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Executive summary

The pandemic hit the economy hard, but Vietnam has taken decisive steps to limit both the health damage and economic fallout. Vietnam was praised for its timely and successful management of the Covid-19 pandemic even though the country has been severely impacted by the fourth wave of the pandemic. Yet with the policies of the Government, the economy is gradually recovering while people are getting used to the new normal. Traveling activities are reopened with the reinstating of international flight routes, thereby motivating tourism and welcoming the foreign investors to Vietnam.

Vietnam has shown strength and resilience in every aspect of life thanks to the stimulus packages and supporting policies of the Vietnamese Government. Plus, the global supply chain was disrupted by the Covid-19, and even exacerbated by the escalation of tension between Russia and Ukraine. Under such a situation, Vietnam exports would be affected, but the nation has displayed tremendous economic resilience through investment attraction policies and a stable political environment, which allows the economy to recover at a considerable pace.
01.
VIETNAM’S MANAGEMENT OF ITS COVID 19
1. COVID 19 SITUATION

As of April 29, 2022, Vietnam recorded more than 10 million cases in which the total deaths reached 43,037. This death rate is relatively low compared to other countries in the same region, such as Indonesia which witnessed more than 156,217 deaths or the Philippines which experienced 60,267 total deaths.

![Vietnam Overview](image)

Figure 1: Covid-19 Cases in Vietnam

![Covid-19 Mortality Rate by Country in Southeast Asia](image)

Figure 2: Covid-19 Mortality rate in Southeast Asian countries
Currently, Vietnam has shown a significant increase in the quantity of Omicron-infected cases, yet the death rate is out of concern. This can be attributed to the wide coverage of vaccination across the whole country. Since its first vaccination campaign for frontline doctors and medical staff in March 2021 in Hai Duong provinces, Vietnam has covered over 216 million Covid-19 vaccine doses as of April 29, 2022, being the sixth highest vaccine coverage rate in the world.

Immunization rate reached 81.15% of the whole population, of which 100% of the population over 18 years of age have received at least one injection shot. Further, Vietnam is implementing a plan to vaccinate children aged 5-11 against COVID-19 and is studying and deploying the fourth dose of the vaccine nationwide. In short, Covid-19 is no longer a concern of Vietnamese people, and the medical system in Vietnam now has sufficient strength and resilience against the pandemic, allowing capacity for quick adaptation to the “new normal” situation.

Figure 3: Vietnam vaccination coverage
2. STRATEGIC APPROACH

Safe coexistence with COVID-19

In the first three waves of the Covid-19 outbreak, the Vietnamese Government took prudent measures towards the pandemic management. In particular, the Government prioritized the health and safety of Vietnamese people, thus restricting the transportation among trans-regions, applying strict quarantine methods to inter-provinces and closing international flight routes. This decisive and rigorous action of Vietnam curbed the Covid-19 epidemic successfully, thus, at the end of the third wave, all the outbreak spots in the country have been under control, receiving a pool of praises internationally and regionally.

Yet, despite the Covid-19 management, a strong blow was dealt to the economy of Vietnam, especially with regards to tourism, manufacturing industry, education, and unemployment rate. Vietnam’s economy maintained growth with GDP growth estimated to increase by 2.91% in 2020, which was lower than the 2015-2019 GDP growth of 6.76% on average, yet pretty much higher than that of other ASEAN countries, notably Philippines (-9.6%) and Thailand (6.1%).

Meanwhile, 2020’s unemployment rate in Vietnam was slightly higher than that in the period of 2009-2019, which reached the peak of 2.39%.

The Vietnamese Government was fully aware of the situation, however, the health and safety of its people were of the top priority while the vaccine was under experiments.

The new normal

The fourth wave was the most severe with an alarming increase in the Covid-19 cases of its new variants. Despite the situation, Vietnam’s government switched the strategic approach from strict management to a Safe opening and New normalization strategy, following the Prime Minister’s Resolution No 128 on a safe and flexible adaptation plan to effectively control the pandemic with a specific and feasible roadmap.

Vietnam officially launched the largest vaccination campaign in history with the goal of injecting
The Vietnamese Government continues orienting towards economic recovery besides Covid-19 prevention and protection in the upcoming times. In this way, the medical system is well-prepared to respond to the epidemic through proactive in the production of vaccines, and uniformly advanced technology applications. In the context of the new normalization strategy, Vietnam has reopened the economy and international flight routes, removing all the travel restrictions for domestic and foreign visitors.

3. MOBILITY

At the beginning of 2022, the Vietnamese Government took the first initiative to reinstate international flight routes and open more than 20 ones later. On March 15, the Vietnamese government issued Resolution 32/NQ-CP 2022 whereby visa exemptions shall be applied to citizens from 13 countries with a temporary residence period of up to 15 days from the entry date. This Resolution marks a milestone in fully opening borders with foreigners for both business and travel purposes. The list of countries is as follows: Belarus, Denmark, Finland, France, Germany, Italy, Japan, Norway, Russia, South Korea, Spain, Sweden and the United Kingdom. Noticeably, citizens from these nations will get visa-free travel regardless of immigration purposes and types of passports.

The temporary residence period with some countries in ASIA could last more, namely:
- Brunei, Myanmar - 14 days.
- Japan, South Korea (ROK) - 15 days.
- The Philippines - 21 days.
- Cambodia, Indonesia, Laos, Malaysia, Singapore, Thailand - 30 days.

Foreigners can simply apply online for a tourist E-visa, valid for 30 days with a fee of 25 USD.

In addition, quarantine measures and health declarations for both Vietnamese and foreigners were removed. Recently, on May 16, the Vietnamese government suspended the requirement of COVID-19 testing before border entry. Foreign visitors are now able to travel freely without a COVID test upon arrival.
Under the new normal conditions, most international visitors to Vietnam only need the following requirements:

- Proof of valid medical/travel insurance covering Covid-19 treatment
- Downloaded PC-Covid mobile app (Apple/Google Play) which must be presented to enter all VN establishments.

**Recognition of vaccine passport**

Up to March 17th, 2022, Vietnam has reached an agreement on mutual vaccine passport recognition with 17 countries, including the USA, the UK, Japan, Australia, Republic of Belarus, India, Cambodia, the Philippines, Republic of Maldives, Palestine, Turkey, the Egypt Arab Republic, Sri Lanka, Singapore, Saint Lucia, and Korea.

Accordingly, foreign visitors to Vietnam with vaccine passports or vice versa may be subjected to the same medical measures as those vaccinated in their home country. This recognition includes exemption from the consular certification/legalization procedure when using the vaccine passport in the destination country. Foreign vaccine passports are considered valid and can be used directly in the territory of Vietnam if officially or temporarily recognized by the Vietnam Vietnamese Government.
How to apply an E-visa

STEP 1: PREPARE THE REQUIRED MATERIALS:
- One 4x6 passport photo in .jpg format with a white background, without glasses.
- One photo in .jpg format of your passport data page.
- A passport is valid for at least six months.
- Your temporary address in Vietnam and points of entry and exit.
- Debit or credit card for payment.

STEP 2: Click this link or access https://immigration.gov.vn/ and go to ‘E-visa Issuance’ then click on the link for ‘Outside Vietnam foreigners’.

STEP 3: UPLOAD YOUR .JPG IMAGES (passport data page and passport photo) and fill out the required fields on the form completely. Submit your form.

STEP 4: PAY THE E-VISA FEE OF 25 USD. Copy down the document code provided.

STEP 5: Within three working days you should receive news of your e-Visa application via email. If not, you can also run a search for your e-Visa at this link.

STEP 6: Use your document code to locate your e-Visa online. Download and print the e-Visa in two copies for extra safety.
02. VIETNAM ECONOMY
1. VIETNAM RESILIENCE IN COVID 19

Despite a challenging 2021, 45% of Vietnam’s small enterprises are still growing. Foreign direct investment inflows have consistently increased over the past year, in line with the government’s dual goal of “controlling the pandemic and boosting socioeconomic recovery” (up 9.2% in 2021). CPA Australia’s 13th ‘Small Businesses Asia Pacific’ Survey acknowledged the resilience of Vietnam in Covid-19 pandemic with the significant bounce back of Vietnam’s small businesses in this year. This transition is thought to be driven mostly by significant investments in technology and government backing.

Overcoming Covid-19 this time has relied heavily on technology and the bravery of the Vietnamese people, Mr. Phuong added. The Government has promptly issued many mechanisms, policies and solutions to support businesses affected by the COVID-19 epidemic.

Overall, domestic and foreign demand recovery, combined with supporting government policy, has encouraged small firms and accelerated digital transformation. Regarding an example in the wood manufacturing sector, Mr. Nguyen Chanh Phuong - Vice Chairman and General Secretary of Handicraft and Wood Industry Association of Ho Chi Minh City - stated that Vietnam maintains communication with clients through available virtual showrooms and other online information technology infrastructures. Mr. Phuong estimated that if Covid-19 occurred 5 years ago, it would cause double damage by disrupting the business and preventing contact with customers. “During the fourth wave of Covid-19, 50% of enterprises maintained production with “3-on-site” measures, allowing for speedy adaptation.”

Many businesses also acknowledged other timely decisions made by the National Assembly and the Government: Cutting 30% of corporate income tax (CIT) for enterprises mainly of small and medium size, with a turnover of less than 200 billion VND per year; extending the agricultural land use tax exemption period from January 1, 2021 to 2025 (approximately 7,500 billion VND per year); postponing the payment of value added tax (VAT), CIT and land rent; loosening credit of banks and extending deadlines for payment of VAT, CIT,
personal income tax and land rent in 2021.

The extension of tax payment and land rental time helps businesses have more financial resources to increase their resilience against the risks of supply chain disruption, instability or decrease in market purchasing power. In addition, Vietnam reduced fees connected to establishment, information disclosure of enterprises, appraisal, modification, and supplementation of operating licenses, and fees linked to establishment, information disclosure of enterprises, revised appraisal, and supplementation of operating licenses. All have had a positive impact on business operations and were consistent with international commitments and trends.

In terms of technology investment, the determination of the Government and businesses has created a nationwide movement, inspiring the whole Vietnamese workforce, particularly the young generation.

The Ministry of Planning and Investment, in collaboration with the United States Agency for International Development (USAID), has launched the Digital Transformation Handbook for Vietnamese businesses as part of the Project to promote reform and improve connectivity of small and medium enterprises - USAID LinkSME.

On July 23, 2021, Vinasa established an expert council to develop a digital transformation guideline framework for SMEs with the participation of nearly 40
experts who were senior leaders of leading technology enterprises in digital transformation for SMEs in various sectors. Mr. Lu Thanh Long, Vice Chairman of Vinasa held the position of Chairman of the council. On December 2, 2021, within the framework of the Vietnam Digital Transformation Forum 2021 (Vietnam DX Summit 2021), Vinasa also announced 26 digital transformation frameworks for businesses to help businesses accelerate the process of digital transformation, adapt and develop in the new normal.

Additionally, on the 2022 plan, the Ministry of Information and Communications will also use this toolkit to assess the digital transformation level of 100,000 enterprises across the country. The assessment results will serve as the foundation for completing specific action projects, supporting digital transformation in businesses, and developing the digital economy in Vietnam. Along with that, the Government will provide financial assistance to businesses for digital transformation.

According to Decree 80/2021/ND-CP, which details and guides the execution of a number of provisions of the law on assisting small and medium-sized firms, enterprises will be supported by 50% of their expenses if they rent or buy digital transformation platform and solutions certified and announced by the Ministry of Information and Communications. Continuing the startup and innovation ecosystem’s breakthrough momentum, more than 64,000 digital businesses have been founded, with the digital economy now accounting for nearly 10% of GDP since 2020, even when the Covid 19 outbreak began to spread.

Nowadays, digital transformation startups can be found related to even the simplest jobs. For example:

• VECA - an app that helps connect scrap collectors to sellers;
• UTOP – the digital transformation model from Ho Chi Minh City’s government and FPT’s aids in digital transformation for traditional small enterprises in Ho Chi Minh City. Customers may now purchase a variety of veggies and seafood with a specific stall address, transparent pricing, and certified food safety.

Although the success of these new models has yet to be determined, they have undoubtedly contributed to the post-Covid startup trend of “Either you do
something related to technology, or you do nothing”.

According to Mr. Pham Hong Quat, Director of the Department of Market Development and Science and Technology Enterprises, Vietnam will build on the momentum of 2021 and 2020 in 2022. To further encourage innovation, the Ministry of Planning and Investment is coordinating with relevant agencies to research and propose amendments to a number of Laws and Decrees to create more incentives for businesses to innovate as well as to strengthen the innovation ecosystem in line with the Fourth Industrial Revolution.

Despite the fact that 2021 was expected to be the most challenging year since Doi Moi, with the world and domestic situation further complicated by COVID-19, investment in Vietnam’s innovative start-ups remained strong, reaching nearly 1.4 billion USD - the highest result in the entire period from 2016 to now. With 3,800 start-ups, more than 200 investment funds, and over 100 business development organizations and operating incubators, the number of startups is also constantly expanding. This demonstrates that Vietnam is becoming one of the most appealing investment destinations for international investors and the quality of the Vietnamese startup industry has also increased.
2. ECONOMIC OUTLOOK IN 2022

Bloomberg assessed Vietnam’s GDP to grow at 6% and 6.5% in 2022. According to the Asian Development Bank (ADB), that growth would be the fastest in the ASEAN and the second fastest in Asia-Pacific after India’s estimated growth at 7.5%.

Manufacturing will be the main driver, while tourism, construction and other industries are expected to continue recovering. Fitch Ratings forecasts that Vietnam’s growth along with the benefits from recent FTAs will increase domestic consumption demand, tourism, exports and FDI inflows in 2022. In January, the National Assembly of Vietnam approved a stimulus package worth about 347 million VND (15.2 billion USD) to help the economy overcome the disruption of Covid-19, reaching the target of 6% to 6.5% growth this year.

As of March 29, Vietnam’s economy reached 5.03% of growth in the first quarter (GSO, 2022) regardless of the Covid-19 pandemic and the global political unrest. Though GDP in Quarter I of 2022 witnessed a slower growth than estimated, the economic activities are expected to bloom in the next three quarters thanks to the wide coverage of vaccination. Additionally, the export volume of the first quarter increased by 12.9% compared to the same period last year, standing at 88.85 billion USD, leading to a trade surplus of 809 million USD.

The slow growth rate results from the escalation of tension between Russia and Ukraine as both countries are traditional and significant commercial partners of Vietnam in Eurasian region.

Given the trade turnover, Russia secures the first place while Ukraine comes sixth. Even though the export volume of Vietnam to Russia and Ukraine is marginal, the spread of exportation to the European market is significant thanks to the recent FTA between Vietnam and the EU. In this way, the disruption in the trade activities will have a negative impact on other related markets. In addition, the disruption of the global supply chain due to Covid-19 has been exacerbated by the political crisis among Russia and Ukraine.

This situation will definitely affect the supply of raw materials for Vietnam manufacturing, upsetting the inflation and economic growth. If the war is not ended, the global supply will fall deeply
into the disruption, thereby severely disturbing the exportation of Vietnam, especially in electricity and electronics. Under such circumstances, Vietnam has shown great potential through investment attraction policies and a stable political environment, thus the economy will recover considerably.
3. VIETTONKIN PERSPECTIVE

Given the easing Covid 19 restrictions, Vietnam economy holds a positive big picture with potential investment opportunities for FDI investors.

Due to the rising demand of global consumption, leading to the increase in goods import demand, Vietnam stands a chance to strengthen the export economy. Those industries with large export proportions remain top concern for investors, featuring Electronics, Textile and Garment, Seafood and Food processing, Wood and Wood-related products, Rubber, Iron and Steel, etc.

According to the General Statistics Office, in 2021, 35 goods categories exceeded 1 billion USD of export turnover, accounting for 93.8% of total export turnover. 8 export items valued over 10 billion USD, equivalent to 69.7% total export turnover, including: Phones and Components, Electronics, Computers and Components, Textile, Footwear, Wood, Steel, Means of transport and spare parts. In 2022, the trade industry sets a target of 6-8% increase in export turnover compared to 2021 and maintaining the surplus trade balance.

The opportunity for Vietnam’s export market expands as manufacturers leverage the system of 15 signed FTAs (namely CPTPP, EVFTA, RCEP, etc) to discover and exploit new major markets. Exports to FTA partner markets continue to be enhanced when businesses have gradually adapted to the agreed commitments and soon-to-be eliminated preferential import taxes from partner countries.

Plus, Ms. Nguyen Cam Trang, Deputy Director of the Import-Export Department (Ministry of Industry and Trade), has emphasized on the significant role of FTAs which help to leverage import-export activities, with high expectation for the latest FTA being the Regional Comprehensive Economic Partnership (RCEP) which has been put into effect since January 1, 2022.

In line with the global-wide digital transformation wave and the pandemic-induced change towards online shopping of customer habits, Ecommerce and Logistics emerge and grow rapidly. According to Dang Hoang Hai, Director of the Department of E-commerce and Digital Economy (Ministry of Industry and Trade),
COVID-19 is a catalyst to help e-commerce develop faster and stronger. Commenting on the e-commerce market, Mr. Nguyen Ngoc Dung - Chairman of the Vietnam E-commerce Association (VECOM) - articulated that the pandemic has shortened the progress of application development for e-commerce by 1-2 years compared to the plan until 2025. The growth rate of e-commerce in recent years has achieved approximately 30-35% annually and is expected to bloom during the post-pandemic time.

At the same time, the logistics sector showed positive signs of development. Taking advantage of FTAs, high import-export growth and recovering FDI inflows, Vietnam is extensively integrated with the world economy. This is an opportunity for logistics service providers to expand their markets and cooperate internationally. Moreover, Vietnam is one of the countries with the highest e-commerce growth in Southeast Asia, which creates conditions for e-logistics to develop and the cold chain industry - a niche market that has attracted lots of attention recently.
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