



The United Kingdom and Vietnam have made positive moves in bilateral trade and investment after one year of enforcement of a special free trade deal. Kenneth Atkinson, chairman of the British Chamber of Commerce Vietnam, talked to VIR's Bích Thuy about what could lay ahead.

After one year of enforcement thus far, how has the UK-Vietnam Free Trade Agreement (UVFTA) made an impact on bilateral trade and business activities?

The UVFTA came into effect at the end of March 2021 but with retroactive benefits starting January that year. This was one of the speediest negotiations of any FTA, in large part due to the strong strategic partnership established by the governments of Vietnam and UK. The strategic partnership has been in place for 10 years, and is stated

New motivation for bilateral investment through UKVFTA

as being at its strongest ever.

The UK is the European country that has maintained the most active and frequent exchanges of high-level delegations. The UK has become the third-largest European trade partner and the top European investor in Vietnam. Trade volumes increased 17 per cent in 2021 and a further 11 per cent in 2022 over January-May, with the balance very much in Vietnam's favour with the reduction in tariffs on many items such as footwear, clothing, and food products.

Ministerial visits and business delegations, such as the recent visit of National Assembly Chairman Vuong Dinh Hue, will serve to highlight the strength and attractions of Vietnam as a trade and investment destination.

Vietnam's traditional export sectors, such as clothing, footwear, and phones, and other electronics have clearly benefited from the FTA as supported by the increase in trade volumes. Other sectors include agricultural products.

Between May 2021 and May this year, exports of the UK increased 38 per cent from \$51.7 million (\$62.6 million) to \$71.4 million (\$86.45 million), while imports increased 7 per cent from £356 million (\$431 mil-

lion) to £381 million (\$461 million).

Top UK exports to Vietnam during that period included gas turbines, liquor, and pharma products, whilst Vietnam's top exports were telephones, textiles, footwear, coffee, and computers.

Has the UVFTA made any changes in the picture of British investment in Vietnam, and have you seen any new trends in that regard?

Education cooperation – both through the 12,000 Vietnamese students studying in the UK and the growing number of schools and higher education institutions beating a path to Vietnam's door – is a bright highlight for both countries.

In addition to the traditional sectors such as financial and professional services and insurance bilateral ties have been expanded and now take in technology, digital transformation, climate change response, and green growth.

One major committed UK investment since the entry into force of the FTA is the offshore wind farm project by Enterprize Energy with a phased total investment plan of over \$10 billion. However, this project has been under discussion for several years.

British financial institutions are

particularly keen to support Vietnam with green financing (for example green bonds), and this type of financing will be critical in order for Vietnam to be able to meet its commitment to net-zero emissions by 2050.

Businesses and investors expect Vietnam's FTA commitments to fast-track administrative reform and improve the business climate. What improvements have you seen?

While there has been progress in administrative reform and in the business climate, changes have not been fast enough in the eyes of many investors. For those of us fortunate enough to live here, we do understand the complexities in making changes to laws and regulations and administrative procedures and also appreciate Prime Minister Pham Minh Chinh's commitment to improving the business environment and his constant dialogue with business groups and the Vietnam Business Forum.

One of the challenges is translating the government's wishes down to a working level in many provinces. The main challenges facing British businesses include the immediate concern of labour shortages, while many countries also face supply chain disruptions.

Other concerns include work permits and residence cards, and the strict interpretation being enforced by the Ministry of Labour, Invalids, and Social Affairs with regards to qualifications matching specific jobs. On this, we seem to be going backwards 10 years and not forwards on this matter.

We must recognise that many professions overseas take in school leavers who then do professional exams – like lawyers, accountants, and engineers – and that common sense should prevail in many of these cases.

Another issue is transparency and the very strict anti-bribery laws in the UK and other jurisdictions put companies and individuals in jeopardy if the expectations of some local organisations and individuals are to be met. Again, the British Chamber of Commerce in Vietnam applauds the efforts of the government in this area of improving transparency and rooting out corruption.

Overall, the sentiments of British investors already here and those looking at Vietnam are very positive, in part due to the strength of the strategic partnership and bilateral relationship, and we do expect the volume of trade and investment to continue to grow.■