

# HO CHI MINH CITY - VIETNAM





# **Vietnam – not far away !**

- **Lying on the eastern seaboard of the Indochina Peninsula, area 331,689 sq. km, 3,260 km-long North – South coastline**
- **Population 84.11 millions, Asia's sixth and ASEAN second largest population**
- **54 ethnic communities, 64 administrative divisions (Hanoi and HCMC as two metropolis with special status)**
- **Literacy rate 94%, 255 universities and 1.4 million students, life expectancy 71.3**
- **4000 year-old but still a young nation (70 % of population under 40, 57 % under 25)**

# Vietnam at first glance

- **Diplomatic ties with 170 countries and trade relations with 221 countries and territories**
- **Member of UN, NAM, ASEAN, APEC, ASEM**
- **150<sup>th</sup> WTO member since January 2007**
- **Unanimously nominated as sole candidate for Asia's non-standing member of UN Security Council and just elected on Oct. 16 (183/190 votes, 6 days ago)**
- **Share of GDP**
  - **State-owned: 38 %**
  - **Collective: 6,8 %**
  - **Private sector: 39 %**
  - **FDI: 16 %**
- **ODA to VN: total US 37bill, 2007 US 4.5 bill, an US 700 mill increase**
- **Share of population below poverty level (\$1/day) at 16% from 60% in 1993**

# Economic performance

2006

- **GDP US\$61 bill, GDP per capita US\$725.3**
- **Total trade US 85 bill, export US 39.6 bill or 65 % to GDP; average export growth 20 % over the past 20 years; third most externally oriented among 10 ASEAN economies (2004)**
- **Total FDI over US 80 bill with 8,800 projects from 79 countries; 2006 FDI inflow 10.2 bill; 1<sup>st</sup> half of 2007: close to 7 bill; 2007: 15 bill expected**
- **Growth for 2007 est. 8.5%**
- **Target for 2010: GDP/capital US 1,200**



# Asia's runner-up for continuous growth

- China: 28 years
- Vietnam: 25 years since 1981
- Korea: 23 years

# Growth in Asia: second to China

## Comparison of Asian economies

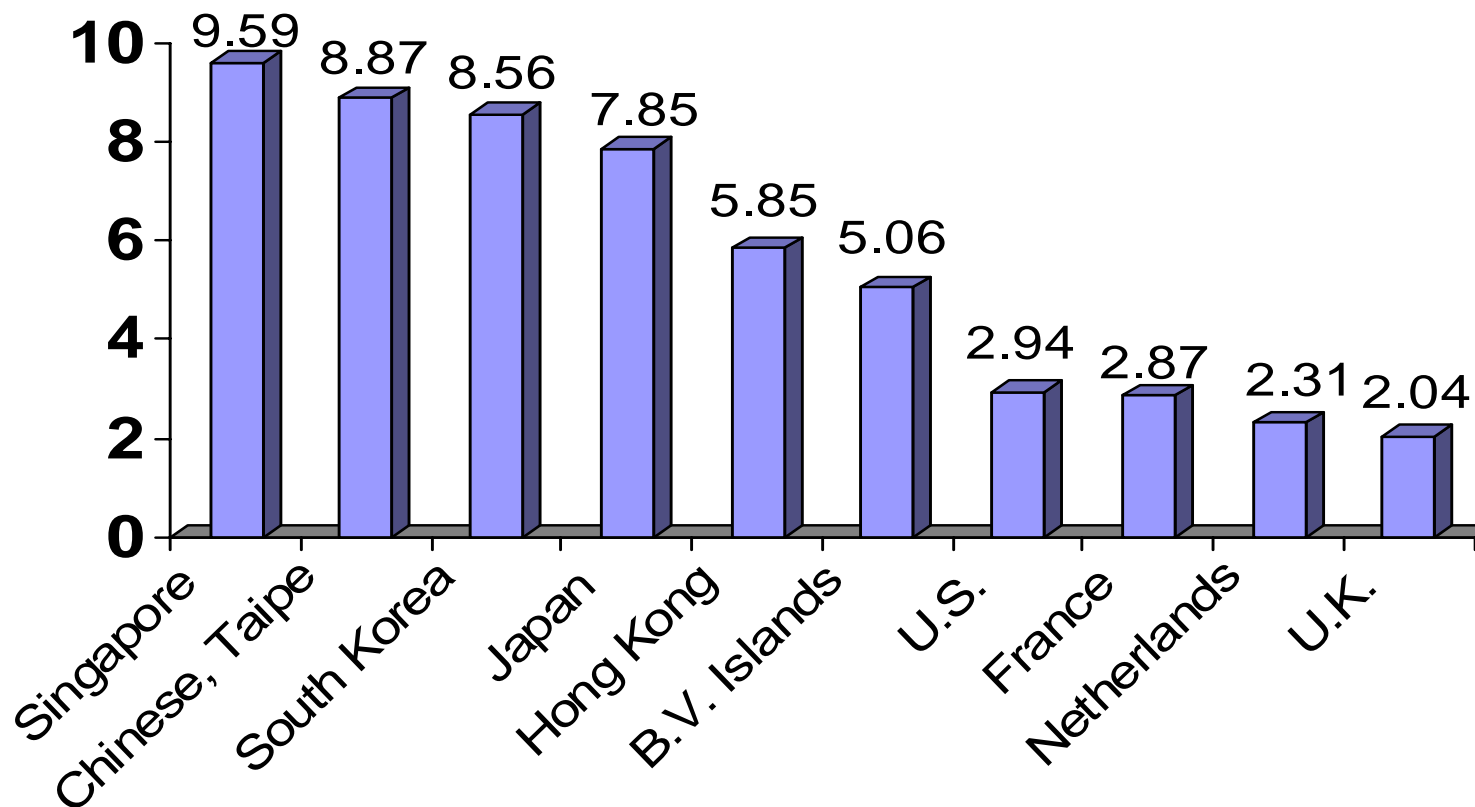
GDP Growth %	2004	2005	2006
China	9.5	10.2	10.4
<b>Vietnam</b>	<b>7.7</b>	<b>8.4</b>	<b>8.2</b>
India	6.9	8.4	7.8
Singapore	8.4	6.4	6.6
Hong Kong	8.1	7.3	6.5
Philippines	6.1	5.0	5.4
Indonesia	5.1	5.6	5.4
Malaysia	7.1	5.2	5.2
Korea	4.6	4.0	5.1
Taipei, China	5.7	4.1	4.3
Thailand	6.1	4.5	4.2

Source: ADB

# FDI: The Top Ten

## Major Foreign Investors in Vietnam

Billions





# Key trading partners

Import (US \$ mill)	Export (US\$ mill)
China: 3,659	US: 7,500
Singapore: 3,534	EU: 5,148
Japan: 3,510	Japan: 3,738
Taiwan: 2,437	China: 3,495
Korea: 2,286	Australia: 2,329
US: 500	

# ***Ho Chi Minh City -***

**Hard working, eagerly learning,  
diligently money-making and  
live-enjoying !**





# HCMC overview

2006

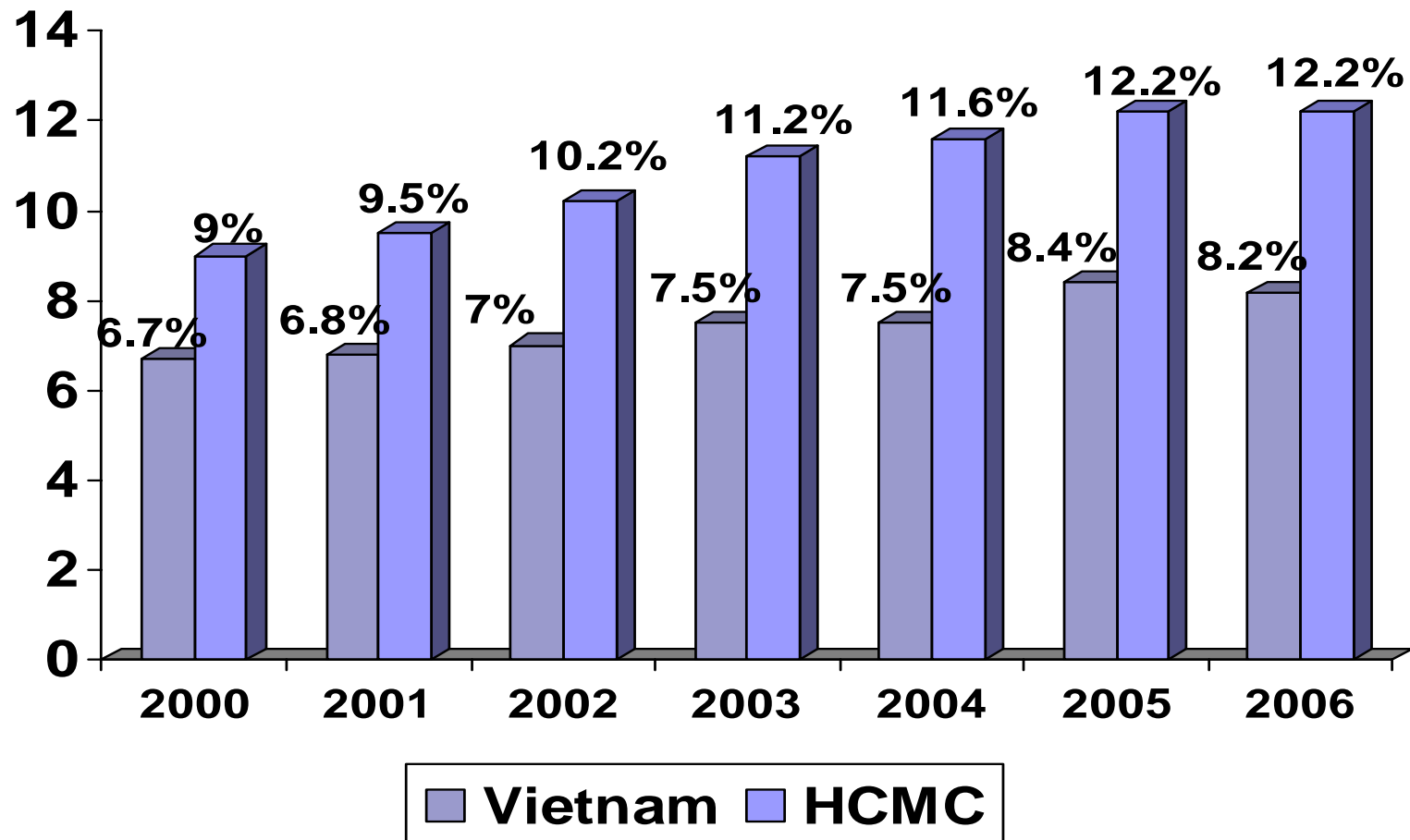
- **Area:** 2,095 km<sup>2</sup>
- **Population: over 8 m.**
  - *Registered resident* 6.239 million
  - *Unregistered resident* 30%
  - *Non-resident* 400 thousand
- **GDP:** US\$12.3 bill
- **GDP growth rate:** 12.2%
- **GDP per capita:** US\$1,970
- **Unemployment rate:** 5.82 %
- **FDI inflow: US\$2.2 bill (total US\$17 bill national highest)**
- **Export: US\$13.7 bill**
- **More than 76 universities & colleges with more than 380,000 students; 1 from every 3 PhDs of Vietnam lives in Saigon**

# Engine of Vietnam Doi Moi (renovated)

- **Ho Chi Minh City – with 8 mill people the biggest city and economic center of Vietnam**
- **Contributing more than 20 % of the country's GDP, 29,4 % of industrial output, 37 % of export, 30 % of government budget revenue**
- **More than 97,000 companies (over 30% of Vietnam) registered in Ho Chi Minh City (2006)**
- **24 consulate generals, 11 consulates, 11 trade commissioners (diplomatic corps only in Hanoi and Ho Chi Minh City)**
- **More than 2,549 foreign representative offices from 56 countries and territories in the city**
- **Foreign banks: 50 branches and representative offices**
- **Host to the national first stock exchange - market capitalization reached US 23 bill, accounts for 38 % of GDP**

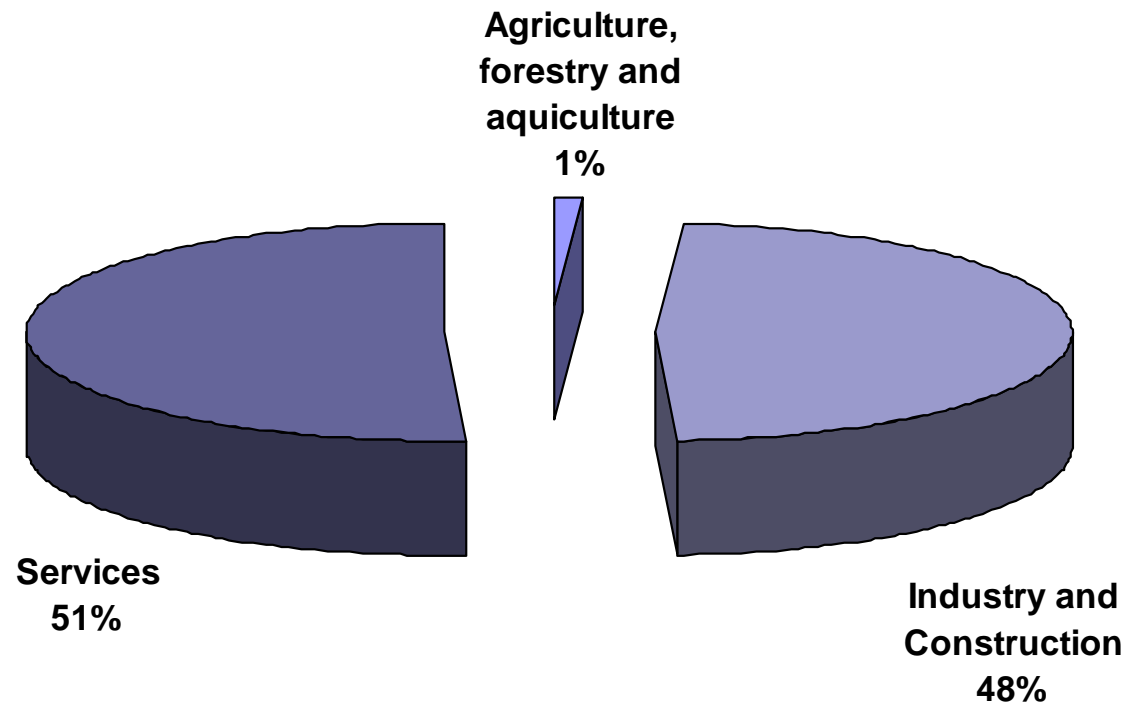
# Growth: always leading !

## GDP growth



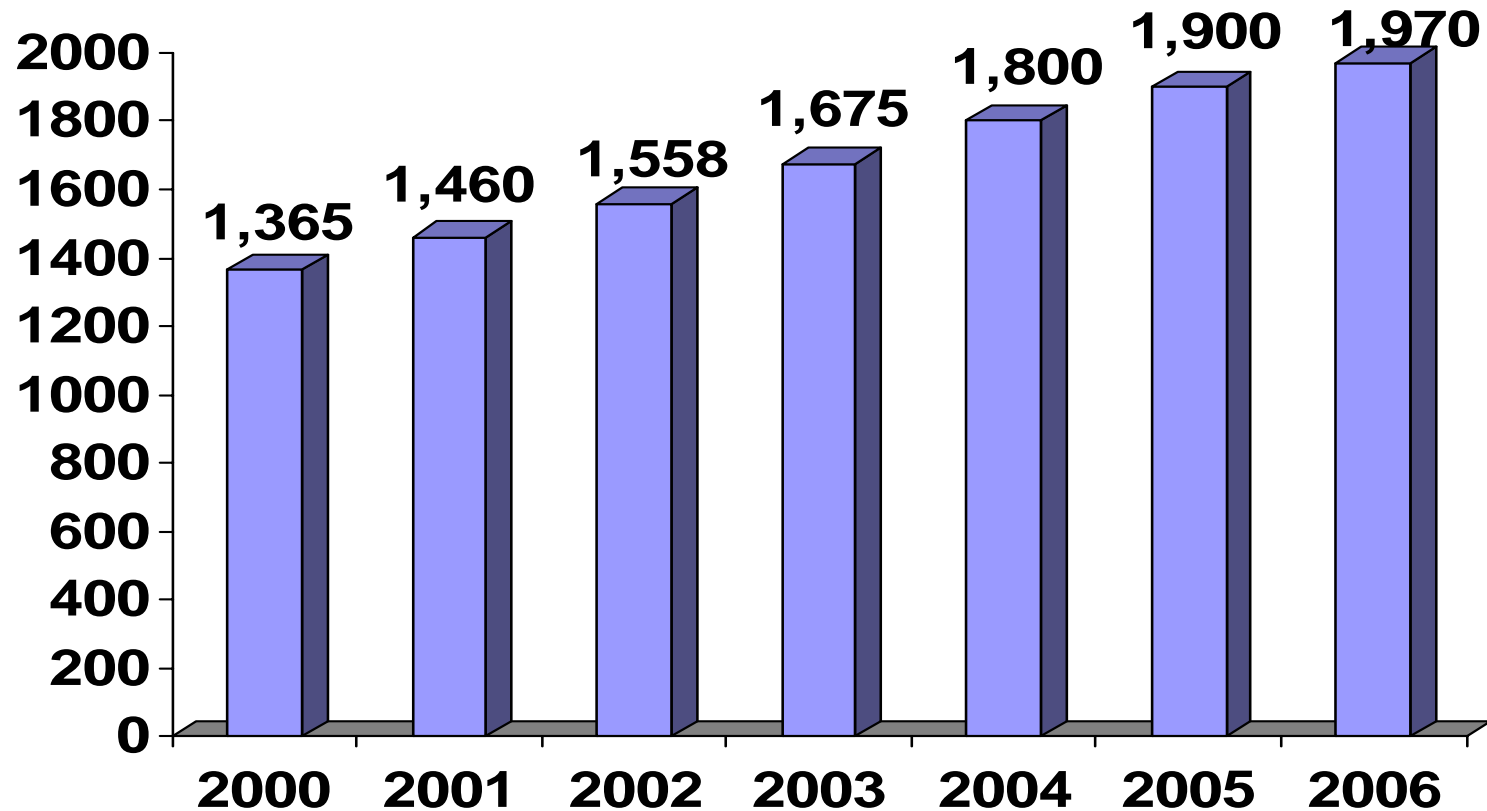
# Service, service and ... service !

## GDP structure



# Income: triple of national average

GDP per capita (USD)

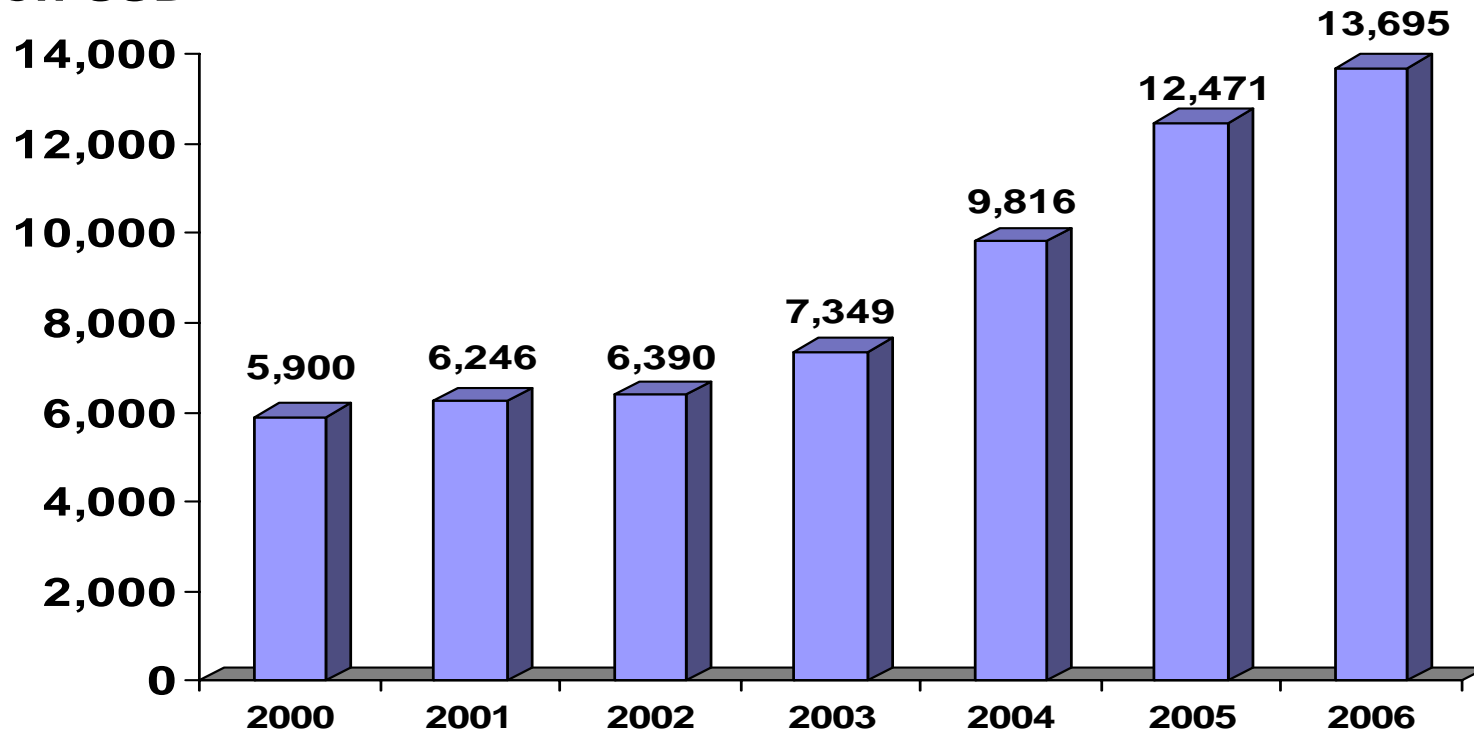




# Our share: 37% - more than one third of the pie

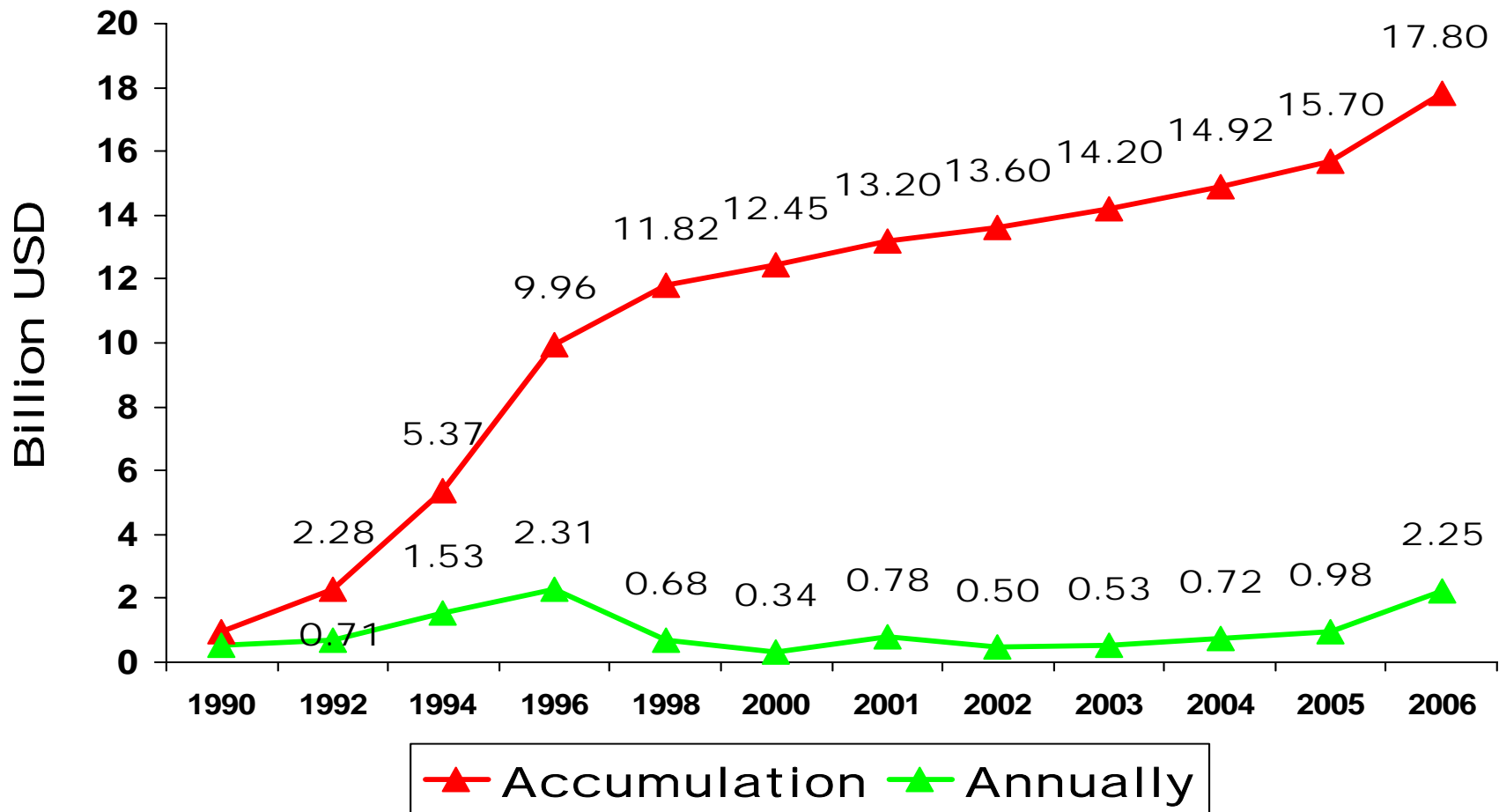
## Exporting

Million USD



# “Birds stay on good earth”

## FDI





# Ho Chi Minh City by 2010

- GDP per capital: US 3,010
- Structure of economy: 51.7 % service, 47.5 % industry and construction
- Total investment required: US 45 bill, 25 bill for urban infrastructure and public utilities, 10 bill for traffic facilities
- Source of capital: 35 % from domestic private sector, 44 % FDI, 21 % from the state and state-owned companies

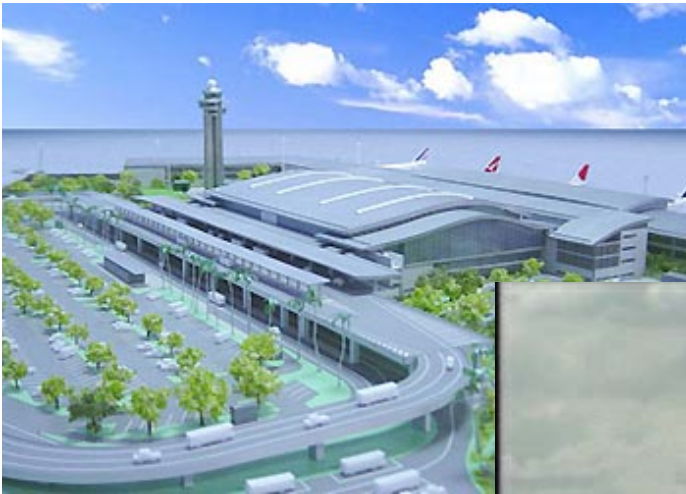
# Ho Chi Minh City by 2020

- **Government target: HCMC will turn into a 10-billion population metropolitan characterized by hi-tech industries, high end services and scientific - technological research facilities catching up regional level**
- **GDP/capita US 6,000; economic structure : 60.4 % service, 39.2 % industry**
- **Housing demand: from 11.5 m<sup>2</sup>/person currently to 17 m<sup>2</sup>/person by 2020**

# Projects awaiting your investment

## Infrastructure

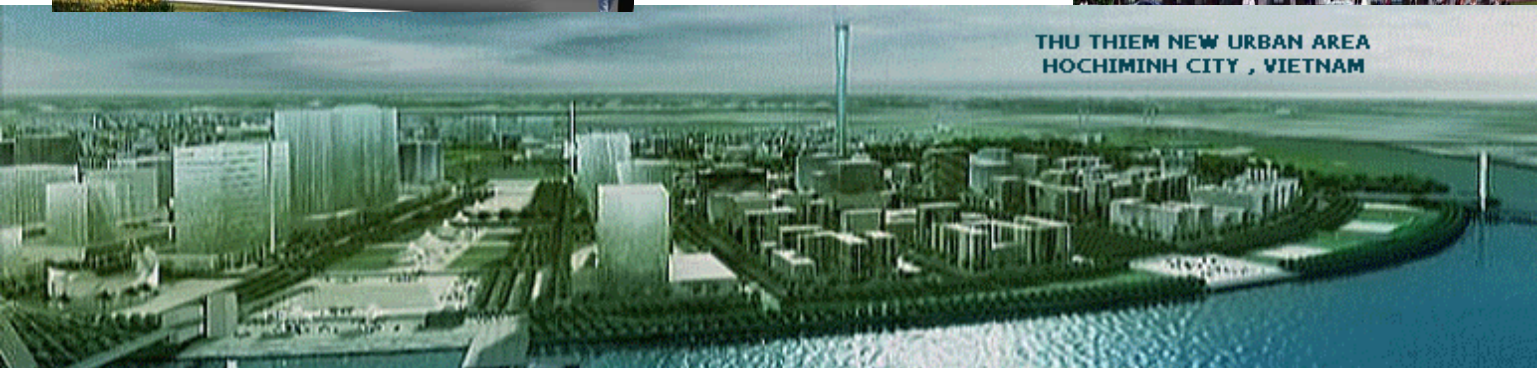
- Modernizing Tan Son Nhat airport to handle 10 mill passengers in 2010 (Japan's constructor), and 20 mill in 2020 from 8 mill at present
- Building new sea ports in Cat Lai and Hiep Phuoc areas (handling 100 mill MT/year)
- Building 6 first-ever metro lines (more than 100km total), monorail, bridges, expressways



# Projects awaiting your investment

## New townships

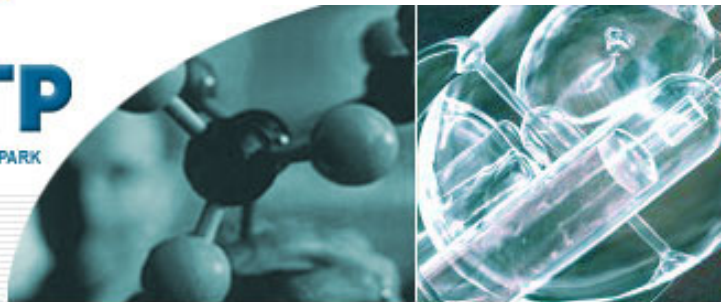
- Thu Thiem New Township: 900 ha., opposite to the current Saigon, to host 200,000 inhabitants, design complied with international standard
- Cu Chi Northwest New Township: 6,000 ha.: looking for investors (last week Malaysian Berjaya Land Berhad signed an MOU for building a new residential and educational township over 800 ha with estimated capital of US 3.5 bn, following the 600 ha large successful Phu My Hung modern township invested by Taiwanese CD & T)



# Projects awaiting your investment

## Hi-tech industries (4 focusedly encouraged by the government)

- Priority put on making high – tech products from four industries (mechanical, chemical, electrical & IT, food processing)
- For that purpose, land already reserved in : Hi-tech Parks: Quang Trung Software City, Saigon Hi-Tech Park, Hi-tech Agricultural Park, Hi-tech Medical Park and Industrial Zones ( total 8000 ha)



# Projects awaiting your investment

## Services (9 mostly encouraged by the government)

- Financial, banking and insurance
- Trade
- Transportation and logistics
- Telecommunications
- Real estate
- Consultant, scientific & technological research
- Healthcare
- Education and training
- Tourism






# Business-friendly government

- One stop shops: DPI, ITPC
- E-government: business registration on line; Dialog On-line: 24 government authorities responsible for answering any enquiry from businesses within 5 working days (sent and received on line any time, any where in HCMC; customs clearance online also on trial)
- Reduction of waiting time (shorter than allowed by the law)
- Face-to-face meetings with foreign investors, business consultants and attorneys regularly and per request





# How to start your investment in Vietnam – HCMC ?



# Investment overview

- Since 1987 Vietnam attracted 8,800 foreign-invested projects with \$80 bill committed from 79 countries/territories
- FDI accounting for 15% of total social investment, contributing 17% of GDP, 40% of industrial output and close to 60% of export
- 250,000 domestic private enterprises making 46% of GDP (50% newly set up since the new Enterprise Law)
- 2,176 SOEs (down from 12,000) waiting for being equitized: more than US 50 bill of assets is being put on the market (including big service monopolies)
- Stock market: US 23 bill or 38 % of GDP; more than 10 foreign investment funds with nearly US 2 bill capital



# Fundamental Legal Reform

- The New Investment Law, Enterprise Law, Commercial Law, Civil Procedures Code, Arbitration Law and Competition Law create a level playing field for businesses of all sectors, be it local or foreign-invested, state-owned or private
- New legal vehicles: Real Estate Business Law, Securities Law, Law on Electronic Transactions
- The new laws not only reflect progress of the comprehensive reform of Vietnam, but also make sure that Vietnam abides by its WTO commitments.



# Legal vehicles for investment in Vietnam

- Direct investment: setting up an enterprise under the Enterprise Law or getting a certificate to carry out an investment project under the Investment Law
- Indirect investment:
  - Investment in unlisted local limited liability or joint stock companies (foreign stakes maximum 30% for certain sectors), or
  - Investment in listed local companies (foreign stakes 49% cap)
- Representative offices: business activities not allowed



# New Enterprise Law (2005)

- Entitling foreign investors to use the same corporate structure as domestic ones:
  - Limited liability company (one or multimember)
  - Joint-stock companies
  - Partnership
  - Sole proprietor



# Major changes favorable to foreign investors

- Existing FIEs can convert into one of the forms under the EL
- Foreigner buying shares in a domestic company can take part in the board of management
- For joint-ventures dual management is no longer a must and unanimous vote for some issues abolished
- Foreign-invested joint-stock companies can issue bonds and shares and listed in the stock exchange

# Forms of foreign investment

## *Direct investment:*

- 100% foreign-owned
- JVs
- Upon contracts: BCC, BO, BOT, BT (way for PPP projects)
- Investing in business development
- Purchasing shares or contributing capital to participate in management
- M & A

## *Indirect investment:*

- Purchases of shares, bonds or other valuable papers through securities investment funds or other intermediary financial institutions





# Investment Procedures

- As soon as the appropriate investment structure is chosen, the procedural steps that follows will depend on the following:
  - The nationality of the investor
  - The sector of investment
  - The amount of invested capital
- As mentioned above, the principle of National Treatment is not fully implemented in Vietnam.
- Three different procedures are possible:
  - Business registration (applicable to solely domestic projects)
  - Investment project registration
  - Investment project evaluation



# Conditional sectors

## **LIST OF CONDITIONAL INVESTMENT DOMAINS APPLICABLE TO FOREIGN INVESTORS**

*(Promulgated together with the Government's Decree No. 108/2006/ND-CP of September 22, 2006)*

1. Broadcasting and television.
2. Production, publishing and distribution of cultural products.
3. Exploitation and processing of minerals.
4. Establishment of infrastructures for telecommunications networks, transmission and provision of Internet and telecommunications services.
5. Establishment of public postal networks and provision of postal services and delivery services.  
Construction and operation of river ports, seaports, airports and airfields.
6. Transportation of goods and passengers by rail, air, land and sea and inland waterways.
7. Catching of marine resources.
8. Production of cigarettes.
9. Real estate business.
10. Investment in import, export and distribution.
11. Education and training.
12. Hospitals and clinics.
13. Other investment domains in treaties to which Vietnam is a contracting party and which restrict the opening of the market to foreign investors.

# Specific Projects need prior approval of the Prime Minister

The following projects need the prior approval of the Prime Minister:

- All projects in field of:
  - Building and commercial operation of airports; transportation by air;
  - Building and commercial operation of national seaports;
  - Exploration for, exploitation and processing of oil and gas; exploration for and exploitation of minerals;
  - Radio and television broadcasting;
  - Casino business;
  - Production of cigarettes;
  - Establishment of university-level training establishments;
  - Establishment of industrial parks, export processing zones, hi-tech parks and economic zones.
- All projects with an invested capital above VND 1500 billion in the following sectors:
  - Electricity business; mineral processing; metallurgy;
  - Building of railway, road and inland waterway infrastructure;
  - Production and business of alcohol and beer.
- All foreign invested projects in following sectors:
  - Ocean shipping business;
  - Establishment of networks for and provision of postal, delivery, telecommunications and Internet services; establishment of wave transmission networks;
  - Press printing and distribution; publishing;
  - Establishment of independent scientific research institutions.

# How about taxation ?

- Standard tax rate: 28% (exploitation of oil and gas, rare precious resources: between 28% - 50%)
- Incentives as to tax rate: 10 – 20% applicable for 10 – 15 years from operation commencement
- Incentives as to taxable period: exemption for 2 – 4 years and 50% reduction for 2 – 9 years

# How to get land ?

- Land Law (July 2004)
- No private land ownership to everyone, you can get only land use right (LUR)
- Foreign investors can get LUR by following ways:
  - Via a land lease from the State ( negotiate a lease on empty land, or pay current user compensation to give up land and lease from the State, or win at a land auction and lease from the State)
  - Via a contribution of LUR by local partner for a JV or BCC
  - Term: 50 years or 70 years in exceptional cases (extension possible)



# How to get a home ?

- Foreign investors permitted to enter Vietnam from three consecutive months and more can lease a house
- Currently: purchase not allowed, except overseas Vietnamese under certain conditions

# How much you pay your staff ?

- Minimum monthly salary (night shift, overtime not included)
- Inner HCMC & Hanoi VND 870,000 (Yen = VND 139)
- Other large cities: VND 790,000
- The rest: VND 710,000
- Social securities insurance contribution (% of salary)
- Employer: 15% (2010 onwards 16%)
- Employee: 5% (2010 onwards 6%)
- Medical insurance contribution
- Employer: 2%
- Employee: 1%



# State guarantees

- State guarantees under Enterprise Law
- State guarantees under Investment Law
- State guarantees to investors and businesses endorsed by Vietnam's Constitution





**Best time to move in – Why ?**



# Vietnam from a global perspective

“ The attractiveness of the Vietnamese market is driven by the strong work ethics, social and political stability, lower labor cost, attractive tax incentives and overall government support in the country. Vietnam has become an increasingly popular investment destination for many companies, especially those from Singapore, Taiwan, South Korea, Japan and the United States. Another key factor in Vietnam’s favor has been the MNC’s drive for the so-called China plus one scenario, wherein they seek to reduce their excessive, dependence on China and to more evenly spread their business risk in Asia”  
(From A Report by Jones Lang Lasalle in March 2007)

# US ambassador urges more in trade and investment

- “I think US 10 bn is actually a low target now. We need to be aiming at US 15 bn” (bilateral trade 2006 was US 9.7 bn, US earned only US 1.1 bn)
- “ So if you look at realized investment... last year it (US) was first – first of all countries in Vietnam. This year it will be some where between first and third”
- US investors eye power plants, oil pipeline, ports; US seller offers Boeing 787 (of course !)




# World Bank's new boss Zoellick in Vietnam (first visit after taking on post)

- “Vietnam... has already achieved one of the fastest improvements in living standards in the world, with a great reduction in poverty.... Vietnam is on pace to become a middle-income by 2010”
- “Now we are proud to work with Vietnam on the next stage: broadening social inclusion, improving the institutions of good governance, strengthening the business context, and focusing on environmental improvement”

# Vietnam from Japanese investors' perspective

- View from the region - “Vietnam was among top 3 countries where Japanese manufacturers expected improved profit in 2007 compared to 2006. Not only ranking 2<sup>nd</sup> to India, Vietnam’s rate of 66.7% was also the highest among ASEAN countries (avg. 42.9%). Reasons: increase in export sales and improved production/efficiency”
- View from Vietnam - “With such expectation, Vietnam was once again voted as one of two optimal production bases in the region in the next 5 – 10 years. Vietnam was also selected as the best production base in 5 – 10 years by 75.4% Japanese manufacturers operating in Vietnam. This was the highest rate a country was selected by its Japanese investors, indicating their satisfaction with and/or positive expectation for business conditions in Vietnam”  
(JETRO Annual Survey, Dec. 2006)



# Like any picture, not all rosy – Problems remaining to be solved

- Urban – rural and rich – poor gaps
- Damages to environment and nature
- Shortage of needed labor, skilled labor
- Poor master planning management
- Technical Infrastructure lagging behind
- Red tape and corruption

# Breaking news !

- In 9 months 2007, FDI committed reached US\$ 9.6 bill, 38% increase compared last year's same period
- FDI projects worth US\$ 50 bill waiting for approval
- Projects being or about to be carried out in 2007 (a few to name)
- Foxcon: announcing plan to invest US\$ 5bill in hi-tech electronics manufacturing projects
- Intel: US\$ 1 bill chip-testing factory, Intel's largest globally
- Jabil Circuit (US): US\$ 100 mill assembly and testing plant for hi-tech equipments
- GE: decided to build a US\$ 50 mill plant making power-generating components
- Canon: just increased capital to the US\$ 100 mill factory producing laser printers aiming at turning it into the global largest printer maker
- Nidec: building two more factories beside existing one (plan: US\$ 1 bill investment until 2010, total 5 factories)
- Yamaha: announcing a second factory valued US\$ 50mill making 115 cubic cm motorcycles (2006 sold 350,000, 2007 est. 430,000)
- Honda: ground-breaking second factory worth US\$ 65 mill (500,000 pieces/year)
- Piaggio: ground-breaking a US\$ 30 mill factory making 50,000 vespa a year
- Kangwon Land (Korea): plans to invest into a new township project worth US\$ 6 bill (including a 90 storey twin tower)
- Berjava Land Behad (Malaysia): intends to invest US\$ 3.5 bill International University Town over 800 ha in North-West of HCMC
- SP Capital (Singapore): signed an MOU on a oil-chemical complex worth US\$ 5 bill in Phu Yen province

# Vietnam – A country in the world...

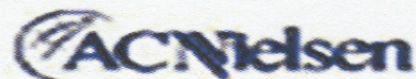
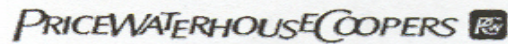




# ... and a world in a country !



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**THANK YOU FOR YOUR ATTENTION**