



GVCIC bolsters economic ties

Vietnam and Germany's expanded trade and investment ties will be fuelled by the establishment of a German-Vietnamese Chamber of Commerce and Industry in the near future. On the occasion of Germany's National Day (October 3), **Wolfgang Manig**, Deputy Head of Mission and First Counsellor for Economics and Consular at the German Embassy in Hanoi, spoke with *VIR's Thanh Tung* about the chamber and German investment prospects in the country.

What are the most outstanding features of Germany-Vietnam investment and trade ties now?

In 2015, the two countries' trade hit a new height, at €10.3 billion (\$11.55 billion), making Germany the biggest EU trade partner of Vietnam. Of this figure, Vietnam enjoyed a trade surplus of €8 billion (\$8.97 billion), up 22 per cent year-on-year.

The EU-Vietnam Free Trade Agreement, expected to take effect in early 2018, and a plan to establish a German-Vietnamese Chamber of Industry and Commerce (GVCIC) in Vietnam will help expand the bilateral trade, and help Vietnam attract more German investments.

Germany will also increase its development co-operation with Vietnam. Last year, German committed to providing €220 million (\$246.6 million) in Vietnamese development co-operation over two years, focusing on vocational training, energy, and environmental protection.

Over the past few years, Vietnam and Germany have been planning to establish GVCIC. Why has it taken so long to be established? How is the plan being prepared?

GVCIC is to be seen in the context of the German-Vietnamese Strategic Partnership, established by German Chan-

cellor Angela Merkel and Vietnamese Prime Minister Nguyen Tan Dung in October 2011. This body shall be a platform of exchange of information for both German and Vietnamese companies in accessing each other's markets.

The new element of this chamber compared with the existing German institutions present in Vietnam today (Representation of German Industry and Commerce, and GBA – the German Business Association) is the possibility of membership of Vietnamese companies. They will enjoy the full service of a German designed chamber.

Today, GBA is an association of mostly German com-

panies active in Vietnam. Although the representation offers some limited services in market access information for German companies in Vietnam and Vietnamese companies in Germany, only a full-fledged chamber will really give a boost to the bilateral trade.

The chamber will be set up by a merger of the Representation of German Industry and Trade on one side and GBA on the other side. Therefore, the responsibility for the merger is with the members of GBA (meaning private enterprises) and their representation (meaning a branch office of the German Chamber of Industry and Trade), not with the federal

government.

GVCIC is a primarily private German institution which opens its doors to Vietnamese members. This is new in Vietnam and it is necessary to explain this new model to our Vietnamese friends and partners. Both the representation and GBA under the auspices of the German Embassy in Hanoi are currently in discussion with a newly formed inter-ministerial commission of the government of Vietnam.

Do you really think that GVCIC will help boost German investments into Vietnam? Why?

German investments will primarily depend on the success of ongoing reforms in Vietnam's governance, administration, and judiciary. The chamber will serve as a transmission organ for information on the reform in Vietnam with an immediate

practical impact. As the chamber consists of business professionals with experienced insights into Vietnam's economy – chamber members can share their experiences with companies in Germany who intend to invest or seek business opportunities in Vietnam.

Thus, the chamber will not generate German investment per se, but will be an indispensable source of first-hand, reliable information.

What is your view about German investment flow into Vietnam in the time to come?

In Germany, Vietnam is regarded as one of the most attractive investment destinations within ASEAN. There is, certainly, still room for improvement. But I am confident that more German companies will come – under the condition that the reform policy continues, especially administrative and judicial reforms. ■

Ingmar Stelter, director of GIZ Vietnam's Energy Support Programme, and **Rainer Brohm**, a renewable energy expert, analyse the opportunities in Vietnam's emerging solar market for German-Vietnamese business co-operation and the development of the domestic energy market.

Vietnam's solar energy sector to boom under German leadership



Ingmar Stelter



Rainer Brohm

Vietnam's fast growing electricity demand is a tremendous challenge for the development of the country's energy market, both economically and environmentally.

Vietnam's power supply largely depends on conventional resources such as coal, hydropower, and gas turbines which today, already lead to serious environmental problems and energy security concerns. According to the National Power Development Plan (PDP 7), Vietnam's power generation capacity will triple from today's 39 gigawatts (GW) to almost 130 GW in the year 2030. Thus, each year, 5-6 GW of capacity would need to be added to the system.

Vietnam's vast and to-date largely untapped renewable energy resources play a significant role in shaping the coun-

try's energy future. The outlined energy challenge that seems like a "mission impossible" becomes a great opportunity for wind, solar, and bio-energy investments for the next years, and particularly, for Vietnamese-German business co-operation.

Vietnam can build wind farms with high speeds on its long coastlines. High solar irradiation can be installed in southern and central Vietnam. The country has a strong agricultural sector with large amounts of residues from rice and sugar industries for electricity production from bio-energy. The government has set ambitious targets for renewable energy development in the PDP 7 and already issued support policies for wind and bio-energy development.

Furthermore, a support mechanism for solar photo-

voltaics (PV) has been drafted in 2015 and is expected to be implemented soon. The draft includes a feed-in tariff (FiT) of \$0.112/kWh for grid-connected free-field power plants, and \$0.15/kWh for access to solar energy fed into the grid via a so-called 'net-metering' scheme for rooftop systems.

Germany, with more than 50 years of experience in R&D and a track-record of more than 20 years in developing renewable energies – provides support to Vietnam in shaping the legal and regulatory framework for renewable energy, as well as in building up political, technical, and economic capacities in the sector. Since 2009, the German development co-operation organisation GIZ and its Energy Support Programme have been actively supporting the development of renewable

energy in Vietnam, with various activities in policy advisory, capacity building, technology transfer, and research co-operation for wind power, biomass, solar PV, and energy efficiency.

In addition, the German renewable energy industry is eager to invest in the emerging Vietnamese market and to partner with Vietnamese companies to develop renewable power projects. The latest interest targets the solar PV sector. The political momentum initiated by the draft of the solar PV support mechanism in 2015 has grabbed the attention of German investors.

The GIZ Project Development Programme (PDP) supports interested German companies. Within the framework of the "Energy Solutions – Made in Germany" initiative, PDP is commissioned by the German Federal Ministry of Economic Affairs and Energy (BMWi) to support and facilitate business partnerships between German and local companies, and to identify and support pilot projects that showcase German technology.

In September 2016, GIZ and the Delegation of German Industry and Commerce (AHK) organised a business trip for a German solar indus-

try delegation to Ho Chi Minh City to build up German-Vietnamese networks and boost investments and project implementation in the sector. Starting with a one-day conference on September 12th following a theme of "Photovoltaics in Vietnam: Free-Field and Net-Metering before Breakthrough", the German solar companies presented their products and services to over 200 participants from the industry, as well as federal and provincial political administrations. Representatives from local Vietnamese companies (Viet Linh and SolarBK among them) also shared insights on the local solar sector. Private sector representatives from both countries concluded three requirements to foster solar power development in Vietnam: a suitable FiT, a supportive legal-administrative framework, project financing at affordable interest rates, and public acceptance and support.

To show tangible investment opportunities, GIZ and AHK presented an analysis on solar PV investment opportunities in Vietnam, including six detailed investment case studies for commercial and industrial PV rooftop systems.

The case studies indicate that the emerging solar market

of Vietnam in its current state already offers attractive business opportunities for German and Vietnamese companies. Investments with self-consumption business cases show double digit returns on investment and equity payback times of six-to-nine years. The analysis also shows that the prospective governmental support – for example, through a net-metering system – could improve investments and make solar PV very attractive for local manufacturing companies and other businesses.

The conference and the extensive German-Vietnamese business network concluded that the partnership of German solar technology and project development expertise with local industry and know-how could create a win-win situation.

Only one week after the German trade mission to Ho Chi Minh City, a Vietnamese delegation of federal and provincial government officials travelled to Germany to meet with renewable energy institutions, visit projects and research facilities, and exchange with German public and private sector representatives. The recent German-Vietnamese activities show that co-operation between the two countries has the potential to boost investments in the renewable energy sector of Vietnam and contribute to a more sustainable development of the domestic energy sector. ■