

Vietnam EU Cross Border Trade and Investment



2021-2023

Overview

Considering geopolitical uncertainty, increasingly over the past couple of years the Western world has been actively complementing or even replacing its Asian manufacturing in countries such as China or Taiwan. Vietnam has been a beneficiary of this trend; it is one of Southeast Asia's fastest-growing economies, with a powerful manufacturing edge, favourable corporate taxation, numerous treaties, and SEZs. It is also driven by its energy transition efforts and goes up the value chain. This brief analysis sets out developments over the past two years in both strategy development as well as specific cross-border investments between several EU countries and Vietnam. It is not designed to be comprehensive, but rather to highlight these shifting flows, key investments, and future directions over the past two years by EU countries.

Since the EU-Vietnam Free Trade Agreement (EVFTA) came into effect in August 2020, trade and investment from Europe have boomed. EU trade with Vietnam surged by 14.8% in 2021 to \$63.6 billion led by investments in renewable energy by several EU countries, in addition to other strategic areas of the growing economy in Vietnam.

Germany

At year-end 2022, Germany was Vietnam's largest market in Europe and Vietnam's seventh-largest export market in the world, serving as an important gateway for Vietnamese goods to enter other markets in Europe. Meanwhile, Vietnam is Germany's largest trading partner in Southeast Asia⁽¹⁾.

Since 2011, Germany and Vietnam have had a strategic partnership involving cooperation at all levels and in numerous policy fields. Germany is Vietnam's largest trading partner among EU states, slightly ahead of the Netherlands. An EU free trade agreement with Vietnam came into force in 2020⁽²⁾.

The first German investments in Vietnam started shortly following Vietnam's opening up. In 1992, Bültel (producing fashion for brands such as Camel Active) settled down in Binh Duong. In the same year, Tatonka (an outdoor brand) opened a backpack production line in Ho Chi Minh City (HCMC). German investments accelerated when Vietnam joined the WTO (2007) and again following the 2015 amendment of the enterprise and investment law⁽³⁾.

By year-end 2022, 450 companies from Germany had invested circa \$2.8 billion in Vietnam creating some 47,000 jobs⁽⁴⁾. The largest German investor has been Bosch. Since its entrance into Vietnam in 2007, Bosch Vietnam has invested over \$450 million. With over 5,000 staff, it currently manages one high-tech factory and three R&D facilities, in sectors including mobile technology, industrial technology, electrical appliances, high-rise construction and energy technology. Bosch operates a major manufacturing complex in Dong Nai while also operating an R&D centre in HCMC.

Footnotes:

- (1) <https://tuoitrenews.vn/news/business/20221101/adidas-to-expand-investment-in-vietnam-ceo-kasper-rorsted/69841.html>
- (2) <https://www.dw.com/en/germany-builds-ties-with-vietnam-hedging-bets-against-china/a-63762919>
- (3) <https://www.ahk-knowledgehub-vn.com/post/current-status-of-german-investments-in-vietnam-2022-23>
- (4) Ibid

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

Adidas entered Vietnam in 1993, but only in 2009 did it officially set up Adidas Vietnam. Adidas has been manufacturing apparel and footwear in Vietnam for over a decade. In October 2022, its CEO stated that Adidas wanted to make Vietnam one of its main manufacturing hubs.

Other German companies operating in Vietnam include Stada – Pymepharco, medical equipment, via the acquisition of a controlling stake in 2018, and Messer Gases, chemicals, via a major investment in 2017.

While manufacturing growth continues, recent investments (since 2021) have been focused on renewable energy/energy transition and digital as shown below:

- In February 2021, Siemens Gamesa won its largest nearshore project to date in Vietnam – the 100MW Tra Vinh Dong Hai 1 wind farm. Located in Tra Vinh province, the project will feature 25 SG 5.0-145 turbines with a flexible power rating. It is the first nearshore project by Truongnam Group as the Vietnamese energy and infrastructure developer expands to the nearshore sector to complement its existing renewables portfolios for solar and onshore wind projects.
- In November 2021, BCG Energy and Siemens Gamesa signed a cooperation agreement on a \$400 million wind power development in Vietnam. Under the terms of the agreement, Siemens Gamesa will be the supplier of equipment and technical solutions for BCG Energy to implement more than 500 MW of wind power projects in Vietnam. BCG Energy currently owns 577.1 MW of capacity in Vietnam and aims to reach 1.5 GW of generating capacity by 2023.
- In September 2022, several companies collaborated with Siemens on another major wind deal. EKF Denmark's Export Credit Agency (EKF) and Siemens Gamesa, have been strategic business partners for years. The wind project is backed by a buyer credit guarantee from EKF; The guarantor behind is the Vietnamese bank MB Bank; the buyer credit guarantee for the financing of the project was arranged by another good business partner of EKF, German Landesbank Baden-Württemberg (LBBW).
- In September 2022, Bosch announced its plans for Vietnam expansion in software, and high-tech agriculture. 6,000 software engineers for research and development as well as hi-tech agriculture will be part of the task force developed by Bosch, a German engineering and technology giant, under its Vietnam expansion plans until 2025⁽⁵⁾.

In November 2022, German Chancellor Olaf Scholz spent 2 days of his 4-day Asian tour in Vietnam. He was the first European leader to visit Vietnam since the start of the COVID-19 pandemic. During his visit, Scholz said Germany wants to considerably boost trade and investment while helping Vietnam become a beneficiary as Western firms look to diversify away from China. Cooperation deals on energy and vocational training were signed during Scholz's visit to Hanoi⁽⁶⁾.

In April 2023, Vietnam's Minister of Industry and Trade Nguyen Hong Dien received a German business delegation led by former Vice Chancellor of Germany Philipp Rösler focussed on investment opportunities and business cooperation in the fields of e-commerce and new materials⁽⁷⁾.

The Vietnamese government has issued many preferential and supportive policies for supporting industry enterprises in Vietnam, many of which are aligned with German strengths such as electronics, automobile manufacturing, and assembly, mechanical engineering, etc. Minister Dien suggested that German enterprises expand production and investment into Vietnam to take full advantage of those incentives.

Footnotes:

- (5) [https://theinvestor.vn/tech-giant-bosch-plans-vietnam-expansion-in-software-high-tech-agriculture-d1816.html#:~:text=Since%20its%20entrance%20into%20Vietnam,million%20euro%20\(%24450%20million\)](https://theinvestor.vn/tech-giant-bosch-plans-vietnam-expansion-in-software-high-tech-agriculture-d1816.html#:~:text=Since%20its%20entrance%20into%20Vietnam,million%20euro%20(%24450%20million))
- (6) <https://www.reuters.com/business/germanys-scholz-visits-vietnam-manufacturers-eye-shift-china-2022-11-13/>
- (7) <https://ven.vn/minister-receives-german-business-delegation-47449.html>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

In Q1 2023, B. Braun Group announced that its Vietnamese operation will be hiring an additional 1,600 employees, including 200 in its 3rd factory southwest of Hanoi⁽⁸⁾.

These future efforts are building from any already strong 2022 base where the total two-way trade turnover reached \$12.6 billion, up 12.1% compared to 2021, of which exports reached \$8.9 billion up 23.1%, and imports at \$3.6 billion, down 8.2%⁷ (5). The key export items were machinery and equipment, telephones, footwear, textiles, coffee, and seafood... while the imports included machinery, equipment, pharmaceuticals, chemicals, auto parts, and components.

The Netherlands

Is the *largest EU direct investor* in Vietnam with a cumulative investment of \$13.71 billion at year end 2022. It also remains the largest EU export destination in 2022 and ranks 6th worldwide. Exports to the Netherlands reached \$10.43 billion in 2022, an increase of 36% compared to 2021⁽⁹⁾.

In December 2022, Prime Minister Pham Minh Chinh visited Brainport Eindhoven, considered the Silicon Valley of Europe, in Eindhoven. PM Chinh discussed their 50-year history, partnerships in climate change, between Binh Duong province and Eindhoven city, between the Becamex corporation and Brainport in smart city building, and between An Giang and North Brainport provinces. He also met some Dutch executives to discuss innovation and high-tech manufacturing.

Vietnam wishes to learn three models from the Netherlands; the airport, seaport, and Brainport models, noting how the Netherlands has used these to convert from an agricultural country into an industrialised one based on innovation and smart services.

He called on the Netherlands to help Vietnam build an innovation and startup centre in Hanoi like Brainport Industries Campus in Eindhoven and in the process elevate their relationship to new heights with more strides recorded in connections between their localities, ministries, and sectors, including between Brainport Industries Campus and Vietnam.

In March 2023, it was widely reported that Dutch chip suppliers were weighing new manufacturing factory possibilities in Vietnam and Malaysia for up to \$1.5 billion.

France

France is now among the largest EU trade partners of Vietnam, and the fourth largest EU export market to the latter. Bilateral trade turnover between the two nations rose 15.7% annually on average from 2011-2019. Bilateral trade in 2019 between Vietnam and France was \$5.3 billion in 2019 (up from only \$1.6 billion in 2009), increasing to \$7.45 billion in 2021, and an estimated \$8.5 billion in 2022⁽¹⁰⁾.

France is also among the biggest European donors of Vietnam-based official development assistance (ODA) projects while the latter is the second largest recipient of ODA funding from France, with total ODA capital totalling \$18.4 billion since 1993.

Footnotes:

(8) <https://en.vietnamplus.vn/more-german-firms-eyeing-investment-opportunities-in-vietnam/246933.vnp>

(9) <https://www.netherlandsandyou.nl/your-country-and-the-netherlands/vietnam/latest-news/news/2023/03/15/brainport-high-tech-manufacturing-industry-to-explore-investment-possibilities-in-vietnam>

(10) <https://hanoitimes.vn/remarkable-achievements-in-vietnam-france-relations-after-50-years-323334.html>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

Vietnam is also one of the few nations that have enjoyed financial assistance from France's three financial aid channels: the public budget, preferential loans from the French Development Agency (AFD), and the Priority Solidarity Fund (FSP).

Metro No. 3 project has attracted the highest amount of ODA capital. The metro line, which includes 12 stations with 13 trains running between them, entered commercial service in November 2021 and was officially inaugurated on 13 January 2022. As of April 2023, more than 32,000 passengers travel on the line every weekday and around 28,000 at weekends. Hanoi's first metro line has been well received by the residents of Vietnam⁽¹¹⁾.

There are now 300 French companies operating in Vietnam, focusing on the processing and manufacturing industry, production activity, power distribution, services and retail, and real estate.

In 2022, Vietnam became the tenth-largest supplier of apparel to France, with imports increasing by 33.05 percent to \$793.5 million from \$596.6 million in 2021. Vietnam's apparel accounted for 2.9 % of France's total import value of \$27.4 billion in 2022⁽¹²⁾.

In terms of healthcare, Vietnam and France have set up 30 joint projects on medical and pharmaceutical training. During the Covid-19 pandemic, Vietnam donated facemasks to local authorities and the people of France. At the same time, the French Government supplied 5.5 million vaccine doses and equipment for Vietnamese medical facilities.

- In October 2021, EDF Renewables agreed to invest a minimum of \$100 million in VinaCapital's SkyX Solar, a rooftop solar power developer in Vietnam as the market continues to boom. With this funding, SkyX Solar which has around 30 MWp of solar projects under operation, to further develop 200 MWp of rooftop solar and distributed solar projects for commercial/industrial customers in Vietnam over the next few years
- In November 2021, T&T Group and France's Total Eren Group signed an MoU regarding cooperation in renewable energy in Vietnam; two sides will jointly invest in feasible projects and cooperate to develop at least 2,000 MW, with a total investment estimated at \$3 billion.
- In November 2021, it was reported that Proparco previously granted (in August 2021) a \$50 million to HDBank to help the bank finance renewable energy projects in Vietnam. Both HDBank and Proparco also agreed to a follow-up transaction of an additional \$50 million, to be closed in 2022. In addition, Proparco indicated its interest in supporting HDBank in issuing Green Bonds to finance projects to finance projects by its corporate clients.
- In July 2022, Sanofi's Vietnamese unit inaugurated a new warehouse at Long Hau Industrial Park in Long An province, which borders HCMC. The facility is about one hour's drive from the \$75 million plant in HCMC's Saigon Hi-Tech Park Sanofi built in 2013. Sanofi also said it would invest €5 million (\$5.7 million) to expand factories producing for export, and another €1.2 million for a renewable energy source to replace diesel at Sanofi Vietnam plants, through its cooperation with VinaPharm⁽¹³⁾.

In December 2022, CMA CGM Air Cargo announced that it is planning to apply for a flight licence in Vietnam. CMA CGM was "committed to continuing to support Vietnam's economic development through the expansion of Gemalink, and with logistics solutions from Ceva Logistics and CMA CGM Air Cargo." CMA CGM has invested in Vietnam's sea ports since 1994, and holds major stakes in Gemalink Container Terminal at Cai Mep deepwater port, in the south, as well as at Lach Huyen port, in the northern city of Hai Phong. Gemalink phase two is already underway, as is CMA's investment in a new dry port close to Ho Chi Minh City – but operating its air cargo arm there would be a breakthrough into Vietnam's air freight sector⁽¹⁴⁾.

Footnotes:

(11) <https://www.railwaypro.com/wp/hanoi-metro-carried-2-65-million-passengers-in-the-first-quarter-of-2023/>

(12) <https://www.fibre2fashion.com/>

(13) <https://asia.nikkei.com/Economy/Vietnam-bags-greentech-and-vaccine-investment-from-U.K.-France>

(14) <https://theloadstar.com/cma-cgm-air-cargo-targets-vietnam-services-but-its-a-tricky-market/>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

In April 2023, France ranked third among European countries investing in Vietnam, and Vietnam ranks second among Asian recipients of French official development assistance (ODA)⁽¹⁵⁾.

Belgium

As at December 2022, Belgium ranked 6th among EU countries in terms of trade with total trade of \$4.5 billion – it is Belgium’s biggest trade partner in ASEAN. Belgium ranked 23rd among 143 countries and territories investing in Vietnam with 88 projects (78 in 2020) with total registered capital of circa \$1.1 billion. Since 2020, there has been a dedicated effort to increase both trade and investment. The two countries recorded \$4 billion trade in the first 10 months of 2022.

Vietnam is focusing future partnership growth on innovation, entrepreneurship, digital transformation, energy transition, all of which are aligned with the vision defined by the Communist Party of Vietnam (CPV) that by 2045, Vietnam will become a modern industrialised country.

As such, near term growth is focussed on two Belgian organisations which can accelerate this plan.

John Cockerill is Belgium's leading industrial group with more than 200 years of history. The group operates in the field of manufacturing machinery and industrial solutions across a variety of sectors, including energy, the environment, hydrogen, defence, and industrial services. In terms of the field of hydrogen, John Cockerill is the world leader in manufacturing hydrogen electrolyzers.

In May 2023, its CEO signed an agreement to develop a hydrogen factory in Tra Vinh to produce activated carbon from coconut shells and other by-products of coconut trees in the southern province of Ben Tre. Once the John Cockerill project is complete, it will be the second hydrogen factory in Tra Vinh. In March 2023, TGS Tra Vinh Green Hydrogen held the ground-breaking ceremony for its Tra Vinh green hydrogen factory in Dong Hai commune, Duyen Hai district.

Covering an area of 21 hectares, the TGS Tra Vinh factory saw a total investment of nearly VND8 trillion (\$341 million) and was the largest hydrogen production project in Vietnam so far. The project produces hydrogen from electrolysis of seawater, and the generated hydrogen can be stored as a liquid gas, suitable for use in many fields and easily transported. It is expected that after the project is completed and put into operation, the factory will reach an output of 24,000 tonnes of hydrogen per year, and 195,000 tonnes of oxygen per year, creating jobs for 300–500 workers.⁽¹⁶⁾

A 2nd major Belgian growth partner is Hub.Brussels including IMEC Interuniversity Microelectronics Center. Hub.Brussels is a leading intersectoral organisation in Brussels that supports business, including start-ups and incubation programmes. IMEC makes up one of the leading research and development centres throughout Europe and the world in the field of semiconductors and nanotechnology, especially new technologies for industries, smart manufacturing, mobile equipment, smart city development, and energy.

In December 2022, Vietnam recommended that Hub.Brussels begin cooperation with Vietnam National Innovation Center (NIC), especially in the area of sharing best experiences to improve innovation and startup capacity in Vietnam and the EU. This involves Hub.Brussels advising and supporting the NIC on the operation and development of the innovation and start-up centre, investment fund connection, incubation, as well as the innovation and start-up promotion.

Footnotes:

(15) <https://en.vietnamplus.vn/vietnam-france-strengthen-twoway-trade/251206.vnp>

(16) <https://vir.com.vn/john-cockerill-to-develop-hydrogen-factory-in-tra-vinh-101998.html>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

The Vietnam Government has assigned NIC and the Vietnam Innovation Network in Europe (VINEU) to co-ordinate with Hub.Brussels to research and build an exchange programme for startups to bring a number of Vietnamese businesses that are highly interested in surveying, working, and studying at Hub.Brussels.

As such, Hub.Brussels has been designed as the focal point to connect and support the search for innovation partners in Belgium, as well the EU for NIC. Hub.Brussels has been invited to open a representative office located at NIC Hoa Lac to co-operate with NIC in developing an innovative startup ecosystem in Vietnam.

In February 2023, Hub.Brussels, NIC, and VINEU signed an MoU covering these points.⁽¹⁷⁾

Luxembourg

Vietnam established diplomatic relations with Luxembourg in 1973. Luxembourg is currently the third largest European investor in Vietnam, with a total capital of \$2.6 billion. The country is considered a global financial center and the headquarters of the world's leading financial investment funds. Luxembourg officials have publicly expressed their desire to promote bilateral trade and investment, as well as to increase cooperation with Vietnam in the field of green economy.

In December 2022, Vietnam's Prime Minister Chinh met with his counterpart, calling on Luxembourg businesses to increase their investment in areas such as strategic infrastructure, digital transformation, renewable energy and pharmaceutical technology. Specific areas of cooperation include:

- Chinh wants Luxembourg to provide financial and technological support for Vietnam to develop its renewable energy industry and to implement climate change adaptation projects, especially in the Mekong Delta.
- The two countries agreed to expand cooperation in the fields of national defense, combating transnational crimes, cyber security, digital transformation, culture, tourism, education and training and transportation.
- Chinh visited the Luxembourg Stock Exchange, which is the first stock exchange in the world dedicated exclusively to sustainable finance. This stock exchange is listing half of the world's green bonds. Chinh wants to cooperate with Luxembourg to develop Vietnam's stock market from a frontier market to an emerging one and thus signed an MoU with them.
- One key leading goal is to build upon this expertise for Vietnam to build its own major financial centre in HCMC.⁽¹⁸⁾

Switzerland

Switzerland currently has circa 200 foreign direct investment projects in Vietnam with total investment capital of \$1.89 billion, ranking 21st out of 140 countries and territories having Vietnamese investments. By 2021, Vietnam was currently home to some 100 Swiss firms with a combined investment capital of nearly \$2 billion. These included such major names such as Nestle, Novartis, Roche, Holcim, and ABB⁽¹⁹⁾.

- In October 2022, Nescafé unveiled a \$1 billion plan for coffee sustainability, focusing on Vietnam. Nestle last October injected an additional \$132 million into its coffee business in Vietnam, doubling Nestle Vietnam Company's coffee product manufacturing capacity at its Tri An factory in Dong Nai province which borders Ho Chi Minh City, the country's southern economic hub. Nestle Vietnam was founded in 1995 and the new capital inflow raised its total investment in Vietnam to date was \$730 million. This amount did not include around \$700 million Nestle spends annually to buy coffee beans from Vietnamese farmers which accounts for 20-25% of total coffee beans harvested annually in Vietnam⁽²⁰⁾.

Footnotes:

(17) <https://e.vnexpress.net/news/economy/pm-invites-belgians-to-up-vietnam-business-investment-4549060.html>

(18) <https://e.vnexpress.net/news/economy/vietnam-welcomes-luxembourgs-investment-in-various-sectors-4546565.html>

(19) <https://wtocenter.vn/an-pham/17025-vietnam-holds-potential-to-become-new-destination-for-global-investors>

(20) <https://theinvestor.vn/nescafe-unveils-1-bl-1bn-plan-for-coffee-sustainability-focusing-on-vietnam-d2021.html>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

Leaders between both countries met in January discussing how Switzerland can play a role in new energy and digitisation, Deputy PM Ha called on Swiss authorities to continue focusing on fields of high priority such as finance, banking, insurance, manufacturing and processing, pharmacy, renewables, and tourism⁽²¹⁾.

Austria

In 2022, the two countries celebrated their 50th anniversary of diplomatic relations – Austria was one of the first Western countries to set up diplomatic relations with Vietnam. Over the past two years, bilateral trade has increased 14% from 2020 to circa \$3.4 billion in 2021. Austria is one of Vietnam's 10 largest trading partners in the EU. ⁽²²⁾

Currently, around 50 Austrian companies have branches in Vietnam. Three of significant size are equipment manufacturer Andritz, power train system developer EVL List and steel maker Voestalpine.

The countries see the future focus is in renewable energy, green finance and environmental protection. To this end, Andritz recent investments include:

- In July 2022, ANDRITZ signed a contract agreement for electro-mechanical works of Nam Pang-2 Hydroelectric Project (2 x 5.5 MW) in Lai Chau province of Vietnam.
- In February 2023, ANDRITZ received from Thac Ba Hydropower (TBC) a contract for the upgrade of three generating units of Thac Ba Hydropower Plant on the Chay River, the hydropower plant longest in operation in Northern Vietnam.

Denmark

In 2021, Denmark exported \$280 million to Vietnam. During the last 26 years, the exports of Denmark to Vietnam have increased at an annualized rate of 8.54%, from \$33.2 million in 1995 to \$280 million in 2021.

This all changed in 2022. Denmark has emerged as a major investor in Vietnam this year, thanks in large part to a \$1 billion (€1.01 billion) commitment by Danish toy giant LEGO Group to build its first factory in the Southeast Asian nation — which is planned to be the company's first carbon-neutral plant.

As well as fast becoming an important hub for high-end manufacturing — with the likes of tech giants Apple and Samsung recently announcing an expansion of their operations in the country — Vietnam is also investing considerably in renewable energies in its push for net-zero carbon emissions by 2050. Vietnam has the fastest growth of renewable energy production in Southeast Asia⁽²³⁾.

Specific Investments

- In September 2021, Ørsted, the world's most sustainable energy company, and T&T Group, a leading Vietnamese cross-industry company with 80,000 employees, announced the signing of a MOU to launch a strategic collaboration on offshore wind in Vietnam. This collaboration between together a multi-GW pipeline of greenfield offshore wind projects located off the coasts of the Binh Thuan and Ninh Thuan provinces, Vietnam's most suitable areas for offshore wind development.
- In November 2021, announced plans to invest up to \$13.6 billion in an offshore wind farm in the north Vietnamese port city of Hai Phong. Once the plant is operational, it will have a total capacity of 3,900 MW⁽²⁴⁾.

Footnotes:

(21) <https://hanoitimes.vn/switzerland-to-support-vietnams-transition-to-green-economy-322797.html>

(22) <https://special.vietnamplus.vn/2022/11/07/vietnam-austria-economic-links/>

(23) <https://www.dw.com/en/whats-luring-danish-companies-to-vietnam/a-63043041>

(24) <https://scandasia.com/orsted-group-to-invest-up-to-13-6-billion-usd-in-offshore-wind-farm-in-hai-phong/>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

- In March 2022, Vestas secured a 100 MW order in Vietnam for an undisclosed project. The order covers supply, supervision of the installation, and commissioning of the wind turbines. With this project, Vestas' total capacity of onshore wind turbines in Vietnam will surpass 1.6 GW.
- In May 2022, jewellery maker Pandora signed an MoU to build a new jewellery crafting facility at Vietnam Singapore Industrial Park 3 (VSIP) in Binh Duong Province, with a total investment of \$100 million. The new facility will be built according to the LEED Gold standard, a leading green building certification, and be powered by 100% renewable energy. It will also create jobs for over 6,000 craftspeople and have an annual capacity of 60 million pieces of jewellery. Work on the project will begin in early 2023 and production is scheduled to start by the end of 2024. This is the third manufacturing site of Pandora and the first outside Thailand.
- In August 2022, Ørsted and PetroVietnam Form Offshore Wind Partnership Ørsted and PetroVietnam Technical Services Corporation Mechanical & Construction (PTSC M&C) signed a MoU to launch collaboration on offshore wind projects in Vietnam and globally.
- In October 2022, it was reported that there were over 135 Danish companies represented in Vietnam, doubling the number of enterprises from other Nordic countries in Vietnam (including the large companies discussed in this section).
- In November 2022, Ørsted and T&T signed a landmark agreement with the Ministry of Planning and Investment's (MPI) National Innovation Centre (NIC) to bolster technical capacity and build technological expertise in Vietnam's offshore wind sector. The goal of this 5 year deal is to launch an offshore wind R&D and training centre under NIC.
- In November 2022, LEGO Group started construction of its \$1 billion carbon-neutral manufacturing plant in the southern province of Binh Dương. Covering an area of 44 ha at the Việt Nam–Singapore Industrial Park JSC (VSIP) III, the plant is the largest foreign-invested project in the province. According to LEGO, the factory will be its sixth manufacturing site in the world and the second in Asia.
- In November 2022, Copenhagen Infrastructure Partners (CIP) signed three MoUs with Xuân Cầu Holdings, PTSC M&C and Semco Maritime, and with Pacific Corporation JSC to develop multiple GW of offshore wind projects in North Vietnam. The agreement marks an important milestone for the collaboration between a local developer and an international offshore wind company towards establishing offshore wind in Vietnam in this estimated \$10 billion project⁽²⁵⁾.
- In February 2023, Vestas was mentioned as one European manufacturer considering investing hundreds of millions of dollars in Vietnam to build wind turbine plants. Three industry sources have named Danish Vestas as one of the potential investors.

Sweden

Sweden's relationship with Vietnam dates back to 1969. It was the first western country to establish diplomatic relations with Vietnam. Swedish export consists mostly of engineering products, particularly machinery and equipment plus pharma and healthcare; however, export amounts remain modest. As of 2022, there were circa 60 Swedish-related companies present in Vietnam.

- In February 2023, Afry won a 48 MW onshore wind job. LIG-Huong Hoa 1 Joint Stock Company has appointed Afry as owner's engineer for the 48 MW Huong Hoa 1 onshore wind farm in Vietnam. LIG-Huong Hao 1 is a project company owned by B Grimm Renewable Power 1 Limited and Truong Thanh Energy and Real Estate JSC from Vietnam. The wind farm will consist of 8 wind turbines of 6 MW capacity each, new 220kV substation and a 5km overhead transmission line to connect the wind farm to the national grid.

Footnotes:

(25) <https://realassets.ipe.com/news/cip-consortium-plans-to-develop-10bn-offshore-wind-project-in-vietnam/10046985.article>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

Ireland

On trade, total bilateral trade between Ireland and Vietnam amounted to around €500 million. Pharmaceuticals, food, and drink are important exports to Vietnam; imports include footwear and clothing. This amount is relatively small based on Ireland's total trade which is in excess of €600 billion.

As shown below, the focus shifted to new energy beginning in 2020.

- In November 2020, Mainstream Renewable Power (MRP) signed a Joint Development Agreement with Vietnamese company Advance Information Technologies Corporation (AIT), a specialist in providing EPC services and a strong local developer of renewable energy projects, to co-develop a 500 MW \$1.4 billion offshore wind project in Ben Tre province.
- In June 2021, MRP signed an agreement to acquire an 80% shareholding in Technology and Development Joint Stock Company Limited (D&T), which is developing a 405 MW portfolio of solar projects in the Dak Nong province.
- In February 2023, SynergyFuel: Techno-economic, Environmental and Social Impact Assessment of Waste to synthetic biofuel technologies in Circular Economy project. Dr Vashishtha will partner with Dr Hong Nam Nguyen from the University of Science & Technology of Hanoi (USTH) in Vietnam on the project which aims to develop research partnerships between Ireland and Vietnam. Synthetic biofuels from waste and residues play an important role in the net-zero by 2050 pledge made by 137 countries at COP26, including Ireland and Vietnam. Synthetic biofuels from non-crop resources should meet 45% of total biofuel demand by 2030, compared with 7% in 2020.

Italy

Over the past 5 years, bilateral trade between Italy and Vietnam was just over \$4.4 billion. In 2022, bilateral trade increased to \$6.2 billion. This is a substantial jump that can in large part be attributed to the EVFTA but also increased engagement between both countries

Vietnam's exports to Italy (\$4.4 billion) far outweighed its imports from Italy (\$1.8 billion). This is in large part due to Vietnam's emerging role as a manufacturing powerhouse. It also supplies vast quantities of construction materials to the EU. In particular, its biggest export to Italy is iron and steel.

There are an estimated 6,000 Italian businesses operating in Vietnam in a broad range of industries and sectors. A number of trade and support organizations, such as the Italian Chamber of Commerce, also work to facilitate greater trade and business engagement between the two markets.

- In April 2022, Eni Vietnam signed an MoU with Vietnam's Quang Tri provincial government to evaluate potential REDD+ (Reducing Emissions from Deforestation and forest Degradation) initiatives and Natural Climate Solutions (NCS) opportunities for carbon credit generation in the area. Eni has been present in Vietnam since 2013 and currently operates five blocks all located in the underexplored Song Hong and Phu Khanh basins, offshore central Vietnam.
- In February 2023, Piaggio Vietnam announced it was increasing its investment in the northern province of Vinh Phuc by \$75 million to \$165 million to expand operations. The company opened a motorcycle assembly plant in the Binh Xuyen Industrial Park of Binh Xuyen district in June 2009. In March 2012, it unveiled an engine production factory also in this industrial park. The two projects cover over 18.9ha and had a combined initial investment of \$90 million. As a next step, Piaggio Vietnam has decided to merge these projects and invest an additional \$75 million to raise motorcycle production and assembly capacity to 400,000 products/year from 250,000 and engine productions from 400,000 units/yr from 300,000⁽²⁶⁾.

Footnotes:

(26) <https://en.vietnamplus.vn/piaggio-vietnam-adds-75-mln-usd-to-investment-in-vinh-phuc/248720.vnp>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

Spain

In terms of trade, Spain is currently the 8th largest partner of Vietnam in the EU, the 7th largest export market and the 8th largest import market. In 2022, bilateral turnover reached \$3.54 billion, up 13% compared to 2021, the highest growth ever.

Spain ranked 45/152 countries and territories in foreign direct investment in Vietnam, with 88 projects worth over US\$143 million. However, there is much room for further growth in economic ties and cooperation between the two countries, Deputy PM Quang noted, pledging that Vietnam always creates favourable conditions for Spain to invest in Vietnam in high-tech fields, renewable energy, or transport.

- In July 2021, Iberdrola (Spain) acquired Sowitec Vietnam's 550 MW green pipeline. Sowitec Vietnam (part of German group) owns six renewable projects under development: five onshore wind farms and one 50 MW floating photovoltaic project⁽²⁷⁾.
- In September 2022, Spanish Acciona Energia signed a strategic partnership with Asia's The Blue Circle to build and operate the latter's pipeline of projects in Vietnam and Southeast Asia. The agreement, which includes a \$34 million investment to become the largest individual shareholder in Singapore-headquartered The Blue Circle as well as a commitment of up to \$113.5 million to fund the regional developer's projects through construction, gives it a 50% stake in the Asian firm. The Blue Circle currently has wind power projects to generate 84 MW in Vietnam, in which it maintains a 50% stake. Projects of more than 1.4 GW are in advanced stages of development in the region. Its total portfolio of projects under development amounts to 3.8 GW and covers Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Laos and Sri Lanka
- In March 2023, Deputy Prime Minister Tran Luu Quang affirmed the determination to step up the extensive and practical development of Vietnam-Spain "strategic partnership towards the future", especially in trade and investment, to uphold each side's potential and strength. Meeting with Spanish Minister of Industry, Trade and Tourism Reyes Maroto in Madrid Quang suggested Spain encourage its businesses to shift their high-quality investments to Vietnam in areas that align with the two countries' strengths and development needs such as infrastructure, renewable energy, transport, information technology and tourism; enhance cooperation and technology transfer in food hygiene and safety, seafood processing to improve the value of Vietnamese seafood exports to Spain. Maroto, for her part, said a number of Spanish enterprises are interested in investing in infrastructure and renewable energy in Vietnam.

Vietnam currently has four investment projects in Spain with a total capital of more than \$64 million⁽²⁸⁾.

Portugal

Bilateral trade \$640 million in 2021; \$100 million Portugal into Vietnam (54/210); \$540 Vietnam into Portugal (47/147). In January 2023, the Prime Minister suggested that Vietnam and Portugal raise Bilateral Trade to \$1 billion in the near future.

On the occasion, he suggested Portugal soon approve the EU-Vietnam Investment Protection Agreement (EVIPA) to facilitate fair and win-win investment relationship between the two nations, urge the European Commission's early removal of yellow card warning on Vietnam's aquatic products to meet interests of Portuguese and EU consumers as well as ensure livelihoods for hundreds of thousands of workers in the Vietnamese aquaculture industry.

Footnotes:

(27) <https://www.mainstreamrp.com/news/Agreement-with-AIT-to-co-develop-500-mw-offshore-wind-project/>

(28) <https://vietnamnews.vn/politics-laws/1492368/vie-t-nam-spain-look-for-measures-to-step-up-cooperation-in-various-fields.html>

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

- In June 2021, EDP Renováveis, the renewable energy company of the EDP group, signed a contract with Trina Solar, one of the world's leading manufacturers of photo-voltaic and intelligent energy solutions, to acquire a 28 MWac (35 MWdc) photo-voltaic solar energy project, totalling €30.3 million. The Trung Son photo-voltaic solar energy project, located in Khanh Hoa Province, Vietnam, has been in operation since December 2020 and has a Power Purchase Agreement (CAE) signed with Vietnam Electricity (EVN), at a tariff of 20-year acquisition (FIT).

Conclusions

The EU-Vietnam Free Trade Agreement and the dynamics within Asian markets, especially with the growing influence of China and other Asian economic powerhouses, e.g., South Korea, Taiwan, and Japan, have fuelled stronger investments of the EU into Vietnam. While existing and more established investors showed their stronger footholds with the new wave, green energy, and a few manufacturing sectors were the focus of the new wave of EU investments in Vietnam. This marks a new trend of securing safe and sustainable energy resources for the fast-growing economy of Vietnam while ensuring mutual global commitments to the UN's sustainable development goals, which all involved parties have signed up for.

It is encouraging to witness the new wave of EU investments in Vietnam that continue to push the country to diversify and upgrade systems including industry standards, legal frameworks, workforce, and labour upscaling. Included in the 2022-2023 wave are imports across numerous EU countries designed to rapidly increase Vietnam's wind and hydrogen power, partnerships with leading innovation hubs in the Netherlands and Belgium and steps taken to replicate Luxembourg's EU green finance leadership in Asia. EU investors will not only enjoy the benefits of the local market of 100 million population but also the markets that Vietnam has access to including US, ASEAN, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and others via its FTAs and other economic alliances.

On a final note, investment flows from Vietnam to EU countries have been limited to date. However, this may change in the future years when Vietnamese service sectors such as ICT services and agricultural processing companies penetrate EU markets in their global outreach and diversification strategies.

The future holds lots of positives for the EU-Vietnam trade and investment prospects. Within the next five to 10 years, when the committed investments are realized and yield profits for investors and their Vietnamese counterparts, it's then may be another wave of large investment from the EU. However, other investors including those from Asian powerhouses and the US are not just watching. The EU investors may want to leverage their momentum to retain their influential roles in Vietnam in the coming years.

Author's Note

The author would like to thank Ms Long Pham, PhD, Senior Research Coordinator, Insight Centre for Data Analytics, University College Cork, for her editorial contribution and liaising with the UK and EU Vietnamese embassies in drafting this document. Ms Pham was previously a researcher of the International Energy Research Centre following 5+ years in management with IBM Vietnam. She has been involved with ASEAN since at least 2017. She started her career as a reporter, rising to the position of Managing Editor of Viet Nam News in Hanoi 2008.

© Grisons Peak 2023. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak. Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.