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**CHARLES UNIVERSITY IN PRAGUE
FACULTY OF SOCIAL SCIENCES
INTERNATIONAL ECONOMIC AND POLITICAL STUDIES**

MASTER'S THESIS

**BILATERAL ECONOMIC
RELATIONS BETWEEN CZECH
REPUBLIC AND VIETNAM,
SITUATION AND SOLUTIONS**

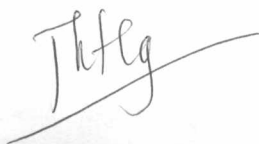
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Date Submitted	16th January 2009

DECLARATION

I hereby declare that this thesis is my own work, based on the sources and literature listed in the appended bibliography.

The thesis as submitted is 152,482 keystrokes long (including spaces) and 87 manuscript pages.

Prague,

A handwritten signature in cursive script, appearing to read 'ThHg', with a long horizontal flourish extending to the right.

Tran Thanh Huong

Acknowledgement

The Graduation Thesis "Bilateral Economic Relations between Czech Republic and Vietnam, Situation and Solutions" has been started since November, 2007 that received great support and enthusiastic help from many people who have been participating in both sides' activities; spent time to meet me directly, emailed to send me their ideas and reports as well as answered my Questionnaires to contribute highly valuable information for each part of it. I would like to express my great thank those who will be mentioned in my attached list of contact.

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I would like to give my sincere thank and deep gratitude to Mr. Do Ngoc Viet Dung, who has 20 year experience involving in trade and investment between Czech Republic and Vietnam, did share as much information as possible to me to complete my Thesis.

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I know that my Thesis may have some shortcomings. However, I truly hope that it will be a complete and systematic synthesis of the economic relations between Czech Republic and Vietnam as well as it can be available for those who have consideration.

Author, Tran Thanh Huong

IEPS Student, Faculty of Social Science, Charles University in Prague, 2008

In my opinion, your observations are in accordance with my experience. In many cases, the Vietnamese businessmen are more flexible than the Czech ones and can orientate themselves very quickly in the Czech environment. Many problems are also caused by the low level of Czech companies' knowledge of Vietnamese specifics and Asian culture as a whole. A lot of people coming to Vietnam were surprised by its advancement and dynamics. The business practice is also different and requires adjusting to Asian models of negotiating.

(Mr. Lukáš Hlavaty, former Commercial Counselor, Czech Embassy in Hanoi)

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- Ministry of Labor and Social Affairs of the Czech Republic

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Overview

The crisis of communist system in Central and Eastern Europe in 1989-1992 not only plunged countries in this region into turmoil of domestic politics and economics but also impacted negatively on the foreign relations among communist countries that had been very impressive for rest of the World before. A series of activities and contacts, especially in economic interactions, were interrupted or broken down between these countries during the collapse, led to a slowdown in their relationship development in 1990s.

The economic relations between Czech Republic and Vietnam were not an exception. Before 1990s, Czechoslovakia and Vietnam did have very tight and continuous economic cooperation. Two countries, friends in communist group established relationship from 1950s, achieved many good results in their mutual interactions. However, their economic relations were disturbed by the changes and split of Czech Republic during 1989-1993.

After 1993, profound transfers in politics, economics and society in both countries continued to influence two sides' cooperation; declined results obtained before and narrowed the scale of interactions. Nonetheless, the changes in both Czech Republic and Vietnam and the integration of two countries into regional and world economy have gradually been changing their cooperative directions towards real quality and effectiveness, improved the relations significantly recently.

Actually, these changes are creating more opportunities, new fields and new areas for the cooperation. Series of visits and meetings have been exchanged between Czech Republic and Vietnam; some new strategies and policies were born to help economic relations more convenient in today's conditions; two Governments, banks and enterprises have enjoyed together to support more for two sides' business. Since 2005, their economic relations have been getting impressive improvements in most aspects, marked a turning point in history of relationship between both sides.

Thus, the writing "Bilateral Economic Relations between Czech Republic and Vietnam: Situation and Solutions" will focus to study the situation of economic cooperation and recommend some solutions to make it better. Generally, the thesis will answer these following questions:

- *How about the economic relations between Czech Republic and Vietnam before and after 1993? (very briefly in history and concentrate on current situation)*
- *What are opportunities and advantages of cooperation nowadays?*
- *How about the results? Are they better than before?*
- *How about their economic relations in comparison with other countries'?*
- *What are difficulties that influence the cooperation? Why? And how to solve these problems?*
- *What is perspective of the economic relations between two countries?*

The chapter I will make a review in history of economic relations between Czech Republic and Vietnam before and after 1993. And then, it will point out advantages in modern time for both sides to able to get a meaningful improvement as well as difficulties that two countries have to deal with in cooperation today. This is an overall introductory part for the next analysis and synthesis in concrete sections.

There are four main sections of economic cooperation between Czech Republic and Vietnam including bilateral trade, foreign direct investment (FDI), official development assistance (ODA) and labor export. They are crucial and essential cooperation between two countries in term of commercial relations. The cooperation in these fields has been the most topped-up, taken into account by both sides since recent years and initially has had good and considerable results. Thus, this writing will stress to analyze the situation of these four main areas of economic relations between two countries. It will cover generally history of each section and emphasize on the picture after 1993 when Czech Republic was independent.

The current situation of bilateral trade between Czech Republic and Vietnam will be mentioned in the chapter II with data and structure of export commodities between two

countries, analysis of reasons of decrease and increase of trade after 1993 as well as characteristics, strengths and weaknesses of commodities exported from Czech Republic to Vietnam and from Vietnam to Czech Republic. Then, the comparison of balance trade between two countries and with other countries will make the current situation of bilateral trade clearer and more concrete.

Beside rapid increase of bilateral trade volume, FDI is the second biggest area in cooperation that is emerging now as a "new wave". The chapter III will describe the situation of FDI between Czech Republic and Vietnam including agreement for FDI, FDI projects between two countries, data, features and situation of ongoing and upcoming projects in two sides and restrictions that investors coping with when they run projects in host country.

One of the supporting sectors is ODA. ODA is implemented just from one side, Czech Republic for Vietnam. Vietnam has been set in priority list for ODA commitment by Czech Government since 2006. Thus, an increasing number of ODA projects from Czech Government are helping Vietnamese people to ameliorate their living conditions at the moment. The ODA projects' features and results will be mentioned in chapter IV in the writing. And in this chapter, six ODA projects in central of Vietnam will be chosen as typical sample to evaluate Czech ODA in Vietnam, analyze their limitations and reasons why the results could have been better.

The last field of cooperation is labor cooperation or labor export from Vietnam to Czech Republic to work legally. Vietnamese labors came to Czech Republic to work from 1970s, 1980s until 2004 under bilateral agreements between two Governments annually. However, after 2004, Czech Government did not sign any agreement with Vietnam for labor export. The Government loosened their requirements to attract foreign labors through some changes in Employment Law. As a result, a higher number of Vietnamese labors have been coming to Czech Republic since 4 years without Governments' control and management leading to many bad consequences. The situation will be analyzed in the chapter V including current situation and prospect of labor export between two countries.

Each chapter, from chapter II to chapter V, will include particular recommendations for each field of economic relations between Czech Republic and Vietnam in order to improve the current situations better. The recommendations were collected from experienced people who are in charge of both sides' relations, synthesized from reports of relating individuals and organizations as well as are my own ideas arising in study.

Because the topic is very practical and close to daily events, I decide to use some practical methods to write this thesis as follows:

- Statistics of data distributed by embassies, ministries, companies, newspapers, magazines, internet and so on
- Study in Libraries (Libraries of Charles University, Economic University of Prague, Library of Foreign Trade University in Hanoi and National Library in Hanoi, Vietnam)
- Visit and Interview (Embassy, Czech-Vietnam Associations, Coordinators of ODA projects in Vietnam, Chief Executive Officers and Directors of Czech enterprises in Vietnam and Vietnamese enterprises in Czech Republic, Vietnamese in Czech)
- Informative analysis, synthesis and comparison through annual official reports, questionnaires
- Attending Conferences of economic cooperation between two countries organized by Vietnamese Embassy in Prague or other organizations during the writing time

My purpose is to make an overview on economic relations between two countries, mainly after 1993 when Czech Republic was independent, find reasons why they improve now and why there are many remaining problems in practice, analyze prospect of the relations and give some recommendations to improve them. The writing aims at giving an objective and frank evaluation on economic relations between Czech Republic and Vietnam and hopefully, it can contribute partly to plan-making process for both sides.

Chapter I

INTRODUCTION

- +History of the diplomatic and economic relations between Czech Republic and Vietnam
- +Some important visits in recent years
- +Advantages and priorities for the relations
- +Disadvantages of bilateral transactions

1.1.1. The economic relations between two countries started on historically forming on the similarity in political back-ground of Communism¹ in two countries. They did have strong, tight and friendly cooperation during 1950s-1980s. From 1976, the cooperations will develop broadly including trade, assistance and help by labor force workers.

¹ Czech Republic was led by Communist Party from 1948 to 1989 and Vietnamese Communist Party was founded in 1950.

1.1. Economic Relations between Czech Republic and Vietnam before 1993

The bilateral economic relations between Czech Republic and Vietnam have been traditional and historical relations, established for half of century since 1950s, along with 60-year diplomatic relation officially from 2nd, February 1950¹.



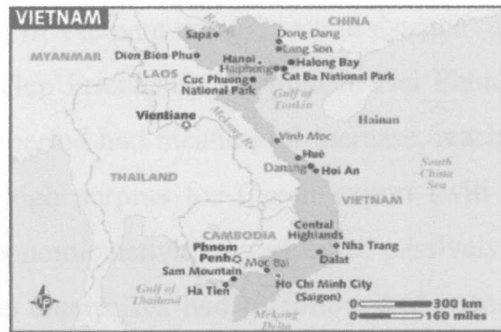
Map No. 1

Czech Republic, a OECD-member country in Central of Europe

The population: 10.424.926 (78th)

GDP/ head/year: USD 17.000

Human Development Index: 0.891 (32nd)



Map No. 2

Vietnam, a developing country in South-East Asia region

The population: 86.116.559 (13th)

GDP/head/year: USD 828

Human Development Index: 0.733 (105th)

Source: United Nations of Development Program-UNDP, 2008

The economic relations between two countries were set up historically basing on the similarity in political back-ground of Communism² in two countries. They did have strong, tight and friendly cooperation during 1950s-1980s. From 1956, the cooperation began to develop broadly including trade, assistance and training for Vietnamese workers

¹ Diplomatic representative office of the Czechoslovakia was opened in 30th Dec, 1954. And after one year, Vietnamese Embassy was started in Prague. (Source: Czech-Trade in Vietnam, 2008)

² Czech Republic was led by Communist Party from 1948 to 1989 and Vietnamese Communist Party was founded in 1930

and experts in Czechoslovakia in engineering and light industry. First students also went to Czech for study from 1960. The relations were enhanced after Vietnam ended its war with United State and built a centrally planned economy in 1975 like Czechoslovakia and other countries in Soviet Bloc. And then, they were speeded up as both Vietnam and Czech were members of the Council for Mutual Economic Assistance (COMECON)³ where the communist regime was consolidated by cooperation between members.

The period of 1970s-1980s was a remarkable period in economic cooperation between Czechoslovakia and Vietnam. Thousands of Vietnamese people came to Czech to work and study. In the first half of 1980s, the estimated number of Vietnamese people in Czechoslovakia was up to 30,000. They established a Vietnamese community in Czech Republic. Some Czech people also came to Vietnam to execute their contracts. Many new factories and public constructions were built in Vietnam upon Czech assistance such as Viet-Tiep Lock Factory in Hanoi and Viet-Tiep Friendship Hospital in Hai Phong⁴. Export value between two countries during this period had meaningful increase, reached around CZK one billion. Trade balance kept high surplus for Czech export (will be mentioned in chapter II). Though the bilateral economic activities conformed passively to plans and targets from Governments as well as enterprises had to follow and execute orders from agreements between two Governments; economic transactions took place in relatively dynamic way in this period. After Russia, Czechoslovakia became the second biggest and strategic partner of Vietnam in Eastern Europe. Results of cooperation in this time were highly appreciated by both sides.

After that, the communist collapse in Soviet Union as well as the political changes in Eastern Europe and in Czechoslovakia interrupted the bilateral cooperation between Czech Republic and Vietnam in all respects. The turmoil of politics and economics damaged domestic economies and forced both countries to transform their economic

³ COMECON: Council for Mutual Economic Assistance (1949-1991) was economic group of communist countries including Eastern and Central European countries, Mongolia, Cuba, Vietnam and some observers. Czechoslovakia was founder in 1949 and Vietnam joined in 1978. The purpose of Council was to boost economic cooperation within the communist bloc and help together to implement successfully 5 year economic plans.

⁴ "Tiep" means "Czechoslovakia" in Vietnamese language. Today, many Vietnamese Children was named "Tiep".

structure towards market oriented model including opening private sectors, liberalizing market and refreshing foreign invest environment ⁵. It opened a new page in relationship between two countries.

1.2. Economic Relations between Vietnam and Czech Republic after 1993

After 1993, Czech economy had to spend a period of about 5 years to transfer and stabilize its market economy. Vietnam also continued its economic Renovation from 1986. Therefore, the macro-economies of both countries had many dramatic and continuous changes from 1993 to 2000 that influenced micro-economies and economic relations with other countries. During nearby 10 years, some fields of cooperation between Czech and Vietnam were neglected and felt down such as labor exchange or investment. However, Vietnamese people in Czech Republic started to stabilize their lives (stable housing, stable job and stable relations) and gradually became "connectors" for trade between both sides. Surplus turned to Vietnamese export (Czech surplus shifted to Vietnamese surplus).

The real progression and improvements of the economic relations between Czech Republic and Vietnam has been considered for last 4 years. Commercial transactions have become bustling, two-way investment inflow has increased evidentially, assistance for Vietnam from Czech Republic has been also much bigger and labor negotiations were started again after some years of interruption. These noteworthy changes are resulted from internal and external changes in both sides. A high and stable growth of economy of both countries in recent years is internal factor to make up the improvement. The integration of two states to the world economy and emerging position of both sides at

⁵ Economic transformation in Czech Republic happened during 1990-1999 and completed generally in the end of 20th century. Meanwhile, Vietnam started its economic renovation from 1986 but the transformation process in Vietnam has been very slow and lasting for a longer time. Until now, it still continues privatization in state-owned sectors and initially builds infrastructure to open financing and banking sector.

regional and international level are fundamentally external factors to make the improvement of economic cooperation much better. Especially, the European Union (EU) accession of Czech Republic in 2004 has been really a "turning point" for commercial interactions between two countries from comprehension to practice.

Official Meetings and Agreements

A considerable feature in economic relations of Czech-Viet today is frequent organization of official meetings and signing agreements at all levels. They are arranged continuously every year. They have been usually made by prime ministers, ministers, delegations of enterprises to visit, negotiate and sign memorandums, agreements and contracts. Annually, there have been often one or two governmental meetings, some ministerial discussions and enterprises' visits.

From Vietnam, some very early visits were made after the split of Czech Republic from Czechoslovakia. In 1993, Mr. Le Mai, Deputy Minister of Foreign Affairs got Prague in April and the Chairman of the Foreign Committee of the Vietnamese Mr. Hoang Bich Son led his delegation to visit Czech Republic in November. After that, meetings with Czech Government in Prague were made by Deputy Prime Minister Tran Duc Luong in 1994, Chairman of the National Assembly Nong Duc Manh in 1995, Prime Minister Vo Van Kiet in 1997, Deputy Prime Minister cum Minister of Foreign Affairs Nguyen Manh Cam in 1998. The newest visit in September 2007 was paid by Prime Minister Nguyen Tan Dung, promising many new and fine things for future.

From Czech Republic, visits to Vietnam have been taken place annually as well. In 1993, Minister of Industry and Trade, Mr. Vladimir Dlouhy made his meeting in Hanoi in November. Chairman of Parliament M. Uhde and Minister of Foreign Affairs J. Zieleniec visited in 1994, Prime Minister M. Zeman in 1999, Deputy Prime Minister cum Minister of Foreign Affairs C. Svoboda in 2003, Chairman of House of Representatives L. Zaoralek in 2006, President Vaclav Klaus and Minister of Finance Vlastimil Tlusty in 2006. The latest were two visits of Prime Minister Mirek Topolanek in March, 2008 and Minister of Industry and Trade in November, 2008.

The main purposes of these meetings are to maintain continuously traditional friendship, create breakthroughs and tie comprehensive cooperation between two countries. Following meetings between Heads of States were often meetings and discussion between enterprises, signing agreements or signing business contracts, FDI contracts and ODA agreements⁶.



Picture No. 1: The visit Czech Republic of Prime Minister Nguyen Tan Dung in 13th September 2007

At present, the bilateral agreements of Vietnam and Czech Republic have been coming into effect as legal frame-work for economic relations including:

- Agreement on Double Taxation Avoidance and Agreement on Aviation Services in 1997.
- Agreement on Economic Cooperation on 13th September 2005 after terminating the Bilateral Agreement on Trade as Czech Republic joined EU.
- Agreement on Promotion and Reciprocal Protection of Investment on 25th November, 1997, came into effect on 9th July, 1998. As Prime Minister M. Topolánek visited

⁶ As the Vietnamese Prime Minister described with Vietnam News Agency when he came back from Czech Republic that: “The visit brought opportunities for all sides to discuss the strengthening and diversifying of the long-term traditional friendship in the spirit of mutual trust and understanding.”

Vietnam in March 2008, two countries signed a Protocol for adjustment of the agreement.

Besides, the economic cooperation between Vietnam and Czech Republic refers to institutions and regulations of organizations in which they are members such as:

- Legal frame-work on economic transactions between members of World Trade Organization (WTO) (tariff, trade and trade barriers, service, investment, property rights and so on)
- Agreements between Vietnam and EU (applied after Czech Republic's entry the EU): *Cooperation Agreement* between Socialist Republic of Vietnam and European Community in trade, investment, science and technology, environment and development signed in July 1995 and came into effect on 1st June, 1996; *Country Strategy Paper* in period 2002-2006, *National Indicator Program* 2005-2006 and *Vietnam-European Community Strategy Paper* for the period 2007-2013 issued by EU relevant to Development Assistance for Vietnam. Besides, Vietnam and EU are now negotiating *Agreement of Cooperation and Partnership* that will be applied soon.
- Agreement between EU and ASEAN (applied for members): EU and ASEAN are now negotiating Trans-regional EU-ASEAN Trade Initiative (*TREATI*) that will come into practice in very near future and applied for cooperation of Czech Republic and Vietnam

The above-mentioned meetings and agreements have become basic back-ground and momentums for both-side's commercial activities. It shows the determination of Czech Republic and Vietnam to diversify the traditional relationship and intensify it to pursue currently international economy.

1.3. Factors Influence the Relations

In today's relationship and under new, different conditions; the bilateral economic activities have been happening in different ways and directions from the past. There are new positive factors as well as new arising negative factors influence the relations. Analysis of the influential factors first is to have a basis to understand the current situation.

1.3.1. Advantageous Factors

Between Czech Republic and Vietnam, there are many advantageous factors, very typical and particular, that have been supporting their relations better since 1993 as follows:

(+) The relations between Czech and Vietnam are *friendly and traditional relations* in nearly 60 years. In spite of differences between two countries, the relations between them are nice and fair in general⁷. And a period of 60 years can be seen as a profitable factor for every interaction. The traditional relations create traditional partners, traditional commodities that help transactions convenient and thorough. Both sides can easily understand together and do not need to spend time and expenditure for market accession.

(+) *Thousands of Vietnamese people are now living in Czech Republic* (as Czech citizens) in combination with thousands of people who have come back Vietnam from Czech Republic or had relatives in Czech Republic. They make up "connecting bridges", a very important factor, to boost cooperation between two sides. For recent years, Vietnamese community has been becoming a strong community in Czech society. Many of them own private companies, do business very successfully and are self-confident to compete with any rivals. In general, Vietnamese in Czech Republic are hard-working, active and

⁷ A comment from a Czech investor who has been in Vietnam since 1994

creative. They own some trade centers in big cities in Czech Republic to gather goods from many countries and deliver them (as retailers or whole-sales) in Czech Republic. The delivery systems of Vietnamese people in Czech Republic are broad in Central Europe and some people are holding a very professional distribution system. Every year, the taxes they contribute to Czech Government and cash transferring to Vietnam are highly remarkable, millions of Czech Crown as estimated. Vietnamese people in Czech Republic have good emotion for both Czech Republic and Vietnam as their true motherlands. Thus, they always support for both sides in economic cooperation. They often stand beside Czech partners in doing business with Vietnam (in manner of consultants, advisors, colleagues, partners or clients).

In addition, number of people who have ever lived, studied and worked in Czech Republic is not a small amount (about 90.000 estimated). Part of them is getting high positions, for example scientists in important institutions, managers in big enterprises and leaders in many ministries in Vietnam (Vietnamese vice prime minister, ministers and deputy ministers have been in Czech before). These Vietnamese people can speak and understand Czech language, know Czech culture, aware of Czech working methods, like Czech products and want to keep contact with Czech people (their friends, colleagues, partners).

The individual relationship is one of the most influential factors to remain and foster the economic activities between two countries today. This is an invisible but extremely valuable advantage for Czech and Vietnamese cooperation.

(+) Both Czech Republic and Vietnam had a time of transformation and now are *growing with high speed and gradual stability*. The transferring time is coming to the end in both sides including legislative renovation, privatization with the considerable development of private sectors, building up new institutions and systems etc. Two economies have had many changes and progresses, reached a high growth since 2000 with annual GDP of 4.4 % for Czech Republic and 7.6 % for Vietnam⁸.

⁸ GDP growth of two countries from 2000:

Vietnam has been rapidly growing since the Renovation in 1986. The changes happen by day. With the young population, cheap and plentiful labor force, rich natural resources, high domestic demand of both primary and secondary commodities, stable politics and security; Vietnam quickly becomes an attractive point in South East Asia for exporters, importers and investors every where. Not satisfactory with results, Vietnamese Government and businessmen's community are now continuing their efforts to integrate more intensively to regional and world economies to enlarge their business channels. Legal systems and management methods are altered continuously to catch up with the practice. As a result, Vietnam now has bilateral economic relations with almost countries in the World, gets more than hundred trade agreements with partners such as EU, United States, China, Russia, Australia and so on (according to Vietnamese Ministry of Industry and Trade, Vietnam has signed about 100 bilateral trade agreements and gradually shifted to implement multi-lateral agreements).

Czech Republic did ever have a background of the most stable and prosperous economy in former communist bloc. After the split, the transformation policies were relatively efficient and quickly speeded up its economic growing. Czech Republic has been becoming a dynamic zone for foreign investment with high domestic demands and European demands for Czech goods and services. Especially, after the EU entry, Czech Republic has been moving very fast towards sustainable development.

The economic development, especially since 2000, has been a firm basis for two sides, opens more opportunities and helps economic cooperation between them more convenient.

(+) Furthermore, both sides have *not explored all potentials* as possible for mutual cooperation yet. There are still many fields untouched by two sides. Opportunities for both sides are still very rich and diversified, especially in sectors (for trade and

GDP Growth from 2000 (percentage)

Year	00	01	02	03	04	05	06	07	08	Average
Czech Republic	3.6	2.5	1.9	3.6	4.5	6.4	6.4	6.5	4.2	4.4
Vietnam	6.8	6.9	7.1	7.3	7.8	8.4	8.2	8.5	7.3	7.6

Source: Official Statistics of two countries, 2008

investment) such as processing industry, engineering, banking and finance, transportation, tourism and so on.

(+) In addition, both sides are now *strengthening their integration process* to the world economy.

Czech Republic was WTO membership in 1995 and Vietnam was member of WTO from 2007. WTO accessions have brought both sides an equal legal frame-work and a common play-ground for commercial transactions.

Vietnam-"gate" of South East Asia- was member of South East Asian Countries (ASEAN) from 1997 and Asian Pacific Economic Cooperation (APEC) from 1998 that would give more chances for Czech business to access South East Asian markets.

Most meaningfully, Czech-the "Heart" of Europe-entered the EU in 2004, was member of SCHENGEN in 2007 and plans to use Euro in 2012. By EU membership, Czech is affirming its new position in the region and convincing rest of the World its development and advancements as "midway of enlarged EU"⁹. The changes of all institutions and standards from "Czech" to "European" in combination with free movement of Goods, Service, Capital and Labors from Czech Republic to other EU members give Czech Republic better chances to improve its economic relations with other countries. All macro-economic indicators of Czech have been growing significantly, commercial transactions and foreign investment in Czech Republic after the entry EU have been increasing in geometrical progression, Czech currency is kept in stable and improved towards the Euro-zone's enter. The EU entry is considered as revolutionary step for Czech Republic and also tops economic activities up between Czech Republic and Vietnam. It shifts bilateral agreements to agreements between EU and Vietnam, changes ideology and methodology between both sides and enlarges the frame and scale of cooperation between them.

⁹ The introduction of Czech Republic as Partner for business in the EU by Czech Ministry of Industry and Trade in Hanoi, Vietnam in 21st March, 2008.

(+) *Two Governments are determining to improve the relations between two countries more and better.* The improvement shows in increasing visits and signing new agreements to support and help as much as possible enterprises of two countries to have more opportunities for doing business together. In the past, two countries did ever pay more or less attention to relations with Western countries and loosened the traditional interactions a little bit. This was a mistake that both sides are correcting from now on.

Two Governments are step by step preparing longer term strategies to promote the economic relations. Vietnam issues its strategies for diplomatic and economic cooperation in which EU is always considered as the most important, potential and strategic partner. Czech Republic, in more details, classed Vietnam into its priority countries and issued very concrete strategies for Vietnam from 2004 including development program for Vietnam in period 2006-2010, export strategy of Czech Republic in 2006-2010 and strategy for promoting Czech trading and economic interests in Vietnam:

These particular advantages in present situation have improved the economic relations between Czech Republic and Vietnam to obtain many optimistic results since 2004.

1.3.2. Disadvantages

On the other hand, there are many difficulties and disadvantages that can limit, interrupt or prevent the relations from cooperative capacity and possibility today.

(-) Both Czech Republic and Vietnam have not finished their *transformation* absolutely. There are many aspects need to be completed. From legal system, administrative procedure, privatization process, public services to financial system; all of them have many weaknesses inside that can become obstacles for cooperation at any time. Both sides still need more time to fulfill their shortages and limitations in transformation

process. Therefore, many troubles, problems and contradictions still exist and bother the cooperation in this transferring time.

(-) Both countries have ever had time of *classical communist mechanism* with 5-year plans under self-contribution, bureaucracy, conservation and stagnancy. These specifications still remain, more or less, in ideology, habits and culture of people. Thus, their ways to work are still slow, less dynamic and active; the methodology to solve problems sometimes keeps hard and rigid. All of them may lead to losses of chances, time and money.

(-) Both of them have to cope with *crucial competition* from many directions. Vietnam is facing other competitors such as China, Thailand, Hong Kong, Malaysia, Singapore, India etc in Czech markets to share markets of pivotal export commodities. Likely, Czech has to accept the competition from other EU countries like Germany, Poland, Hungary, Britain, France, Italy and now Asian countries who can supply all kinds of goods that Czech has. Under globalization and regionalization, the competition is becoming tenser now and challenges both Czech Republic and Vietnam every time.

(-) *Far geographical distance*, one day for flight and more than one month for sea transportation, are nowadays also problems. Czech and Vietnam have not had a direct air link yet. To travel, passengers have to transit at least once in other air-port. Commodities are often landed in Hamburg sea-port and then carried to Czech by inland transportation while the charges for inland transportation are very high.

(-) There are *many big differences* in culture, ideology, law and political system, social standards and language between two countries. Even though there are many Vietnamese people who have ever lived in Czech Republic, can speak Czech language, know Czech culture and some Czech people keep contact usually with Vietnamese and can understand together; commercial transactions between both sides are still restricted and limited by the differences between two countries and many unexpected contradictions did happen.

(-) After the collapse of communism, both sides, in fact, very much depend on and *take consideration into cooperation with Western countries* to recover the economies, put less

concern each-other. During a period of time, both sides loosened the traditional relations that they did give many efforts to build up before. Nobody maintained strategy, policy at macro level and/or even micro level for cooperation. The Governments reduced to support enterprises and individuals to do business between two countries. And then, at the moment, the cooperation in some respects becomes "*too hot*"-too quick, too hasty and they forget to review changes and challenges carefully. As a result, there are still many mistakes in cooperative performance.

A lot of projects and transactions failed and lost by the above limitations. Those are available lessons for both Czech Republic and Vietnam.

1.4. Short Conclusion

Though the economic relations between Czech Republic and Vietnam have not been prominent and strategic; they have a firm background and good prospect. After 1993, both sides started to re-build and refresh their traditional relations. Although the results have not been as good as expected, they have been improving now so much.

Czech Republic and Vietnam have many favorable conditions to improve the economic cooperation more in today's conditions and get more mutual benefits. Nonetheless, they also have many existing troubles that can eliminate their results very quickly.

This opinion will be proved by next chapters with more detailed and concrete analysis of particular fields in cooperation between two countries including bilateral trade, investment, official development assistance and labor export.

Chapter II

BILATERAL TRADE

- +Situation of Export and Import between Czech Republic and Vietnam
 - +Data from 1990s, features and reasons of increase/decrease
 - +Commodity Structure and features of the Structure
 - +Advantages and Disadvantages of bilateral trade
 - + Trade Balance and Comparison with other countries
 - +Solutions/Recommendations

Bilateral Trade is purchasing (buying) commodity across national border under commercial laws of two countries and/or commercial agreements between two countries. Nowadays, bilateral trade and international trade are daily activities and basically depend on competitive advantages of each country. The process of internationalization and globalization makes world trade increase in quantity and quality but creates fiercer competition. Under the sharper competition in quality, price, additional service, tariff and transportation cost etc; nations are forced to find their own strength and distinctions to win in oversea markets.

Bilateral trade is key and central segment in economic relations between Czech Republic and Vietnam. On one hand, trade between Czech Republic and Vietnam has many particular, favorable and profitable advantages. These favors help bilateral trade to grow rapidly. On the other hand, there are some particular difficulties and challenges for Czech-Viet commercial exchanges. They can prevent trade from its potential development.

2.1. General Information

Vietnam and Czech Republic began their commercial exchanges from 1960s-1970s. At that time, Czechoslovakia received Vietnamese people to study and work in its universities and factories. Number of them came back home and started to buy goods from Czech to supply in Vietnam (for example crystal products, chemicals, devices). And they also wanted to deliver Vietnamese goods to Czech Republic (like food, hand-made furniture, clothes and shoes). Furthermore, Vietnam needed Czech products, especially machinery and devices to implement its reconstruction and rebuild its damaged industries in and after the wars. Czech Republic needed some Vietnamese goods for daily consumer demands. The two-way exchanges increased more and more when both countries became members of COMECON group. Upon the communist mechanism, both Czech Republic

and Vietnam were nearly closed with outside and exchanged goods within the group of CONMECON countries with less-competitive and friendly agreements. Thus, two sides got a very considerable exchanged value during 1970s-1980s.

However, the bilateral trade was interrupted by many economic and political changes in the end of 1980s inside and outside two countries, particularly during the time of Soviet collapse and economic transformation from centrally planned model to market-oriented one. Both Czech and Vietnam had a "losing" period of about 5 years and then, step by step found their own suitable directions. Commercial exchanges between both sides were influenced badly in 1989-1993, the value of export and import between Czech Republic and Vietnam reduced sharply in 1991, 1992-time of collapse (See the table No. 1). At that time, individuals and enterprises all had to "standstill to observe" and wait for stability.

Table No. 1: **Bilateral Trade between Czech Republic and Vietnam during 86-94**

Unit: CZK thousand

Year	86	87	88	89	90	91	92	93	94
CR to VN	579,862	734,093	685,050	399,218	280,193	71,104	143,012	179,826	209,591
VN To CR	336,864	288,602	392,565	470,900	436,331	153,168	118,200	148,457	202,262
Balance	242,998	445,491	292,485	-71,682	-156,138	-82,064	24,812	31,369	7,329

Source: Czech National Statistical Office, 2008

After the separation of Czech Republic from Czechoslovakia, trade between two countries was carried out under new agreements between independent Czech Republic and Vietnam. It had a slight and fluctuating period before went up and improved increasingly last 5 years.

In general, goods from Vietnam to Czech Republic have similarities (commodity structure, tariff, quality and price) with exchanged goods from other developing countries like China, Thailand, Malaysia, India, Latin America and Africa to Czech Republic. In return, goods from Czech Republic to Vietnam also have same characters as exported goods from other EU countries to Vietnam (goods' items, quality, price and tariff). So, why do they can continue and enhance their bilateral trade? There are some specifications as comparative advantages of bilateral trade between Czech Republic and Vietnam to explain why they can trade together and achieve significant growth today, as follows:

(+) Trade between Czech Republic and Vietnam has been based strongly on their traditional relationship since 1950s. From diplomatic relation, two countries started to sign contracts for labor exchange, goods exchange, education and training. The 60-year traditional relations help two countries and individuals in both sides to understand each other more easily and they do not have to spend time and extra fee for setting up relations, negotiate legal frame-work, market entry etc. (traditional relationship)

(+) It depends strongly on individual relations. Usually, enterprises or individuals who want to find suppliers abroad have to use internet, trade fairs, exhibitions or consulting services, spend time to look for and establish relations. Yet, commercial activities between Czech and Vietnam have sources from available awareness and relationships between individuals or individuals and enterprises. They know each other already and no need to use intermediate partners. This is a typical feature that not so many couple of countries gets. (traditional partnership)

(+) The essential volume of exchanged goods mostly depends on "driving force" items of two countries (typical goods of two countries). It has been remained since two countries were COMECON group's members until now. Both Czech and Vietnam can understand and know clearly about the goods, steps of negotiation and signing contract, payment, executing contract and after-sales services. Thus, nobody is stranger with exchanging, using and maintaining these imported goods, no need to send sample, test or try. (traditional commodity)

The traditional relationship, partnership and commodity are profitable conditions for commerce between Czech Republic and Vietnam in comparison with other bilateral trade. They have supported to improve bilateral trade gradually since the slowdown in 1991-93. Today, the traditional conditions are still a valuable favor for them to get a better results if they are explored in right time, right place and right way.

2.2. Legal Frame-work for Trade between Two Countries

After the split in 1993, Czech Republic and Vietnam signed new trade agreement and usually discuss together to adjust it so as to upgrade and support bilateral commercial activities as much as possible.

On 22nd August 1994, both sides signed the *Bilateral Trade Agreement* in Prague to agree some main important points including:

- *Most Favored Nation-MFN¹⁰ in tariff, customs clearance and other items related to import/export between two countries is implemented*
- *Two Governments support giving favored conditions and encourage enterprises and individuals to negotiate and sign commercial contracts*
- *stimulate participation of businessmen in trade fairs and trade promotion activities*
- *establish Joint Commission to promote trade between two countries*

Since the entry of Czech Republic in EU in 2004, the bilateral trade has been managed by *Cooperation Agreement* between EU and Vietnam (signed on 17th July, 1995, came into effect in 1996) and the above bilateral agreement was abandoned. The main contents of trade in the cooperation agreement are:

¹⁰ Most Favored Nation-MFN means one nation gives priorities to other nation not less than to any third nation. MNF is often applied for trade between individual countries with priorities like low tariffs, simple customs documents, limited technical barriers etc.

1. *The Parties undertake to develop and diversify their commercial exchanges and to improve market access to the highest possible degree in a manner taking into account their respective economic situations.*

2. *The Parties, within the current framework of their respective laws and regulations, are committed to a policy for improving the terms of access for their products to each other's markets. In this context, they shall grant each other the most favorable conditions for imports and exports and they agree to examine ways and means of eliminating barriers to trade between them, notably non-tariff barriers, taking account of their different systems and the work already done in this connection by international organizations.*

(Article 4: Trade and commercial cooperation-COOPERATION AGREEMENT between the European Community and the Socialist Republic of Vietnam, 1996- See the Annex No.1 for more details)

Two Governments then signed the *Agreement of Economic Cooperation* on 13th September, 2005 to deepen and enhance the economic activities between two countries. The newest agreement confirmed to improve cooperation in segments such as trade and commerce, investment, science and technology, industrial development, environment development and development assistance (See the Annex No.2 for more details).

Individually, Vietnam has built its own strategy and decision in each 5 years for export and economic cooperation with European countries as strategic partners. And Czech Republic did finish its own export strategy in 2004 for the period 2006-2010 which ranked Vietnam in list of priority countries¹¹ and issued the elaborate *strategy for promoting Czech trading and economic interests in Vietnam* in May 2006 which contains full SWOT analysis¹² of both countries, situation from 1993, prospect of the bilateral

¹¹ Priority countries in Czech export strategy in 2006-2010 include: Argentina, Brazil, Bulgaria, China, Egypt, Chile, Croatia, India, Canada, Mexico, Rumania, Russia, South Arab, United Arab Emirates, United States, Serbia, Turkey, Ukraine and Vietnam. (Source: Export Strategy of Czech Republic for period 2006-2010, Czech Ministry of Industry and Trade, 2004)

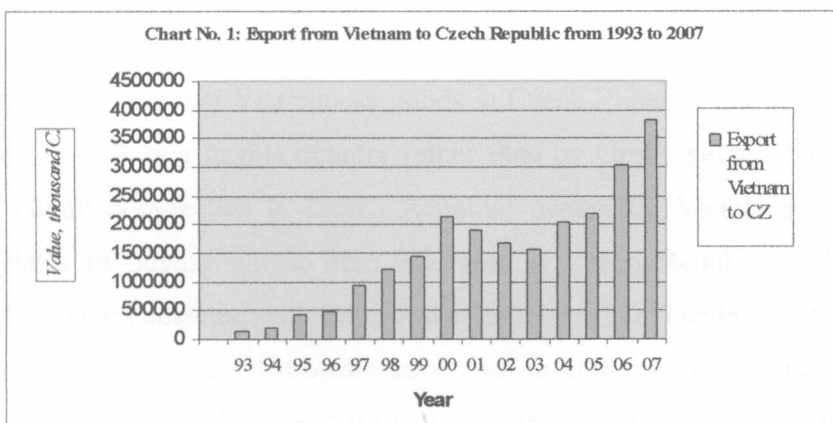
¹² SWOT analysis includes analysis of strength, weakness, opportunities and threats. In the Strategy for promoting Czech trading and economic interests in Vietnam, the author stressed to analyze the situation of both Czech Republic and Vietnam after their economic transformation, features and limitation of trade between two countries and plans for future. (Source: Ing. Ales Uchytil, Czech Ministry of Industry and Trade, "Strategy for promoting Czech trading and economic interests in Vietnam", published on 30th May, 2006 in Prague)

trade cooperation between two countries, directions and means to achieve the strategic goals.

These above-mentioned agreements and documents are a tight legal background for bilateral trade between two countries, orient export and import toward specialization and help to increase value of import and export value considerably.

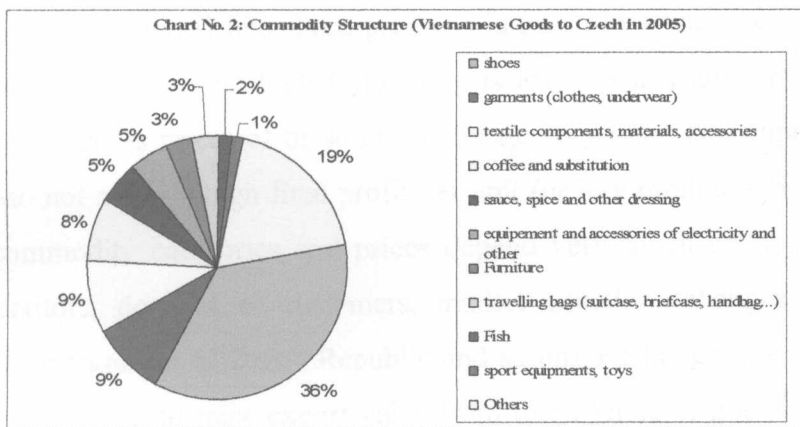
2.3. Goods from Vietnam to Czech Republic

Value of exported goods from Vietnam to Czech Republic increased 14 times from 1993 to 2000 (from CZK 148,457 thousand to CZK 2,118,028 thousand). Then, there was a slight decrease in the period 2000-2003 before it multiplied more than 1.5 times in 2006 by CZK 3,016,465 thousand. The year 2006 was remarkable year for Vietnamese export to Czech Republic and became a momentum for the growth in 2007. Generally, the export value has been speeding up significantly since the entry of Czech Republic to EU in 2004. (See the chart No. 1 below)



Source: Czech National Statistic Office, information center, Prague 2008
(supplied by Mrs. Markéta Čiháková, information service unit of Czech Statistical Office)

In term of commodity structure, the main items of Vietnamese export to Czech Republic include shoes, textiles and garments, foods, furniture and equipments (handicrafts, electric equipments, toys, sport equipments etc in house-hold and office). For instance, the commodity structure in 2005, shoes account for around 36 percent of total value, textiles and garments set up 18 percent; foods (coffee, fish, sauce, spice...) are about 15 percent; house-hold, consuming equipments and furniture account for 12 percent. (See the chart No. 2). This structure looked very likely the structure of Vietnamese goods to other European countries.



Source: business information center of Czech Government

<http://www.businessinfo.cz/cz/clanek/vietnam/strategie-prosazovani-zejmu-cr-vietnam/1000667/40814/>

There is a notable thing that Vietnamese goods in Czech Republic are often imported by Vietnamese people living in this country rather than by Czech people. There are many companies (small companies) in Czech Republic owned by Vietnamese. Their main business relates to buying goods from Vietnam to Czech Republic and vice versa. Recently, they have contacted with other Asian countries like Thailand, China to import goods and sell them in some European countries. In spite of missing public statistics, volume of Vietnamese goods imported by Vietnamese people can be much higher than Czech companies' dealing with Vietnam.

And because of big Vietnamese community in Czech Republic, exported goods from Vietnam provide partly for its people in the Czech Republic and neighboring countries like German, Poland, Hungary and Slovakia. The number of Vietnamese people, who have long-term resident visa in Czech Republic, is estimated more than 55.000 people¹³ in Czech Republic. They need and prefer their mother-land products, particularly for their daily demands such as foods, some kinds of clothes and house-hold furniture. So, not total Vietnamese goods imported to Czech Republic serve for Czech people. Czech market with demands of Czech population and other EU countries is now still open for Vietnam, especially after Czech became member of EU.

Most exported commodities from Vietnam have been low-tech, semi-processing, agricultural products and consumer commodities such as shoes, textiles, garments, foods, furniture etc. The value added into these products is much less than the others because their content of intellectuals and high technology is low. As a result, profit per unit is often very low as well as prices of these items change very often and unpredictably. So the producers do not achieve high final profit per unit (or low productivity). In addition, decisions of commodity categories and prices depend very much on objective factors such as competitors, demand of customers, market situation (changes in economy, politics, society, integration of Czech Republic and so on), exchange rate, crop, weather etc. Countries, who want to raise export value from these kinds of goods, have to keep high exported volume (quantity) annually but it is a hard and difficult work.

In line with value structure, goods "Made in Vietnam" that bring real profit for Vietnamese do not cover total export value. Part of manufacturing goods like shoes or textiles is invested by foreign investors¹⁴. They account for a high percentage of total export value (for example shoes, textile and garment account for haft of total). Profit from these items will belong to foreigners, not to Vietnamese. Other part is goods from

¹³ According to the Czech Republic Statistical Office, there are 55.991 Vietnamese people having official visa in Czech Republic to 31st May, 2008. However, the number is certainly bigger.

¹⁴ The investors have foreign investment in Vietnam, produce goods in Vietnam and then, deliver goods globally. After that, they will send their profit back to their home country. The value that Vietnam gets is just salary for labor, value of domestic materials for producing goods and tax. But statistics of export and import cannot eliminate the profit of investors. Goods (like textile, garment and shoes) in Vietnam are mainly invested by foreigners, for example Nike, Pierre Cardin...

third countries like China. They are imported to Vietnam, added some things and then, exported to Czech Republic under Vietnamese customs' clearance or Vietnamese originals. These kinds of goods also account for a remarkable part and the final profit belongs to foreigners as well. The annually public data is synthesis of Customs Office, basing on Customs' documents only. It cannot deduct third-side profits. In recent years, the total value is increasing but the more export value increases, the more profit belongs to foreigners. Real total export value of Vietnamese goods for Vietnamese people is much smaller in reality than in reports.

Looking into the commodity structure, many "strong" commodities of Vietnam such as processing products of agriculture, forestry and hand-made products have not been introduced and come to Czech Republic yet. It proves that Vietnam still lacks effective marketing policy in Czech market. Czech customers have not got familiar with Vietnamese products, brand-names, suppliers and producers. Even, some kinds of goods from Vietnam are accepted quality but bad packaging, weak maintenance that make a bad impression for importers and local users. The competitive advantages of Vietnamese commodities are still very weak in Czech market while Vietnam has not had a long-term and comprehensive strategy for markets' entry. Thus, Vietnamese commodities exported to Czech Republic have not actually represented strength of its production.

Export value of Vietnamese goods to Czech Republic has had a sharp increase since 2004-since the EU entry of Czech Republic, reached more than CZK 2 billion in 2004, 2005 and nearly CZK 3.5 billion in 2006 and 2007 (See the chart No. 1). This is an optimistic signal for both sides. For Vietnam, the entry of Czech Republic to EU is a good chance. Vietnam has more favorable conditions for export such as bigger market, higher demand, easier traveling, higher-standard commercial law and policy, more stable financial and monetary policy for payment etc. Hence, Vietnamese export to Czech Republic is getting more convenient with more choices and chances. For Czech Republic, the higher volumes of exported goods show partly its economic development with higher demands in domestic market, more dynamic business sector and higher revenue from import taxation for its Government.

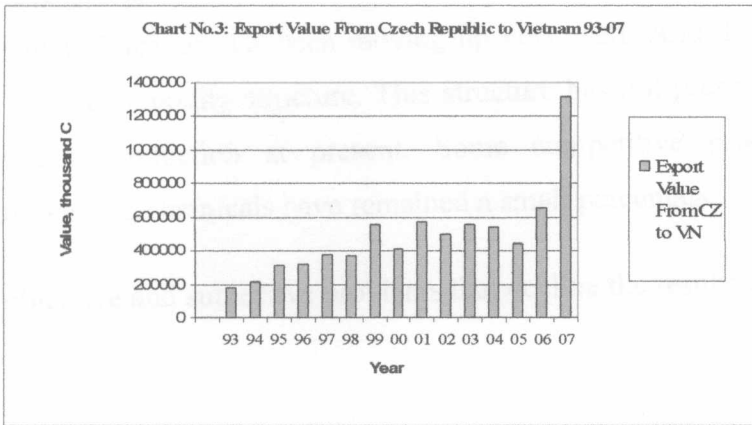
However, Vietnamese commodities are coping up with high and strong competition from other developing countries like China, Thailand, Hong Kong and Taiwan in Czech market now. Czech Republic is seen as an ideal destination for Asian export into Europe after its entry to EU. Goods from these Asian countries quickly and easily invade Czech market as well as neighboring markets. Not only Asia businessmen but Vietnamese businessmen in Czech Republic also contact with Chinese, Taiwanese or Thai partners to import goods into the country. These countries have a very plentiful and stable chain of supply. Their goods are good packaging, better maintenance and better prices than Vietnam's. Therefore, Vietnam is now losing market share for them.

In short, period 1993-2008 is a starting period for Vietnamese commodity to entry and consolidate Czech market again after the crisis. The total value increase gradually and has speeded up since 2004. However, the total value as well as the poor commodity structure has not reflected totally supply ability of Vietnamese export. This is a limitation that Vietnamese export should take into account.

2.4. Goods from Czech Republic to Vietnam

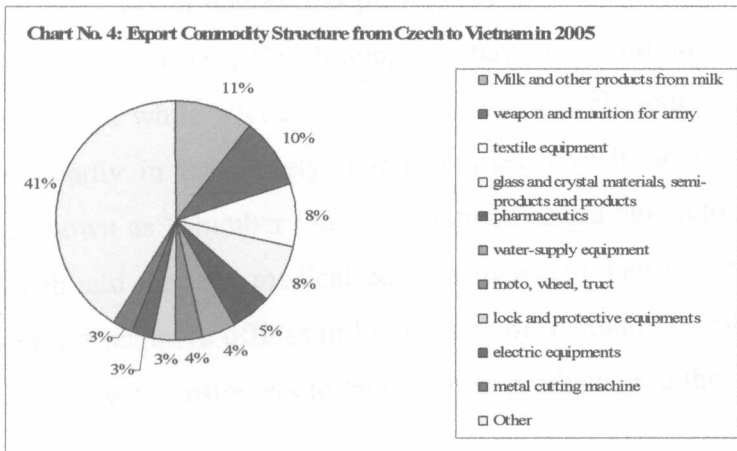
The value of goods exported from Czech Republic to Vietnam increased slowly and irregularly from 1993 to 2004. It was from about CZK 179,826 thousand in 1993 to CZK 553,151 thousand in 1999. After decreasing in 2000, 2002 and 2005, it turned to go up positively again in 2001, 2003.

After Czech entering EU in 2004 and building up export strategy for priority countries including Vietnam, Czech export to Vietnam has got considerable results. The year 2006 was the first time for export value to come over USD 30 million (equal CZK 657,562 thousand). And then, surprisingly, the value went up twice times in 2007 for USD 66 million (CZK 1,320,000 thousand). (See the chart No. 3 below).



Source: Czech National Statistic Office, information center, Prague 2008
 (supplied by Mrs. Markéta Čiháková, information service unit of Czech Statistical Office)

In term of commodity structure, Czech main items are light industrial machines (19%), milk (11%), army weapon and munitions (10%), glass and crystal products (8%), pharmaceuticals (5%), water supply equipments (4%) and others (sample of 2005). (See the chart No. 4)



Source: business information center of Czech Government
<http://www.businessinfo.cz/cz/clanek/vietnam/strategie-prosazovani-zejmu-cr-vietnam/1000667/40814/>

Overall, there are two typical characters of Czech goods to Vietnam. The first one is that the export value has increased but not gradual and significant (slow increase). Not until 2007, Czech export to Vietnam has been moving up very well. And the second one is very simple and poor commodity structure. This structure has not presented strength of Czech products and production at present. Some competitive products such as transportation equipments, chemicals have remained a small percentage.

There are some objective and subjective problems that decline the results of Czech export as follows:

(-) Prices of Czech goods are high while the price scheme is still rigid: many Czech goods have prices higher than other European countries', though its production cost is not the highest in EU; for instance, industrial machines and devices, locomotives, medical equipments and so on. Many Vietnamese traders complained that Czech prices were so "European". In addition, a rigid scheme of price (low discount, insufficient price promotion, fixed price) makes Czech goods less competitive and flexible for customers.

(-) Czech goods are high quality but their trade-mark positioning activities in oversea market are very weak (shortage and weakness of advertisement and marketing). Like every market, goods imported into Vietnamese market also need to introduce publicly, inform customers their brand names and prestige of producers (it is very important for industrial goods)¹⁵. Nonetheless, Czech suppliers have not paid so much attention into these introductory steps while Vietnamese know about Czech goods cannot advertise or introduce them broadly in the society. For examples, Czech Beer and German Beer-German Béer is known as "Number One" in Vietnam as annual October Fest organized by Siemens; Czech and German medical equipments-many German medical equipment companies have representative offices in big centers of Vietnam to organize conferences and arrange meetings with customers to launch their products and they are often winners in tenders.

¹⁵ For example, tenders in Vietnam for industrial machines, devices and chemicals usually specify concrete origin of commodity when they know their quality and prestige.

(-) Czech producers lack innovations in design (weak research and development as well as innovation), the designs are not upgraded and many of them are old-fashioned. Except crystal products, many of other items like industrial machines, equipments and devices still lack innovation. They still miss policies for trade promotion (for instance sales promotion, consultation and after-sales services) and lack comprehensive market analysis as well. It reduces both potential customers and traditional customers.

(-) Czech Government does not support domestic enterprises enough to boost export. Czech Government has not utilized its tools the best such as diplomacy, finance, law etc to help export enterprises. Thank to the strategy for Czech export in period 2006-2010, Czech producers and products have more chances to be introduced by meetings between both sides. However the support from Government is still very weak and not sufficient.

(-) Transaction cost is high because of difficulties in visa application, high cost of traveling and communication between two countries.

(-) High competitions from other EU countries are strong pressure for Czech commodities to access Vietnam today. Unlikely the monopolist supply period, Vietnamese market is open for all countries nowadays in which Western Europe countries become big partners for Vietnam and hold important and big market shares for industrial and manufacturing commodities. They often come with long-term and effected policies for commercial promotion in Vietnam. They are hard rivals for Czech business in Vietnam.

(-) Barriers from import country: tariff for Czech goods into Vietnam is till high¹⁶, customs clearance in Vietnam is very complicated¹⁷ as well as high customs fee and high inland transportation charges. These extra fees make the import charges and final prices high; reduce the competitiveness of Czech goods.

¹⁶ For example: import tax on beer materials from Czech Republic is about 80% to 100% plus certificates for quality, quantity issued by both sides. (Source: Vietnam tariff nomenclature)

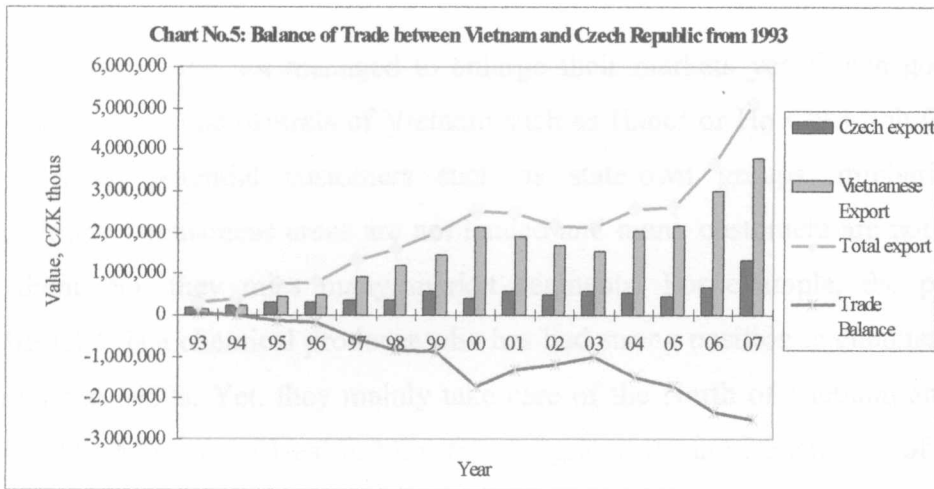
¹⁷ Customs Clearance in Vietnam for imported goods is very complicated. To finish customs clearance, the importers need 2 signatures in Singapore, 7 stamps and signatures in Malaysia and about 15 signatures in Vietnam for common goods. (Source: General Department of Vietnam Customs, "Situation of Vietnamese customs' procedures", 2006)

As a whole, export from Czech Republic to Vietnam grew inconstantly in 1993-2004 and did not indicate Czech production's capacity. After Czech became member of EU, the export value has got some significant improvements. Although the increase is not the highest, it can be seen as a new step of Czech export in Vietnamese market in particular and Asian market in general. And Czech export still has many opportunities in Vietnam, a big market with 86 million people.

2.5. Trade Balance and Comparison with Other Countries

Before the crisis in the beginning of 1990s, trade balance between Czech Republic and Vietnam was surplus for the former. Depending on its monopolist position, Czech export to Vietnam reached a high volume, mainly thanked to machinery and device supplied for factories and plants in Vietnam to reconstruct its economy after wars. Meanwhile, the export from Vietnam was very poor because of the strict control from Vietnamese Government for every export activities. So, Czech held the trade surplus for a relatively long time.

Since 1994, the balance has shifted, deficit for Czech Republic-surplus for Vietnam and the deficit has been becoming more and more serious and unfavorable for Czech Republic. The deficit appeared in 1994-99 but remained less than CZK 1 billion. From 2000 to 2005, the deficit got bigger than CZK 1 billion. Since 2006, it has been broader, more than CZK 2 billion. The trade deficit was CZK 2.5 billion in 2007. (See the Chart No. 5)



(Source: Czech National Statistic Office, information center, Prague 2008
supplied by Mrs. Markéta Čiháková, information service unit of Czech Statistical Office)

There are three big reasons to explain for the deficit of Czech export to Vietnam including:

(-) Unlikely in the past, Czech goods face sharp competition from many countries. After 1986, Vietnam opened its market; the economy became market-oriented. Western countries like Germany, Britain, France, Italia, the Netherlands etc began to increase their export to Vietnam and find opportunities to invest in Vietnam. They came to Vietnam later than Eastern European countries and often supply high-price products but they quickly convinced and occupied the market by their high quality and good services. Very few rivals can substitute them if buyers bought and used their products. Thus, there were many changes and differences influenced and prevented Czech commodities to have a high market share after 1993. Czech has lost traditional market and traditional customers to other EU competitors. (See the table No.2 below)

(-) Moreover, the commodity structure of Czech export to Vietnam is still poor, not diversified yet (mainly machinery for light industry, medical and health-care equipments, electric equipments, crystal products and recently raw materials for beer production). Czech still keeps its traditional structure and traditional trade promotion. They do not

enrich the supply categories as well as they are not active in marketing and advertising to enhance trading in Vietnam.

(-) Czech producers have not managed to enlarge their markets yet. Czech goods are introduced mainly in some centrals of Vietnam such as Hanoi or Ho Chi Minh City and stressed on some potential customers such as state-own groups, ministries and institutions. Many Vietnamese areas are not landed and many customers are not kept in touch by them. So, they miss many market segments. For example, the producer BOCHEMIE CZ¹⁸ is a chemical producer who has had strong position in chemist market of Vietnam since 1980s. Yet, they mainly take care of the North of Vietnam and some state partners like Ministry of Health, Ministry of Agriculture and Department of Animal Health in Hanoi. They have not entered the South of Vietnam and built any private distributor system that may broaden their market segments.

Table No. 2: Export from European Countries to Vietnam

Unit: million USD

Year	Poland	Bulgaria	Hungary	Czech	Slovakia	Russia	Germany	Holland	France	Britain
95	20.0	4.0	19.3	4.0	3.1	144.8	175.5	36.3	276.6	50.7
96	24.5	1.4	10.8	6.8	3.4	186.5	288.2	51.4	416.8	83.7
97	17.6	1.1	19.0	7.7	1.7	158.0	280.8	51.5	550.8	103.9
98	11.6	0.9	22.2	6.9	1.5	216.3	359.9	54.0	379.8	96.4
99	13.7	1.9	13.9	6.5	6.9	245.6	268.7	48.5	309.3	109.2
00	18.4	4.5	15.2	6.3	2.9	240.5	295.2	84.6	334.2	149.9
01	18.2	2.8	14.7	7.6	1.8	376.4	396.7	114.6	300.4	171.6
02	14.2	2.3	14.0	8.8	1.7	500.6	558.1	114.3	299.2	166.5
03	38.0	7.2	19.0	14.2	1.4	491.8	614.6	324.9	411.0	219.8
04	38.9	2.7	16.4	14.4	3.1	671.5	694.3	179.4	617.4	227.7
05	42.9	5.7	18.5	15.9	2.1	766.6	661.9	312.1	447.7	182.4
06	57.8	7.4	25.6	22.0	2.6	455.8	914.5	360.8	421.1	202.1
07	109.6	10.3	28.9	23.1	2.3	552.2	1308.5	510.3	1155.3	236.9

Source: General Statistic Office of Vietnam, 2008

¹⁸ BOCHEMIE CZ came to Vietnam from very early time in 1980s. They supplied about 150 tons of chemicals annually for ministry of health and ministry of agriculture of Vietnam and they got award from Vietnamese Government for their quality. (Source: Mr. Do Ngoc Viet Dung, General Director of BOCHEMIE CZ's representative in Hanoi, Vietnam)

Comparing with other EU countries, Czech export to Vietnam just only gets higher than Bulgarian and Slovakian. Hungary and Poland who have same conditions like Czech have had higher market share in Vietnam. Other Western EU countries have been much better since 1995 up to now (See the table No. 2 above). Especially, the growth rate of Czech export from time to time is very small, far from other rivals. Its recent increase is very dramatic in comparison with its own values in the past but still limited as comparing with its neighbors. The export strategy of Czech Government started to be effective but need to be more intensified so that it can help to upgrade the position in Vietnam and other Asian countries (Czech has been ranked the 70th in list of exporters into Vietnam since 1995-table No. 4).

For Vietnam, the export position is improving in list of Asian exporters to Czech Republic, based on its increasing export volume annually. (See the table No.3)

Table No.3: Export to Czech Republic from Asian Countries

Unit: thousand USD

Year	Vietnam	Thailand	Malaysia	Laos	Indonesia	Philippine	Singapore	India	Hongkong	China
93	5,093	21,090	21,527	116	13,019	4,103	24,936	35,435	65,647	79,184
94	7,028	25,146	29,648	21	20,953	4,774	39,719	49,978	74,366	105,623
95	15,917	42,324	47,004	153	37,138	4,977	69,932	60,871	103,772	208,794
96	17,744	44,761	67,891	534	47,705	8,088	54,583	82,725	108,685	298,535
97	29,742	41,541	74,342	2,115	44,663	9,912	53,669	63,390	84,265	377,139
98	31,317	63,726	117,867	1,154	55,322	14,169	59,415	73,689	88,743	498,552
99	41,727	68,642	120,646	1,359	58,773	13,820	65,168	76,287	62,865	564,345
00	54,885	79,255	166,055	795	62,521	17,295	96,375	74,633	52,862	694,806
01	50,100	113,389	317,823	534	83,835	42,962	144,892	85,501	62,692	1,067,246
02	51,093	133,063	464,988	365	114,543	201,458	226,458	100,372	64,158	1,874,276
03	53,715	216,578	646,761	802	118,034	312,810	261,918	117,583	104,131	2,610,889
04	77,526	289,487	565,179	1,169	149,100	298,894	221,157	177,481	158,803	3,472,947
05	92,887	412,655	485,080	1,915	171,408	132,204	164,575	246,179	205,699	4,002,232
06	130,054	506,012	638,674	1,733	212,907	90,727	214,298	258,881	152,193	5,540,227
07	157,266	649,648	649,165	1,398	190,172	89,723	341,258	335,198	98,864	7,089,623

Source: National Statistic Office of Czech Republic, 2008

Vietnamese export to Czech Republic stays the same position as Indonesia, Philippines and Hong-Kong who are big exporters to EU market. From the position of 63rd in 1995, it ranked the 41st in 2007 (See the table No. 4). Though there are many problems around the value and structure of the export to Czech Republic, the high surplus for Vietnam points out that Vietnamese businessmen have been attempting to employ as many chances as possible to enlarge their market share. It is one of their successes after the economic renovation and confirms partly the raising capacity of its export in integration process.

Table No.4: Export Ranking

Year	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07
CR export in VN.	74	73	67	69	64	72	56	71	62	65	64	67	78	70	75
VN. export in CR.	63	62	51	53	46	44	41	40	47	45	51	49	47	44	41

Source: Czech National Statistic Office, 2008

An evidence proving progression of Vietnamese export in Czech Republic is the establishment of its commercial centers in Czech Republic in big cities such as Prague, Brno, Ostrava, Liberec, Cheb, Plzen to deliver Vietnamese goods to everywhere in the country and other neighboring markets. As far as plan in the first quarter of 2009, a new and very big trade center of Vietnam named Industrial and Trade Promotion Center (VIETTRIN) will be open in Prague as effort of Vietnamese embassy. This centre will introduce well-known producers and typical products from Vietnam, deliver fully information to Czech enterprises and customers. Its purpose is to promote Vietnamese trading in Czech Republic and other EU countries.

2.6. Recommendations

To enhance bilateral trade, both sides should have new adjustments in policies to create a system of export entrepreneurs as well as building a suitable and competitive commodity structure. Recommendations can limit existing problems as follows:

2.6.1. For Vietnam

a. For Vietnamese policy-makers

- Change thinking about Czech market because it is not a small market with 10.3 million populations: In the past, Vietnam paid much attention into West European, American and Japanese markets. However, demands for consumer commodities in Central and Eastern Europe are high and diversified. Especially after the EU entry, these markets were enlarged bigger than their populations in reality. Vietnam should prepare a profound strategy to promote export to markets like Czech Republic.
- The Government should improve and combine supporting tools for export like customs, finance, transportation and insurance services; plan to re-construct material areas that supply for export processing plants as well as issue policies to encourage export to Central and Eastern Europe.
- Enhance trade promotion to create a real efficiency for export, use all opportunities to introduce Vietnamese products, especially products "made in Vietnam" and Vietnamese high-quality products¹⁹. The opportunities include diplomatic meetings, organization of Vietnamese days in Czech, relations of Vietnamese people in Czech, participation of Vietnamese businessmen in Czech exhibition or trade fairs etc.

b. For Vietnamese export enterprises

¹⁹ Annually, Vietnam publishes list of "Vietnamese high quality product" to affirm the quality of products produced by Vietnamese enterprises who are very strong exporters as well. Yet, these products have not been familiar in Czech Republic.

- Build a long-term strategy for export to Czech Republic including plans for product, quality, price, packing, services and promotion. The strategy should aim at enhancing prestige and belief of Czech customers for Vietnamese products.
- Need to increase quantity and quality of traditional commodities in combination with change the commodity structure, introduce more added-value products to further results of exporting; find new demands, launch new products to the market.

2.6.2. For Czech Republic

a. For Czech trade policy-makers

- Czech Government should implement efficiently its elaborated long-term strategy and policies for promoting export in South East Asian region in general and Vietnam in particular. This strategy was introduced in 2004 and initially had a good effect. Nonetheless, it should be carried out more comprehensively at all levels-from the Government, ministries, enterprises to consultancy and promotion services etc
- More active in trade promotion and introduction of Czech products in Vietnam at all levels- state, enterprises, individuals; more tools to support export goods such as finance, tax, information service etc

b. For Czech export businessmen

- Enlarge market, find new market segments and new customers in Vietnam and other neighboring countries like Cambodia, Laos
- Expand commodity structure to make it more diversified; introduce competitive goods with new innovations for Asian and Vietnamese market
- Adjust sales policy; improve trade promotion services and advertisement; participate in public activities to introduce Czech country and Czech products to Vietnamese people

2.7. Short conclusion

As a whole, trade has been the most important content in cooperation between Czech Republic and Vietnam for a long time. After the independence of Czech Republic in 1993, Czech Republic and Vietnam continued their bilateral trade in new conditions, with many new advantages. Two sides' trading has improved significantly since the EU accession of Czech Republic in 2004.

Nonetheless, the ability and possibility of bilateral trade between two countries are still higher than the reality. Bilateral trade between Czech Republic and Vietnam might increase more if both countries try and manage to support their commodities and enterprises more; change commodity structure; invest more for advertisement and trade promotion; offer more competitive prices etc.

To sum up, the opportunities to promote trade between two countries are still very rich but competition and challenges for both sides are high as well. Both Czech Republic and Vietnam should have new, innovative and dynamic steps to strengthen the commercial relation and they should have very cautious, accurate and safe steps to overcome risks today.

Chapter III

FOREIGN DIRECT INVESTMENT

+General Situation of FDI between two countries from 1990s

+Legal Framework to effect on FDI activities

+Advantages of FDI

+Czech FDI Projects in Vietnam; Difficulties of Czech Investors

+Vietnamese FDI projects in Czech Republic

+Recommendations

Foreign direct investment (FDI) in general, is defined as a situation, when company from one country makes an investment or cooperates with other partner to do business in another country, following law system of host country and home country as well as agreements between two countries.

FDI is one of decisive and fundamental parts in bilateral cooperation between Czech Republic and Vietnam. The FDI activities develop from basis of historical relationship of two states, relations of individuals and enterprises in two countries from 1970s, 1980s and 1990s in combination with the transformations and improvements in their law system and FDI policies.

3.1. General Information of FDI between Czech and Vietnam

After the political crisis and period of economic reforms in the beginning of 1990s, some Vietnamese people who had relations with Czech Republic came back home and quickly held opportunities to do business between Czech-Viet. Initially, they found customers to import goods from Czech to sell in Vietnam. After delivering high volume annually in Vietnamese market, both Vietnamese suppliers and their colleagues in Czech all recognized that one of great obstacles for Czech goods to stand in an Asian country was its high price including transportation cost and time from Europe to Vietnam as well as a high import tax applied for European commodities. While Vietnamese market was a very potential market for Czech commodities such as chemicals, crystal and glass products, industrial and construction machines etc. Thus, Czech side was invited to come, investigate and plan for the direct investment or at least, open their representative offices in Vietnam. Few projects invested by Czech, used Czech know-how and technology and under management of Czech people were founded by the above-mentioned way from 1994 to 1997 such as Bohemia Crystal Hanoi (USD 1.7 million) for crystal production and SKODA-ISOVINA (USD 4.6 million) for electricity equipments. And Vietnam did

begin to find chance to invest into Czech Republic as well. Later than Czech investors, Vietnam had two projects in Czech Republic in 2004. These FDI projects opened a new direction in Czech-Viet relations that has been direct investment in stead of import in traditional method.

Legal Frame-work

The FDI activities are managed under the *Agreement on Promotion and Reciprocal Protection of Investment* signed by two governments on 25th November, 1997. The agreement came into effect on 9th July, 1998. Main purposes of this agreement were to encourage direct investment, create favorable conditions for investors as well as give fair and equal treatment to investors like domestic investors and any other third party. The favors would be applied for all stages of investment into host country, from preparation of project, settlement of project to transferring profit (see the annex No.3 for more details).

After the EU entry in 2004, Czech had to follow EU laws for FDI as well as agreements signed by EU and non European states (for example the *Cooperation Agreement* between EU and Vietnam in 1995). The Agreement on Promotion and Reciprocal Protection of Investment has not been suitable for present situation but still remained the effect.

Then, the *Agreement on Economic Cooperation* on 13th September, 2005 between Czech Republic and Vietnam also has some contents relevant to FDI. The agreement confirmed the importance of FDI for both countries again. In the agreement, both sides committed to encourage and give favors and priorities for FDI between two countries including:

- *Frequent exchange information about economic segment's priorities, orientations and predictions of national economy*
- *Exchange information of investment situation and chances (changes of law, changes of foreign direct investment policies, potential fields, potential projects etc)*
- *Exchange delegations to do market research and take part in exhibitions, trade fairs and other investment promotion activities of the both sides*
- *Together explore opportunities of investment in third countries*

- *Fields of investment: energy, industrial machinery, telecommunication and information technology, crystal production, transportation, chemistry, pharmacy, medical equipment, tourism, agriculture and rural development, shoes, textile and garment, food industry, banking and finance*
- *Establish a joint commission for economic cooperation*

At the moment, two countries are discussing and negotiating to adjust some principles in the *Agreement on Promotion and Reciprocal Protection of Investment* signed in 1997. The first negotiation was taken place in September, 2007. The second was done in March, 2008 when Prime Minister Mirek Topolánek visited Vietnam. In the second round, two countries signed a Protocol for adjusting the agreement and probably will sign a new agreement for FDI in near future.

General situation of investment after 1993

Until now, Czech has 9 registered FDI projects in Vietnam with total capital about USD 57.9 million. In comparison with other Central and Eastern European countries, Czech FDI into Vietnam stands in average level in term of number of projects and capital distribution. (See the table No.5)

Table No. 5: FDI from Central and Eastern Europe to Vietnam in 1988-2007

Unit: USD million

Country	Number of project	Total Capital	Registered capital		
			Total	Host country	Vietnam
Poland	10	107.9	46.7	38.6	8.1
Austria	12	24.8	16.3	15.3	1
Czech Republic	9	57.9	27.7	22.9	4.8
Slovakia	1	39.0	39.0	39.0	
Hungary	13	13.5	11.7	9.2	2.5
Russia	100	1866.4	1209.7	705.6	504.1

Source: Ministry of Planning and Investment of Vietnam and General Statistic Office of Vietnam, 2008

In return, Vietnam has two ongoing projects in Czech Republic with total registered capital USD 1.9 million and two additional projects starting in 2008. They account for a small rate in total FDI into Czech Republic but they show the best effort of Vietnam to enter oversea markets.

Since 1993, FDI between Vietnam and Czech Republic has had some great advantages.

Vietnam is an open market with open opportunities, low competition, cheap labor, rich natural resources, stable politics and security. In Vietnam, there are many market segments that need foreign investment such as agriculture, forestry, food processing, chemistry, pharmacy, tourist, banking and finance etc. Furthermore, Vietnamese government and administration are trying to give more favors to attract FDI; FDI policies are changing towards more benefit for investors²¹. Czech investors have more FDI opportunities in Vietnam.

In return, Czech Republic is becoming a potential market for FDI from Vietnam. Czech completed its transformation to market economy, became member of EU and SCHENGEN. The macro-economy is stable and high-speed growing. The legal systems are European standards. Czech FDI policies (namely *FDI Incentives* in 2004) give many priorities for foreigners such as simple registration, low revenue tax for FDI projects in first process, favorable financial support. Entering EU, the investment environment in Czech Republic is improved evidentially as other EU members, Czech market was enlarged and goods can be transferred freely over the border. Vietnamese investors have more investment opportunities in Czech Republic such as in telecommunication, finance and banking beside some traditional sectors like construction or textile.

In addition, Vietnamese people living in Czech Republic and had ever been in Czech Republic are "active supporters" for FDI between two countries. They play an important role in two-way FDI promotion. They have involved in many Czech FDI projects in Vietnam, experienced in FDI activities and have a decisive voice in investment process.

²¹ Even now, Vietnamese domestic investors claim that they have fewer priorities than foreigners have.

Table No. 6: List of Czech FDI Projects in Vietnam

No	Name of Project	Field of investment	Registered Capital	Place of Project	Investors and Financier		Progress
					Czech Republic	Vietnam	
<i>I. Running Projects</i>							
1	Bohemia Crystal Hanoi	- producing and supplying crystal products according to Czech technique - non-alcohol drinking wine - drinking automat	USD 1.7 mil	Hanoi	Sklarný Bohemia Jihlava (70%)	Hanoi Trade Corporation (30%)	- 1996: start - 2008: going bankrupt
2	ELIMO	- non-alcohol drinking wine - drinking automat	USD 1 mil	Hai Phong	CESK, Brno (50%)	An Phu Co. (50%)	- 2005: start - 2008: close
3	Panter CZ	- Investment consultant - Trade and Logistics - other services	USD 100.000	Hanoi	Panter CZ (100% FDI)		- Oct 2006 (30 years) - 2008: small size
4	Mineral Exploitation	Coal exploit	USD 25 mil	Ha Lam, Vang Danh- Quang Ninh	Alta Brno, BPO Ostrava,	Vinacomin (Vietnam National Coal-Mineral Industries Group)	- Feb & Nov 06: distribute complete machinery line - 08-10: USD 50 mil for current mine - 09-13: ERU 500 mil for new one with Czech technology
5	Hydro Electricity plant 2 MW	- Electricity		Lam Dong and Khanh Hoa	CINK and MISECO		
6	Industrial Machinery Factory	- industrial machinery (1000 peaces per year for Vietnamese market and neighboring)			Pilous	Hameco	- May 06: sign contract
7	PPF	- insurance	USD 18.5 mil	Ho Chi Minh	Ceska Pojistovna (100% FDI)		- Mar, 06: open representative in HCM - Nov 06: license for FDI
8	Luxurious Buildings	- room for sale and rent		Hanoi and Ho Chi Minh	FINEP Holding	Praha Hatay JSC	- 200-500 rooms in Hanoi and Ho Chi Minh city afterward

18	Bus-line Construction	- transportation service	USD 45 mil	Ho Chi Minh	CEB	Vinashin and BIDV	Memorandum
19	Beer Factory (200 mil liter/year)	- beer production	EUR 60 mil	Binh Duong	CEB	BIDV	Memorandum
20	High-way building	- transportation	USD 1.2 billion	Trung Luong-My Thuan-Can Tho	CEB	BIDV	Memorandum
21	High-way building	- transportation	USD 400 mil	Hanoi-Hai Phong	PSJ a.s Jihlava and KB	CIENCO	Memorandum
22	Beer Factory (150.000 HI)	- beer production	EUR 13 mil	Ha Tinh	ZVU Potez	KAN Food Industry Hai Phong	Contract signing
23	Flat Building	- Room for sale and rent	EUR 500 mil	Vietnam	FINEP Holding, SE Praha and Praha JSC		Memorandum
24	Factory	- machine and equipment for shipping industry	USD 50 mil	Vietnam	Technoexportem a.s	Vinashin Lines	Agreement
25	Hydro Electricity Nho Que 2	- Electricity production	USD 81.2 mil	Nho Que	Sileman	Nho Que Electric Development and Investment Corp	Agreement
26	Training center	Training service		Hung Yen	Czech-Viet Commercial and Industrial Association	Nguyen Du college	Memorandum

Sources: Czech Ministry of Foreign Affairs, Ministry of Industry and Trade, information services and agency (businessinfo, Czechtrade), Vietnamese Embassy in Prague

3.2. Czech FDI Projects in Vietnam

3.2.1- Ongoing Czech FDI Projects in Vietnam

Czech Republic has been working on 9 FDI projects in Vietnam now. Most of them are new projects from 2006 except Bohemia Crystal Hanoi (96) and Elimo Hai Phong (05). With medium investment scale, Czech investors invest in some fields that are strength of its economy such as crystal production, brewery, electric equipment, kaolin and construction material production, industrial machinery and ship-building. (See the table No.6 above)

Czech Republic invests mainly in type of joint-venture²² with Vietnamese partners; both sides contribute capital according to agreed percentage. For example, *Bohemia Crystal Hanoi* between Sklářny Bohemia Jihlava (70%) and Hanoi Trade Corporation (30 %); *Elimo Co., Ltd* between CESK, a.s. Brno (50 %) and An Phu Co. Haiphong (50 %); *mineral exploitation* between ALTA Brno, BPO Ostrava and VINACOMIN; *Industrial Machinery Factory* PILOUS-HAMECO; *Hydro Electric Plant* CINK-MISECO; *Shinec-Viking* between Viking and Shinec. The contribution of capital between two sides increases projects' possibility and reliability but investors have to depend mutually and sometimes they do not have independence in decision making (this limitation will be discussed later). Some new FDI projects have been 100% capital distributed by Czech side recently like *Panter CZ*, *Insurance PPF* and *FINEP luxurious buildings*. 100% investment makes investors more independent and self-decisive than joint venture.

²² FDI into Vietnam started from 1987-1988. It was carried out under Law on Foreign Investment in 1988. This law was adjusted and changed 4 times, in 1990, 1992, 1996, 2000. After that, Vietnamese government issued Common Investment Law in 2005 that came into effect from July, 2006 to give fair and common conditions for both domestic and foreign investors. There are six types of FDI in Vietnam including 100% foreign capital, Joint-venture, Business cooperation contract, Build-Operate-Transfer, Stock Purchasing and Capital Distribution, Mergers and Acquisitions. Almost Czech FDI into Vietnam is Joint-venture and recently, some of them are 100% Foreign Capital. (Source: Vietnamese Ministry of Plan and Investment, "Overview of FDI inflow into Vietnam 1988-2006", online in 2008 <http://fia.mpi.gov.vn/Default.aspx?ctl=Article&TabID=4&aID=305>)

About quality of Czech FDI projects in Vietnam, results of new projects are limited because they just started in short time while business results of long-run projects such as Bohemia Crystal Hanoi (Bohemia) and Elimo Hai Phong (ELIMO) are very bad.

Bohemia was one of the biggest projects and considered as a typical representation for Czech FDI in Vietnam at that time (1996). During first production, products of Bohemia entered successfully Vietnamese market. Many Vietnamese people who preferred crystal products "made in Czech Republic" welcomed Bohemia Vietnam because of its quality and its price (price of Bohemia Vietnam was 30%-50% cheaper than imported goods). Goods were distributed largely in some centrals like Hanoi, Ho Chi Minh and producers planned to export to neighboring markets. Unfortunately after that, this project went bankrupt (during 2007-2008). Series of conflicts and disagreements inside Board of Executives (negative effect of capital distribution), lack of efficient business strategy and lack of marketing policy against sharp competition are reasons for this break.

ELIMO is in the same scene. It started production in March 2005 and got well in the first time. Some non-alcohol drinking produced by ELIMO appeared in super-markets in big centers of Vietnam. After that-also very quickly, they had to close. The reasons are weak management ability of managers, lack of unification between them, weak marketing strategy and competitiveness²³.

New Czech FDI projects from 2006 also face same difficulties such as financial difficulties, disagreements among investors, complicated administrative registration in Vietnam. So, their progression is very slow.

In general, Czech investment into Vietnam since 1993 has been limited, in both quantity and quality (small scales, low efficiency and short-term existence). Many inside and outside difficulties, much bigger than advantages, prevent the execution of FDI projects, especially joint-venture projects. They eliminate the results of projects, reduce the

²³ Information of activities of Bohemia Hanoi and ELIMO was supported by Mr. Do Ngoc Viet Dung, former general director of Bohemia Hanoi and Mrs. Dasa Nguyen-former executive of ELIMO in Hanoi office. There is another example of bankrupt FDI project of Czech in Vietnam- Skoda ISOVINA-a big project in Vietnam. This project was closed down officially last two years because of the same reasons.

efficiency of Czech investment and abolish the productivity of contributed capital of both sides. Among nine ongoing projects, projects with 100% Czech investment such as insurance PPF, FINEP luxurious villas and PANTER consultant are running better. Although they just started last 2 or 3 years, they have achieved good results and had position in service sector in Vietnam. That is reason why some Czech investors are thinking to shift from joint venture to 100% foreign investment now.

3.2.2- Upcoming FDI Projects in Vietnam

In the visit of Vietnamese Prime Minister to Czech Republic in September 2007, both sides signed 7 FDI projects into Vietnam with total capital of USD 3.5 billion including thermo-electric plant (USD 3 billion), cement plant (EUR 115 million) and brewery (150 million USD). They were big-scale projects, considered as a "breakthrough" of FDI between Czech Republic and Vietnam. These 7 projects finished their registration already and prepared to start. However, the slow financial disbursement from Czech makes their implementation very hard now, although Vietnamese and Czech banks as well as two governments are trying to participate and support them.

Then, in the visit of Czech Prime Minister Mirek Topolanek to Vietnam in March 2008, Czech and Vietnam signed ten memorandums and agreements for new FDI projects in Vietnam in highly potential fields such as energy (*Hydro Electricity Nho Que 2*), transportation (*Bus-line Construction, high-way building*), engineering machinery production (for shipping industry), beer manufacturing, real estate and education. It was seen as a "new wave of Czech investment"²⁴ into Vietnam after EU entry of Czech Republic. Czech and Vietnamese investors are now accessing a much more convenient FDI environment than before.

²⁴ The comments of investors and two governments

Actually, the EU accession of Czech Republic impacted on investment between two sides positively, become a momentum for Czech investors to be more active to invest into Vietnam. As a result, their numbers of project as well as the scale of projects are increasing clearly. However, from papers to practice is a far distance. All newly signed projects are lying on papers only. Czech and Vietnamese investors should find the ways to solve problems of running projects before continue to sign new ones.

3.2.3- Difficulties and disadvantages for Czech FDI in Vietnam

Czech FDI in Vietnam deals with difficulties as follows:

3.2.3.1. Objective Obstructions from Vietnam

(-) Vietnamese administration and registration for project are too wordy and complicated, law system has many contradictions. Many mistakes still exist in laws, laws cannot pursue current situation of economy. The legislative process in Vietnam is very slow and less efficient, although it is much better than before. It makes the effectiveness of laws low and limited in comparison with other legal systems. So, foreign investors may feel confused and worried by these problems when they do business in Vietnam. For example, investors have to spend more time than expected to wait for license (3 to 6 months). Later on, in projects execution, investors have to deal with contradictions in law and between different laws, even Common Investment Law in 2005 for FDI projects (the newest). Because each individual can understand laws in different way, they cannot reach common points. This is a big problem for investors. And it causes many unpredictable consequences (case of Bohemia Crystal Hanoi).

(-) Bureaucracy and red-tape are becoming more terrible and serious in Vietnam, especially in all administrative levels, from top to down. Both foreign and Vietnamese enterprises feel disappointed by the red-tape existing in Vietnam. It prevents business and

investment from quick development and raises extra invisible expenditures for enterprises.

(-) Weakness and shortage of FDI marketing, lack of informative support: Vietnamese from administrations to enterprises have not taken into account fully the role of marketing and advertisement for investment. So, the information and introduction of investment opportunities to foreigners are not enough. Internet has not been used as a helpful tool to provide information for potential investors. Or they use it but in very simple and insufficient ways. Thus, investors hardly know about Vietnam, its market, potential sectors, strength and weakness, opportunities and threats etc. The delivery of information for foreigners in Vietnam is not enough, limited and sometimes not correct.

(-) Lack of skilled and experienced people to cooperate with foreigners: unsuitable, old-fashioned and unprofessional habits in working still exist, especially at elder employees in Vietnam. It combines with differences in language, culture, working style to make up restrictions for solidarity and unification in work between Vietnamese people and foreigners. Contradictions between two sides easily occur, break down their business. Many Czech projects are delayed or go bankrupt because of this reason.

3.2.3.2. Subjective Obstacles from Czech side

(-) For slow-run projects, problems lie on slow financing from Czech side. Czech has technology and capital but it is too difficult to access them. For example, Czech requires that Czech devices and technologies need to get guarantee from Vietnamese State Bank or Government for the total value of contract before Czech accepts to deliver them to Vietnam for its owned FDI projects. The financial scheme is fixed, no flexibility for FDI projects. As ideas from Vietnamese commercial department in Prague, the conditions are still too hard for Vietnam to access the capital from Czech Republic. Though Czech Export Bank and Bank of Investment and Development of Vietnam started to take part in from 2007 as lenders, the disbursement process for committed capital has been kept very slowly, removes initial goals and purposes of investors.

(-) For current projects, weak management from Czech investors causes disagreements in Board of Executives. In addition, Czech companies send very few people to come to Vietnam to execute project and they change their representatives very often. Czech managers have short stay in Vietnam and do not have time and experience enough to manage projects and control its situation carefully. This is a big subjective mistake of Czech investors.

(-) It has weak connection among Czech enterprises in Vietnam. Czech investors come to Vietnam separately, depend on individual relations with Vietnamese to do business, locate their projects in different areas in the country. They do not keep contact together or the contacts between them are very limited. They do not have any common meetings or official association to exchange information or experience. Czech-Trade in Ho Chi Minh City in south of Vietnam does not gather all Czech businessmen in Vietnam and even, some Czech investors keep silent with this office.

The above problems exist not in short time. They reduce benefits and results of Czech investment in Vietnam. For recent years, both Czech and Vietnam have been trying to discard the remaining problems through stronger commitments. Hopefully, it can help FDI projects in Vietnam better-prepared in future.

3.3. Vietnamese FDI Projects in Czech Republic

3.3.1- Ongoing Projects

There are two running projects in Czech Republic now invested by Vietnamese companies with total registered capital about USD 1.94 million²⁵.

²⁵ Foreign Investment into Czech Republic was taken under the state regulations called "Investment Incentives Act" introduced in 2000 and amended in 2004 that Czech stimulates investors by many priorities. There are two basic types of enterprises in Czech Republic including physical and corporate body. (Source: <http://www.czechinvest.org/en/investment-incentives>)

1. CONSTREXIM-CZ Joint Stock Company

The project started in May 2004 with total capital is about USD 1.8 million and time for running is 20 years. It is cooperation between Vietnam Investment, Construction and Trading Joint Stock Corporation- CONSTREXIM Holdings²⁶ and EPIAG Company. The fields of business are construction, real estate rent and trading, export-import, material production for construction and so on. First, the project began with luxurious buildings in Karlovy Vary. In 2006, Constrexim CZ signed memorandum with Investment Lofidami Group to build flats in Marianske Lazne in Brno for CZK 30 million. The project shows note-worthy progress and strong competitiveness of CONSTREXIM Vietnam in Czech construction market.

2. Tan Phu Cuong Trading Limited Company-Branch in Czech Republic

It is 100% Vietnamese investment from a textile company in Vietnam to Czech in August, 2004 (Tan Phu Cuong Trading and Industry Limited Company²⁷). Total Capital is USD 100.000 and time for running is 20 years. The branch of Tan Phu Cuong in Czech Republic has responsibility for producing and selling their textile and garment products in Czech Republic and other neighboring markets.

3.3.2- Upcoming Projects

1. BIDV Europe Finance and Investment JSC- BIDV Europe

²⁶ Vietnam Investment, Construction and Trading Joint Stock Corporation-COMSTREXIM Holding is one of the biggest privatized company in fields of architecture, construction, real-estate and investment in Vietnam. It includes 40 members with 9000 employees (source in webpage: <http://www.constrexim.com.vn>)

²⁷ Tan Phu Cuong Trading and Industry Limited Company with registered capital about USD 1.3 million invests in textile and garment sector in Ho Chi Minh City, export to United States and Europe. (Source: Ho Chi Minh Commercial Office- <http://www.hochiminhcity.gov.vn>)

After doing market research, BIDV Vietnam²⁸ decided to start a 100% investment project in Czech Republic in fields of banking services, leasing, real estate rent and trading, investment consultation and promotion. This is a big FDI project of Vietnam in Czech Republic with the registered capital of USD 10 million and BIDV intends to increase legal capital up to USD 60 million after 3 years. Potential customers of BIDV Europe will be Vietnamese people in Czech Republic and neighboring countries like Poland, German, Hungary, Austria etc, who want to borrow money for house building or renting; borrow money for their business; exchange, transfer and save money in Czech Republic or Vietnam, as well as companies and individuals in Czech Republic who want to invest into Vietnam.

The project got confirmation from Vietnamese government to agree BIDV to open a subsidiary in Czech Republic as an official branch for BIDV in Europe on 20th February, 2008. The project will be located in Prague and then, open another branches in Poland and Germany after 3 years.

BIDV Europe organized conferences to introduce themselves and their project to Vietnamese people in Prague and Poland in June, 2008. They started to employ in July, 2008.

2. VNPT Global Communication s.r.o

This is a joint venture between Vietnam Posts and Telecommunications Group-VNPT²⁹ and NATLAND Group, Czech Republic³⁰ (50%/50% contribution of capital) from July 2008 in Prague for telecommunication services. The project is to supply cheaper and more convenient communication services to Vietnamese people in Czech Republic,

²⁸ Bank for Investment and Development of Vietnam- BIDV is a state-owned bank and the second biggest bank in Vietnam, total assets of USD 12.762 million with 11.500 employees. The Bank has FDI projects in Laos, Hong Kong, Singapore; one joint venture in Russia and one representative office in New York, US. (Source: "50 years of BIDV"- brochure of BIDV in the conference "BIDV with Vietnamese in Prague"- Prague, June 2008)

²⁹ VNPT is the biggest state-owned group in field of post and telecommunication in Vietnam, its legal capital of about USD 2500 million. VNPT has subsidiaries in Unites States, Europe and Asian Pacific <http://www.vnpt.com.vn>

³⁰ NATLAND Group is financial company in Prague focusing on strategically financial investments and financial consultant that have a highly potential growth. <http://www.natland.cz>

Vietnamese people in neighboring countries, Czech people and companies who have high demand of two-way communication between two countries. If the project has good results, they will open branches in other European countries such as German and France.

As a whole, Vietnamese projects in Czech Republic just account for a very small percentage in total FDI in Czech Republic. However, Vietnamese investment into Czech can be considered as a rapid progression of Vietnamese investment under conditions of a developing country (lack of capital, lack of high technology and high-qualified human resource). Although there are few FDI projects in Czech Republic (one joint venture and three 100% direct investment projects) with small scale, they have been getting good efficiency and profitability since their start. In Czech market, Vietnamese investors do not have to deal with problems as Czech investors get in Vietnam. Moreover, their results indicate that they also have careful preparation for their projects, step by step manage to implement projects successfully.

After the entry of Czech Republic to EU, opportunities and conditions for Vietnamese FDI into Czech Republic become larger; Czech market is more attractive for Vietnamese enterprises; Czech laws and institutions are more favorable. This "golden" chance has been encouraging Vietnamese investors to visit Czech Republic, find cooperation opportunities and prepare for bigger projects.

3.4. Recommendations

To reinforce the efficiency of current ongoing FDI projects invested between Czech Republic and Vietnam and prepare well for projects running in future, some recommendations are given as follows:

3.4.1. For Czech investors

- give a soft and more flexible financial scheme for FDI projects in Vietnam, especially for big projects in essential sectors, with long-term running. For example, Czech Banks can provide soft loans with more favorable conditions for borrowers. In present financial crisis and high inflation, investors do later disbursement, their capital gets lower value. So, it is very urgent to combine financial sector and FDI. Czech finance should be a close partner of Czech FDI.
- change methods of management and supervision of FDI projects, send capable team-work to Vietnam who have relations with Vietnamese people, understand Vietnam, have management experience and have skills to run big projects³¹.
- build a long-term strategy for FDI in Vietnam. Czech FDI into Vietnam should be more systematic and organized as well as should follow a concrete and long-run strategy from the government.
- enlarge fields of investment. Czech FDI has just focused on some fields of Vietnamese economy while there are many potential sectors that Czech investment does not take into account such as medical equipment and chemical production, tourist and banking services.
- have complete policy for market entry including marketing and advertisement, sales promotion, distribution network building, customer services. Until now, there is no advertisement or introduction of Czech FDI projects and their products on Vietnamese media or other means of public communication.
- better usage of local resources including cheap labor, natural materials, recycle materials, have training courses for new employees (including Czech language) or send people to Czech to work and practice

³¹ In fact, the usual changes in Czech human resource for projects in Vietnam caused from changes in their head-quarter because-of process of privatization, merge and acquisition in Czech Republic. The changes of its owners, Board of Executives, business strategy, employers and employees in home country lead to the changes of representatives in Vietnam. (the case of Bohemia Hanoi). In future, Czech investors should try to avoid this situation.

- enhance investment promotion activities in Asian countries and Vietnam (by two-way visits, exhibitions, investment forums) to let Czech and Vietnam entrepreneurs communicate and have usual contacts
- establish a club or group to gather Czech investors in Vietnam to exchange information and experience as well as business opportunities. It is a small part in investment agenda but may have a great meaning.

3.4.2. For Vietnam

- reform and complete as rapidly as possible a transparent and accurate investment policy towards fair and clear background for both domestic investors and foreigners; continue the fight against corruption and red-tape in all levels of authority; organize conferences and forums for investors to express their thinking, experience, advantages and disadvantages in doing business in Vietnam
- build a system of public services for foreign investment to provide freely legal documents, consult and answer questions from investors, reply complains and claims from investors, especially investors coming from different law-system countries like Czech Republic
- have better plans and use more tools to introduce investment opportunities to public, build centers to contribute full and correct information for foreigners and investors (including policy, law, opportunity, methods, registration process, documents relevant to FDI in Vietnam etc)
- prepare qualified human resource to be a good and convincing partner, avoid disagreements in running FDI projects; have plans for training and education in which Vietnamese people can take part in working with Czech colleagues
- encourage Vietnamese investment to Czech Republic more, usually pay visits to Czech Republic to find opportunities, study and access the market

3.5. Short Conclusion

In spite of important sector, FDI between Czech Republic and Vietnam from 1993 to 2005 was weak. The number of projects was limited, scale of projects was small and medium, living time of projects was short, productivity was low and results was modest. Although Czech started to invest from 1990s; the practice of Czech FDI in Vietnam was not as good as its goals and purposes. They have more favorable conditions than before but they cope with many problems, both inside and outside. Therefore, some projects get serious consequence of bankruptcy that damaged both Czech investors and Vietnamese investors. For Vietnam, investment into Czech Republic started from 2004 with two 100% foreign investment and small-scale projects. Their results may be better than Czech investment in Vietnam but generally their activities were still very narrow.

The entry of Czech Republic to EU had a positive impact on FDI between two countries from 2006. Both Czech and Vietnamese investors became more active and self-decisive in investment decisions. A series of new projects, medium and large scale, was committed and run in Vietnam. Type and fields of investment were diversified. Two governments and their banks also started to participate in investment, give financial assistance, tie project management to enhance results of it. Some Czech projects are running better in Vietnam, especially 100% Czech investment projects. Vietnam added two enterprises to invest into Czech market in service sector with bigger amount of capital and more ambitious plans to enlarge potential markets and customers.

FDI is an essential part of economic relations between two countries. To gain real success and progression in investment, both Czech and Vietnam, from governments to enterprises have to try their best to deal with challenges, overcome remaining obstacles in the earliest possible time.

Chapter IV

**OFFICIAL
DEVELOPMENT
ASSISTANCE**

- +General Situation and basic characteristics of ODA between two countries
 - +Data and projects of Czech ODA in 1990-2005
- +Legal Framework to effect on current ODA activities
 - +ODA from 2006
 - +Evaluation of ODA from 2006
 - +Recommendations

Official Development Assistance-ODA is generally understood as an officially financial assistance given by a country (developed country) or organization to a developing country for the purposes of socio-economic development. The officially financial assistance is committed between two sides, may be monetary support, infrastructure, public facilities etc. It may have 3 types: loan with favorable conditions-very low interest and long-term refund, grant-free finance without refund or combination between loan and grant. Usually, ODA aims at promoting the socio-economic standards in recipient country towards sustainable development. ODA is not a humanitarian aid between two nations. In fact, ODA supports economic relations between two countries.

Though ODA does not give direct profit to both recipient and donor, it plays a crucial role in development strategy of both sides and valuable for both recipient and donor. For recipient, ODA increases its state budget and public finance (as an external financial source), is usually used to improve public infrastructure for long-term and sustainable development strategy. For donor, ODA is a "pedal" (or condition) for other cooperation with recipient, assists to build and consolidate donor's image in recipient country.

ODA is an important content in economic relations between Czech Republic and Vietnam. With history of more than a half century, Czech government has been one of traditional donors for Vietnam since 1960s.

4.1. General Information of ODA from Czech Republic to Vietnam

According to introduction in official website of Czech Trade Office in Ho Chi Minh City in Vietnam, in 1956, the assistance began with some aids from Czechoslovakia for study of Vietnamese people. Czech government sponsored some educational and training courses for Vietnamese experts in Czechoslovakia-especially for mechanic experts and light-industrial experts, gave annual scholarships for Vietnamese students studying in Czech and helped 100 children to visit Czechoslovakia in an international program against the war in Vietnam.

Czechoslovak-Vietnamese political, economic, and cultural relations have been intensively developed since the beginning of Vietnam's struggle against colonialism, and its declaration of independence. Development cooperation has been an integral part of the two countries' mutual relations ever since. As a "non-European socialist country", Vietnam (or Northern Vietnam) was a priority country for foreign assistance. (Source: Czech Development Center, "Development Cooperation Program of the Czech Republic and the Socialist Republic of Vietnam for the 2006-2010 period", Prague, 2005)

Beside assistance as a single donor, Czech Republic has also assisted Vietnam through its participation in many international associations and organizations such as COMECON group, United Nation Development Program-UNDP, World Bank-WB, International Monetary Fund-IMF, Organization for Economic Cooperation and Development-OECD, regional banks and so on. Czech Republic was one of few countries in former Soviet bloc who still kept assistance for Vietnam even in the difficult time of split and transformation in 1990s.

Unlikely some of the biggest donors for Vietnam such as Japan, WB or Asian Development Bank-ADB³²; Czech ODA for Vietnam is grants without refund; under direct support, management and implementation of Czech experts and Czech organizations who come to Vietnam. ODA from Czech Republic mainly aims at environmental recovery, health-care and education. And ODA projects of Czech Republic always take into account the invalid and handicapped people in rural and remote areas in Vietnam.

For recent years, with high economic growth, stable politic and society, comprehensive integration into the international economy, OECD group and EU community; Czech Republic has been increasing ODA more for some of most-favor developing countries including Vietnam. On the other hand, new strategies, plans and policies from

³² ODA of Japan, WB or ADB for Vietnam is often 70% of loan and 30 % of grant. Japan, WB and ADB are the third biggest Donors of ODA for Vietnam (Source: The Vietnamese Ministry of Planning and Investment).

Vietnamese government³³ to use ODA more efficiently have improved the cooperation with Czech and increased ODA from Czech to Vietnam since its renovation for economic growing in 1990s. Donors like Czech Republic have more chances, times and choices to access, meet and discuss much more with Vietnamese sides. Thus, fields and destinations of Czech ODA have been enlarged as well.

According to statistics from Czech Republic and Vietnam, there have been about 30 ODA projects of the Czech government running in Vietnam since 1990s. They are helping some locations in Vietnam to improve their living standard gradually.

Depends on commitments and policies for ODA between Czech Republic and Vietnam as well as particular characters of ODA; ODA from Czech government to Vietnam after 1993 can be divided into two main periods, 1993-2005 and 2006 until present.

4.2. Czech ODA into Vietnam in period 1993-2005

In the end of 1980s, the collapse of communist bloc in Eastern and Central Europe pulling the collapse of COMECON group during 1989-1993 made all kinds of cooperation slight or broken down. In this time, Czech remained its assistance by sponsoring for Vietnamese students and workers in some universities and factories in Czech Republic and could not enlarge to receive more people from Vietnam.

From 1995, Czech began to "refresh" the assistance for Vietnam with some projects to help Vietnam to improve its environment, agriculture and invest for human resource by training courses. And then, ODA from Czech to Vietnam increased significantly in period

³³ From 1986, Vietnam started its economic renovation and considered ODA as an important external financial source and had many attractive and convincing programs for ODA such as Five year socio-economic development plan, Hunger eradication and poverty reduction, Sectoral and regional development plans in the period 1990-1997. Calling for ODA and planning to use ODA efficiently have been always in agenda of Vietnamese government with decisions like "Regulations on management and utilization of ODA", "Strategic framework for ODA mobilization". Thus, in 1990s, Vietnam was "one of the world top-ten destinations for aids and assistance (ODA) over the last one and a half decades" (Source: "The Harmonization of Aid and Trade Policies: The Case of Vietnam"-Report for OECD in November, 2006.)

2000-05. During 1993-2005, Czech government provided about USD 8.76 million for Vietnam through its ODA projects as data of Czech Development Agency.

Table No. 7: ODA DISBURSEMENT 1999-2005 BY THE CZECH GOVERNMENT

Unit: million of USD

No.	Top Recipients	1999	2000	2001	2002	2003	2004	2005
1	IRAQ	0.00	0.00	0.20	0.30	39.96	13.66	8.13
2	SERBIA & MONTENEGRO	0.00	0.03	2.81	3.42	4.15	6.88	6.89
3	UKRAINE	0.64	0.62	1.95	2.15	1.07	4.58	4.62
4	AFGHANISTAN	0.00	0.05	0.64	0.73	6.12	6.08	1.96
5	MONGOLIA	0.29	0.48	0.45	0.78	1.68	2.88	3.04
6	VIETNAM	0.14	0.24	0.96	0.91	2.04	3.05	1.42
7	CHINA	0.37	0.36	0.57	0.43	1.31	2.94	1.30
8	PAKISTAN	0.17	0.00	0.14	0.09	0.00	0.00	3.70
9	BOSNIA-HERZEGOVINA	0.31	0.47	0.45	1.50	3.93	1.03	1.34
10	BELARUS	0.00	0.00	0.37	0.41	0.29	0.84	1.19

Source: Czech Development Agency, Annual Reports from 99 to 05

Vietnam ranked the sixth in the list of ODA disbursement by Czech government (See table No. 7 above). Generally, Czech ODA into Vietnam increased from time to time, especially in 2003 and 2004. It was not countable from 1995 to 2000 (around USD 10 to 30 thousand) but went up increasingly in 2001 and 2002 (nearly USD 1 million) while Czech ODA for other countries was very limited. And then, it was raised considerably in 2003 and 2004 (USD 2.04 million and USD 3.05 million respectively).

Although ODA from Czech Republic to Vietnam was not a big amount, it was relatively effective disbursement (75% as average) in comparison with other EU single donors and total ODA in Vietnam (see the table No.8).

Table No.8: ODA Situation from EC and EU Countries to Vietnam from 1990 to 2007

No.	Country	Commitment USD	Disbursement USD	Disburse/Commit
1	Austria	10.557.454	13.069.379	124%
2	Belgium	208.865.037	164.410.121	79%
3	Czech Republic	14.683.319	10.955.448	75%
4	Denmark	989.415.080	639.654.952	65%
5	Finland	341.171.076	174.326.349	51%
6	France	2.406.490.699	1.203.787.502	50%
7	Germany	949.108.871	504.024.373	53%
8	Hungary	2.976.494	2.046.369	69%
9	Netherlands	483.009.867	354.652.241	73%
10	EC (European Commission)	670.910.764	398.331.454	59%
11	Total ODA in VN	42.438.00	19.865.000	47%

Source: *Development Assistance Database, Ministry of Planning and Investment of Vietnam, 2008*

During 1993-2005, Czech ODA projects did not concentrate on one single location or area in Vietnam (from 2006, it has been difference). They expanded in some northern provinces of Vietnam like Bac Thai, Hai Phong, Ha Noi and Nghe An. Czech stressed its ODA on environmental reservation, health-care and spent a lot for some big projects of training Vietnamese people (5 projects with total USD 3.5 million). Some projects were very successful and still in use today like the hospital in Hai Phong and orthopedics center in Bac Thai. Generally, most ODA projects were small-scale (under USD one million) and short-time (from 2 to 5 years). (See table No.9)

Table No.9: Czech ODA Projects in Vietnam in the period 1993-2005

No.	Project Name	Responsible Ministry of CR.	Period	Commitment USD	Disbursement USD
1	Construction of an orthopedics and rehabilitation centre for physically handicapped children in Bac Thai Province	Ministry of Trade and Industry	96-99	2.097.784	2.097.784
2	The installation of technology for environmentally friendly processing of biological waste into organic-mineral fertilizer	Ministry of Environment	05-07	982.683	982.583
3	Searching and surveying for drinking water sources in selected locations in Nghe An province	Ministry of Environment	05-07	464.820	310.216
4	Re-greening of deforested areas with local species as part of rural development in the center highland region of Vietnam	Ministry of Agriculture	05-07	290.841	290.841
5	Modernization of Hai Phong Hospital	Ministry of Trade and Industry	99-03	1.212.407	1.212.407
6	Civil servant work exchange	Ministry of Labor and Social Affairs	94-99	719.000	247.283
7	Professional Training of Molisa's	Ministry of Labor and Social Affairs	95-00	106.542	106.542
8	Agreement between the government of Czech Republic and government of Vietnam on vocational Training of 200 Vietnamese	Ministry of Labor and Social Affairs	94-99	3.500.000	2.304.894
9	Professional training for the Ministry of Finance's Experts	Ministry of Finance	00-05	18.657	18.657
10	Shoe vocational training central in Hai Phong	Ministry of Trade and Industry	95-00	746.634	776.037
11	Environmental Agriculture	Ministry of Agriculture	00-04	121.256	121.256
12	Support to modernization of railways in Vietnam	Ministry of Trade and Industry	00-03	649.000	613.430

Source: Czech Development Agent, Development Assistance Database, Ministry of Planning and Investment of Vietnam

In short, Czech still maintained and then increased ODA for Vietnam after 1993. Czech ODA projects run during 1993-2005 had very good results, especially for health care and training. Yet, Czech ODA was still limited in comparing with other single donors, projects were run separately in different areas and had little connection and cooperation between them to increase their efficiencies. There was not official strategy and policy to enhance effectiveness of ODA during this time. This limitation would be corrected from 2006.

4.3. Czech ODA Strategy for Vietnam in the period 2006-2010

To prepare for EU entry and pursue EU policy for development cooperation, Czech government did approve the Resolution No. 302 on 31st March, 2004 so-called "Principles of International Development Cooperation". It is a frame-work to guideline ODA activities of Czech Republic in its recipient countries. In this Revolution, Czech government classed Vietnam in a short list of eight priority countries for Czech ODA during 2006-2010 (including Angola, Bosnia and Herzegovina, Moldova, Mongolia, Serbia and Montenegro, Vietnam, Yemen and Zambia).

This was an important decision from Czech government for its ODA activities in Vietnam. It marked the changes from a single Central European country to an EU member-state in 2004 of Czech Republic. The Resolution itself was made upon the accession of Czech Republic to the EU obligations. It indicated a strong commitment from Czech government to take responsibilities as an EU member for assisting developing countries to reach common development. Beside that, this Resolution also showed the commitment of the Czech government to support and implement Millennium Development Goal³⁴ approved by members of United Nations.

Moreover, the Revolution changed characters of Czech ODA activities "from large and individual but inefficient and unsaturated to narrow but concentrated, organized and efficient"³⁵. This adjustment was to make its ODA in 2006-2010 better and more actively support for other cooperation between Czech Republic and recipient countries. Thus, Czech focuses its ODA just only on eight priority countries. The priority is based on "the

³⁴ The Millennium Development Goal approved by 189 members of the United Nations in 2000 in which they agreed to achieve Eight Goals in 2015 including eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, ensure environmental sustainability, develop a global partnership for development. To gain the Goals, the OECD group committed to aid developing countries about 0.7% of their GDP each year. However, their aids every year now have accounted for about 0.35% of their GDP only. The Czech Republic's assistance is 0.11%. (OECD/DAC Annual Report 2005, Statistic Annex)

³⁵ Analysis of the Czech Development Agency on the *Principles of International Development Cooperation*

most need for aid, the absorption capacities of the recipients, their traditional relationship and their potential cooperation in future"³⁶ with Czech Republic.

To make the Resolution practical, in June 2005, Czech government built a so-called "Development Cooperation Program" for each priority country in period 2006-2010. The program elaborated in details Czech ODA activities in priority country in 2006-2010 including analysis of recipient's current situation, policies of development, sectors for aid, plan and actions.

"The existence of programs will make development work more predictable and simplify planning activities for all parties involved". (Source: Czech Republic Development Cooperation Center, "International Development Cooperation of the Czech Republic", Prague 2006)

For Vietnam, the Program specified the main sectors that would be granted until 2010 such as environmental protection, poverty reduction, rural and agricultural development and economic-industrial development. And the program chose *Thua Thien Hue* as a single destination for ODA in the period 2006-2010.

Geographic Focus of the Program

In view of the limits to financial and human resources, and to the requirements of efficiency and transparency, the CR will focus mainly on the Central Vietnamese province of *Thua Thien-Hue*, which is one of the areas most in need of development cooperation.

Sectoral Focus of the Program

+ As *environmental protection* and the sustainable use of natural resources is a priority for the Vietnamese Government, and the CR has high quality expertise in this field, cooperation for this period will be focused on the environmental sector.

+ *Poverty reduction* through the creation of new job opportunities, the social protection of the population (particularly the most vulnerable sections), and the fight against social exclusion are all important priorities for the Vietnamese Government. The CR also has valuable comparative advantages in these fields, as well as experience from its own transition period. The labor and social affairs sector, therefore, will also be a priority area for co-operation.

+ *Rural development and agriculture* are also priority areas for the Vietnamese Government, as agriculture is still the main source of income for large sections of society. The CR will focus on this sector, using its experience and building on co-operation, which has already been implemented.

+ The *economic-industrial development* of the country is also a main priority for the country due the desire to speed up growth and reduce poverty. The CR has a comparative advantage in this field due to its experience with the transition to a market economy, and will therefore focus on this sector. This sector also affords opportunities for building on previous co-operation.

³⁶ Explanation of *Principles of International Development Cooperation* for priority countries

After the Resolution No. 302, ODA activities of Czech to Vietnam have been confirmed by *Agreement on Economic Cooperation* between two governments on 13th September 2005. In this agreement, both sides affirmed that Vietnam had needs for ODA and Czech Republic would encourage its ODA for Vietnam in some fields such as environment, training and education, health-care, industrialization of rural areas.

In short, the Resolution No. 302 by Czech government and the Bilateral Agreement on Economic Cooperation between Czech Republic and Vietnam will be formal references for Czech ODA to Vietnam, at least from 2006 to 2010.

4.4. ODA Projects in Vietnam and Its Implementation Process from 2006 up to now

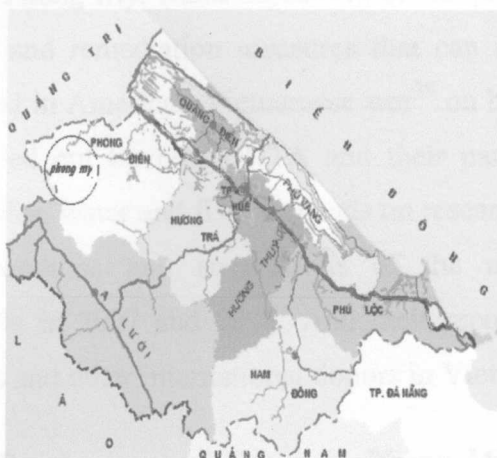
The Development Cooperation Program is the most important guide-line paper for Czech assistance activities in Vietnam from 2006. Since then, there have been more ODA projects for Vietnam and their implementation has been also more professional and well-organized. As a result, the efficiency of ODA has been higher.

According to the Program, Thua Thien Hue was chosen as a unique recipient center of Czech ODA in 2006-2010. Most of projects would be introduced to locate in this province. So, Thua Thien Hue has received six ODA projects sponsored by Czech government since 2006. There is a special thing that all of them were located in one commune of Thua Thien Hue named Phong My, not for the whole province.

4.4.1. Czech ODA Projects in Thua Thien Hue



Thua Thien Hue, a central province in Vietnam (in the black round)



Six Czech ODA projects in Phong My Commune, Phong Dien District, Thua Thien Hue Province (in the black round)

As specified in the Program, Thua Thien Hue (or Hue in short) has been a single address for Czech ODA in 2006-2010. Thus, six projects have been simultaneously run in Hue and concentrated on Phong My commune³⁷ since 2006 as named in the table No. 10.

Table No.10: Czech ODA Projects in Thua Thien Hue Province in Vietnam in 2006-2010

No.	Name of Project	Organization	Responsible Ministry	Period	Commitment USD	Disbursement USD
1	Rehabilitation of Thua Thien Hue Province affected by AO/Dioxin	DEKONTA a.s.	Ministry of Environment	06-08	770.875	428.991
2	Rehabilitation and Sustainable Development of Forest in Phong My Commune	Mott MacDonald	Ministry of Agriculture	07-09	370.937	123.630
3	Social Integration of Affected People in Phong My Commune	Applied Sociology	Ministry of Labour and Social Affairs	06-09	543.175	81.984
4	Sustainable Development in Phong My Commune	Agricultural University in Prague-CZU	Ministry of Agriculture	06-09	382.857	362.815
5	Regional Waste Management Concepts in Central Vietnam	ETC Consulting Group s.r.o	Ministry of Environment	06-08	264.550	264.550
6	Rehabilitation Phong Dien District against hurricane Xangsane	ADRA	Ministry of Foreign Affairs	06-07	137.305	137.305

Sources: Development Assistance Database of Vietnam, Czech Republic Development Cooperation Center, Waste Vietnam-ETC Consulting Group, Applied Sociology, Development World Wide

³⁷ Phong My commune belongs to Phong Dien district in Thua Thien Hue province in Vietnam with population of 5055, 118 poor household and 400 disable people affected by the American war. (Source: Nguyen Xuan Phong, project coordinator, Applied Sociology in Hue)

- The Project *"Rehabilitation of Thua Thien Hue Province affected by AO/Dioxin"* was done by DEKONTA³⁸ in 3 years in Phong My. Main objectives of the project were to find reasonable prevention methods and remediation measures that can reduce future effects of *dioxins* (Agent Orange) used in American-Vietnamese war³⁹ on human health. In 3 years, some surveys were carried out by DEKONTA and their partner DWV⁴⁰ including survey on food, blood samples, water and fish. Depends on research and study; the project would give recommendations and suggestions of the most suitable rehabilitation methods to local people in 2007 and 2008. And their recommendations would be shared with local authorities and other international donors in Vietnam.

- *"Rehabilitation and Sustainable Development of Forest in Phong My Commune"* has been carried out by Mott MacDonald⁴¹, aims at re-forestation and re-greening forest areas in Phong Dien, Thua Thien Hue affected by dioxins. The project studies the present situation of forest, evaluates the damage by dioxins and then transfers know-how to recover the damaged forest areas.

- *"Social Integration of Affected People in Phong My Commune"* has been running by Applied Sociology⁴², focusing on helping people in Phong My, especially disabled and handicapped people who were affected by dioxin and American war and their family to overcome their difficulties. The project has two main tasks including 1- healthcare and education for disabled people and 2- job creation for people. For the first duty, the project organizes usual health control, buys and supplies medical equipments for the commune, builds up some classes here and sends children to training centers. For the second duty,

³⁸ DEKONTA Inc: an environmental company. Add: Volutová 2523, Prague 5. Webpage: <http://www.dekonta.cz>. Contact person: Mr. Vojtěch Musil, vojtech.musil@dekonta.cz

³⁹ In the American War in Vietnam from 1954 to 1975, millions liter of poisoned chemicals including Agent Orange were swept through center of Vietnam. It has been effecting many generations in this area, leave many serious consequences.

⁴⁰ DWV-Development World Wide: a civic association. Add: Máchova 23, Prague 2. Webpage: <http://www.dww.cz>. Contact person: Mr. Daniel Svoboda- Vice Chairman and Mrs. Phung Thi Phuong Hien, coordinator in Vietnam - dww@dww.cz

⁴¹ Mott MacDonald Prague: is a branch of International Mott Macdonald to provide public service. Add: Narodni 15, Prague 1. Webpage: <http://www.mottmac.cz>. Contact person: Ing. Lucie Dolezalova, Project manager, Lucie.Dolezalova@mottmac.com

⁴² Applied Sociology: add Na Sídlišti III č.p. 411, 252 43 Průhonice
Web-page: http://jirkoc.cz/thuathienhue/tym/tym_en.htm.
Contact person: Mr. Jiří Kocourek- jirka.kocourek@jirkoc.cz

the project helps and supports local people to create their own jobs such as mushroom grow and chicken grow. Up to now, the project has some significant results, improves living conditions and changes working habits within the commune.

- *"Sustainable Development in Phong My Commune"* has been running by Czech Agricultural University-CZU, Institute of Tropics and Subtropics⁴³, aims at improving living conditions of people in Phong My commune through improving good-quality food production, clean water accession and giving qualified food to people. Beneficiaries have been poor house-holds, women, children and ethnic people. The project gives them some technical trainings, workshops and other activities for sustainable development. The project also helps farmers to get better agricultural diversification and production by establishment of agro-forestry systems and new crop development, introduction of appropriate livestock breeds, improvement of post-harvest processing techniques as well as the water access improvement through building irrigation system. The target groups are invited to discuss on topics such as farm management, marketing of agricultural products, communication skills, water management and management of natural resources and health care.

- *"Regional Waste Management Concepts in Central Vietnam"* was done by ETC⁴⁴, aimed at eliminating consequences of waste products on health of people and environment. The project supported to create efficient and economically reasonable waste control in the localities including Thua Thien Hue, Lam Dong and Ninh Binh. Activities of the project included expert research and analysis; introduction of methods and plans of waste management; organization of work-shops; experts training and exchange between Vietnam and Czech Republic and so on. The project focused on managers as their priority guess and run through annual work-shops in Vietnam with local managers.

⁴³ Czech Agricultural University, Institute of Tropics and Subtropics. Add: Kamýcká 129, Suchdol, Prague 6. Contact person: Mr. Jan Banout, Department of engineering, economics and rural development in the Tropics and Subtropics - banout@its.czu.cz

⁴⁴ ETC Consulting Group acts in environmental field. Add: Kunešova 18, Prague 3. Webpage: <http://www.etc-consulting.cz/>. Contact person: Mrs. Terezie Pačesová, pacesova@etc-consulting.cz

- *"Rehabilitation Phong Dien District against hurricane Xangsane"* ADRA⁴⁵ helped people in Phong Dien after the hurricane "Xangsane" hit through center of Vietnam in October, 2006. The project had four main segments: school re/construction, housing reconstruction, dike and irrigation system rehabilitation and water supplying system repair. The project's activities were carried out in six communes in Phong Dien district.

To sum up, six ODA projects were located in one small spot, Phong My commune upon the Development Program issued by Czech government in 2004 (except ADRA's project for six communes in Phong Dien district, Mott Macdonald for forest in Phong Dien and project of ETC for areas in other provinces). They have created a "system" of assistance for this commune; covered from environment, forestry, farming, clean water supply, house building, dike building, school building, health-care to training and job creation. During 2006-2008, the results of these projects have been initially positive, helped local people to improve their living conditions and completed the goals and targets of projects as well as Czech development program.

4.4.2. Czech ODA Projects in other areas of Vietnam from 2006

In spite of the specification in the Program for 2006-2010 that Thua Thien Hue would be place of Czech ODA; some projects have been still committed, implemented or continued in other locations in Vietnam by organizations and institutions from Czech including:

- *Modernization health equipments in Viet-Tiep Friendly hospital in Hai Phong*: It continues the project from 1999 for hospital reconstruction upon the cooperation agreement between Vietnam and Czechoslovakia in the past. In the second round (2006-2010), this project would have extra CZK 27.4 million, be taken care by HOSPIMED

⁴⁵ ADRA is a humanitarian organization. Add: Klikatá 46, Jinonice, Prague 5. Webpage: <http://www.adra.cz/adra/cz/>. Contact person: Mr. Tomas Knaibl- tomas.knaibl@adra.cz. The typhoon Xangsane killed 71 people and destroyed 320.000 houses in center of Vietnam (ADRA's report)

Prague Inc⁴⁶. The project not only supplies new equipments from Czech for the hospital but also contributes new technique and modern methods of healthcare for its staff. However, the financial disbursement in 2006 and 2007 was very slow and limited.

▪ *Capacity building for environmental risk awareness, Vietnamese handicraft village in 2007*: is cooperation between DWW and Canadian International Development Agency with total budget CZK 1.87 million. The project strongly focuses on solving environmental problems in handicraft village in Phong Khe, Bac Ninh that produces hand-made products like silk, paper, basket, ceramics etc. The objectives are to reduce environmental and health risks in this village including nine activities from discussion, research, case study, education, campaign, training to financial support and technical solutions. The results were very positive. Especially, they did convince many local people to take part in, share responsibilities and contribute their own finance with project. DWW will continue ODA projects in Vietnam next time.

▪ *Technical and methodical support for development of technical, environmental and agricultural engineering in Hanoi Agricultural University in Hanoi, Vietnam*: implemented by agricultural university in Prague with total budget CZK 9.8 million (not disbursement yet).

▪ *Revitalization tropical forestry in central high-lands of Vietnam*: in 2006 and 2007 with CZK 6.22 million, implemented by Mendel Agricultural University in Brno.

▪ *Build offshore experiment center in Nha Trang University*: by technical university of Liberec with total budget CZK 24.5 million (not disbursement yet)

Besides, Czech government continues annual *scholarships* for Vietnamese students (from 3 to 8 packets) to study in Czech Republic in some fields like agriculture, chemistry, technology and economics. The scholarship program also lies on Development Support from Czech National Budget for students who come from developing countries to study in Czech Republic and then come back to serve home country.

⁴⁶ Hospimed Prague Inc is a supplier of medical equipments. Add: Malešická 2251/51, Prague 3. Contact person: Mr. Martin Kaloš, martin.kalos@hospimed.cz

4.5. Evaluation of the ODA Projects Donated by Czech Government in Vietnam from 2006

In general, results of Czech ODA projects from 2006 that follow the Development Program of Czech government are good and positive. They support partly for the common development program of Vietnam at present, promote living conditions for people in some locals of Vietnam and support for other economic relations between two countries. Especially, six projects in Hue started in 2006 partly fulfill the targets and goals that Czech government specified.

Six ODA projects in Hue are considered as the biggest and most important part and represent for Czech ODA in Vietnam from 2006. Therefore, the evaluation of Czech ODA in 2006-2010 will stress on these six projects as sample to draw out characters of Czech ODA in Vietnam during this time.

Table No. 11: Results of Czech ODA Projects in Thua Thien Hue, Vietnam from 2006 to 2008

Organization	Results of ODA Projects
DEKONTA	<ul style="list-style-type: none"> - initial contamination survey in food chain and in Phong My commune - complete test in 100 blood samples of local people - large investigation of people's behavior - water test - reconstruct main water supplied pipe-line in 2007 - reconstruct house-hold water supplied pipe-line in 2008 - expert discussion on dioxin issues <p><i>(Source: annual reports of DWW and DEKONTA)</i></p>
Mott MacDonald	<ul style="list-style-type: none"> - finish forest inventory - select priority areas for re-forestation and re-greening - prepare to re-green damage forest with local partner and community - finish transferring know-how of natural resource management, forest inventory and forest management to local managers and local people. <p><i>(Source: questionnaire answer by Mrs. Lucie Dolezalova, Project Manager)</i></p>
Applied Sociology	<ul style="list-style-type: none"> - 2 classes for handicapped children - build a new health-care center in Phong My - supply new medical equipments and computers - contact and invite doctors to check health for people - pick up 6 handicapped children to hospital to do eye operation - introduce 8 handicapped people to study in work-training center - instruct 20 house-holds to grow mushroom and chicken and find suppliers for them <p><i>(Source: Reports by Mr. Jirka-project manager and Mr. Phong-coordinator)</i></p>

CZU	<ul style="list-style-type: none"> - 65 analyzed samples of food - 20 operating demonstrative agro-forestry plots in target area - one demonstrative solar dryer is installed, amount of crops processed by solar drying - number of species grown per farmer, number of introduced animal breeds - 10 ha of arable land have enough water - 10 workshops with 100 participants on the topic of rainwater using, processing of sewage water - 5 training courses, workshops with 75 participants for farm management and organization - 5 training courses, workshops with 100 participants for using of new technologies and agriculture systems - 5 training courses, workshops with 100 participants for marketing of agriculture products - 5 training courses, workshops with 100 participants for methods of alimentation <p><i>(Source: Report by Mr. Jan Banout, project manager)</i></p>
ETC	<ul style="list-style-type: none"> - 2006 <ul style="list-style-type: none"> + first analysis of waste management in Vietnam + launch project webpage - 2007 <ul style="list-style-type: none"> + SWOT analysis of waste management in Vietnam + two methodologies were elaborated + workshop + educational campaigns to children and youth - 2008 <ul style="list-style-type: none"> + presentation and discussion with local partners + study trip of Vietnam experts to Czech Republic + educational campaigns + final workshop <p><i>(Source: http://www.waste-viet.com/en/time-schedule/ official website of the project)</i></p>
ADRA	<ul style="list-style-type: none"> - rehabilitation of 4 km of dikes related to the irrigation system - reconstruction of 3 school buildings - reconstruction of 20 family houses (a contribution) - repair of water gravity water supplying system for 30 households or 150 people - total of beneficiaries: 5,000 for six commune in Phong Dien <p><i>(Source: ADRA project's report- sent by Mr. Tomas Knaibl)</i></p>

These above-mentioned results are satisfactory and very highly appreciated by both sides. It shows the best effort of projectors to complete their responsibilities and goals in a very short time. Six projects in Phong My, Phong Dien, Thua Thien Hue have helped people and local authority there to reconstruct and modernize their living environment since 2006. From handicapped people, poor people, house-holds, women, farmers to children; all of them are beneficiaries of these projects. They simultaneously fulfill important segments such as rural environment, forestry, farming, health-care, education and job creation. All of them have achieved optimistic results that finish their initial objectives and purposes they planed in 2006. Because of six projects, they create a system of assistance that can increase particular and general efficiency. Because of one-spot

concentration, they can help together, exchange experience, update information and solve problems systematically and simultaneously. Thus, working together helps them to reduce cost of running ODA projects in Vietnam, further progress and then, strengthen their activities. These are real advantages that Czech ODA achieves from building an official and long term strategy.

However, these projects cope with some subjective and objective troubles that more or less reduce their effectiveness and efficiencies. Especially, some problems are rising from their owned Development Program.

Objective reasons prevent projects' progress and reduce their success include:

Firstly, the awareness and knowledge of local people about the life, environment, working methodology, technology etc are different and limited. It is very tough and difficult to change their thinking and habits, at least in two or three years (in short time). On the other hand, the differences in tradition, culture, custom and language create differences in thinking and solving problems, have restricted both sides to have a common points of view and reduced progresses of the projects, at least in the first running time.

Secondly, difficulties come from local authorities. In fact, Phong My commune is not a "hot spot" of dioxin and is not the most urgent financing-needed place in comparison with other communes. Phong My was chosen by Czech government, depended on the introduction of local authorities. About this choice, DWW analyzed in their report in 2007 that: "Though the commune is not considered for an apparent hot spot (commune was selected by local authorities), the analytical results confirmed some risks of dioxins presence in a food chain also in this region."(DWW-Annual Report 2007) The local authorities have a strong influence on decision of chosen place as well as other activities after that. These projects might have been better if they had had a right decision of a "hot spot" (chose a real hot spot). Furthermore, local authorities have not given their best support for these projects in the process of implementing. The strong bureaucracy exists seriously among these responsible people. Thus, the project progress is slow and their efficiencies are not as high as possible. Most of Czech people who have ever been in Hue

claim and feel very disappointed by local authorities. (See the annex No. 4 for more details of claims)

Thirdly, there are still many restrictions in legislation, administration and executive in Vietnam frankly. For example, to get decision to run ODA project, Applied Sociology had to spend 6 months and Mott MacDonald had to spend one year. It makes steps of projects slowdown and minimizes their results. Some projectors did not want to continue their project because they have to wait for a long time and have to spend time and money for it.

Beside that, the subjective reasons also make these Czech ODA projects in Vietnam less successful and progressive as they could be.

Firstly, they focus just only on one small single locality, Thua Thien Hue (in fact, just only Phong My commune) that pointed in the strategic paper for cooperation program between Czech Republic and Vietnam from 2006 to 2010. This fix specialization affects orientation of organizations who want to run projects in Vietnam from 2006. They do not have different choice although some of them know exactly that there are many areas need their projects and assistance more than Hue.

Secondly, six projects in one place with some similar functions make their activities cross together. One local people can be beneficiary of some projects while many people in other areas do not have any help.

Thirdly, Czech ODA projects have not attracted all local people to take part in their activities that are beneficial for them. In more than 5 thousands local people with 120 poor house-hold and 400 disable people, the percentage of people who involve and benefit from Czech ODA projects is very modest (see the table no. 11 above). Projects just cover a very small part of people in a small commune while most of local people still stand out of their activities. What are reasons? On one side, because these projects are carried out in short time and not so many organizations or individuals coordinate with them. On the other side, because Czech projects have limited understanding of local people, their custom and habits. Their purposes are very good and valuable but the ways they deal with local people are not suitable so much.

Fourthly, projects' methods make local people become "passive beneficiaries". ODA projects are beneficial for recipients. However, real efficiency does not lie on purposes and goals described in papers, real efficiency lies on the ways projects help recipients. These are two ways, active and passive. Czech ODA projects chose the passive way to allocate their finance directly to beneficiaries (passive beneficiary). For instance, they financed to build some new houses for people, new classes for students, new health-care center, new dike or water pipe-line; buy new equipments and computers; re-green the forest and so on. What will happen as projects finish? With passive way, nothing may change when projects finish. Local people had better know how to improve their own living conditions and do everything by themselves.

4.6. Recommendations and Suggestions

Obviously, it is not an easy work to convince donors to commit and disburse ODA. But it will be harder to use it in a right way and appreciate the valuation of ODA before as well as after ending the project. It requires both sides, Donor and Recipient, to analyze, evaluate and use ODA carefully, comprehensively and frankly.

For *Vietnam*, some suggestions and recommendations to enhance the efficiencies of ODA as follow:

- Continue the reforms of legislation, administration and executive to catch up with current situation of domestic environment and foreign environment; make laws, decisions and regulations transparent and effective to every people
- Adjust strategies, policies and especially human resource related to ODA so that the system could get well along with ODA attraction, ODA implementation and ODA evaluation; tie regulations relevant to ODA receipt and ODA usage; choose responsible people to help donors as much as possible

- Build a tight and transparent mechanism of "check and control" for ODA; support donors to ensure ODA projects to be run in safe, beneficial and efficient direction; avoid losses and waste for donors, beneficiaries and state
- Actively and dynamically improve results of ODA projects, not wait for help and not depend on help. It means that state and each person should know how to benefit from ODA results in long term after the projects finish, actively join and study from foreign assistance

For *Czech* side, to manage and run ODA projects in Vietnam more completely, it should:

- "Probably test the cooperation with new partners before approval of joint projects at real hot spots"-recommendation of DWW in "Annual Report 2007". It means that Czech government should complete initial research and study carefully before making decision, especially for long-term strategy. These researches should include living conditions and environment of locality; tradition, custom and habits of local people and comparison with researches for other areas.
- Flexibilize given destinations for ODA in Vietnam, should not fix in one spot while other areas in Vietnam also need ODA; the government should collect recommendations from different sides or other donors who have great experience of ODA in Vietnam
- Extend the running time of projects longer, from 3 years to 5 years if projects run well rather than close them and start new ones; use consultants who have ever experienced in running ODA projects in Vietnam if necessary
- Have more frequent and closer connection and contacts between Czech ODA projects to exchange information and experience. Though six ODA projects in Vietnam are located in same commune now, they are separate and managed by different ministries of Czech Government. They should have common meetings and discussions together, not between responsible ministries and projectors but also all projectors, governmental representatives.

4.7. Short Conclusion of the Czech ODA in Vietnam

As a whole, Czech started its assistance for Vietnam from very early time and remained it over the split time. In fact, Vietnam was usually set in Czech ODA priority before its official Development Program so far.

In 2004, Czech launched the *Resolution* to concentrate its ODA for eight countries including Vietnam to improve the ODA activities better and more professional. In 2005, Czech issued Development Program for Vietnam and selected Thua Thien Hue as a first favorable destination for its ODA in 2006-2010. They are new change in development cooperation with Vietnam as Czech Republic implemented its new status- EU member state.

By the new decision, six ODA projects started in Hue from 2006. These projects, step by step, have achieved positive and good results as per their defined goals and purposes. They have assisted local people to improve their living conditions and help them to access modern science and technology. Nonetheless, the results and efficiencies are not as high as their possibility and capacity because there are many difficulties and problems around this modification from two sides.

ODA is an efficient field in bilateral cooperation between two countries in comparison with other cooperation. Role of ODA is very influential. Beside assistant purposes, Czech ODA helps to promote Czech image in Vietnam through sending Czech experts directly to coordinate and run projects as well as using Czech technologies and methodologies etc. As a result, ODA can enhance other bilateral cooperation between two countries like trade, investment and labor export. Therefore, Czech and Vietnamese governments should usually renew policies related to ODA to reinforce the effectiveness of ODA in practice and should have more dialogues to discuss how to eliminate difficulties and further the efficiency of ODA immediately.

Chapter V

LABOR EXPORT

- + General Situation of Labor cooperation between two countries before 1993
- + Situation of Vietnamese Labor to Czech Republic from 1993
- + Prospect of Labor Export and Recommendations

Labor cooperation or **Labor export** is movement of labors from one country to other country to work under the legal contracts between two countries or two companies in two countries.

Labor export was one of first cooperation between Czech Republic and Vietnam from 1970s. Both sides signed many regular contracts and agreements on labor export. It solved the shortage of labor force in Czech industries as well as gave good chances for Vietnamese labors to work and experience in industrial and professional environment. During 1970s-1980s, labor export became a main content in economic relations between Czech Republic and Vietnam and achieved fine results.

After 1993 and especially after the EU accession, Czech Republic demands a bigger and bigger labor force from non-EU countries to fulfill the circumstance of aging⁴⁷ in Czech population and labor mobility from Czech to other parts of Europe. While Czech needs labors, Vietnam is in the situation of labor abundance because of fast growth of population. Labor export is still a needed and beneficiary solution for both sides.

5.1. Situation of Labor Export between Czech Republic and Vietnam before 1993

The start of Vietnamese labors come to Czech Republic was in 1973 when Vietnamese governmental delegation (North of Vietnam) visited Czechoslovakia to discuss about first labor export package of 12,000 workers. After that, series of bilateral agreements between two Governments in 1974, 1979 and 1980 helped a big number of workers and students come here. At the first half of 1980s, the estimated number of Vietnamese

⁴⁷ Aging: there is no change in population but the number of old people becomes much higher than before. So, society has to spend more for pension while people are reducing paying taxes.

people worked in Czechoslovakia was about 30,000⁴⁸. The duration 1980-1989 was rapid development period of labor export from Vietnam to Czech Republic.

Both sides got many benefits from this special kind of cooperation. *Firstly*, labors from Vietnam solved problems of labor shortage in Czech industries. At that time, the population of Czech Republic was limited. And labors from neighboring countries like Ukraine, Slovakia and Poland who came to Czech to work were also limited because they could get a good salary in their home town. Czech needed labors from other communist countries like Vietnam or Mongolia. In return, Vietnam had a plentiful source of labor who could work in Czech Republic. They could get a higher salary in comparison with their income at home and study from Czech technique, management skills and technology. Two states, Czech companies and Vietnamese labors benefited from labor export. *Secondly*, labors from Vietnam came to Czech Republic under official agreements and contracts (usually between two governments). They worked under organization between two countries and employers. They had to follow regulations between both sides; were controlled and supervised by responsible people. Labor got their legitimate benefits including salary, insurance, healthcare, accommodation etc. Both sides could control the situation and respond on time for urgent circumstances occurred around labor export. Furthermore, official agreements and contracts helped both Czech Republic and Vietnam control number of labors, adjust this number according to their goals and have a basis to make plans for next period. *Thirdly*, labor were educated and got training courses before coming to Czech Republic. The training included professional training, working security and foreign language. Thus, they could integrate to a high-required working environment quickly. When they came back home, they could undertake hard and tough duties in Vietnamese manufacture.

⁴⁸ The labor cooperation before 1993 created the phenomenon of Vietnamese immigration in Czech Republic. People did not come back home after the contracts ended. They continued to work or shifted to do their owned business. After crisis in 1989-1993 in Eastern Europe, many Vietnamese people from Germany, Russia, Bulgaria and Hungary also moved to Czech Republic to live. Now, many Vietnamese families have 2 or 3 generations in Czech Republic. (The estimated number was delivered by Czech Trade in Vietnam, 2008)

In short, labor export is one of traditional cooperation between Vietnam and Czech Republic. Before 1993, big number of Vietnamese labors came to Czech Republic under annual bilateral agreements, fulfilled free vacations in Czech labor market at that time. Labor export also helped to step up other economic relations between Czech Republic and Vietnam, especially bilateral trade.

5.2. Situation of Labor Export from Vietnam to Czech Republic after 1993

5.2.1. Situation of Labor Market in Czech Republic after 1993

After 1993 until now, labor force of Czech Republic generally goes around 5 million people. The unemployment rate was relatively low from 1993 to 1998 but went up from 1999, around 9 percent each year. (See the table No. 12)

Table No. 12: Unemployment rate in Czech Republic after 1993 (%)

Year	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	Average 99-08
Unemployment %	3	3.3	3	3.1	4.3	6	8.5	9	8.5	9.2	9.9	10.2	10.6	8.9	8.4	6.6	8.98

Source: Czech Ministry of Labor and Social Affairs, 2008

Though the unemployment rate is not low now, high demand of labors for economic development and the trend of labor mobility from Czech to other high-income countries in the region (after Czech entered the EU) make the demand for labors from outside EU

to work in Czech Republic very high and urgent. Under the consequences of aging, demand for labors from non EU countries becomes more and more necessary.

It is estimated about 240,000 foreigners working in Czech Republic until now in which almost come from new members of EU such as Ukraine, Slovakia, Poland and Bulgaria (See the table No. 13). However, labor from these countries is moving to other EU developed countries while labor market in Czech Republic will need about 140,000 people more, especially for construction, manufacture, agriculture and forestry. Thus, Czech Republic starts to think about how to attract more labors from non EU countries.

Table No. 13: **Foreigners Work in Czech Republic**
(Legal Labor until 30th Sep, 2008)

Slovakia	103,613
Ukraine	80,470
Poland	22,495
Vietnam	18,389
Mongolia	13,096

Source: Ministry of Labor and Social Affairs of Czech Republic

In the past few years, to attract more labor, Czech government applied loosening regulations on labor immigration, stopped quota scheme and prepares to apply "Green Card" for foreigners who have high skills, help them come to Czech more easily. After EU entry in 2004, the Czech law system related to labor and employment was also adjusted to get EU standards for labor and labor mobility. Conditions for foreigners to work in Czech Republic and other conditions such as accommodations, health-care, insurance and salary are guaranteed by Employment Law to equal with Czech labors. This is a good chance for countries like Vietnam to recover and enlarge labor export to Czech market as before.

Nonetheless, the relaxation in labor receipt in current law of Czech Republic also raises some concerning points. Czech Republic does not sign any agreement on labor cooperation with other country. According to the *Czech Employment Act* No. 435/2004 dated 13th May, 2004; to work in Czech Republic, employees must have labor contract between them and employers in Czech Republic and then, Czech authority will issue a license to permit them to work legally. Especially, employees can sign contract directly with employers or indirectly through a "broker" (employment intermediate service). Beside that, foreigners who come to Czech Republic by a business visa could join labor market and work as employees after complete some necessary documents. These are some favorable conditions for labor but so open that many people can come to Czech Republic to work without the control from governments.

5.2.2. Vietnamese Labor Export in Czech Republic after 1993

From 1994 to 2005

After the split of Czech Republic in 1993, Vietnam and Czech Republic signed Agreement for labor cooperation on 4th June, 1994 and signed Protocol annually that specified number of Vietnamese people could come to work here. However, the number of Vietnamese people came to Czech Republic to work according to this Agreement was not considerable because the average income here was not high in this period, not attractive so much.

This Agreement came to an end in 2004. Vietnam did suggest Czech Republic to extend validity of the agreement but Czech could not continue it because it is not suitable after Czech entered the EU.

From 2006 until now

After Czech applied new *Employment Act* with more favorable conditions for employees, the number of Vietnamese people come to work here is increasing dramatically. However, most of them come by business visa (applied by brokers). There have been about 20,000 Vietnamese people coming to Czech Republic for recent years in which about 1,200 people have working visa through employment contracts between Czech's side and labor export companies in Vietnam; 1,000 people have working visa by individual contacts and the rest have business visa⁴⁹.

More than 1,000 Vietnamese people who have working visa through contracts between Czech's companies and Vietnamese companies are well-skilled, experienced and had training at home before. Therefore, they can get a good job in Czech factories with stable income. Moreover, they get full and good working and living conditions such as accommodations, working conditions, insurance and health-care. In general, they are guaranteed by legal responsibilities between both sides.

By contrast, the numbers of Vietnamese people who have business visa are facing many problems and difficulties. The brokers or "Employment Intermediate Services" help them to go abroad but does not manage and take care of them after getting host country. Although they collect a high fees⁵⁰ and charges, they do not complete their duties that they committed with labors. As a result, Vietnamese labors may have no job as commitment or have job but unstable and short-time job with very low salary, very poor working conditions, lack of accommodations, insurance, health-care, poor guaranties of labor rights, lack of management etc. These situations lead to many conflicts between labors to get job or labors and brokers etc. Moreover, labor quality and labor management become much worse than before. These circumstances are very popular now. It reduces quality of labor export. And even there are some signals of crimes and illegal activities of

⁴⁹ It is annual report of representative of Ministry of Labor, Invalided and Social Affairs of Vietnam in Prague. Yet, it is estimation only. In fact, the numbers of Vietnamese people who have come to Czech Republic since last 4 or 5 years (2005, 2006, 2007, first half of 2008) by business visa are much bigger because nobody can know exact numbers of brokers who help Vietnamese people to work in Czech Republic.

⁵⁰ The fee for one person who applies through Broker for business visa to Czech Republic is about USD 8,000 in 2006 and USD 14,000 in 2008.

Vietnamese people in Czech that have been claimed by Czech Government for recent time. Both Vietnam and Czech Republic do not benefit from this situation.

In 2007, there were some new labor contracts between Czech sides and Vietnamese companies but they had to stop immediately after that. The main reason is difficulties in application for working visa to Czech Republic. The Czech Embassy in Hanoi sets priorities for business visa rather than for working visa. And there are unofficial and semi-official signals showing that Czech staff in the embassy in Hanoi has involved in corruptions and "under-table" payment with intermediate services to make the business visa issuance faster.

The latest world economic crisis put a strong pressure on Czech labor market. As a result, number of unemployed people is increasing in which, many of them are Vietnamese. As the description of Vietnamese community in Czech Republic, the percentage of Vietnamese labors at present and in the past is 30/200 or 150/300 (factories in Mlada) and even the situation is worse in factories in Plzen. It is appearing that some groups of Vietnamese worker have no job, no house pulling their baggage on roads or around some centers.

On 21st November 2008, Czech Government announced officially to stop to issue long-term resident visa for Vietnam until the end of 2008. The reasons were given that Czech Government concerned about Vietnamese crimes and illegal activities in Czech Republic recently and Czech Government wanted to have a time to re-organize Czech embassy in Hanoi. So, the massive and unofficial movement of Vietnamese labors for recent years has created many consequences and unprofitable points for both sides.

In general, there have been some obstacles in labor export from Vietnam to Czech Republic for recent years as follows:

(-) Although Czech Republic has high demand for foreign labors, there is lack of unifications among Czech authorities in receiving employees. Intermediate services benefit from Employment Act while employees and home country lost from it. Czech government does not give any solution for it now.

(-) There is no official agreement between two states (at governmental level) as before. So, actions to speed up labor export from Vietnam's side are very hard to be implemented, labor management are difficult to be done, nobody solve problems for Vietnamese labors in Czech Republic now.

(-) With the current scheme of visa issuance by Czech embassy in Hanoi, the ability for new labor cooperation between Czech Republic and Vietnam is very limited. It is too hard to apply and get working visa. In fact, there are corruptions among some people working in the Czech embassy in Hanoi (Czech government knows about it).

(-) Vietnamese labors will have to compete with labors from other countries like China, Mongolia, Ukraine, African etc if they want to enter Czech labor market again. This is also a big challenge for Vietnam.

Frankly, labor cooperation between Czech Republic and Vietnam since five years has gone down⁵¹. The new Employment Act issued by Czech government does not improve Vietnamese labor export but also makes the situation more complicated and worse. Vietnamese enterprises get many difficulties when they want to consolidate labor export to Czech Republic. Vietnam cannot solve these problems alone while Czech does not have any effective quick response.

5.3. Prospect

In reality, it still remains high opportunities for labor cooperation between Czech Republic and Vietnam and prospect of labor export may be better than the period 1980s.

⁵¹ In recent years, labor export of Vietnam to other countries like Malaysia, Taiwan, Japan, Korea, Hong Kong, China has been developing. It says that Vietnamese can meet high requirements to work in over-sea environments. Czech also needs more labors from other countries. The problem is that Czech government gives too many favorable conditions for intermediate people rather than for direct partners.

There are many good factors to enhance labor cooperation between two countries such as:

(+) Czech is one successful model of economic transformation in Central and Eastern Europe who has got remarkable economic stability and development recently. Follow it; the demand for labors is becoming larger with diversified jobs and carriers. Furthermore, social standards are upgraded; social security is stable. These are good conditions for labors from other countries to work here.

(+) Czech people are friendly and kindly with foreigners and Vietnamese in general. There is no discrimination. They can work and cooperate together. Both sides also had tight cooperation and experience in labor export before.

(+) Demand for foreign labors will increase dramatically when Czech population is getting older, many youth people come to other countries to work, numbers of older people are bigger etc.

(+) Czech government is dealing with labor shortage and wants to attract more employees from outside to work here. The Employment Act protects fully rights of labors and assures equality for foreigners. This is a positive point in the new law.

Czech Republic demands for labors while Vietnam wants to supply of labors. Thus, prospect for labor cooperation next time between two sides is completely realizable and achievable. The problem is how to solve current situation, how to make labor mobility profitable for governments, employers and employees? Some suggestions are given as follows:

- Czech and Vietnam should have meetings soon to discuss and give solutions for present problems in labor export; may sign an official agreement on labor cooperation within the permission of EU law.
- Czech should have tighter control and management on intermediate services, not only relevant to Vietnamese labors. The "privatization" in labor receipt recently creates

negative impacts. The government can give some priorities to attract more people but should not loosen regulations so much that labor market becomes unstable.

- Czech should review and have changes in visa issuing scheme for foreigners to come here for purpose of working, encourage applications for working visa under contracts between organizations or companies. And Czech government should check the ability and responsibility of representative people in Vietnam as soon as possible; change the staff immediately if they are in doubt. In December 2008, Czech Government did have some new steps to show their readiness to continue long-term resident visa issuance for Vietnam as usual in 2009 as well as changed some people in the embassy in Hanoi. This is a positive action.
- Vietnam should have long term plans and training courses for employees who are able to work in Czech Republic. These trainings can help them to have necessary skills, foreign language (Czech language) and knowledge to work oversea.
- Vietnam should try to negotiate with Czech government about "green card" for Vietnamese labors next time. "Green card" will permit Vietnamese labors to access Czech more easily.

5.4. Short Conclusion

Labor export from Vietnam to Czech Republic did ever have remarkable time when a big number of Vietnamese workers came to Czech Republic to work under agreements between two countries in 1970s, 1980s. And from 1994 to 2004, the agreement for labor cooperation continued but number of employees reduced. In the transformation time, the market and salary were not as attractive for labors as before.

Since 2004, Czech has not signed labor agreement with Vietnam, loosened its labor market and strengthened roles of intermediate services. Number of Vietnamese people

who came to Czech Republic to work has been increasing without the management of Vietnamese government. In a short time, the situation has become uncontrolled and creates disagreements in both Vietnamese sides and Czech sides (labor export companies, local people, police, governments, labors etc). The changes in new Czech Employment Law seem to bring more consequences than good results. Meanwhile, labor market in Czech Republic still needs foreigners outside EU. The prospect depends much on Czech government rather than from home countries of labors. Thus, Czech government should adjust their regulations so that labor cooperation with Vietnam and other countries will be taken place better.

CONCLUSION

Bilateral Economic Relations

between Czech Republic and Vietnam

2008

CONCLUSION

Bilateral Economic Relations

between Czech Republic and Vietnam

since 1993

Generally, the economic relations between Czech Republic and Vietnam after 1993 can be divided into two sub-periods, 1993-2004 and after 2004 as Czech Republic entered the EU.

During 1993-2004, the economic relations were started and affected by continuous changes in politics and economics from both sides, Czech with its transformation and Vietnam with its renovation. *Labor export* from Vietnam to Czech Republic-the most important and development section in cooperation before 1993-decreased and labor agreement stopped in 2004. *ODA* by Czech government was not continuous, mainly aimed at job training for Vietnamese ministries and building some health-care centers in the North of Vietnam. *ODA* during these 10 years was implemented less centrally and irregularly. *FDI* was the weakest field in the economic relations between two countries. The number of projects was very limited while the existing time of projects were short and efficiencies of projects were negative. *Bilateral trade*, the main part of economic relations, became the most advanced and considerable during 1993-2004. Export and import value declined in two or three years after Czech's split and started to increase again. However, the growth of two-way import and export was slow and small in comparison with the past and with other countries. In trade, the structure of commodities between Czech Republic and Vietnam was still poor and traditional, marketing policy was hardly implemented while the competition from other rivals became more and more critical.

The accession of Czech Republic to the EU in 2004 is a turning point for economic relations between two countries. The clearest impact is changes in legal frame-works for all contents of cooperation. Most typically, Czech Republic and Vietnam sign *Cooperation Agreement* in 2005 to pursue with the cooperation agreement between EU and Vietnam. It was a cooperative commitment in many sectors including bilateral trade, investment, *ODA*; included suggestions for better cooperation and answered the question how to cooperate successfully. Beside that, Czech built a long-term strategy for export and *ODA* for Vietnam as one of Czech priority countries. For foreign labor receipt,

Czech Republic had amendments in Employment Act that also changes the situation of Vietnamese labor export to Czech Republic very dramatically.

The most important and significant signal of economic relations between Czech Republic and Vietnam after 2004 has been the dynamics, activeness and strong determination from members of Governments, enterprises and individuals between Czech Republic and Vietnam in looking for business opportunities. As results, *Bilateral trade* has been increasing rapidly, series of big *FDI* projects have been committed between both sides, series of new *ODA* projects have been running in Vietnam and *labor* contracts have been also mentioned again. Both Czech Republic and Vietnam see their new chances and potentials when they have more favorable conditions for cooperation. Generally, the economic relations between two countries have been much improved and better since 2004.

However, the EU accession of Czech Republic and individual supports are supporting factors only, not decisive factors for the improvement and development of economic relations between two countries. In a new period, both Czech Republic and Vietnam have many advantages and opportunities to develop their bilateral business. By contrast, in a new era, both sides have more challenges and difficulties to survive. The successes and progression from 2004 have been just a small achievement in comparison with their ability. Prospect for all cooperative segments between two countries is very great. Win or loss depends on the decision makers. Both Czech and Vietnam will have to do many things to make prospect come into practice.

ABSTRACT

The bilateral economic relations between Czech Republic and Vietnam were established from very early time, during 1960s-70s under manner of communist partners. Both sides did obtain significant achievements in trade, labor export and development assistance before the collapse in Eastern Europe and the split of Czech Republic in 1993.

After 1993, especially after the EU entry of Czech Republic, the relations have had many dramatic changes, both advantages and disadvantages challenging all respects of cooperation, including trade, FDI, ODA and labor export.

Bilateral trade has been taken under new bilateral and multilateral agreements, increased but with slow growth until remarkable improvement from 2005. The export-import commodity structures have been still kept traditional. Trade balance is surplus for Vietnam and the difference becomes larger. In comparison with other partners, bilateral trade between two countries is modest and less competitiveness. The obtained results are not as equal as potentials and capacity.

FDI between Czech Republic and Vietnam has been improved remarkably for recent years. The number and scale of FDI projects into Vietnam are increasing surprisingly. However, the efficiency of Czech FDI is very limited until now. By contrast, Vietnam is adding some new projects in Czech Republic in very profitable fields that promise more positive outcome.

ODA has been maintained continuously by Czech Government. Under the new Development Program, ODA is concentrated geographically. In general, Czech ODA projects have got effectiveness in Vietnam. The results could be better if both sides had timely adjustments.

Labor export reduced gradually until 2004. After a new Employment Law, a big number of Vietnamese labors come to Czech Republic by business visa without control from two Governments. That leads to some bad consequences such as no job, low salary, poor working and living conditions, crime etc.

The cooperative picture between Czech Republic and Vietnam has been improved partly but there are many challenges that two countries have to pass over.

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ANNEX

- + Annex No.1: Cooperation Agreement between European Union and Vietnam in 1996
- + Annex No. 2: Economic Cooperation between Czech Republic and Vietnam in 2005
- + Annex No. 3: Agreement for Promotion and Reciprocal Protection of Investment
between Czech Republic and Vietnam in 1997
- + Annex No. 4: Sample of Questionnaire for Thesis

Annex No. 1:

COOPERATION AGREEMENT

between the European Community and the Socialist Republic of Vietnam

THE COUNCIL OF THE EUROPEAN UNION, of the one part, and THE GOVERNMENT OF VIETNAM, of the other part,

WELCOMING the increase in trade and cooperation which have taken place since the normalization of relations in November 1990 between the European Community on the one hand, hereinafter referred to as 'the Community', and the Socialist Republic of Vietnam on the other, hereinafter referred to as 'Vietnam';

RECOGNIZING the importance of further strengthening the links and enhancing the relations between the Community and Vietnam;

REAFFIRMING the importance which the Community and Vietnam attach to respect for human rights and democratic principles and the principles of the United Nations Charter and respect for national independence and sovereignty;

RECOGNIZING the steps taken by Vietnam to normalize its relations with all partners, both regional and international and underlining those measures of cooperation which could assist the process of regional cooperation;

RECOGNIZING the responsibility of all States, in accordance with basic international principles and practices to accept back those of its citizens who have left their country for one reason or another;

HAVING REGARD to the important new opportunities for trade in textiles and clothing through bilateral contractual rights and obligations between the Community and Vietnam;

INSPIRED by their common will to consolidate, deepen and diversify their relations in areas of mutual interest on the basis of equality, non-discrimination, mutual benefit and reciprocity;

RECOGNIZING the positive consequences of the ongoing process of economic reform in Vietnam to secure the transition to a market economy and the commitment to continue with this process;

DESIROUS of creating favourable conditions for a substantial development and diversification of trade between the Community and Vietnam;

HAVING REGARD to the need to uphold the principles and practices which promote free and unhindered two-way trade in a stable, transparent and non-discriminatory manner, taking into account the different economic conditions of each Party;

HAVING REGARD to the need to create favourable conditions for direct investment;

HAVING REGARD to the need to support Vietnam in its efforts to achieve sustainable economic development and to improve the living conditions of the poorer sections of the population;

CONSIDERING the importance attached by the Community and Vietnam to the protection of the environment on a global and at a local level and to the sustainable use of natural resources, and recognizing the linkage between the environment and development,

HAVE DECIDED to conclude this Agreement and to this end have designated as their plenipotentiaries:

THE COUNCIL OF THE EUROPEAN UNION:

Javier SOLANA MADARIAGA

Minister of Foreign Affairs of the Kingdom of Spain,

President-in-Office of the Council of the European Union,

Manuel MARÍN

Vice-President of the Commission of the European Communities,

THE GOVERNMENT OF VIETNAM:

NGUYEN MANH CAM

Minister of Foreign Affairs of the Socialist Republic of Vietnam,

WHO, having exchanged their full powers, found in good and due form,

HAVE AGREED AS FOLLOWS:

Article 1

Basis

Respect for human rights and democratic principles is the basis for the cooperation between the Parties and for the provisions of this Agreement, and it constitutes an essential element of the Agreement.

Article 2

Objectives

The principal objectives of this Agreement are:

1. to secure the conditions and to promote the increase and development of bilateral trade and investment between the two parties in their mutual interest taking into account their respective economic situations;
2. to support the sustainable economic development of Vietnam and the improvement of living conditions of the poorer sections of the population;
3. to enhance economic cooperation in the mutual interest of the parties, including support to the Government of Vietnam's ongoing efforts to restructure its economy and to move towards a market economy;
4. to support environmental protection and the sustainable management of natural resources.

Article 3

Most-favored-nation treatment

The Community and Vietnam shall grant each other most-favored-nation treatment in their trade in conformity with the provisions of the General Agreement on Trade and Tariffs (GATT) 1994.

The provisions of this Article shall not apply to preferences accorded by either Party under an arrangement establishing a customs union, a free trade area or an area of preferential treatment.

Article 4

Trade and commercial cooperation

1. The Parties undertake to develop and diversify their commercial exchanges and to improve market access to the highest possible degree in a manner taking into account their respective economic situations.
2. The Parties, within the current framework of their respective laws and regulations, are committed to a policy for improving the terms of access for their products to each other's markets. In this context, they shall grant each other the most favorable conditions for imports and exports and they agree to examine ways and means of eliminating barriers to trade between them, notably non-tariff barriers, taking account of their different systems and the work already done in this connection by international organizations.

3. The provisions of paragraphs 1 and 2 shall not limit the right of either Party to apply measures which are necessary for the protection of its essential security interests or for the protection of public health or morals and the protection of environment and animal or plant life or health. In respect of the latter such measures shall not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on trade.

4. The Parties agree to promote the exchange of information concerning mutually beneficial market opportunities and to hold consultations in a constructive spirit on the issues of tariff, non-tariff, services, health, safety or environmental measures, and technical requirements. Training programs should take place in these fields as part of economic cooperation between the two Parties.

5. The Parties agree to improve cooperation in customs matters between the respective authorities, especially with regard to the possibility of professional training, the simplification and harmonization of customs procedures, and the prevention, investigation and suppression of infractions of customs regulations.

6. The Parties agree to consult each other on any dispute which may arise in connection with trade or trade-related matters.

Article 5

Investments

The Parties shall encourage an increase in mutually beneficial investment by establishing a favorable climate for private investments including better conditions for the transfer of capital and exchange of information on investment opportunities. In particular the Parties will, where appropriate, support agreements on the promotion and protection of investments between the Member States of the European Union and Vietnam on the basis of the principles of non-discrimination and reciprocity.

Article 6

Intellectual property rights

1. Insofar as their competencies, regulations and policies permit, the Parties will:

(a) aim to improve the conditions for adequate and effective protection and reinforcement of intellectual, industrial and commercial property rights in conformity with the highest international standards;

(b) cooperate to secure these objectives, including, where appropriate, through the means of technical assistance.

2. The Parties agree that they shall avoid discriminatory treatment in relation to intellectual property rights and that they shall engage, if necessary, in consultations if problems affecting trade relations arise.

Article 7

Economic cooperation

1. The Parties undertake, in their mutual interests and in accordance with their respective policies and objectives, to foster economic cooperation of the widest possible scope in order to contribute to the expansion of their respective economies and their development needs.

2. The Parties agree that economic cooperation shall involve three broad fields of action:

(a) improving the economic environment in Vietnam by facilitating access to Community know-how and technology;

(b) facilitating contacts between economic operators and other measures designed to promote commercial exchanges and direct investments;

(c) reinforcing mutual understanding of their respective economic and social environment as a basis for effective cooperation.

3. In the broad fields described above, the aims shall be in particular:

(a) to assist Vietnam in its continued efforts to achieve the transition to a market economy and thus to improve the economic environment and business climate;

(b) to encourage cooperation between their respective economic sectors, particularly between private sectors.

4. The Parties, within the limits of their financial means and of their respective procedures, will determine together and to their mutual advantage the areas and priorities for economic cooperation programs and actions.

Article 8

Science and technology

The Parties shall, in accordance with their mutual interest and the aims of their strategy in this area, promote scientific and technological cooperation including in such practical areas as standards and quality control with a view to:

(a) fostering the transfer of know-how, technology and disseminating information and expertise;

(b) opening up opportunities for future economic, industrial and trade cooperation.

Article 9

Development cooperation

1. The Community recognizes Vietnam's need for development assistance and is prepared to enhance its cooperation by providing such assistance through specific projects and programmes in accordance with the priorities set out in Regulation (EEC) No 443/92 in order to contribute to Vietnam's own efforts and strategies to achieve sustainable economic development and the social progress of its people.

2. Projects and programs will be targeted towards the poorer sections of the population, including those areas receiving returning citizens and towards social and economic infrastructure development. Particular attention will be given to balanced agricultural development with the participation of the groups to be targeted. Cooperation in this area will also cover the promotion of employment in rural towns, and of the role of women in development, with appropriate emphasis on their education and family welfare.

3. Particular attention will be paid to actions to enhance regional economic integration within Vietnam.

4. The development cooperation will concentrate on mutually agreed priorities and will pursue project and program efficiency and sustainability.

Article 10

Regional cooperation

1. The cooperation between the Parties in this field may with their mutual agreement extend to actions undertaken within the context of cooperation with other countries in the Southeast Asia region and shall not prejudice the right of each Party to conduct cooperation with other partners in the region.

2. Particular attention will be paid to:

(a) promotion of intra-regional trade;

(b) support for regional projects and initiatives;

(c) studies promoting regional links and communications.

Article 11

Environmental cooperation

1. The Parties recognize the need to take full account of environmental protection as an integral part of economic and development cooperation. Moreover, they underline the importance of environmental issues and sustainable development and assert their will to establish cooperation in protecting and improving the environment with particular emphasis on water, soil and air pollution, erosion, deforestation and sustainable management of natural resources, taking into account the work done in international fora.
2. Particular attention will be paid to:
 - (a) the protection and conservation of natural forests and their sustainable management;
 - (b) the importance of the energy/environment linkage;
 - (c) the finding of practical solutions to rural energy problems;
 - (d) the protection of the urban environment;
 - (e) the prevention of industrial pollution;
 - (f) the protection of the marine environment and its ecological systems;
 - (g) the increase of management capacity of the central and local environmental agencies.

Article 12

Information and communication

The Parties will cooperate in the fields of information and communication to create better mutual understanding and to strengthen the ties between the two regions.

Article 13

Drug abuse control

1. The Parties affirm their resolve, in conformity with their respective competencies, to increase the efficiency of policies and measures to prevent the production and distribution of all kinds of drugs, narcotics and psychotropic substances, as well as preventing and reducing drug abuse, taking into account work done in this connection by international bodies.
2. Cooperation between the Parties shall comprise the following:
 - (a) training, education, health promotion and rehabilitation of addicts, including projects for the reintegration of addicts into work and social environments;
 - (b) measures to encourage alternative economic opportunities;
 - (c) technical, financial and administrative assistance in the monitoring of precursors trade, prevention, treatment and reduction of drug abuse;
 - (d) technical assistance in and training for the prevention of money laundering;
 - (e) exchange of relevant information.

Article 14

Joint Commission

1. The Parties agree to establish a Joint Commission whose tasks are to:
 - (a) ensure the proper functioning and implementation of the Agreement and the dialogue between the two Parties;
 - (b) make suitable recommendations for promoting the objectives of the Agreement;
 - (c) establish priorities in relation to the possible actions necessary to achieve the aims of the Agreement.

2. The Joint Commission shall be composed of representatives of both sides, at the senior official level. The Joint Commission shall normally meet every other year, alternately in Brussels and in Hanoi, on a date fixed by mutual agreement. Extraordinary meetings may also be convened by agreement between the Parties.

3. The Joint Commission may set up specialized sub-groups to assist in the performance of its tasks and to coordinate the formulation and implementation of projects and programs within the framework of the Agreement.

4. The agenda for meetings of the Joint Commission shall be determined by agreement between the Parties.

5. The Parties agree that it shall also be the task of the Joint Commission to ensure the proper functioning of any sectoral agreements concluded or which may be concluded between the Community and Vietnam.

6. The organizational structures and operational regulations of the Joint Commission will be determined and agreed upon by the two Parties.

Article 15

Future developments

1. The Parties may, by mutual consent, improve this Agreement in order to enhance the level of cooperation and add to it by means of agreements on specific sectors or activities.

2. Within the framework of this Agreement, either of the Parties may put forward suggestions for expanding the scope of the cooperation, taking into account the experience gained in its application.

Article 16

Other agreements

Without prejudice to the relevant provisions of the Treaties establishing the European Communities, neither this Agreement nor any action taken thereunder shall in any way affect the powers of the Member States of the European Union to undertake bilateral activities with Vietnam in the framework of economic cooperation or to conclude, where appropriate, new economic cooperation agreements with Vietnam.

Article 17

Facilities

To facilitate cooperation within the framework of this Agreement, the Vietnamese authorities will grant to Community officials and experts the guarantees and facilities necessary for the performance of their functions. The detailed provisions will be set out by way of a separate Exchange of Letters.

Article 18

Territorial application

This Agreement shall apply, on the one hand, to the territories in which the Treaty establishing the European Community is applied and under the conditions laid down in the Treaty and, on the other, to the territory of Vietnam.

Article 19

Annexes

The Annexes attached to this Agreement shall form an integral part of the Agreement.

Article 20

Entry into force and renewal

1. This Agreement shall enter into force on the first day of the month following the date on which the Parties have notified each other of the completion of the procedures necessary for this purpose.

2. This Agreement is concluded for a period of five years. It shall be automatically renewed on a yearly basis unless one of the Parties denounces it six months before its expiry date.

Article 21

Authentic texts

This Agreement is drawn up in duplicate in the Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish, Swedish and Vietnamese languages, each text being equally authentic.

AGREEMENT ON ECONOMIC COOPERATION BETWEEN THE GOVERNMENT OF THE CZECH REPUBLIC AND THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

The Government of the Czech Republic and the Government of the Socialist Republic of Vietnam, hereinafter referred to as "the Parties":

Inspired by the traditional links of friendship and the cordial relations, which exist between the two states;

Desirous of developing and intensifying their economic, industrial, technical and technological cooperation on the basis of reciprocity and mutual benefit;

Conscious of the necessity of existence of an adequate legal basis for Czech - Vietnam relations, within the framework of laws and regulations in force in each state, respectively,

HAVE AGREED AS FOLLOWS:

ARTICLE I: Objectives

The Parties agree that the objectives of the Agreement, within the framework of laws and regulations in force in each state, are to:

1. Promote the activities of sectors identified in this Agreement in endeavours to increase bilateral economic, industrial, technical and technological cooperation;
2. Support and develop business contacts and related opportunities;
3. Facilitate the expansion of bilateral investment and the identification of investment opportunities in their respective states;
4. Encourage cooperation in areas of mutual interest, especially finance, banking, and activities related to economic and social development;
5. Reinforce development cooperation for the overall enhancement of the economic relationship between the two Parties.

ARTICLE II: Economic and Industrial Cooperation

The Parties agree to encourage and facilitate greater cooperation between their natural and legal persons including business communities, associations, institutions, and

government agencies, within the framework of laws and regulations in force in each state.

To this end, the Parties agree to:

1. Economic Cooperation

- (a) Exchange information on the economic development priorities, national economic plans and forecasts;
- (b) Identify and facilitate investment opportunities in the private sector and state enterprises by:
 - (i) informing each other on the laws and regulations governing foreign investments and any changes thereto;
 - (ii) identifying specific projects and sectors of potential interest for joint cooperation;
 - (iii) informing their respective business communities of investment opportunities in the other state;
- (c) Promote and support economic and investment missions, market analyses, exchange of commercial and marketing information, business and institutional linkages, and other initiatives which bring together potential business partners;
- (d) Inform about appropriate facilities concerning fairs, exhibitions, missions and other promotional activities;
- (e) Facilitate an exchange of public and private sector experts, technicians, investors and business representatives as well as material and equipment necessary for the fulfilment of activities falling within the scope of this Agreement;
- (f) Explore joint business development possibilities in third states arising from partnership between Czech and Vietnamese firms;

2. Industrial Cooperation

Promote and enhance private and public sectors' industrial, technical and technological cooperation, including transfer of technology through appropriate channels in

full respect of intellectual property rights and in accordance with their respective economic and development policies and priorities by facilitating and encouraging:

- (a) Establishment of joint ventures and other relevant forms of industrial cooperation;
- (b) Exchange of information on industrial development policies, industrial development investment projects, technologies and know-how, licensing arrangements and industrial consultancy;
- (c) Transfer of technology through know how, training and research programmes in order to promote the application, adaptation, and improvement of existing and new technical products, processes and management skills;
- (d) Initiatives to improve quality control and standards for products notably for export;
- (e) Contacts between the respective industry, science and technology communities; and
- (f) Exchanges of views on the formulation and application of science and technology policies.

ARTICLE III: Development Cooperation

The Parties recognize Vietnam's need for development aid and will encourage development cooperation. Within the framework of laws and regulations in force in each state and in accordance with their interest and possibilities, the Parties shall make special efforts to foster long-lasting linkages between their public and private sectors by identifying development projects that would:

- (a) Strengthen both states' planning and economic management institutions through technical assistance and other mechanisms;
- (b) Promote the implementation of human resource development through projects linking Czech and Vietnamese educational, training and research institutions, with particular attention to programmes that would enhance the capacity of Czech and

Vietnamese organisations to utilise new technologies appropriate to their developmental needs;

- (c) Assist in the implementation of rural and regional industrialisation, particularly with respect to the needs of small and medium-sized industries; and
- (d) Encourage, support and facilitate programmes of the public and private sectors in the business development.

ARTICLE IV: Areas of Cooperation

The principal areas of cooperation shall be in sectors of respective economic, industrial and developmental priorities of the Parties, which may include:

1. Human and natural resources management and development;
2. Energy;
3. Industrial Equipment and Components;
4. Machinery Products;
5. Environment including Waste Management;
6. Information and Communication Technology;
7. Glass Products;
8. Transport Technology and Equipment;
9. Chemical and Petrochemical Industry;
10. Pharmaceutical Industry;
11. Irrigation system;
12. Medical Equipment;
13. Tourism;
14. Cooperation in the fields of Agriculture and Rural Development;
15. Leather, Footwear, Textile and Garment Industry;
16. Food Processing Industry;
17. Production Cooperation, establishing Joint Ventures;
18. Cooperation on Third Markets;
19. Other fields of cooperation that may be mutually agreed upon.

ARTICLE V : Institutions

1. Implementation of this Agreement shall require close coordination and consultation between the two Parties. Consequently, a Joint Commission on Economic Cooperation (hereinafter referred to as the Joint Commission) is hereby established by the Parties to accomplish the objectives of this Agreement. The Joint Commission shall meet at regular intervals, but not less than every two years, at the Ministerial level. The regular meetings of Joint Commission should be held alternately in the Czech Republic and in Vietnam. The extraordinary meetings may also be convened by the agreement between the Parties.
2. For each Party the following Coordinating Body shall coordinate and oversee the implementation of this Agreement:
 - a) In case of the Czech Republic, the Coordinating Body shall be the Ministry of Industry and Trade, represented by the Deputy Minister of Industry and Trade as a co-chairman of the Joint Commission; and
 - b) In case of Vietnam, the Coordinating Body shall be the Ministry of Trade, represented by the Deputy Minister of Trade as a co-chairman of the Joint Commission.
3. The Joint Commission can establish committees or working groups as may be necessary. As appropriate, the Commission may involve representatives of relevant organisations and institutions as well as high-ranking business representatives of both states, to assist the implementation of the Agreement. This may include private sector participation in specialised working groups.
4. Unless the Joint Commission otherwise decides, the Coordinating Bodies shall present to it at each of its regular meetings reports covering the activities of working groups which may be established under this Agreement.
5. Tasks of the Joint Commission

Cooperation should cover economic fields of interest to both sides. Within the framework of laws and regulations in force in both states, the following topics in particular should form the basis of the Joint Commission's activities:

 - (a) exchange of opinions on macroeconomic issues in the two states;
 - (b) exchange of experience and enhanced cooperation in economic issues of mutual interest;

- (c) issues arising in connection with business and investment activities;
- (d) promotion of economic, industrial, technical and technological cooperation between natural and legal persons of states of both Parties;
- (e) other issues pertaining to the implementation of this Agreement.

The activities of the Joint Commission should be capable of being extended, by mutual consent, to include other economic or business policy topics.

ARTICLE VI: Final Provisions

1. This Agreement shall enter into force on the date of receipt of the latter diplomatic note confirming that all internal legal procedures of the respective Party for entry into force of this Agreement have been completed.
2. This Agreement shall remain valid for the period of five years and its validity shall be automatically extended for another year and yearly thereafter, unless either Party gives a written notice of its termination to the other, six months prior to the expiration of the period of its validity.
3. At the request of either Party, this Agreement may be amended in written form by mutual consent.
4. The amendments or termination of this Agreement shall not affect arrangements and contracts already concluded under this Agreement.
5. This Agreement shall apply without prejudice to the obligations flowing from the membership of the Czech Republic in the European Union.
6. This Agreement may not be invoked or interpreted in a way so as to rescind or otherwise affect the obligations, arising from any agreements concluded between the European Economic Community or by the European Community and its Member States on the one part and the Socialist Republic of Vietnam on the other part, inter alia, the Cooperation Agreement between the European Economic Community and the Socialist Republic of Vietnam, signed at Brussels on 17 July 1995, as well as the Protocol on the extension of the cooperation agreement between the European Community and the member countries of ASEAN to the Socialist Republic of Vietnam signed at Singapore on 14 February 1997.

IN WITNESS WHEREOF, the undersigned, being duly authorised for this purpose, have signed this Agreement.

DONE at Prague, this 13th day of September 2005 in two originals in Czech, Vietnamese and English languages, each of these texts being equally authentic. In case of differences in interpretation of this Agreement the English text shall prevail.

**FOR THE GOVERNMENT OF
THE CZECH REPUBLIC**

**FOR THE GOVERNMENT OF
THE SOCIALIST REPUBLIC
OF VIETNAM**

Milan Urban
Minister of Industry and Trade

Truong Dinh Tuyen
Minister of Trade

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Agreement

between the Government of the Czech Republic

and the Government of the Socialist Republic of Vietnam

for the Promotion and Reciprocal Protection of Investment

The Government of the Czech Republic and the Government of the Socialist Republic of Vietnam (hereinafter referred to as the "Contracting Parties"),

Desiring to develop economic co-operation to the mutual benefit of both States,

Intending to create and maintain favourable conditions for investments of investors of one State in the territory of the other State, and

Conscious that the promotion and reciprocal protection of investments in terms of the present Agreement stimulates the business initiatives in this field,

Have agreed as follows:

Article I
Definitions

For the purposes of this Agreement:

1. The term "investment" shall comprise every kind of asset invested in connection with economic activities by an investor of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the latter and shall include, in particular, though not exclusively:

/a/ movable and immovable property as well as any other property rights, such as mortgages, liens or pledges;

/b/ shares, stocks and debentures of companies or any other form of participation in a company;

/c/ claims to money or to any performance under contract having a financial value associated with an investment;

/d/ intellectual property rights, including copyrights, trade marks, patents, industrial designs, technical processes, know-how, trade secrets, trade names and goodwill associated with an investment;

/e/ any right conferred by laws or under contract and any licenses and permits pursuant to laws, including the concessions to search for, extract, cultivate or exploit natural resources.

Any alteration of the form in which assets are invested shall not affect their character as investment.

2. The term "investor" shall mean any natural or legal person who invests in the territory of the other Contracting Party.

/a/ The term "natural person" shall mean any natural person having the nationality of either Contracting Party in accordance with its laws.

/b/ The term "legal person" shall mean, with respect to either Contracting Party, any entity incorporated or constituted in accordance with, and recognized as legal person by its laws, having the permanent seat in the territory of that Contracting Party.

3. The term "returns" shall mean amounts yielded by an investment and in particular, though not exclusively, includes profits, interest, interest related to loans, capital gains, shares, dividends, royalties or fees.

4. The term "territory" shall mean:

a) in respect of the Czech Republic, the territory of the Czech Republic over which it exercises sovereignty, sovereign rights and jurisdiction in accordance with international law;

b) in respect of the Socialist Republic of Vietnam, the territory of the Socialist Republic of Vietnam including the territorial sea and any maritime or submarine area within which the Socialist Republic of Vietnam exercises, in accordance with international law, sovereignty sovereign rights and jurisdiction for the purpose of exploration, exploitation and preservation of the sea-bed, subsoil and natural resources.

Article 2

Promotion and Protection of Investments

1. Each Contracting Party shall encourage and create favourable conditions for investors of the other Contracting Party to make investments in its territory and shall admit such investments in accordance with its laws and regulations.

2. Investments of investors of either Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Contracting Party.

Article 3

National and Most-Favoured-Nation Treatment

1. Each Contracting Party shall in its territory accord to investments and returns of investors of the other Contracting Party treatment which is fair and equitable and not less favourable than that which it accords to investments and returns of its own investors or to investments and returns of investors of any third State, whichever is more favourable.

2. Each Contracting Party shall in its territory accord to investors of the other Contracting Party, as regards management, maintenance, use, enjoyment or disposal of their investment, treatment which is fair and equitable and not less favourable than that which it accords to its own investors or investors of any third State, whichever is more favourable.

3. The provisions of paragraphs 1 and 2 shall not prevent either Contracting Party from setting forth, while admitting an investment of an investor of the other Contracting Party in accordance with its laws and regulations and policies, conditions which deviate from those applied to investments of its own investors.

4. The provisions of paragraphs 1 and 2 of this Article shall not be construed so as to oblige one Contracting Party to extend to the investors of the other the benefit of any treatment, preference or privilege which may be extended by the former Contracting Party by virtue of:

/a/ any customs union or free trade area or a monetary union or similar international agreements leading to such unions or institutions or other forms of regional co-operation to which either of the Contracting Parties is or may become a party;

/b/ any international agreement or arrangement relating wholly or mainly to taxation.

Article 4

Compensation for Losses

1. Where investments of investors of either Contracting Party suffer losses owing to war, armed conflict, a state of national emergency, revolt, insurrection, riot or other similar events in the territory of the other Contracting Party, such investors shall be accorded by the latter Contracting

Party treatment, as regards restitution, indemnification, compensation or other settlement, not less favourable than that which the latter Contracting Party accords to its own investors or to investors of any third State.

2. Without prejudice to paragraph 1 of this Article, investors of one Contracting Party who in any of the events referred to in that paragraph suffer losses in the territory of the other Contracting Party resulting from:

/a/ requisitioning of their property by the forces or authorities of the latter Contracting Party, or

/b/ destruction of their property by the forces or authorities of the latter Contracting Party which was not caused in combat action or was not required by the necessity of the situation,

shall be accorded restitution or just and adequate compensation for the losses sustained during the period of the requisitioning or as a result of the destruction of the property. Resulting payments shall be freely transferable in a freely convertible currency without delay.

Article 5

Expropriation

1. Investments of investors of either Contracting Party shall not be nationalized, expropriated or subjected to measures having effect equivalent to nationalization or expropriation (hereinafter referred to as "expropriation") in the territory of the other Contracting Party except for a public purpose. The expropriation shall be carried out under due process of law, on a non-discriminatory basis and shall be accompanied by provisions for the payment of prompt, adequate and effective compensation. Such compensation shall amount to the value of the investment expropriated immediately before expropriation or impending expropriation became public knowledge, shall include interest from the date of expropriation, shall be made without delay, be effectively realizable and be freely transferable in a freely convertible currency.

2. The investor affected shall have a right to prompt review by a judicial or other independent authority of that Contracting Party, of his or its case and of the valuation of his or its investment in accordance with the principles set out in this Article.

Article 6

Transfers

1. The Contracting Parties shall guarantee the transfer of payments related to investments and returns. The transfers shall be made in a freely convertible currency, without any restriction and undue delay. Such transfers shall include in particular, though not exclusively:

/a/ capital and additional amounts to maintain or increase the investment;

/b/ profits, interest, dividends and other current income;

/c/ funds in repayment of loans;

/d/ royalties or fees;

/e/ proceeds of sale or liquidation of the investment;

/f/ the earnings of personnel engaged from abroad who are employed and allowed to work in connection with an investment in the territory of the other Contracting Party.

2. For the purpose of this Agreement, exchange rate shall be the prevailing rate for current transactions at the date of transfer, unless otherwise agreed.

3. Transfers shall be considered to have been made "without any undue delay" in the sense of paragraph (1) of this Article when they have been made within the period necessary for the technical completion of the transfer by the bank.

Article 7

Subrogation

1. If a Contracting Party or its designated agency makes a payment to its own investors under a guarantee it has accorded in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall recognize:

/a/ the assignment, whether under the law or pursuant to a legal transaction in that country, of any right or claim by the investor to the former Contracting Party or its designated agency, as well as,

/b/ that the former Contracting Party or its designated agency is entitled by virtue of subrogation to exercise the rights and enforce the claims of that investor and shall assume the obligations related to the investment.

2. The subrogated rights or claims shall not exceed the original rights or claims of the investor.

Article 8

Settlement of Investment Disputes between a Contracting Party and an Investor of the other Contracting Party

1. Any dispute which may arise between an investor of one Contracting Party and the other Contracting Party in connection with an investment on the territory of that other Contracting Party shall be subject to negotiations between the parties to the dispute.

2. If any dispute between an investor of one Contracting Party and the other Contracting Party cannot be thus settled, the investor shall be entitled to submit the case at his choice for settlement to:

/a/ to the competent court or administrative tribunal of the Contracting Party which is the party to the dispute;

or

/b/ the International Centre for Settlement of Investment Disputes (ICSID) having regard to the applicable provisions of the Convention on the Settlement of Investment Disputes between States and Nationals of other States opened for signature at Washington D.C. on 18 March 1965, in the event both Contracting Parties shall have become a party to this Convention;

or

/c/ an arbitrator or international ad hoc arbitral tribunal established under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The parties to the dispute may agree in writing to modify these Rules. The arbitral awards shall be final and binding on both parties to the dispute.

Article 9

Settlement of Disputes between the Contracting Parties

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement shall, if possible, be settled through consultations or negotiations.

2. If the dispute cannot be thus settled within six months, it shall upon the request of either Contracting Party be submitted to an Arbitral Tribunal in accordance with the provisions of this Article.

3. The Arbitral Tribunal shall be constituted for each individual case in the following way. Within two months of the receipt of the request for arbitration, each Contracting Party shall appoint one member of the Tribunal. These two members shall then select a national of a third State who on approval of the two Contracting Parties shall be appointed Chairman of the Tribunal (hereinafter referred to as the „Chairman“). The Chairman shall be appointed within three months from the date of appointment of the other two members.

4. If within the periods specified in paragraph 3 of this Article the necessary appointments have not been made, a request may be made to the President of the International Court of Justice to make the appointments. If he happens to be a national of either Contracting Party, or if he is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the appointments. If the Vice-President also happens to be a national of either Contracting Party or is prevented from discharging the said function, the member of the International Court of Justice next in seniority who is not a national of either Contracting Party shall be invited to make the appointments.

5. The Arbitral Tribunal shall reach its decision by a majority of votes. Such decision shall be binding. Each Contracting Party shall bear the cost of its own arbitrator and its representation in the arbitral proceedings; the cost of the Chairman and the remaining costs shall be borne in equal parts by both Contracting Parties. The Arbitral Tribunal shall determine its own procedure.

Article 10

Application of Other Rules and Special Commitments

1. Where a matter is governed simultaneously both by this Agreement and by another international agreement to which both Contracting Parties are parties, nothing in this Agreement shall prevent either Contracting Party or any of its investors who own investments in the territory of the other Contracting Party from taking advantage of whichever rules are more favourable to his case.

2. If the treatment to be accorded by one Contracting Party to investors of the other Contracting Party in accordance with its laws and regulations or other specific provisions of contracts is more favourable than that accorded by the Agreement, the more favourable shall be accorded.

Article 11

Applicability of this Agreement

The provisions of this Agreement shall apply to future investments made by investors of one Contracting Party in the territory of the other Contracting Party, and also to the investments existing in accordance with the laws of the Contracting Parties on the date this Agreement came into force.

Article 12

Entry into force, Duration and Termination

1. Each of the Contracting Parties shall notify the other of the completion of the procedures required by its law for bringing this Agreement into force. This Agreement shall enter into force on the date of the second notification.

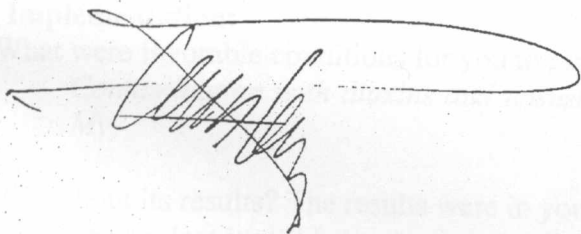
2. This Agreement shall remain in force for a period of ten years. Thereafter, it shall remain in force until the expiration of a twelve month period from the date either Contracting Party notifies the other in writing of its intention to terminate the Agreement.

3. In respect of investments made prior to the termination of this Agreement, the provisions of this Agreement shall continue to be effective for a period of ten years from the date of termination.

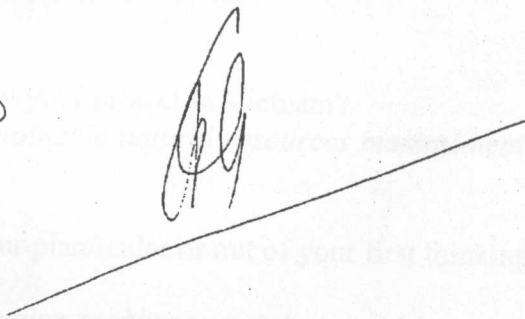
IN WITNESS WHEREOF, the undersigned duly authorized have signed this Agreement.

DONE in duplicate at *Hanoi*, this *25th* day of *November*, 1997, in the Czech, Vietnamese and English languages. In case of any divergence of interpretation the English text shall prevail.

For the Government
of the Czech Republic



For the Government
of the Socialist Republic of Vietnam



Annex No. 4: Questionnaires for Thesis (Sample)

Ref: **The Bilateral Economic Relation between Czech Republic and Vietnam**

Project: Rehabilitation and Sustainable Development of Forest in Phong My Commune

Doer: Tran Thanh Huong, IEPS-Charles University, Prague

For: Mr. Ing. Lucie Dolezalova, Project Manager

1. Time of Project: What time it started and what time it finish?

Started 2007, will be finished in 2009.

2. Finance: How about total budget? And its financial sources?

Budget 7 990 000 CZK.

Financed by the government of the Czech Republic - Czech Development Cooperation Program, managed by the Ministry of Agriculture, Czech Republic.

3. Place: Why did you do your project in Phong Dien, Thua Thien Hue? Had you done research before you started it and why do not you do in other location in Vietnam?

No research done by Mott MacDonald –The location was selected by Vietnam representatives and approved by the Czech Government Representatives during their mission in Vietnam.

Mott MacDonald could not change the location as this location was obligatory for the project and Vietnam and the Czech Republic insisted on doing the project in this location.

4. Implementation:

- What were favorable conditions for you to run your project in Vietnam?

Contamination with dioxins and unsustainable natural resources management in Phong My.

- How about its results? The results were in your plan/under or out of your first thinking?

The project is still being implemented.

The project had to overcome several major problems, mainly caused by corruption and political issues.

However all major problems were overcome and the results are so far satisfactory and according to the original plan. Priority areas for reforestation were selected and greening plan prepared together with local partner and community. Also forest inventory was satisfactory finished. Transfer of know how in natural resources management, forest inventory and forest management is going according to our plan.

- Did you get any trouble or difficulties? What were they? And what were reasons?

On the Vietnamese side:

1. Long administrative procedures – it took one year to get our project approved
2. No cooperation of the district - no will to conduct any sustainable project. Basically the approach “give us the money and leave” was taken by the district. A lot of project money had to be spent on meetings and discussions which did not lead anywhere as there was no will to cooperate. The district did not allowed us to work in the target area.
3. Original local partner (CRD under University of Hue) was unable to help with the problems.

On the Czech Side:

1. Difficult financial procedures – As the project was delayed, the money for year 2007 could not be spent and had to be transferred back to the ministry of finance. It took several months to get the money back on the project which even caused further delay of the project activities.

- How to solve them?

Central government in Hanoi had to be contacted. Project partner had to be changed. After we got the official project agreement from MARD everything went smoothly and the district stopped to be restricting our project activities. Nowadays the cooperation with community and the new local partner (FIPI – Forest Inventory and Planning Institute) is active and with no problems.

Lesson learned: It is highly recommended to obtain the support and agreement of the central government before the project is officially started.

5. In future, will you run any ODA project in Vietnam? And in your idea, how to do it better?

As we are now familiar with the local procedures and situation in Vietnam we would like to run another project in Vietnam. The cooperation between the Czech republic and Vietnam has a long tradition and if there is a good local partner and a good cooperation from the local community the projects are very interesting and beneficiary for both sides.

How to do it better:

Select a dependable project partner on Vietnamese side right from the beginning.

Get the approval from the central government before the project is officially started.

The project should be actually formulated by the project executor together with the local community and local partner. The government representatives of course would then have to be consulted and would have to approve the project however the project identification and formulation should come from the executor and final beneficiary level.

If you have any report of the project, could you please give me one copy?

The report is a property of the Czech Ministry of Agriculture. You can ask them to provide you with a copy.

Thank you very much for your sharing with me.
Good luck! Thanh Huong.