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Business Development and Support Division, DBEDT

DOING BUSINESS WITH VIETNAM: BUSINESS AND INVESTMENT OPPORTUNITIES

Mr. Giang Tung
Consul in Charge
Investment Opportunities

November 13, 2013

DBEDT
THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
STATE OF HAWAII



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Bank of Hawaii

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INVEST IN VIETNAM

GIANG THANH TUNG
Consul in charge of investment promotion
Consulate General of Vietnam in San Francisco

HAWAII – 2013

INVEST IN VIETNAM

1. Reasons to invest in Vietnam
2. FDI performance in Vietnam
3. Investment policies, incentives and procedures



REASONS TO INVEST IN VIETNAM



WHY VIETNAM ?

Reason 1: Strategic geographic location

Located in the center of Southeast Asia, gate-way to East-Asia and close to international shipping routes *

- Area: 128,065 sq. mi
- Coastline: 2,026 miles



WHY VIETNAM ?

Reason 2: Young and energetic population

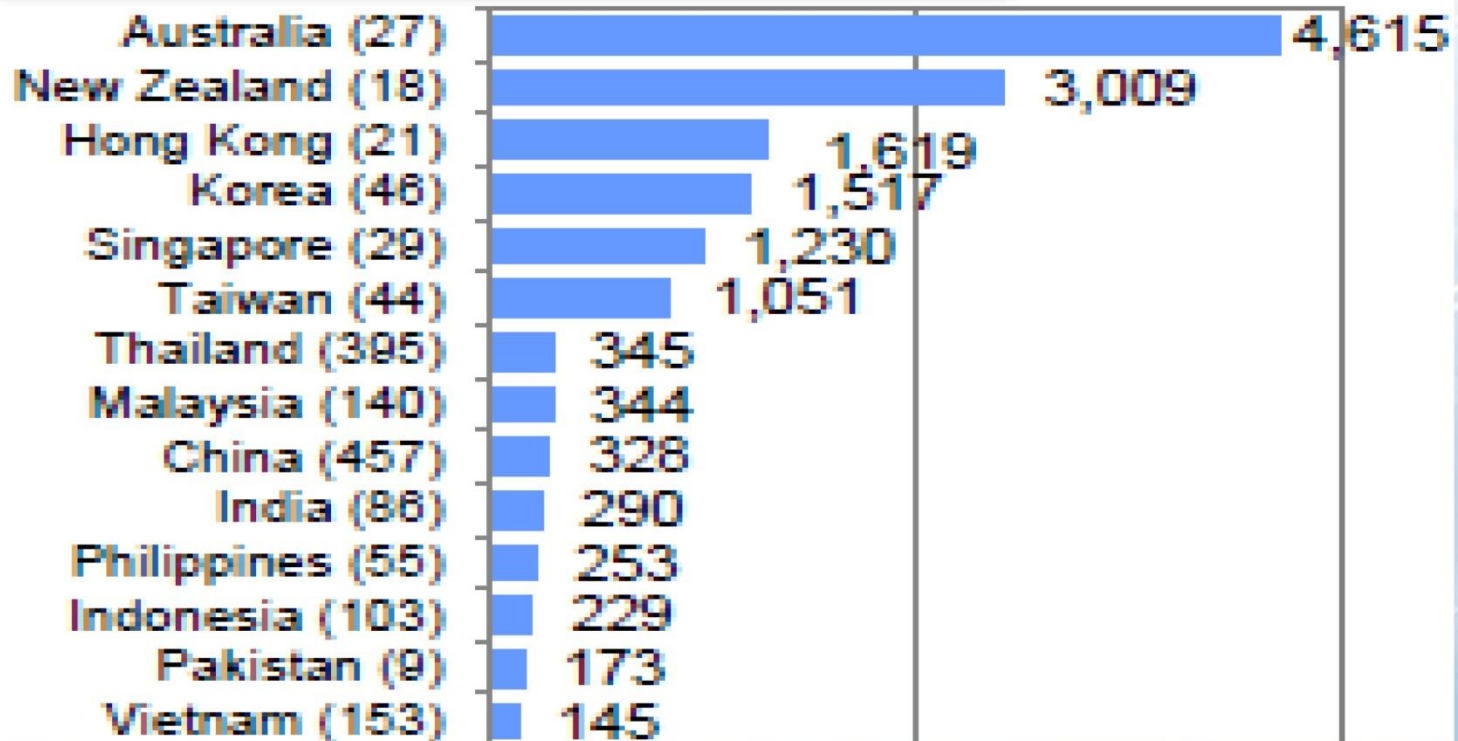
- ❖ 14th most populous in the world with 90 million population, expected to grow to 100 million in 2020.
- ❖ 60% of the population is 35 years or younger.
- ❖ Motivated and educated workforce, prepared to serve in high skilled industries at a more competitive cost than other countries in the region.
- ❖ This means:
 - Potential growing market
 - Abundant human resources
 - Competitive labor cost

MONTHLY WAGE

(Source: JETRO Survey, December 2012)

Workers, Manufacturing

Unit: US\$



MONTHLY WAGE

(Source: JETRO Survey, December 2012)

Engineers, Manufacturing

Unit: US\$

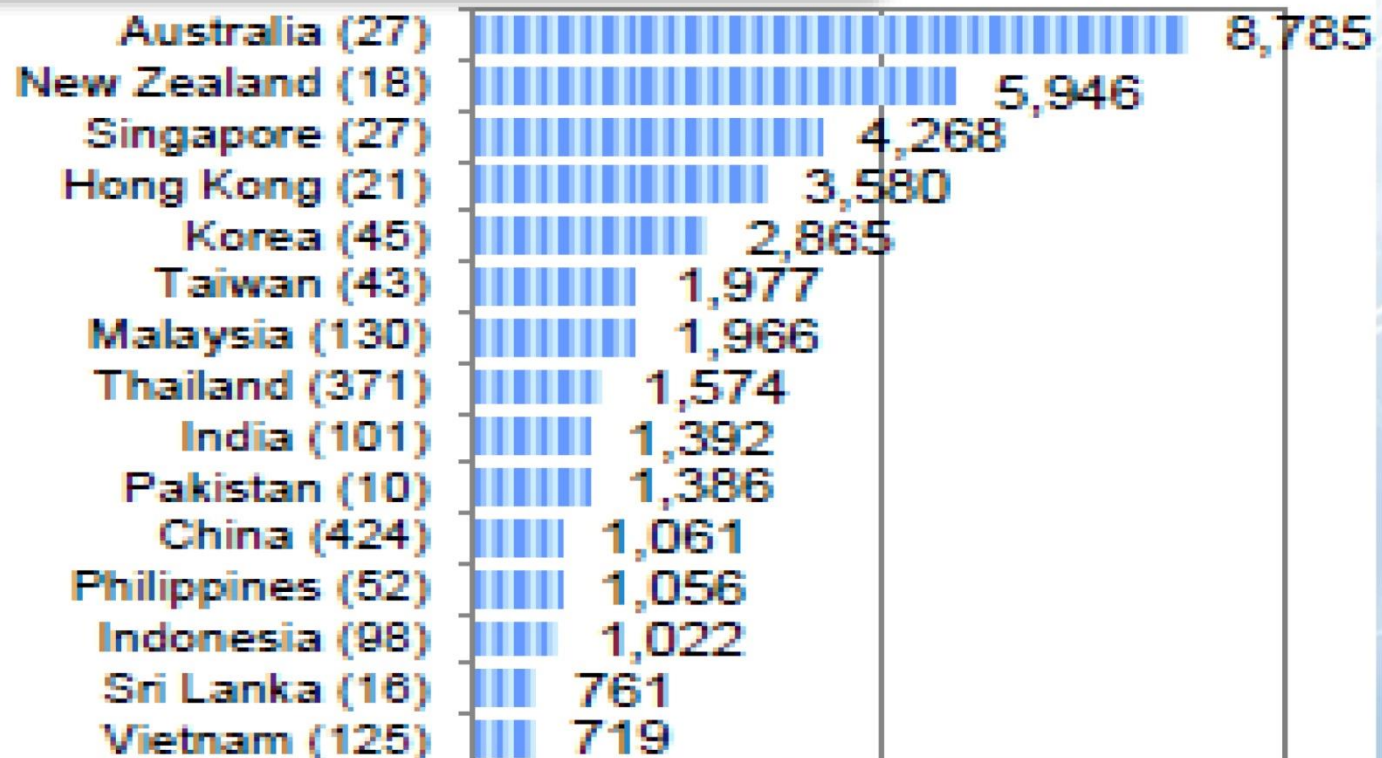
Australia (24)	6,895
New Zealand (15)	4,630
Singapore (26)	2,325
Hong Kong (12)	2,263
Korea (44)	2,076
Taiwan (37)	1,376
Malaysia (130)	944
Thailand (367)	698
India (87)	658
Pakistan (10)	638
China (409)	579
Philippines (54)	431
Indonesia (91)	420
Sri Lanka (15)	368
Laos (7)	336
Vietnam (130)	315

MONTHLY WAGE

(Source: JETRO Survey, December 2012)

Managers, Manufacturing

Unit: US\$



WHY VIETNAM ?

Reason 3: Abundant natural resources

- ❖ Since it began offshore oil exploration in the 1970s, Vietnam has become a net exporter of crude oil.
- ❖ Abundant mineral & natural resources: iron ore, tin, copper, lead, zinc, nickel, manganese, marble, titanium, tungsten, bauxite, graphite, mica, silica sand, limestone and coal.

WHY VIETNAM ?

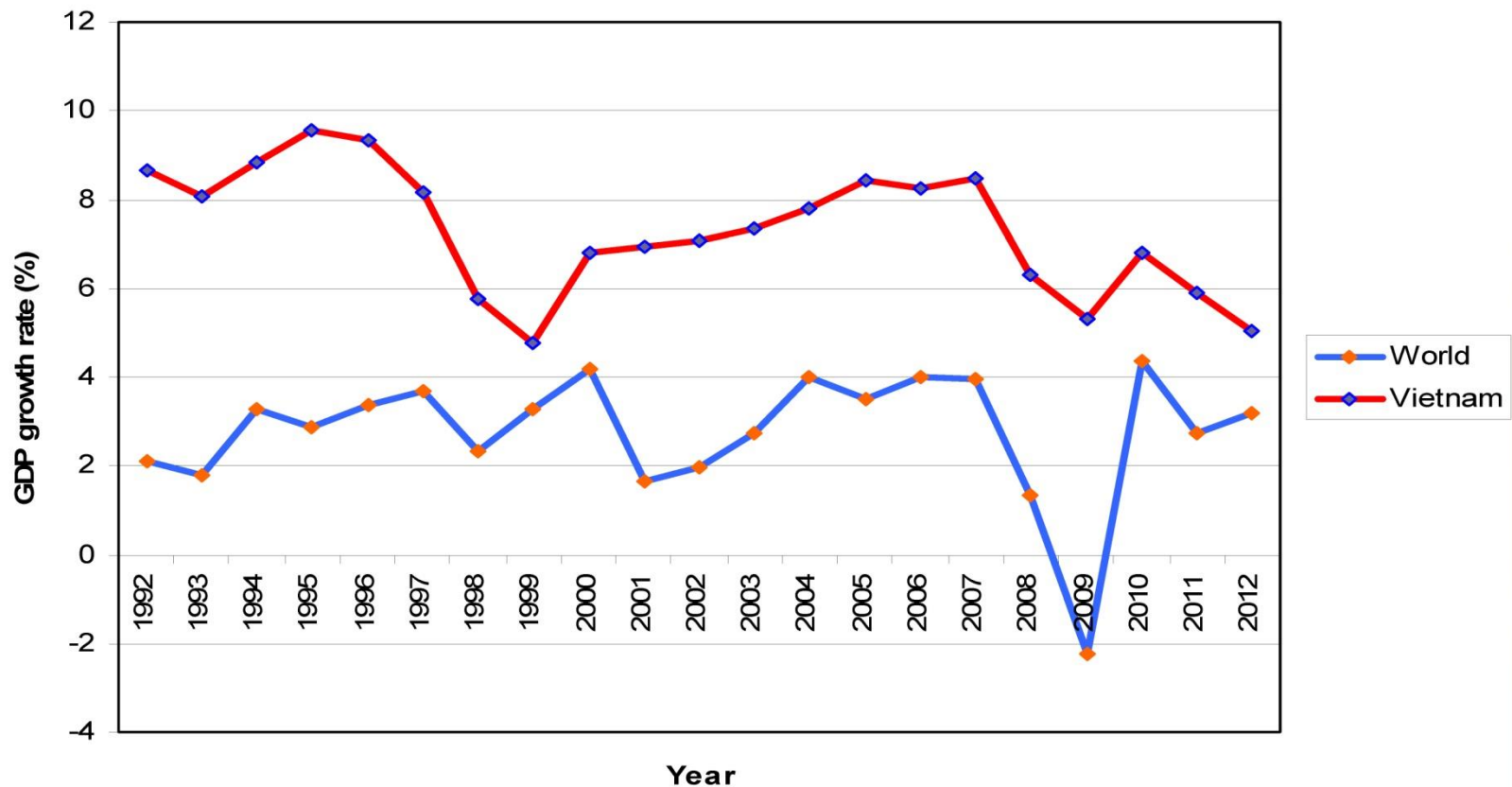
Reason 4: Political and social stability

- ❖ It is widely acknowledged that Vietnam has a stable political and social environment.
- ❖ According to the 2013 Global Peace Index by the Institute for Economics and Peace (IEP), a global non-profit research organization, Vietnam is ranked 41 out of 162 countries in term of national peacefulness and security (the U.S.: 99/162, China: 101/162, France: 53/162, UK: 44/162, Thailand: 130/162, Indonesia: 54/162, Philippines: 129/162).

**

WHY VIETNAM ?

Reason 5: High economic growth Average annual GDP growth rate of 7.5% for 1992-2012



WHY VIETNAM ?

Reason 6: Active global integration

- ❖ Vietnam offers huge business and investment opportunities when liberalizing its market and joining global and regional organizations:
 - Member of ASEAN since 1995 (AFTA, AIA...)
 - Member of APEC since 1998
 - Signed BTA with the US in 2001
 - Member of WTO since 2007
 - Negotiating a high-standard, ambitious, 21st-century Trans-Pacific Partnership (TPP) agreement with Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and the U.S.. This agreement will enhance trade and investment among the TPP partner countries.

WHY VIETNAM ?

Reason 7: Improved investment environment

- ❖ “World Investment Report 2013” of the United Nations Conference on Trade and Development (UNCTAD) ranked Vietnam among TNCs’ top prospective host economies for 2013-2015 (11th position).
- ❖ 2013 Global Manufacturing Competitiveness Index, a collaboration between Deloitte Touche Tohmatsu Limited and the U.S. Council on Competitiveness: in five years “Vietnam moves into the top 10 as the tenth most competitive nation”.
- ❖ HSBC January 2013 Report: “Relative to GDP, Vietnam attracts the second most FDI in ASEAN after Singapore. This is because its wages are the cheapest among major ASEAN countries and its business environment is more competitive than India, the Philippines and Indonesia”.

FDI ATTRACTION INDEX AND FDI POTENTIAL INDEX MATRIX – UNCTAD – WIR 2012

		Above expectations	In line with expectations	Below expectations
FDI Attraction Index	High	Chad, Liberia, Madagascar, Niger	Albania, Bahamas, Congo, Congo (Democratic Republic of), Equatorial Guinea, Jordan, Lebanon, Luxembourg, Mongolia, Mozambique, Zambia	Bulgaria, Ghana, Ireland, Israel, Nigeria, Norway, Panama, Turkmenistan, Uruguay
	1st quartile			Australia, Belarus, Belgium, Brazil, Chile, China, Colombia, Hong Kong (China), Kazakhstan, Malaysia, Peru, Poland, Russian Federation, Saudi Arabia, Singapore, Switzerland, Ukraine, United Kingdom, Viet Nam
	2nd quartile	Armenia, Cambodia, Guinea, Nicaragua, Saint Vincent and the Grenadines, Solomon Islands	Costa Rica, Georgia, Honduras, Kyrgyzstan, Libya, Maldives, Malta, Namibia, Seychelles, Sudan, United Republic of Tanzania	Brunei Darussalam, Croatia, Dominican Republic, Egypt, Estonia, Iraq, Portugal, Qatar, Serbia, Tunisia, Uzbekistan
	3rd quartile	Antigua and Barbuda, Belize, Cape Verde, Central African Republic, Djibouti, Dominica, Fiji, Grenada, Guyana, Mali, São Tomé and Príncipe, Vanuatu	Barbados, Botswana, Cameroon, Lao People's Democratic Republic, the former Yugoslav Republic of Macedonia, Mauritius, the Republic of Moldova, Myanmar, Uganda, Zimbabwe	Austria, Canada, Czech Republic, France, Germany, Hungary, India, Indonesia, Mexico, Netherlands, Romania, Spain, Thailand, Turkey, United Arab Emirates, United States
	4th quartile	Afghanistan, Benin, Bhutan, Burkina Faso, Burundi, Comoros, Côte d'Ivoire, Eritrea, Gambia, Guinea-Bissau, Haiti, Kiribati, Lesotho, Malawi, Mauritania, Nepal, Rwanda, Samoa, Sierra Leone, Suriname, Swaziland, Togo, Tonga	Angola, Bangladesh, Bosnia and Herzegovina, El Salvador, Ethiopia, Kenya, Papua New Guinea, Paraguay, Senegal, Tajikistan, Yemen	Algeria, Azerbaijan, Bolivia (Plurinational State of), Denmark, Gabon, Guatemala, Iceland, Jamaica, Latvia, Morocco, Oman, Pakistan, Syrian Arab Republic, Trinidad and Tobago
Low				Bahrain, Ecuador, Greece, Kuwait, Lithuania, New Zealand, Philippines, Slovakia, Slovenia, Sri Lanka
		4th quartile	3rd quartile	2nd quartile
		Low		High
		FDI Potential Index		

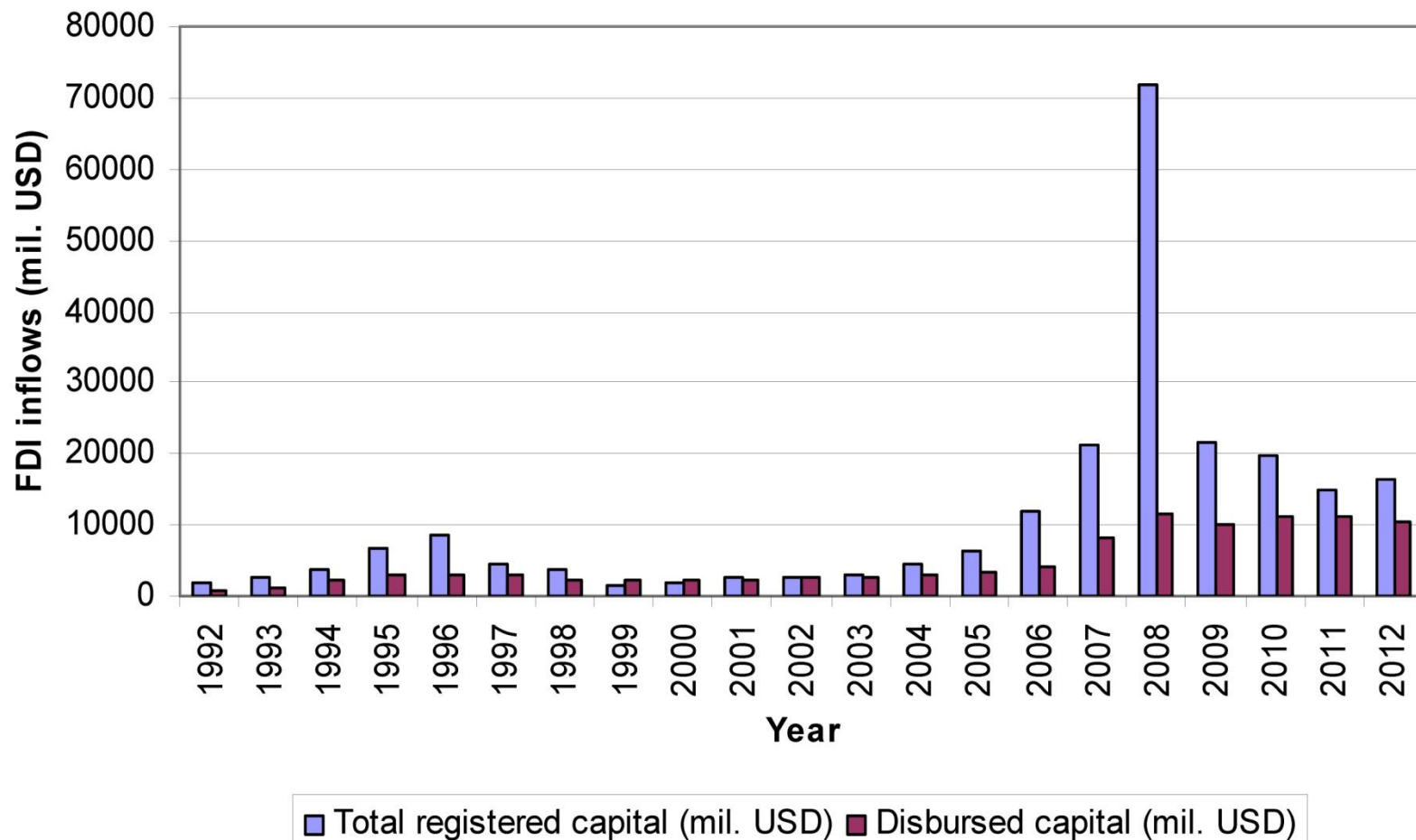
Source: UNCTAD.

CURRENT FDI PERFORMANCE IN VIETNAM

- ❖ As of October 20, 2013, there are 15,475 FDI projects in operation with total registered investment of US\$227.5 billion.
- ❖ 100 countries have invested in Vietnam.
- ❖ FDI sector contributes 19% to GDP, 64% to export volume (crude oil included), 45% to industrial output.
- ❖ FDI creates 2 million direct jobs and 3-4 million indirect jobs.

FDI INFLOWS TO VIETNAM

1992-2012



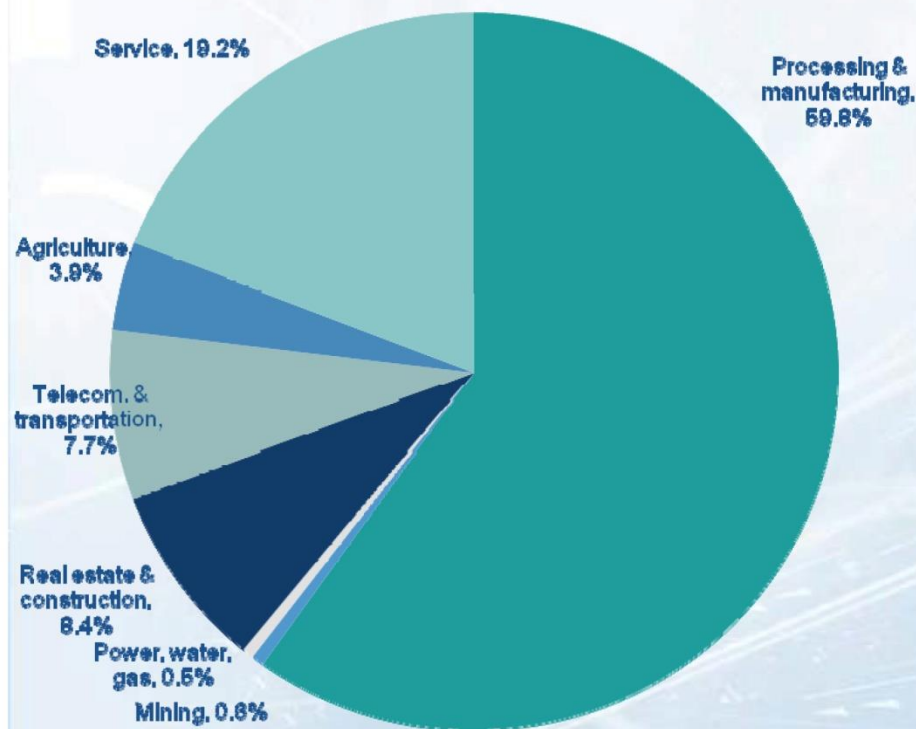
TOP 10 INVESTORS

(As of October 20, 2013)

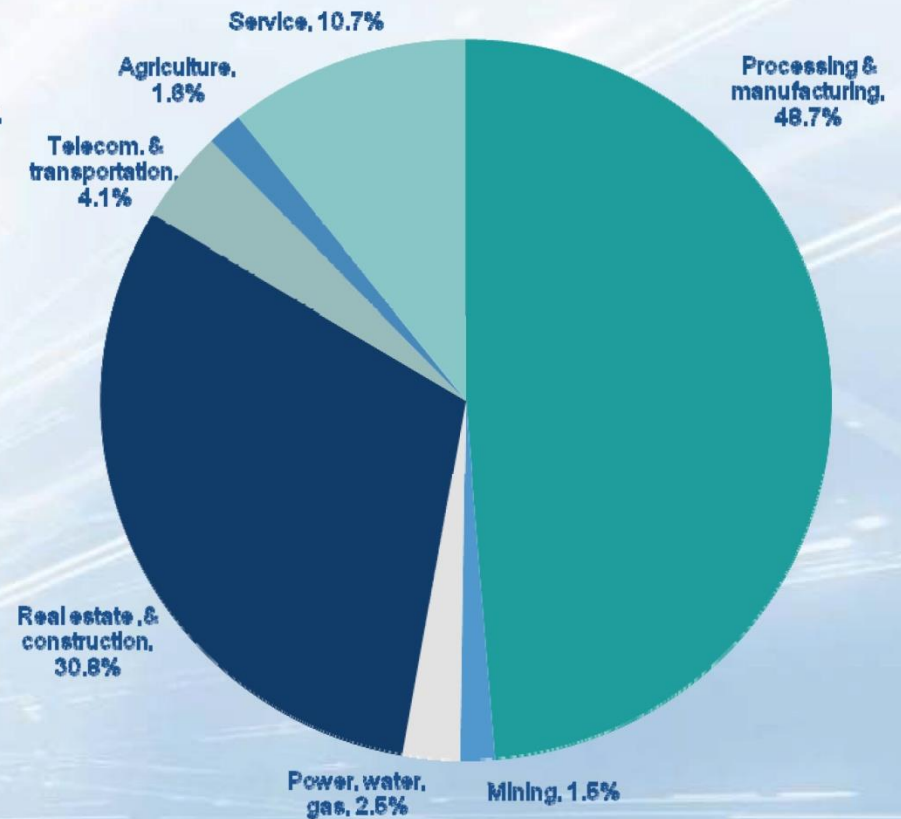
No	Investors	Number of projects	Registered capital (US\$ mil)
1	Japan	2072	33,665.12
2	Singapore	1199	28,875.31
3	Republic of Korea	3480	28,711.09
4	Taiwan	2278	27,784.79
5	British Virgin Islands	515	15,411.87
6	Hong Kong	750	12,550.63
7	USA	670	10,602.85
8	Malaysia	447	10,320.00
9	China	961	6,942.31
10	Thailand	324	6,445.38
10	Others (90)	2779	46,240.12
	Total	15,475	227,549.47

FDI BY SECTORS

Project number



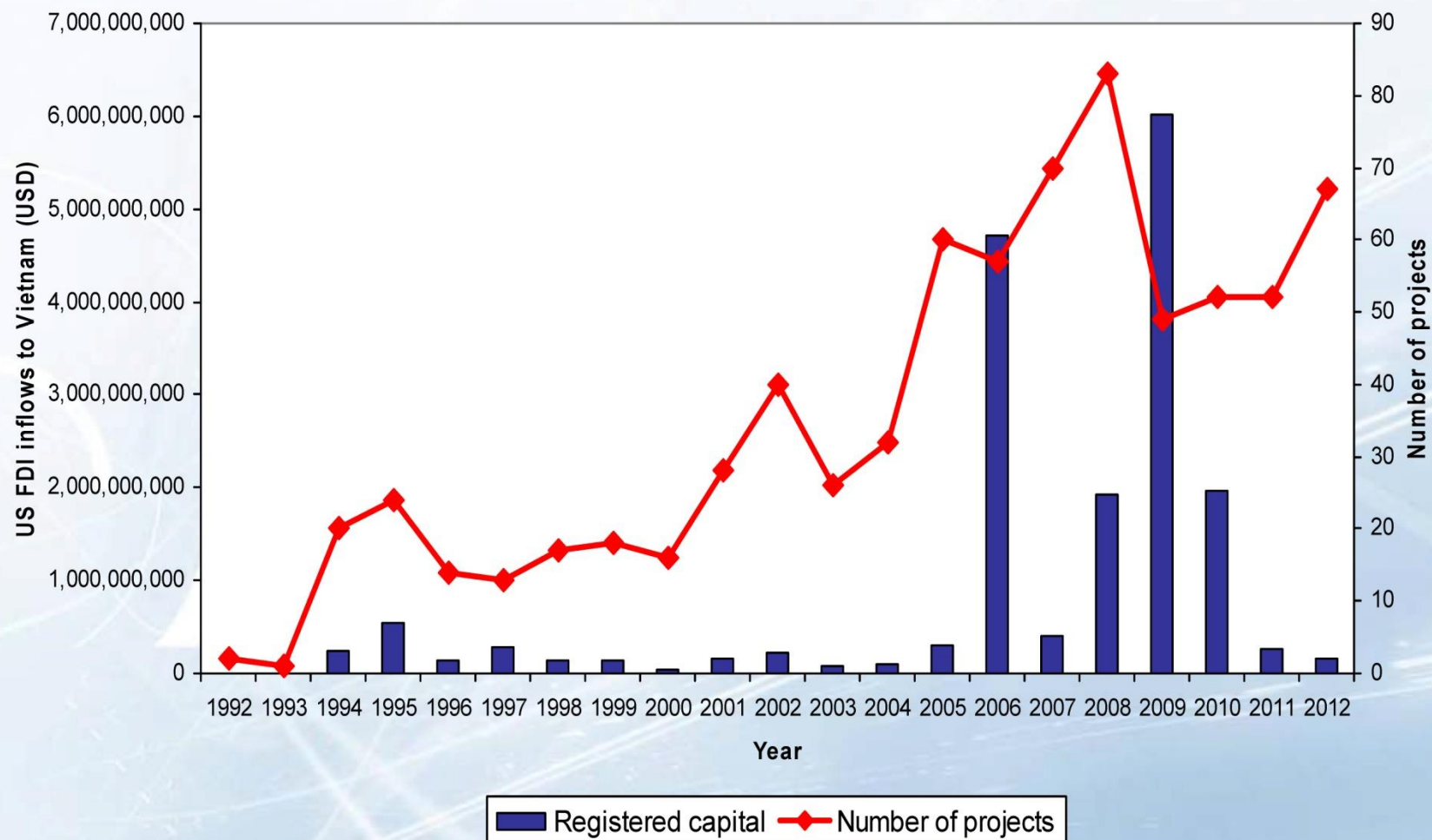
Registered capital





US FDI IN VIETNAM

1992-2012





US FDI IN VIETNAM

- ❖ US is the 7th largest investor in Vietnam with 670 projects with total registered investment capital of \$10.6 billion.
- ❖ These figures do not include investments of many US companies made through their subsidiaries and branches in Asia.
- ❖ US companies are investing in Vietnam in many sectors, including infrastructure, manufacturing, energy, mining, banking and finance services, healthcare, human resource development, food processing.

HOYA



Coca-Cola



Nestlé

Good Food, Good Life



Unilever



SONY

HSBC



bp



Leap ahead™

Canon



ExxonMobil

P&G

CISCO

TOYOTA

Taking on the world's toughest energy challenges.

Panasonic ideas for life

IBM

citi

sojitz



Sumitomo Corporation



MUFG

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

BOEING



Cargill

Chevron



2013-2020 ECONOMIC RESTRUCTURING PLAN

- ❖ PM has just approved the Master Plan on Economic Restructuring for 2013-2020, with a growth model change towards higher growth quality, efficiency and competitiveness.
- ❖ The plan will focus on reorganizing:
 - Public investment
 - Credit organizations
 - State-owned enterprises
- ❖ The implementation of the Master Plan will enhance the competitiveness of the economy and create huge opportunities for private investment, including foreign investment.

FDI POLICY TARGETS AND DIRECTIONS

- ❖ To attract selectively FDI projects, especially those using high technology and clean energy that consume less energy, have high added value and high socio-economic benefits.
- ❖ To improve the investment environment towards higher competitiveness in line with the economic restructuring plan and growth model renovation.
- ❖ To mobilize and increase resources to invest in infrastructure; improve the quality of human resources; streamline regulations on investment and business.

INVESTMENT OPPORTUNITIES FOR US INVESTORS

- ❖ Infrastructure & transport (roads, railways, seaports, airports, logistics...)
- ❖ Manufacture of new materials, new energy, high-tech products, bio-technology, information technology, environment friendly technology
- ❖ Supporting industries
- ❖ Education, training, human resource development
- ❖ Energy, petrochemical industry, mining and processing of minerals
- ❖ Manufacturing and processing in industrial, economic and high tech zones
- ❖ Agriculture and seafood processing
- ❖ Real estates (residential & commercial buildings, hotels & resorts)
- ❖ Labor intensive industries

INVESTMENT GUARANTEES

- ❖ No nationalization or confiscation of investors' assets (committed in the Law on Investment and the BTA).
- ❖ Remittance of capital and assets abroad.
- ❖ Protection of intellectual property rights.
- ❖ Investment guarantees in the event of changes in law or policies:
 - Non-retroactivity of less favorable regulations
 - Retroactivity of more favorable regulations

INVESTMENT INCENTIVES

Sectors targeted by incentives

- ❖ Manufacture of new material, new energy, high-tech products, biotechnology, information technology
- ❖ Infrastructure development
- ❖ Agriculture, forestry and aquaculture
- ❖ Labor intensive industries
- ❖ Education, training, healthcare

Geographical areas targeted by incentives

- ❖ Areas with difficult socio-economic conditions; areas with specially difficult socio economic conditions.
- ❖ High-tech zones and economic zones.

INVESTMENT INCENTIVES

- ❖ Corporate Income Tax (CIT)
 - ✓ Standard CIT rate of 25% shall be reduced to 22% from January 01, 2014 and to 20% from January 01, 2016.
 - ✓ Preferential CIT rates of 10% or 20% applicable for a period from 10 years up to the whole operation duration.
 - ✓ CIT exemption for a period of up to 4 years.
 - ✓ CIT 50% reduction for a period of up to 9 following years.
- ❖ No profit remittance tax
- ❖ Exemption of import duty on equipment, materials, means of transportation and other goods for project implementation.
- ❖ Exemption from or reduction of land use fees, land rental.

INVESTMENT PROCEDURES



CONDITIONAL SECTORS FOR FOREIGN INVESTORS

- 1. Radio and television broadcasting**
- 2. Production, publishing and distribution of cultural products**
- 3. Mining and processing of minerals**
- 4. Telecommunications and internet services**
- 5. Public post network, post and delivery services**
- 6. Construction and operation of ports and airports**
- 7. Transport of goods and passengers**
- 8. Fishing**
- 9. Production of tobacco**
- 10. Real estate**
- 11. Import, export and distribution**
- 12. Education and training**
- 13. Hospitals and clinics**
- 14. Other sectors as per international treaties**



Invest in Vietnam

Thank you !

Contact:

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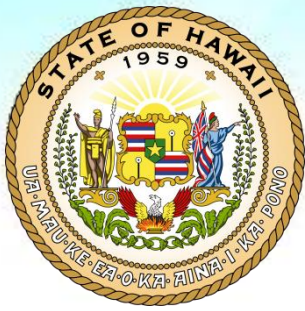
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- Featuring -

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