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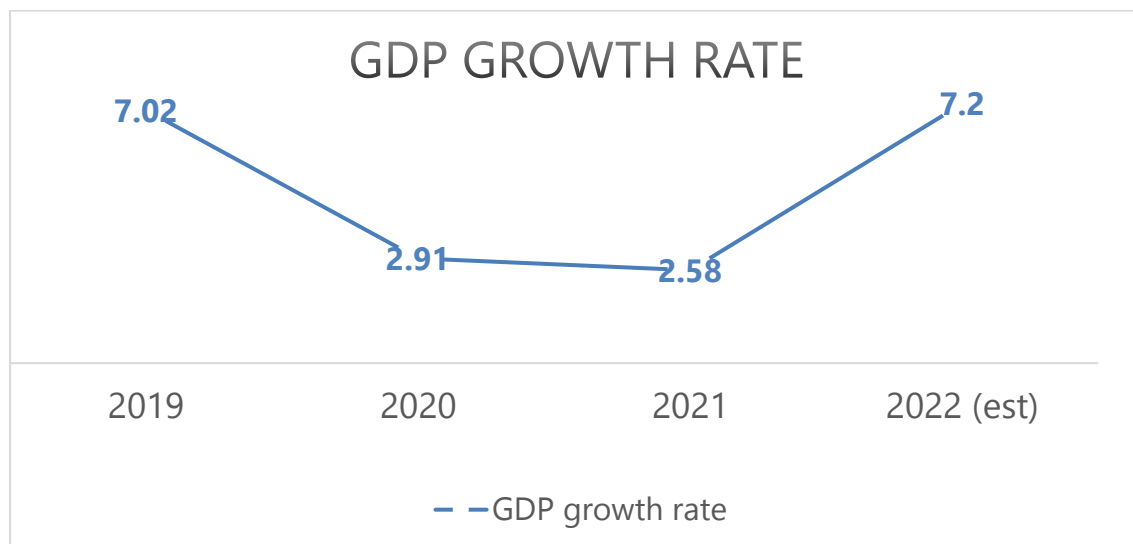
VIET NAM
SEPTEMBER 2022



POLICY MEASURES RELATED TO INVESTMENT AND TRADE FACILITATION IN VIET NAM IN TIME OF COVID-19 AND POST COVID-19

Since the outbreak of the pandemic in 2020, Viet Nam’s economy has suffered in many aspects such as GDP growth, tourism, foreign trade, unemployment rate and enterprises’ operation. The whole country was under lengthy lockdowns to secure the “zero Covid” approach, especially in manufacturing. However, with the flexible and adaptive reactions and measures of the government, the economy has rebounded since late 2021 until now.

GDP growth rate of the country dropped drastically from 7.02% in 2019 to 2.9% and 2.58% in 2020 and 2021 respectively. The latest press release of the World Bank indicated the favourable outlook for Viet Nam’s economy with the forecasted GDP growth rate at 7.2%.



Source: World Bank Press Release 8/2022

In 2021, because Viet Nam continue to expedite measures to control the Covid-19, foreign visitors to Vietnam reached 114.5 thousand arrivals, falling by 97% over the same period of 2020. In nine months of 2022, Viet Nam has welcomed 1.87 million foreign visitors, increasing by 16 times over the same period of 2021, demonstrating the resilience of tourism industry.

The serious decrease in the number of domestic and foreign tourists has also brought about difficulties for the tourism industry. Revenue from tourism and travelling services in the nine months of 2021 reached about 202.3 million USD. This number has increased to 774.7 million USD in 9M/2022, showing a recovery in tourism as a result of the country re-opening.

The labour and employment situation in 2021 was also affected due to the closure of many enterprises. The unemployment rate was 2.91% in 9M/2021 and dropped to 2.32% in Jun 2022, still higher than that of 2019 which was 2.04%.

Major trading partners and potential export markets of Viet Nam such as the US, China, Japan, South Korea and ASEAN members were hit by the surge of the pandemic. In an effort to fight the pandemic, most countries applied strict measures on trade activities, mostly at the border gates. This resulted in the congestion of goods and vehicles at border gates in Northern Viet Nam. However, the trade turnover still showed relatively positive outcome, demonstrating the practical and effective measures by the government.

	2019	2020	2021	8M/2022
<i>China</i>	116,800	133,000	9,540	7,100
<i>Laos</i>	1,162	1,029	1,373	1,076
<i>Cambodia</i>	5,200	5,320	9,540	7,100
<i>Thailand</i>	16,900	15,900	18,800	14,200
<i>Myanmar</i>	952.6	852.4	791.2	587
<i>World</i>	517,200	543,900	668,540	497,640

Source: GSO of Viet Nam

Regarding investment, inward investment was also slightly hit by the pandemic. Due to the tightened quarantine policy, number of foreign investors to enter Viet Nam to conducting investment procedures were limited. At the end of December 2021, Vietnam had cumulatively received \$241.6 billion in FDI, of which \$19.74 billion in 2021 – a 1.2 percent decrease over the same period in 2020. Of the 2021 investments, 59 percent went into manufacturing – especially in electronics, textiles, footwear, and automobile parts industries; 8 percent in utilities and energy; 15 percent in real estate; and smaller percentages in other industries.

According to a recent report from the General Statistics Office, by the end of 2021, total outward FDI investment from Vietnam was \$21 billion in more than 1,400 projects in 78 countries. Laos received the most outward FDI, with \$5 billion, followed by Cambodia and Venezuela with \$2.8

billion and \$1.8 billion, respectively. The main sectors of outward investment for Vietnam are mining, agriculture, forestry and fisheries, telecommunication, and energy.

Policies and measures

By the end of 2021, thanks to the successful national vaccination campaign, the country was enabled to switch from strict lockdowns to a “living with COVID” period. More than 70% of Vietnamese population at the age of 18 and older has been fully vaccinated.

Table shows that in 2020, Vietnamese government has launched a number of supporting measures as well as financial packages to ease the burdens on local businesses.

Supporting policies	Budget (billion VND)	Types of support and beneficiaries
<i>Financial packages to support businesses</i>	180,000	Taxes and Land Rental Fee Payments for affected businesses in more than 30 manufacturing and service industries
<i>Zero-interest loans to pay workers</i>	236 – 1,000	<ul style="list-style-type: none"> - Enterprises with 100 employees or more, at least 30% of employees must take cumulative leave from January or more. - Enterprises that are dissolved and bankrupt which need to borrow capital to pay salaries to employees. - Enterprises with 50 employees or more and at least 10% quit; or there is no financial source to pay the employee's salary and must terminate the labor contract with the employee
<i>Social protection package</i>	61,000	Cash allowance for 3 months (April, May and June 2020); people with meritorious services to the revolution, poor and near-poor households, formal workers who have lost their jobs but are not eligible for unemployment insurance benefits, informal workers (for some types of non-agricultural jobs) job loss
<i>Electricity price reduction</i>	11,000	10% discount on electricity prices (April-June 2020) for all households and businesses

<i>Lower interest rates on bank loans</i>		Banks reduce interest rates, waive and reduce transaction service fees. Businesses providing essential goods and services are eligible to borrow at an interest rate of 4.5% - 5%/year (lower than the deposit interest rate)
<i>Credit packages of commercial banks</i>	285,000	Loans to businesses that are least affected or least affected but need capital to operate after the COVID-19 pandemic, in the areas of: aquaculture, agriculture, healthcare services and electricity... severely affected businesses can also borrow if they can prove their ability to repay.

Some other remarkable measures can be listed as follows:

- The standard Value-Added Tax (VAT) rate has been reduced from 10% to 8% since February 2022 to December 2022;
- The Steering Committee was established to deal with the situation of goods congestion at the northern border gates, which consists of members from different Ministries such as MOIT, MARD, MOH, MOF and some localities;
- On January 18, 2022, the Government issued a Directive allowing foreign employees and overseas Vietnamese with valid temporary residence cards TRCs, permanent residence cards PRCs, and visa exemption certificates to enter Vietnam without the approval permit from the immigration department and the local people committee.
- Viet Nam developed different models/process of customs clearance in exporting goods:
 - (i) the model of epidemic prevention clearance;
 - (ii) develop epidemic prevention procedures for the circulation of exported agricultural products (for domestic circulation);
 - (iii) clearance procedures for epidemic prevention at seaports;
 - (iv) clearance process for epidemic prevention for freight transport by rail.
- Since 15/3/2022, from tightened social distancing measures, Viet Nam has relaxed most of the restrictions and allow regular cross-border tourism;
- Vietnam suspended health declarations for COVID-19 throughout the country from April 30 including for domestic travel. Earlier medical declarations for international arrivals from April 27 were also suspended as pandemic cases dropped drastically.
- Vietnam dropped all COVID-19 testing requirements for international arrivals from May 15 after a drop in cases and in moving in line with the country’s strategy of opening up;
- On the other hand, the Government of Vietnam has several initiatives in progress to implement administrative reforms such as: Building e-Government platforms and single

window services; National Digital Transformation Program to 2025, with orientations to 2030; National Strategy on developing Vietnam's digital technology enterprises to 2030.

- In an endeavour to enhance logistics services, the Prime Minister endorsed Decision 200/QĐ-TTg and Decision 221/QĐ-TTg approving the Action Plan to improve competitiveness and develop logistics in Vietnam to 2025.

- At regional level, Viet Nam and countries have been closely coordinated to ensure the cross-border flow of goods and services such as:

- Working together to revise/extend the trade agreements (Laos), MOU on promoting bilateral trade (Cambodia).

- Organizing many online meetings at all levels, conferences and exhibitions among countries: 04 meetings of the Vietnam - China Trade Facilitation Working Group and 03 meetings of the Joint Mechanism to solve congestion at the Vietnam - China border gate and cooperate in epidemic prevention have been organized, Economic Development Conference in the border area with border provinces to tackle the obstacles on border trade; online fairs and expos with China, Myanmar...

In terms of investment, the Government has amended the Law on investment and the Law on Enterprises, in addition to passing the Public Private Partnership Law.

Vietnam's Ministry of Industry and Trade (MOIT) is seeking to implement a Direct Power Purchase Agreement (DPPA) pilot scheme which, for the first time, will enable renewable energy generators to directly sell clean electricity to private-sector customers. The pilot scheme is expected to support Vietnam's transition in the liberalization of Vietnam's wholesale and retail electricity markets. It is anticipated that DPPAs will be introduced into the market on a permanent basis from 2025 onwards.

Expected Outcomes from the Implementation of this Project

Despite the progresses that Viet Nam has made recently in trade and investment facilitation, there are still a number of obstacles that need to be addressed. The project is expected to find out key implications to resolve the issues that Viet Nam is currently facing.

Transparency and information on laws and regulations requires better access by all stakeholders, especially the private sector. Given the situation that the legal system of Viet Nam is being revised regularly for better realisations of the signed FTAs or MOUs, all the information related to regulations and procedures should be accessible in both Vietnamese and English. Therefore, the project is likely to bring about recommendations on how to improve the transparency and accessibility of the law system.

The cross-border coordination in transporting and transiting of goods among Viet Nam and the neighbouring countries also needs to be strengthened to realise some key ASEAN trade facilitation initiatives in transit (e.g. The ASEAN Customs Transit System) or other regional schemes (e.g. the GMS Cross Border Transport Agreement-CBTA). In this connection, the project is expected to

assist the MLC countries to better facilitate and streamline services related to trade and investment through consultations among representatives from relevant lines agencies.

In addition, with the emergence of the Fourth Industrial Revolution, the use of digital documentation in government services to lay the foundation for e-government should be further encouraged. Viet Nam also needs to priorities its resources to formulate a comprehensive and effective regulatory framework on e-commerce. With the engagement of key stakeholders including government ministries, agencies and private sector, the project shall enable potential investors to be aware of the needs of MLC countries to enhance their digitalizing governments' public services as well as building secure framework for e-commerce activities.

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