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Business Development and Support Division, DBEDT

DOING BUSINESS WITH VIETNAM: BUSINESS AND INVESTMENT OPPORTUNITIES

Mr. Hoang Kim Son
Consul in Charge

Trade Export and Import Opportunities Between Vietnam and Hawaii

November 13, 2013

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



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*Vietnam

The Land of Opportunities



“Since resumption of trade relations in the 1990s, Vietnam has rapidly risen to become a significant trading partner for the U.S.”

-US-Vietnam Economic and Trade Relations, Congress 2010

- * Bilateral Trade Agreement (BTA)
- * World Trade Organization (WTO)
- * Trans-Pacific Strategic Economic Partnership Agreement (TPP)



* Vietnam-U.S.
Bilateral Relations



* Business Environment: Why Vietnam?





“We know Vietnam can deliver growth, the question is control and restructuring. The new focus by the government on ‘quality, sustainable’ is just the medicine”

**-UBS Stabilization report
2011**

Vietnam is among the world’s top-10 improved business performers in 2010.

**World Bank, Doing Business
report**

ADDRESSING THE WEAK AREAS

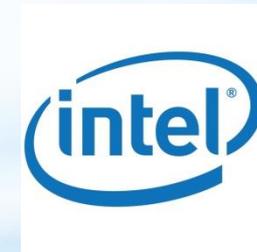
- *Vietnam is taking action to increase the ease of doing business**
- *Government aims to reduce red tape**
- *Infrastructure projects to reduce traffic congestion and improve mobility**

***Why Vietnam?**



All of these companies are highly involved in Vietnam trade and investment

- There is opportunity and support for manufacture of high tech products
- Vietnamese have a very positive view of American consumer products



* U.S. Companies in Vietnam



*Trade





“Vietnam’s dynamic economy provides a wide range of export opportunities for foreign companies”

-Tony Burchill, Senior Trade and Investment Commissioner for Austrade; Business Advantage



*TRADE



***Where is Vietnam's rank in World's commodity and manufacturing goods?**

***Vietnam is World's Exporter:**

***No. 1: Coffee, Cashew Nut, Black Pepper and Rice**

***No. 4: Natural Rubber**

***No. 5: Textiles and Apparel**

***No. 7: Footwear and Seafood**

***In our list of export products there are 24 export items which surpass \$1 Billion each per year. Of which, 6 items surpass \$6 Billion each per year. Last year, we exported to the US: \$7.46 Billion of Textiles and Apparel; \$2.24 Billion of Footwear; \$1.70 Billion of Wood Furniture and \$1.17 Billion of Seafood and Aquaculture Products.**



A TRADE-BASED ECONOMY

- * Exports make up around 80% of Vietnam's GDP
- * Bilateral trade grew from \$50 million in 1995 to \$24.5 billion in 2012. A 490 times increase.
- * Vietnam is increasingly importing from the U.S.

Agricultural Exports

- Rice
- Coffee
- Pepper
- Cashews
- Seafood

Other Exports

- Textiles
- Furniture
- Rubber
- Footwear
- Electrical Machinery

* U.S.-Vietnam Trade



* Vietnam's main imports include:

- * Machinery and equipment
- * Petroleum products
- * Fertilizer
- * Steel
- * Cotton and grain
- * Hi-tech, parts for assembly in export processing



* Imports



IMPORT TARIFFS

- * U.S. receives most favored nation (MFN) tariff rates because of Bilateral Trade Agreement.
 - * These rates are 50% lower than ordinary tariffs
- * Exemptions from tariffs granted if goods are:
 - * For purpose of national security and defense, science, education, and training
 - * Equipment, machinery and facilities for investment projects (both domestic and foreign)
 - * For development/implementation of foreign investment projects

* Trade Regulations



- * Information technology hardware and software
- * Building and construction materials
- * Machinery
- * Power generation, transmission and distribution
- * Technology for artificial insemination, new seeds and breeds of animals
- * Bio-technology



* Opportunities for
Trade



- * Special economic zones that specialize in the manufacturing of industrial products
- * Has defined geographical boundaries
- * Strategic locations with close proximity to multiple national and international transportation networks
- * Accessibility to utility supply
- * Tax and investment incentives
- * Quicker administrative procedures
- * Customs advantages
- * Prominent destinations for investors seeking places for manufacturing base



* Industrial Parks



* Vietnam Embassy, Washington, D.C.

www.vietnamembassy.us

* Vietnam Trade Office, Washington D.C.

www.vietnam-ustrade.org

* Branch of Vietnam Trade Office in
Houston, Texas

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* Branch of Vietnam Trade Office in
San Francisco

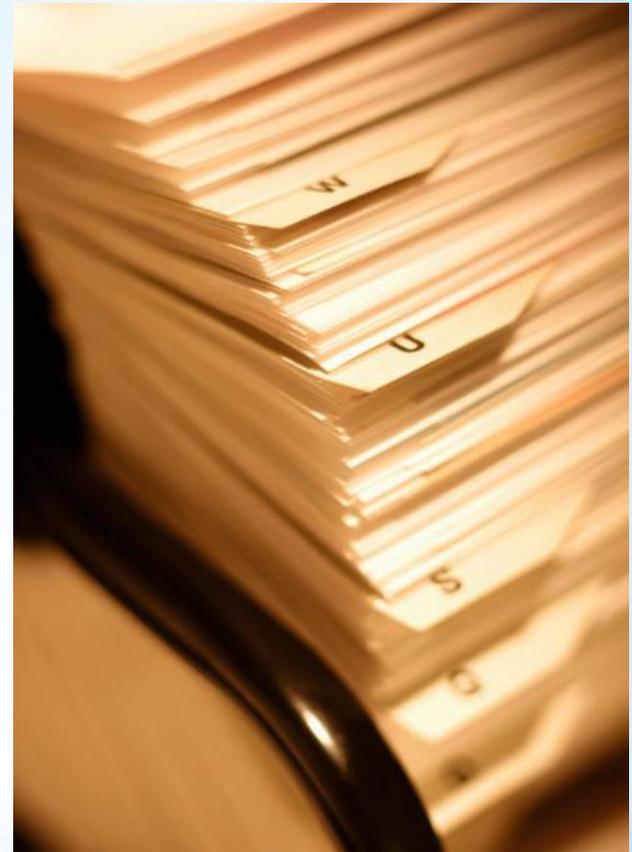
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* Ministry of Planning and Investment

www.mpi.gov.vn

* Ministry of Industry and Trade

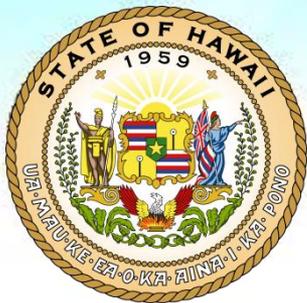
www.moit.gov.vn



* **Contacts**



Thank you !



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Import and export policies and trade relations with other countries VN

The context

- **World**
 - But political instability
 - Prolonged economic crisis -> spending cuts
 - Eurozone Crisis
- **In Countries**
 - Purchasing power leveled off -> high inventory
 - Export markets difficult
 - Access to bank loans is limited
 - Increases in input costs
 - Enterprises operating in moderation
- **State focusing on solving business**
 - 13/CT-BCT Directive on 08/17/2012 by the Ministry of Industry and Trade

Export 8, 2013

- **Country: 85.163 billion US \$**
 - increase 15.1 percent over the same period 2012
- **Domestic capital enterprise: 28.708 billion US \$**
 - increased 3% over the same period of 2012
 - by 33.7% of the total EXPORT turnover of the country
- **Foreign capital enterprise: 56.455 billion US \$**
 - increased 22.4% over the same period of 2011
 - by 66.3% of the total EXPORT turnover of the country

The export team

- Agricultural products, fishery products: 13.046 billion US \$
 - Decreased 7.7% of turnover in the same period 2012
 - accounted for 15.3% of total aquaculture
- Fuel, minerals: Convention 6.469 billion US \$
 - Decreased 16.4% compared to the same period 2012
 - accounting for 7.6% of the total aquaculture

The export team

- Industrial goods: 59.357 billion US \$
 - boost 12.341 billion US dollars from the same period 2012 (26.2%) played a significant role in EXPORT growth
 - many products emerged: telephones and accessories rose 80.8%, computers, electronics and components increased 42.1%
 - large contributions from foreign-owned businesses
 - Up 24.8% of plastic products, turnover increased 11.9%, iron and steel products rose 15.2 and 12.9%
 - textiles, footwear, good growth (16.8% and 15%)

The export market (8 months)

- **Asia: 42. 805.2 billion US \$**
 - increased 12.3% compared to the same period 2012
 - ASEAN: 6, 443.8 billion US dollars, an increase of 13.6 percent over the same period 2012
- **Europe: 18.228 billion US \$**
 - increased 24.4% compared to the same period 2012
 - The EU-15. 833.6 billion US dollars, an increase of 25% over the same period of 2012
- **Americas: 17. 726.5 billion US \$**
 - increased 18% from the same period 2012
 - United States: 15. 142.4 billion US dollars, up 16.7 percent from the same period 2012
 - Pepper: 147.3 million US dollars, up 80.3 percent, cashew nuts: 367.8 million, an increase of 36.1 percent, plastic products: 136.3 million, an increase of 23.6%, iron and steel products: 312.7 million, an increase of 8.3%, shoes 1. 7197 billion, an increase of 18.4%, textiles: 5. 635.3 billion, an increase of 13.8%, wood products: 1, 236.8 billion, an increase of 7.8%, mobile phones and accessories: 186.4 million, increased 85%, crude oil: 381.7 million US dollars, up 88.6%

The export market (8 months)

- Africa: 1. 332.9 billion US \$
 - Increased 9.2% compared to the same period 2012
- Oceania: 2. 240.5 billion US \$
 - increased 12.4% compared to the same period 2012

Review about exporting

- EXPORT cargo volume increased, many items involved in Group turnover of 1 billion US \$ and over
- EXPORTING to countries with FTAS are all rising-> join FTA starts work
- To narrow the deficit, reaches to balance trade balance

Import 8, 2013

- **Country: 84.987 billion US \$**
 - increased 14.4% compared to the same period 2012
- **Domestic capital enterprise: 36.988 billion US \$**
 - Increased 3.7% over the same period of 2012
 - by 43.5% of the total IMPORT turnover of the country
- **Foreign capital enterprise: 47.999 billion US \$**
 - increased 24.3% compared to the same period 2012
 - with 56.5% of the total IMPORT turnover of the country

The group imports

- **Every group need import: 74.757 billion US \$**
 - increased 14.2% compared to the same period 2012
 - accounting for 88% of the total IMPORT turnover
- **Every group should control the import: 2.959 billion US \$**
 - Increased 2.9% compared to the same period 2012
 - accounted for 3.5 percent of the total IMPORT turnover
- **Group limit import: 3.863 billion US \$**
 - increased 14.7% compared to the same period 2012
 - accounting for 4.5% of the total IMPORT turnover
 - automobiles, motorcycles, mobile phones, consumer goods
 - Other commodity groups: 3.408 billion u.s. dollars, up 31.4 percent, accounting for 4% of the total IMPORT turnover

The import market (2013)

- **Asia: 68.604 billion US \$**
 - Increased 16.7% compared to the same period 2012
 - ASEAN: 14, 034.3 billion, an increase of 2.3% over the same period of 2012, China: 23, 368.8 billion, an increase of 27.8%, India: 1.904 billion dollars, up 32.6 percent, Hong Kong: 702.6 million, an increase of 20.9%, Taiwan: 6, 042.9 billion, an increase of 7.8%, Indonesia: 1.417 billion, down 1.8%, Malaysia: 2, 608.7 billion, an increase of 18.7%, S'pore: 987.4 billion USD, 3, falling 12.5%, Thailand: 4.027 billion, up 6.4%, PLP: 687.9 million increased 15.4%, UAE: 231.6 million US dollars, an increase of 0.7%
- **Europe: 7, 898.8 billion US \$**
 - Increased 25.9% compared to the same period 2012
 - EU: 6.788 billion US dollars, an increase of 29.3%
- **Americas: 5,536 .5 billion US \$**
 - increased 7% over the same period of 2012
 - United States: 3.460 billion US dollars, an increase of 6.1%

Means of transport: 14.2 million, rising 40.9%, machinery and equipment: 492.6 million, down 4%, raw materials for plastic industry: 139.3 million, an increase of 18.6%, raw materials and textiles footwear: 12 million, an increase of 20%, cotton: 347.7 million, an increase of 85.5%, computers, electronic equipment and accessories: 396.2 million, down 45 percent from the same period 2012

The import market (8 months)

- Africa: 316.4 million US \$
 - Increased 46.5% compared to same period of 2012
- Oceania: 1, 287.6 billion US \$
 - decreased 13.7% compared to the same period 2012

Review about imports

- import speed increase is much lower than with increasing export
- import serves very good for export and manufacturing needs
- import decrease (mainly from domestic) is a consequence of the policy tightens investment, public spending
- Prolonged deficit situation has been controlled effectively
- enterprise capital is less affected by hard water

Difficulties of ENTERPRISES export

- The market
 - the major markets are affected by recession
 - more and more technical barrier, disguised protectionism
- Access to capital, interest rates
- Tax policy
 - Environmental tax: Pocket nylon packing every export
 - Grace period and payment
- Lack of stable planning source material
- No material supply chain
- Limited infrastructure, high cost
 - logistics cost

Solution difficulty

- The market
 - Boost trade promotion programme of the country
 - Promoting online business transactions
 - Enhanced support SERVICES for information, predictions about the market
 - EXPORT portfolio risk early warning being biased anti-dumping, anti-subsidy, protection
 - Development of Vietnamese goods distribution system on the key markets, participation in international supply chains
 - Boost dissemination, guide ENTERPRISES to take full advantage of incentives of the FTA
 - Boost signed a licensing agreement with the Government in support of EXPORT items such as rice, cement, fertilizer, ... tied to interest rate support, guarantee credit,
 - Strengthen quality control, improve the EXPORT credit

Solution difficulty

- Study on the mechanism of consumption aid to ENTERPRISES, producers, farmers
- Administrative reform, facilitate export
- Equity, interest rate, financial
 - Facilitating access to funds to support enterprises with preferential interest rates of Bank development
 - Expansion of credit guarantee for SMES
 - EXPORT credit insurance
 - Long, steady, tax deadline extension and the money used for the ENTERPRISE
- Develop new commodity, tech
 - The foreign capital ENTERPRISE played a dominant role
 - Development of auxiliary industries

A number of other issues

- To temporarily enter the rebirth
- Tariff quota
 - Sugar: 70,000 tons
 - Salt: 102,000 tons
 - Eggs: 40,000 dozen
 - Tobacco leaves: 40,000 tons
- Imports of automobiles under Circular No. 20
- The safeguard measures, requires that anti-dumping investigations, requiring foreign EXPORTING Enterprise
- C/O for goods sent bonded

Thank you





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- Featuring -

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