

# THE EU - VIETNAM RELATIONSHIP: COOPERATION AND DEVELOPMENT

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**T**he European Economic Community (EEC) that became EU later was formed under the Treaty of Rome on March 23, 1957. The Community aimed at intensifying economic co-operation between member countries, solving problems in member countries and in the Community as well, in order to escape from economic domination of the US, enter into partnership with other economic blocs and help developing countries solve economic problems. After 30 years of operation, ECC membership has increased from 12 to 15 and regained its great economic and political strength. At present, the EU is one of three pillars of the world economy beside the US and Japan. In 1993, its GDP was US\$7,00 billion for a population of 375 million people representing 31% of the world foreign trade and 15% of the world exports (compared with 12% from the US and 9% from Japan).

The EU is the world leader in foreign direct investment, representing 40% of the world foreign investment (compared with 19% from the US and 11% from Japan). In co-operation relations, the EU advocates expanding its relations with Asia-Pacific region that will be the leading economic center of the world in next century. After 1975, the EU has provided Vietnam with humanitarian aid so as to help Vietnam recover the economy after the long war. The important stage in the EU-Vietnam relation was the establishment of their diplomatic relation in October 1990. Various co-operative programs were developed. Many high-ranking officials and businesspersons have come to Vietnam in order to make researches, organize

workshops, exchange contracts and help Vietnamese small and medium enterprises with organizing, managing business and training personnel. EU countries have co-operated with Vietnam, partners in processing agricultural products, building infrastructure, developing tourism, and supplying consultant services to banking business.

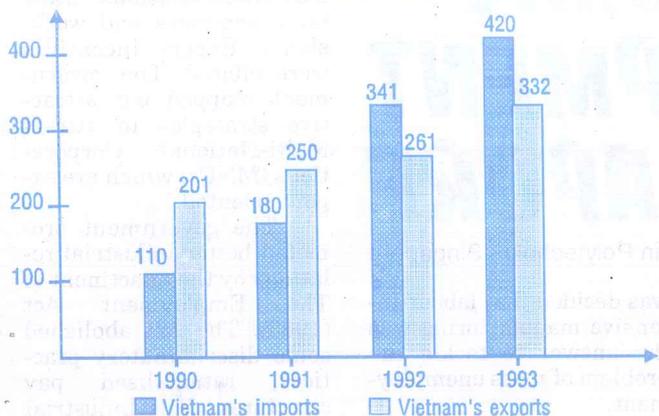
After five years of good co-operation, on July 17, 1995, a cooperation agreement was signed by the EU and Vietnam. This was the first cooperation agreement made by Vietnam with one of the three leading economic blocs of the world. This agreement aimed at:

- Encouraging and creating favorable conditions for bilateral trade and investment between the EU and Vietnam for mutual benefits.
- Helping the sustainable economic growth and improving the living conditions of the poor in Vietnam.
- Encouraging the economic co-operation, helping the Vietnam Government alter the economic structure and develop the market economy.
- Helping with protecting the environment and natural resources.

Signing this agreement, Vietnam has established not only the multilateral economic and techno-scientific relations with the EU, but also the bilateral co-operative relations with its members.

In the field of trade, the EU-Vietnam trading has recently made good progress. The EU has bought textiles, garments, silk, minerals, agricultural products from Vietnam and sold machines and equipment, raw materials, chemical substances.

## The EU-Vietnam trade 1990 - 1993



Many trade promotion organizations of EU members have set up projects to co-operate with Vietnam Chamber of Commerce and Industry in training Vietnam businesspersons, giving European exhibitions, supplying consultant services, realizing investment and co-operation projects signed by the EU and Vietnam.

The most important achievement in the EU-Vietnam trading co-operation is the signature of the contract for supplying garments in December 1993. Vietnam has the great potential for this industry and is in need of new markets. Although quota and order fixed by the EU were not entirely appropriate to Vietnam's capacity, but this contract increased the exportation of garments to the EU from US\$130 million in 1992 to 249 million in 1993. Recently, the EU has granted the MFN and GSP status to Vietnam. This will make the trading relation between the EU and Vietnam develop more favorably.



In the field of investment, up to July 19, 1995, there were 168 licenced projects with total capital of US\$2.3 billion invested by 11 EU countries. Of these projects, 29 were revoked, the remaining 139 with total capital of US\$1,948 billion were operational, representing 9% of total projects investing in Vietnam and 12% of total foreign investment. Most of EU projects concentrated on manufacturing industry, especially the oil business. Of 26 projects to explore oil in Vietnam, 50% were of EU leading companies such as BP, Shell, Total, Fina, Omy. Other projects paid attention to agricultural product processing (sugarcane milk, coffee, cashew nut, tea, animal food, etc). Many big brewers from the Netherlands, Denmark, France have made their appearance in Vietnam. In telecommunications business, Siemens (German), Alcatel (France), Kinnevik and Comvik (Sweden) are becoming

household names.

Hotel and tourism are businesses which attract many investors from EU countries. They have set up many big projects such as the Metropole Hotel in Hà Nội (US\$48 million) Côt cờ Thủ Ngũ Hotel (US\$76 million). In the field of banking and auditing businesses, French companies, have established dominance over other EU companies. Four branches of French banks (Banque Indosuez, Credit Lyonnais, Banque National de Paris and Banque Francaise du Commerce) and one Dutch auditing company (KPMG Deat Marwick) were in operation in Vietnam.

Regarding the size of investment project, the EU ranked second (US\$14 million per project) below Japan (US\$15.7 million per project). The EU investors preferred to form joint ventures (65.5% of total projects) whereas only 14.3% of total projects were 100% foreign - owned enterprises.

Ten EU leading investors in Vietnam  
(up to July 15, 1995)

	Nation	Operational projects	Ranked	Investment capital (US\$ million)	Realized capital (US\$ million)
1	France	66	9	581.95	195.77
2	Holland	20	11	395.42	230.96
3	Sweden	7	12	378.98	10.40
4	England	15	13	365.89	326.72
5	Denmark	2	22	103.94	41.07
6	Austria	1	27	39.00	4.11
7	German	12	29	30.50	4.97
8	Italy	5	31	27.88	7.46
9	Belgium	8	37	15.96	1.63
10	Luxembourg	3	39	12.16	5.48

Along with the normalization of the US-Vietnam relationship and Vietnam's joining the ASEAN, the signature of the EU-Vietnam co-operation agreement in last July has created conditions favorable for development of economic, cultural and techno-scientific co-operation between Vietnam and the EU on a larger scale in the trend of globalization and has been a dynamic which could help Vietnam develop in future ■

