of technology at lower levels.

**4. International economic integration moving forward:** The coming into force of the EU-Viet Nam Free Trade Agreement (EVFTA) and EU-Viet Nam Investment Protection Agreement (EVIPA) in August is opening up huge trade and investment opportunities for EU and Vietnam businesses, further boosting Viet Nam’s international economic integration and renovation process. The European Commission describes the EVFTA as the most ambitious free trade deal the EU has ever concluded with a developing country. Vietnam is the only second country in Southeast Asia to have a Free trade agreement with the European Union, after Singapore (FTA with the EU came into force 2019). The Vietnam EU trade agreement will no doubt help both sides in the post pandemic recovery. The deal will facilitate two-way trade as more than 85% of tariff lines will be cut<sup>1</sup>, boosting exports to the market of 460 million people with US 35,000 GDP per capita. Vietnam exported nearly USD 42 billion to Europe last year, and it is expected that this FTA will boost Vietnamese economy by more than 2.4 % GDP. In terms of foreign direct investment, the EVFTA should make Vietnam even more attractive for investors, especially from the EU, Vietnam’s fifth biggest foreign investor.

**5. Viet Nam more resilient and well positioned to capitalize on the ongoing global supply chain shifts.** Currently, many European and American companies

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<sup>1</sup> 71 percent of Vietnamese goods, tariff free to Europe, while 65 per cent of goods from European Union would enter Vietnamese market without any tariffs

are trying to diversify investment locations or repatriate their manufacturing factories to overcome the over-dependence on a single country in the global supply chain system. As Vietnam has been able to effectively contain the pandemic and is among the first countries to reopen the economy, Viet Nam is well positioned to attract this capital flow trend. Importantly, to embrace this shift in the global supply chain, Prime Minister Nguyen Xuan Phuc recently decided to establish a high-level special working group led by Deputy Prime Minister, Foreign Minister Pham Binh Minh, charged with the mission of investment promotion in Viet Nam<sup>2</sup>. The working group is in charge of advising the PM on mechanisms, policies and standards in investment cooperation as well as solutions to attract investment cooperation opportunities, high quality, large, hi-tech and innovative projects, which could create favorable conditions for Vietnamese firms to participate in value chains and stages that generate higher added values, and improve human resource quality. The working group is also responsible for promoting digital economy and contributing to the country's sustainable socio-economic development.

**6. Vietnam welcomes quality, high technology investments from European countries including Switzerland:** Switzerland is an important trade, investment and economic cooperation partner of Viet Nam. Bilateral economic relations have seen strong growth. Trade volume reached a record 3,6 billion in 2019. More than 100 Swiss companies including big names such as Nestle, ABB, Novartis, Roche, Holcim, Schindler... have been doing successful business in Vietnam. With total investment of around 2 billion Swiss francs, Switzerland is the 6<sup>th</sup> biggest European investor in Viet Nam. Viet Nam believes that Swiss firms with comparative advantages and strengths in technology, innovation, capital and expertise specially in finance, pharmaceutical, food manufacturing will look more to Vietnam as a safe and attractive destination for doing business in the post Covid-19 world of tremendous change and globe supply shift.

**Looking ahead**, there is still a lot of potential in areas of trade and investment given the complementary nature of the two economies. As of now, FTA negotiations between Viet Nam and European Free Trade Association (EFTA), started in 2012, have completed 16<sup>th</sup> round. Once this FTA concluded, it will significantly boost trade and investment relations between our two countries. We are hopeful about the possibility of the conclusion of the trade deal next year, 2021 when we will celebrate the 50<sup>th</sup> anniversary of the establishment of diplomatic relations between our two countries. Let me end my remarks here by wishing this first innovative webinar a success bringing more Swiss businesses to Viet Nam in general and Binh Duong in particular. And the Embassy of Viet Nam here in Switzerland remains committed to working with you to build more bridges between our two business communities and two countries./.

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<sup>2</sup> Other members are the Ministry of Planning and Investment; Government Office, Ministry of Foreign Affairs; Ministry of Public Security; Ministry of Finance; Ministry of Industry and Trade; Ministry of Agriculture and Rural Development; Ministry of Science and Technology; Ministry of Culture, Sports and Tourism; the Ministry of Labour, Invalids and Social Affairs; Ministry of Information and Communications; and State Bank of Vietnam.