



The road to facilitating German trade

The ties between Vietnam and Germany have strengthened over the past decade, driven by efforts of both governments and businesses. **Martin Koerner**, board member of the German Business Association in Vietnam, discussed with **VIR's Bich Thuy** the decade-long journey, and the growth potential still ahead.

What have been the key pillars of cooperation between Vietnam and Germany over the past decade?

Highlights in the last 10 years, to name a few, have been the creation of the Vietnamese German University in the southern province of Binh Duong with a strong focus on engineering, IT, business, and economics; the Deutsches Haus – a pioneering, premium grade A+ office tower in the heart of Ho Chi Minh City which has attracted over \$1.2 billion of foreign direct investment (FDI); and the German Dual Vocational Training initiative for enhancing the skills and expertise of young professionals in Vietnam.

Germany is one of the key partners of Vietnam in Europe with bilateral growth of 25-30 per cent on-year with now over \$15 billion in trade value, which represents 40 per cent of trade with the EU. The EU-Vietnam Free Trade Agreement will further accelerate this growth in the years to come. Germany also serves as an important gateway and hub for Vietnamese companies and investors wishing to enter the European market.

As a strategic partner, this coun-

try is also an important recipient of German development assistance with a total value of \$2 billion thus far, which contributes to poverty reduction, environmental protection, and sustainable development in Vietnam's under-developed localities, as well as training human resources.

German President Frank-Walter Steinmeier, who recently met Vietnamese State President Nguyen Xuan Phuc in New York, said during the inauguration of the Deutsches Haus that "We are here to stay", highlighting that the strategy and commitment of German companies and stakeholders are those of a close, sustainable, and long-term partnership.

This commitment and friendship have also been demonstrated during the unprecedented pandemic period, in which Vietnam first donated medical equipment to Germany last year, and with Germany now supporting Vietnam with millions of vaccines as well as high-tech medical equipment and testing kits.

Vietnamese people make up the largest Asian community in Germany with an estimated 100,000 Vietnamese studying and working there. More than 170,000 Vietnamese peo-



ple in total live in Germany and see the country as their home. They are an important contributing factor to the German-Vietnamese friendship, as are German companies and German people in Vietnam.

Vietnam is an attractive destination for foreign investors. What are the current trends in business and investment activities among German firms in Vietnam, and what difficulties do they meet?

German companies have realised that relying on China alone for manufacturing and production poses various risks and that diversification, the so-called China+1 strategy, is needed to mitigate those risks. Vietnam, with its strategic location, competitive labour market, high global-standard compliance, and its open markets for FDI, matched in ASEAN only by Singapore, is an ideal investment location.

For example, Techtronic Industries, a multi-billion dollar German-Hong Kong based global lead-

er in power tools, hand tools, and outdoor power equipment decided recently to invest \$650 million in the Saigon High-Tech Park to establish a manufacturing mega-plant and research and development centre, creating not only many new jobs but also effectively transferring important know-how to Vietnam.

Vietnam is now on the junction where it can decide what type of investment it wishes to attract, and German companies, with their long-term goals, high-tech approach, and know-how as well as sustainable and reliable business strategies, are the ideal choice and partner to develop a strong high-tech industry in Vietnam.

The challenge for German companies here is that infrastructure needs more development. Companies need a well-established interconnected system of roadways, railways, and ports to aid cost-effectiveness and logistics.

China, for example, has created a good model with its specialised industrial zones (IZs) and good connections to railways, ports, and airports, showing how such interconnected infrastructure is benefitting companies, in turn leading to more investments.

In addition, administrative procedures are still lengthy and not efficient. Digitalisation of administrative procedures has only just started, and most still rely on paperwork. A leaner, faster, and less bureaucratic process when dealing with authorities would help companies substantially.

Germany is a leader in areas such as science and technology, while Vietnam is in strong need of tech innovation for its modernisation. What future prospects of business cooperation could you foresee in this area?

Vietnam, unlike in the past, needs now to attract more high-tech businesses and qualitative companies from the likes of Germany, in the form of medium-sized companies that are often world beaters in their respective business fields. German companies are leading in engineering, chemical industries, pharma, medical device, biotech, automotives, and green technology.

To attract them, the right policies and frameworks are required. For example, with targeted incentive policies, industry specific cluster policies in IZs with excellent infrastructure and logistics, training facilities, schools, and fast-tracked administration for paperwork would help to bring in those important investors faster. We should also not forget that Vietnam stands in global competition to attract those same companies.

Also leading in Industry 4.0, well-known German companies such as Bosch, Siemens, and Schaeffler are already investing in Vietnam and are good examples of how the digitalisation and automatisations of industries are benefitting business in Vietnam. However, the nation needs many more such companies that require the right legislative framework with a focus on the right kind of investors. ■



By Prof. Dr. Andreas Stoffers
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The Social Democratic Party (SPD) is the strongest force in the newly-elected Bundestag with 25.7 per cent. The party improved its results by 5.2 per cent compared to four years ago. The SPD and its top candidate, Olaf Scholz, were able to profit primarily from the weakness of the Christian Democratic Party/Christian Social Union (CDU/CSU), which had previously provided Chancellor Angela Merkel. Her party suffered a landslide loss of 8.9 per cent, but is still the second-strongest force in parliament with 24.1 per cent.

The liberal, pro-market Free Democratic Party (FDP), which improved its result slightly by 0.8 per cent to a total of 11.5 per cent, is likely to play a major role in the formation of the government. If the

End of the Merkel era ushers in new journey for German leaders

FDP is involved in the government, a stronger free-market component should come into play, which would be good for the heavily regulated Germany.

At the moment, it remains completely open and exciting which government coalition will be formed. Most likely, the SPD will provide the new head of government, for example within another grand coalition with the CDU/CSU. In this case, however, the CDU/CSU, which has led the government for 16 years, would be the junior partner.

Another option would be a coalition between the SPD, the Greens, and the liberal FDP. For

this to happen, however, the differences between the free market-friendly FDP and the Greens would have to be resolved. In this case, Merkel's party, the CDU (in cooperation with its Bavarian sister party CSU), would be left out altogether. Another option would be a coalition of CDU/CSU, FDP, and the Greens. This would be the only possibility for the CDU/CSU, led by its leader Armin Laschet, to name the chancellor.

Experience shows that it will take several weeks or months before the parties agree on a governing coalition. The old government under Merkel will remain in office for that long.



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Meanwhile, Germany remains one weakest performers in the EU in terms of digitalisation. In addition, after Chancellor Merkel, the German society is more divided than ever before.

We should have in mind that in 2013, the CDU/CSU was still at 41.4 per cent. In recent years, there has been an unprecedented decline of this conservative party. At the same time, CDU/CSU lost many votes to the other parties. The party will have to use the time after Merkel to redefine itself again. Even CDU/CSU chancellor candidate Laschet promised new approaches.

And the SPD, which was still at 40.9 per cent in 1998, will also have to convince its voters. The current elections present all parties with important tasks. The next few years will show whether and which parties can satisfy the desire for changes of the German voters.

In any case, the positive news is that all parties are interested in the expanded partnership with ASEAN and Vietnam. Thus, there will be no deterioration in the relationship between Berlin and Hanoi. A new German government will not change the economical and political ties between the two countries, no matter which party will provide the new chancellor. ■

The previous fears of some business circles that Germany could see a coalition of the three parties SPD, Greens, and Die Linke will not become reality. There are not enough votes for that. If one takes into account that Die Linke would have demanded income tax rates of up to 75 per cent and a wealth tax of up to 5 per cent, this could have led to a further decline in Germany's attractiveness as a business location.

Nevertheless, with this 2021 election, Germany has moved further to the left, as SPD, the Greens, and Die Linke gained 6.8 per cent overall in the parliament, despite the losses of Die Linke.

However, the new government offers the chance to bring in a new wind and make Germany fit again. During the Angela Merkel era, there was a reform backlog. Germany ranks now first in the world in terms of taxes and duties, and the federation's energy prices are among the highest in the world, with national debt reaching enormous proportions.