



NAVIGATING ASIA'S BUSINESS LANDSCAPE: HOW VIETNAM COULD COMPLEMENT YOUR EXPANSION STRATEGY IN ASIA

Shenzhen -18 September 2019





NAVIGATING ASIA'S BUSINESS LANDSCAPE: HOW VIETNAM COULD COMPLEMENT YOUR EXPANSION STRATEGY IN ASIA

How to benefit from EVFTA: What's in it for you?

Oliver Regner
European Chamber of Commerce in Vietnam



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Trade relations of Vietnam with China, EU



	CHINA	EU
VIETNAM's Trade Partners	No. 1	No. 4
Imports into Vietnam	No. 1	<i>Most important suppliers for Vietnam: PR China, South Korea, Japan, R.O.C., Thailand, US, Malaysia</i>
Exports from Vietnam	≈ No. 2 <i>(Vietnam's exports to China are dropping currently)</i>	≈ No. 2 <i>Most important recipients for Vietnam: US, PR China, Japan, South Korea, Hongkong, Netherlands, Germany</i>

Examples for existing (intended) trade schemes

Vietnam «» China:

- ACFTA = ASEAN-China Free Trade Agreement
- (RCEP = Regional Comprehensive Economic Partnership)

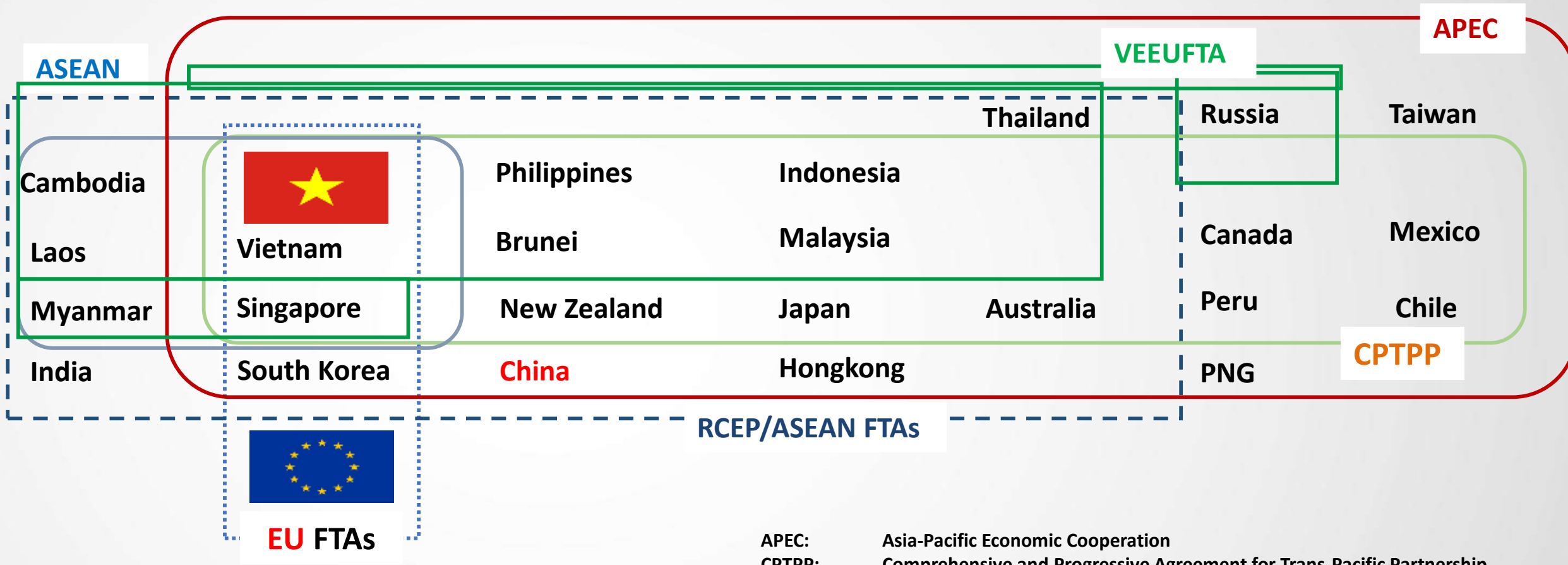


Vietnam «» EU:

- Agreement on Market Access/“Early Harvest Agreement”
- Generalised Scheme of Preferences/GSP; *unilateral*
- (EVFTA = EU-Vietnam Free Trade Agreement)



VIETNAM'S FTA NETWORK (1)



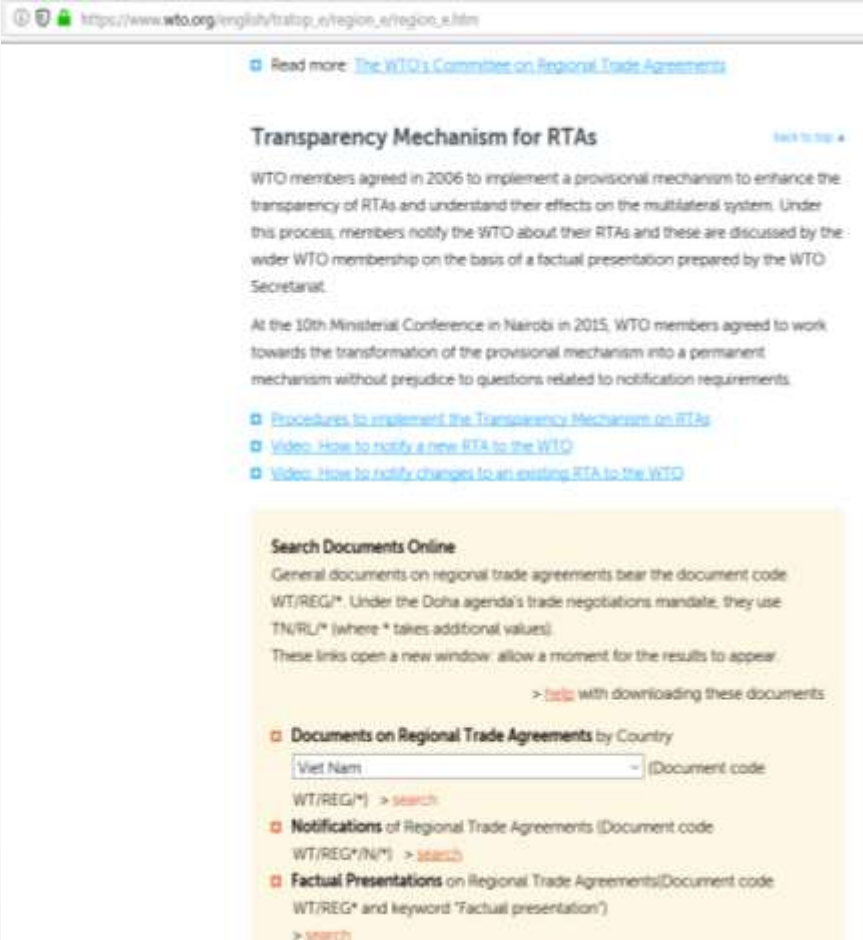
-  Agreements in Force
-  Negotiations in process
-  Agreements signed

- APEC:** Asia-Pacific Economic Cooperation
- CPTPP:** Comprehensive and Progressive Agreement for Trans-Pacific Partnership
- EU FTAs :** European Union Free Trade Agreements
- RCEP:** Regional Comprehensive Economic Partnership
- VEEUFTA :** Vietnam-Eurasian Economic Union Free Trade Agreement

Vietnam's FTA Network (2)

Overview of Vietnam's membership in Regional Trade Agreements:

www.wto.org/
Trade Topics / RTA Database / RTAs by country ...



https://www.wto.org/english/rtatop_e/region_e/region_e.htm

Read more: [The WTO's Committee on Regional Trade Agreements](#)

Transparency Mechanism for RTAs back to top

WTO members agreed in 2006 to implement a provisional mechanism to enhance the transparency of RTAs and understand their effects on the multilateral system. Under this process, members notify the WTO about their RTAs and these are discussed by the wider WTO membership on the basis of a factual presentation prepared by the WTO Secretariat.

At the 10th Ministerial Conference in Nairobi in 2015, WTO members agreed to work towards the transformation of the provisional mechanism into a permanent mechanism without prejudice to questions related to notification requirements.

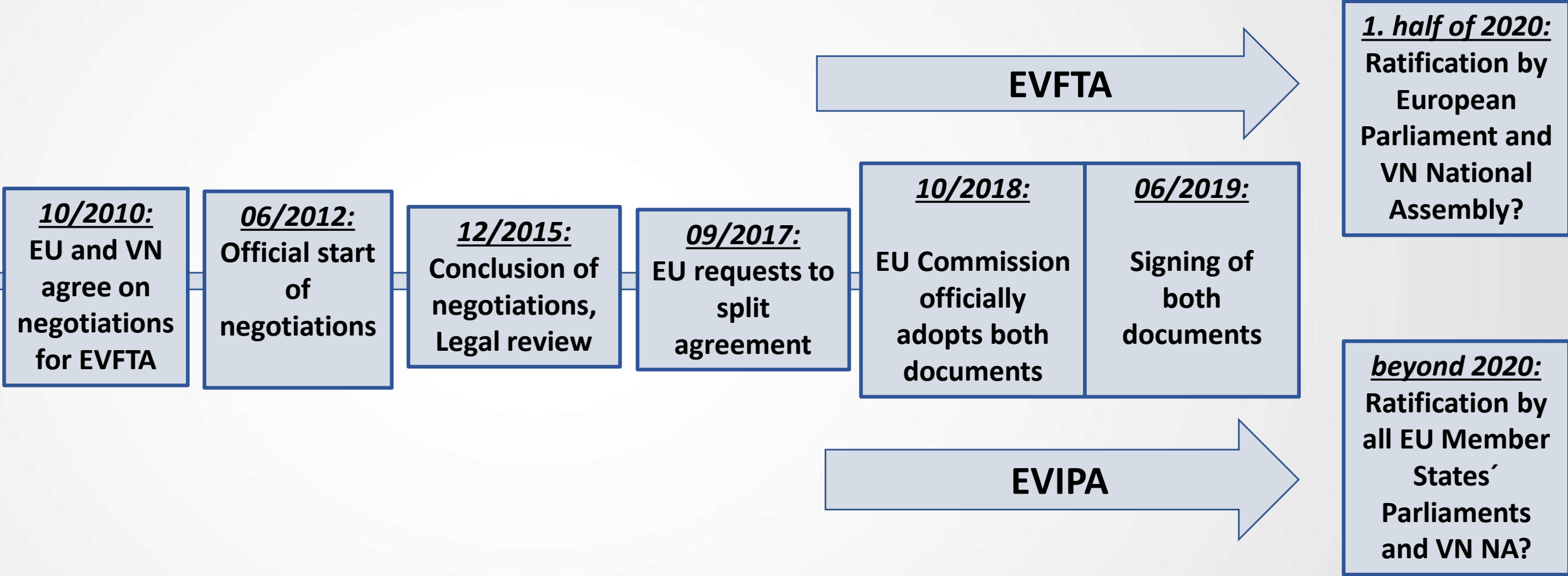
- [Procedures to implement the Transparency Mechanism on RTAs](#)
- [Video: How to notify a new RTA to the WTO](#)
- [Video: How to notify changes to an existing RTA to the WTO](#)

Search Documents Online
General documents on regional trade agreements bear the document code WT/REG/*, Under the Doha agenda's trade negotiations mandate, they use TN/RL* (where * takes additional values). These links open a new window, allow a moment for the results to appear.

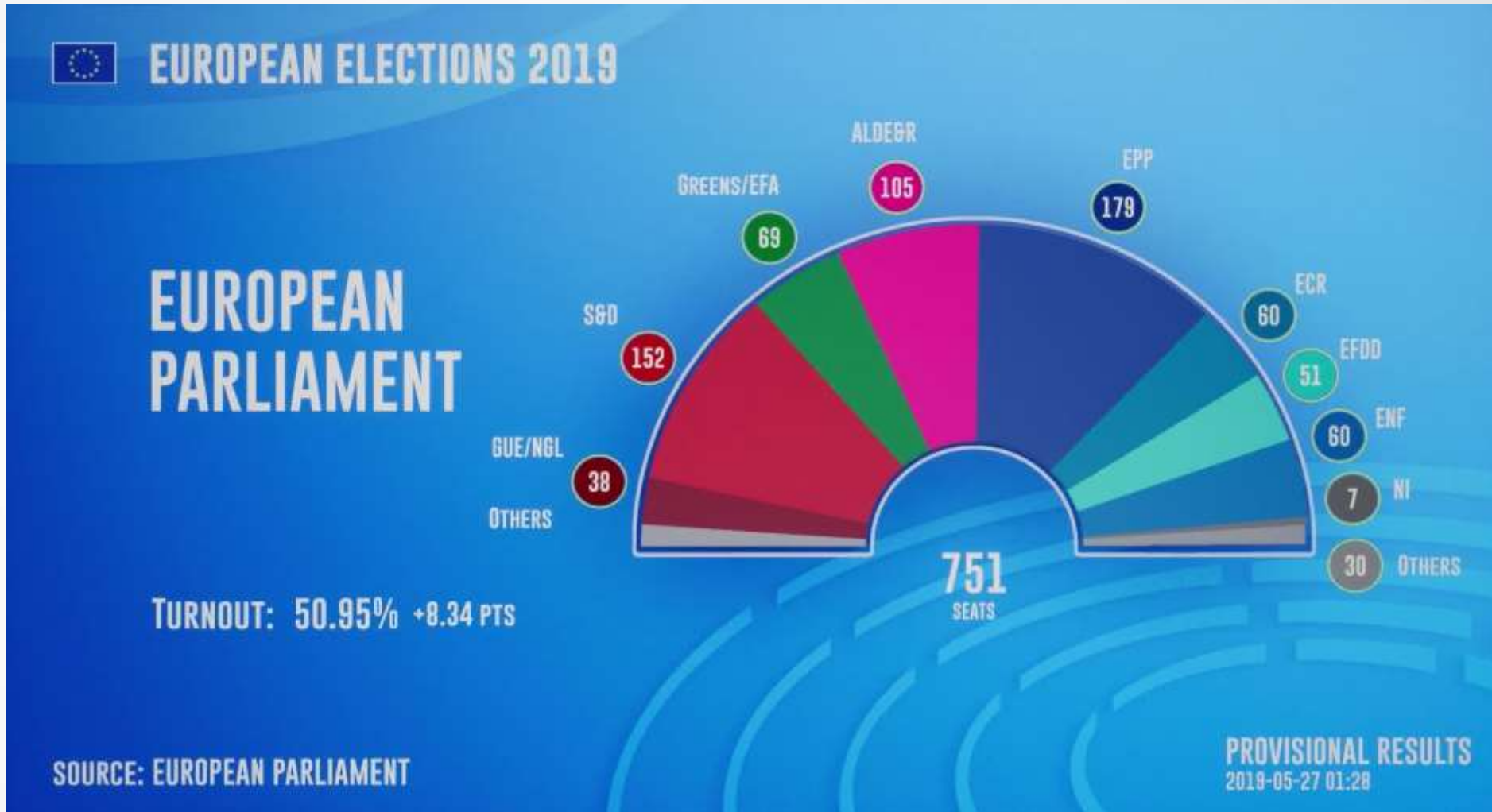
[> help](#) with downloading these documents

- Documents on Regional Trade Agreements by Country**
 (Document code WT/REG/*) > [search](#)
- Notifications of Regional Trade Agreements** (Document code WT/REG*/N*) > [search](#)
- Factual Presentations on Regional Trade Agreements**(Document code WT/REG* and keyword 'factual presentation') > [search](#)

EVFTA and EVIPA



Ratification of EVFTA



Significance of EVFTA

**Most ambitious agreement between
EU and a developing country**

**Not only improving trade and investment;
also sustainability, social and labour rights**

**Blueprint for further agreements
in the region**

Significance of EVIPA

Will replace bilateral investment agreements of 21 EU Member States with Vietnam

New legal guarantees prevent conflict of interest and promote transparency

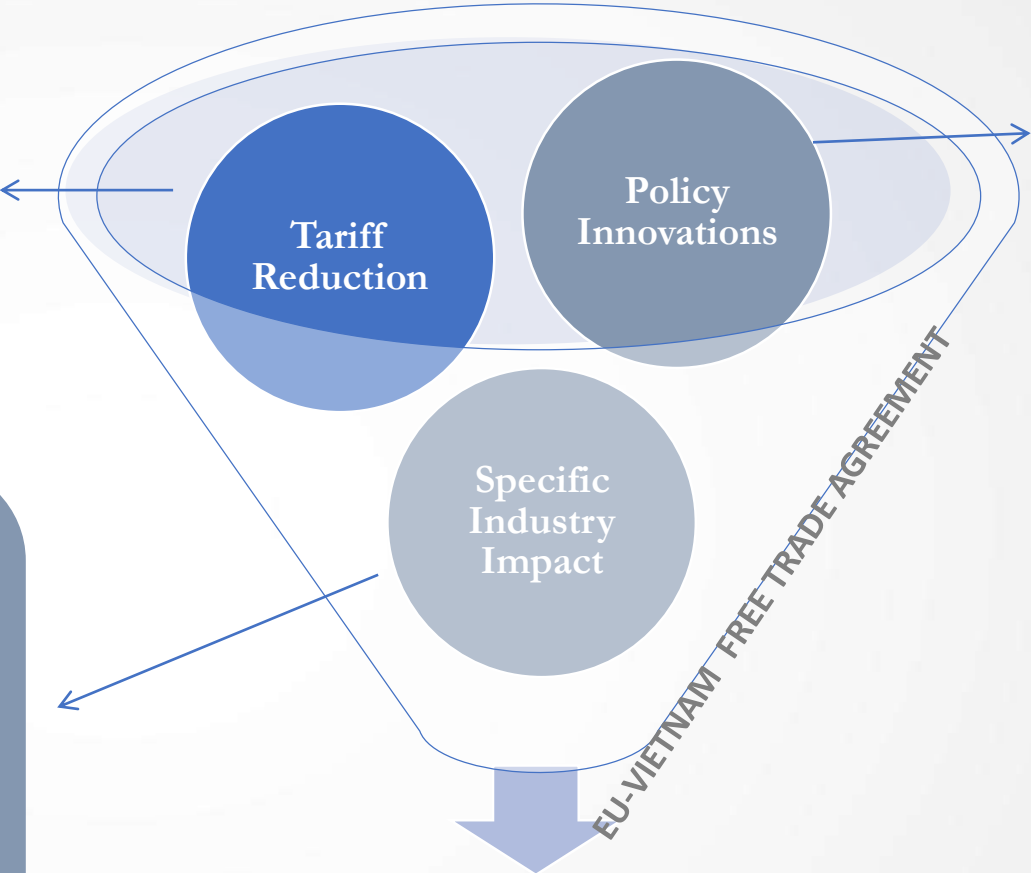
Establishment of Investment Tribunal and Appeal Tribunal

Highly qualified, independent and impartial members; decisions of this tribunal not to be revised or annulled by local jurisdictions

EVFTA at a Glance

- **EU >>> Vietnam Trade:**
99% tariffs reduced over 10 years
- **Vietnam >>> EU Trade:**
99% tariffs reduced over 7 years

- IT
- Automotive
- Machinery
- Agribusiness
- Fisheries
- F&B
- Pharmaceuticals
- Others



- Customs and Trade Facilitation
- Rules of Origin
- Geographical Indications
- Bilateral Dispute Settlement
- IPRs
- Others

EVFTA: Benefits (1)

- Eliminating almost all customs duties within a period of 10 years for all products imported from the European Union, and 7 years for all products exported to the European Union.
- Ensuring that technical barriers to trade are non-discriminatory and do not create unnecessary obstacle to trade.
- Sanitary and Phytosanitary measures (the rationale is to ensure that traded food meets the relevant sanitary and phytosanitary / SPS in the importing countries).

EVFTA: Benefits (2)

- Public markets access

- Upon entry into force of the Agreement, EU companies will be able to bid for public procurement contracts under the same conditions as Vietnamese companies.
- Public entities : all ministries at central level including infrastructure such as road and ports, 42 other entities such as Electricity of Vietnam, 34 public hospitals, 2 major universities.
- Public markets (except construction): Initial threshold of 1.5 million that would gradually be reduced to €160.000.
- European companies may bid for Aviation Corporation of Vietnam public procurement contracts for the construction of Long Thanh airport by 2019.

Transparency and effectiveness of customs procedures

- Modernisation and simplification of customs procedures
- Establishment of a Special Committee on Customs where issues of concern can be addressed between EU and Vietnam
- Rules of Origin
- Geographical Indications
 - Recognition of 169 GI
- Bilateral Dispute Resolution
- Better Protection of Intellectual Property Rights
 - Extension term of protection for design to 15 years
 - Recognition of the Geographical Indications (see above)
 - Specific protection in the pharmaceutical sector

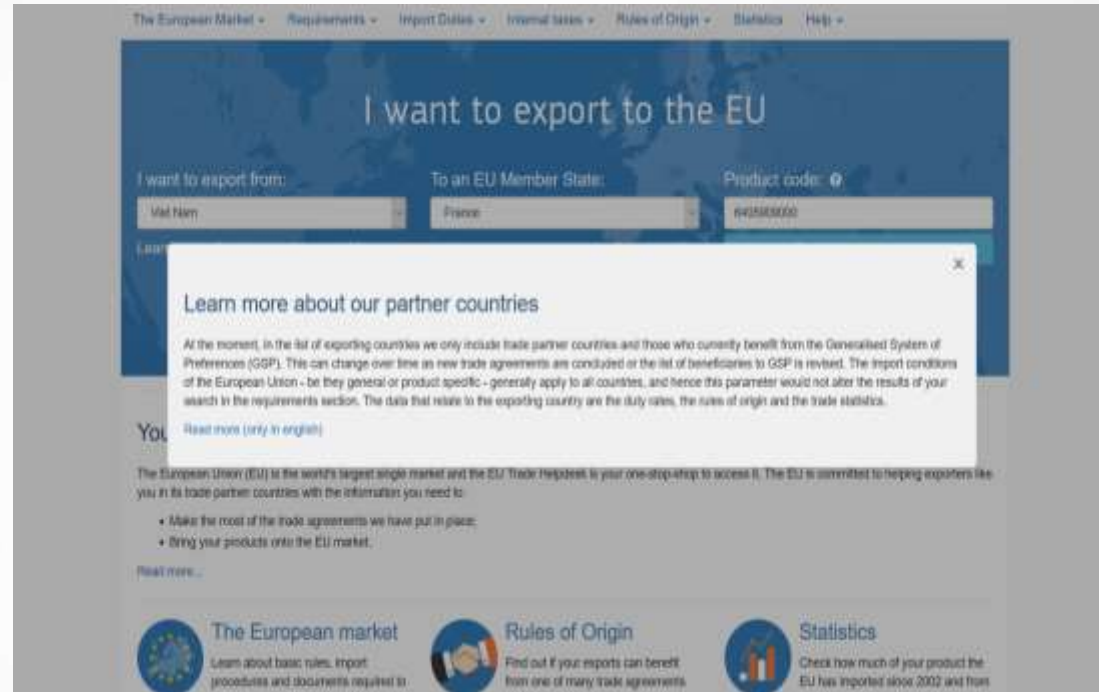
EVFTA: Specific industry impacts (1)



Automobile & Motorcycle	Food, Agri-/Aquaculture	Nutritional Foods	Green Growth	Pharmaceuticals	Transportation & Logistics
Improving customs procedures and tariffs for imported vehicles	Improving administrative procedures related to import/export of food products	Import tariffs will gradually disappear, enabling importation of high quality infant formula products to Vietnam	Public bidding for public contracts concerning ...	Clearer legal framework to facilitate FDI	Improvement of customs procedures to facilitate flow of goods
Allowing imports import of remanufactured goods	Improvement of food safety and quality	Increasing the market competitiveness and innovation	<ul style="list-style-type: none"> • Sustainable Building • Water & Waste Management • Renewable energy • Common definitions 	Increase access to public procurement; remove required local clinical trial	Clear legal framework to facilitate foreign direct investment
	More protection of IPR (GIs, etc.)			Vietnam may become regional pharma hub	Vietnam may become regional transportation hub

EVFTA: Specific Industry Impacts (2)

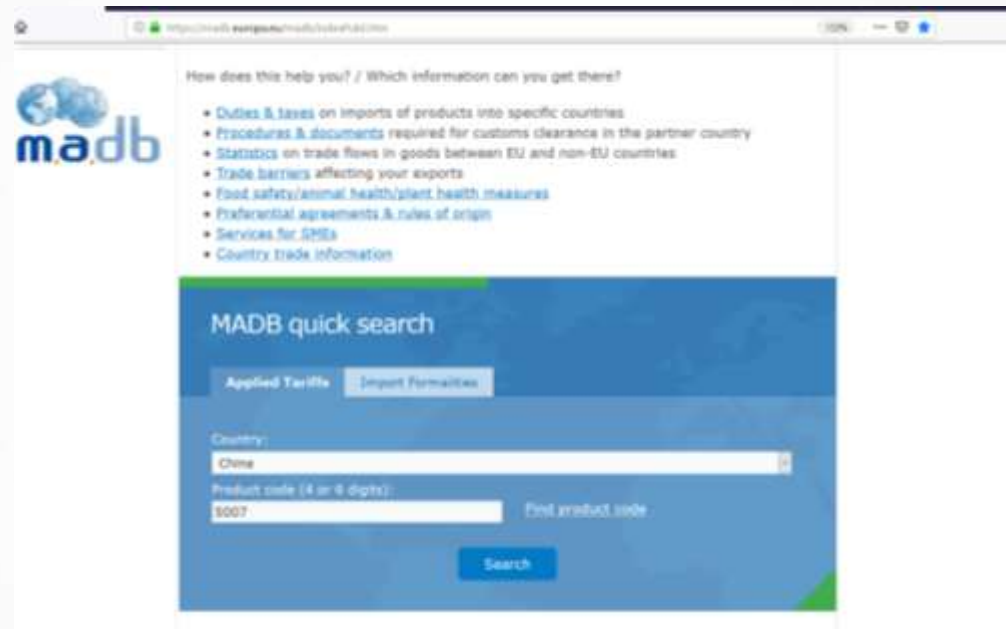
<https://trade.ec.europa.eu/tradehelp/>



You can check conveniently for exports from Vietnam (not from China).

EVFTA: Specific Industry Impacts (3)

<https://madb.europa.eu/madb/indexPubli.htm>

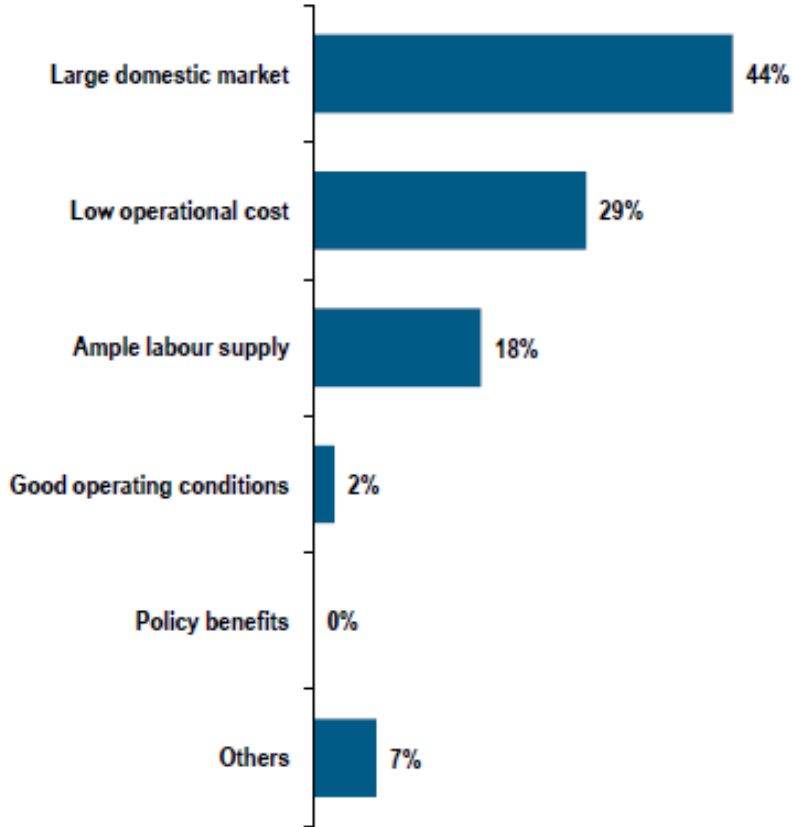


Depending on your login credentials you may receive information as for Vietnam (and China) in the EU Market Access Database.

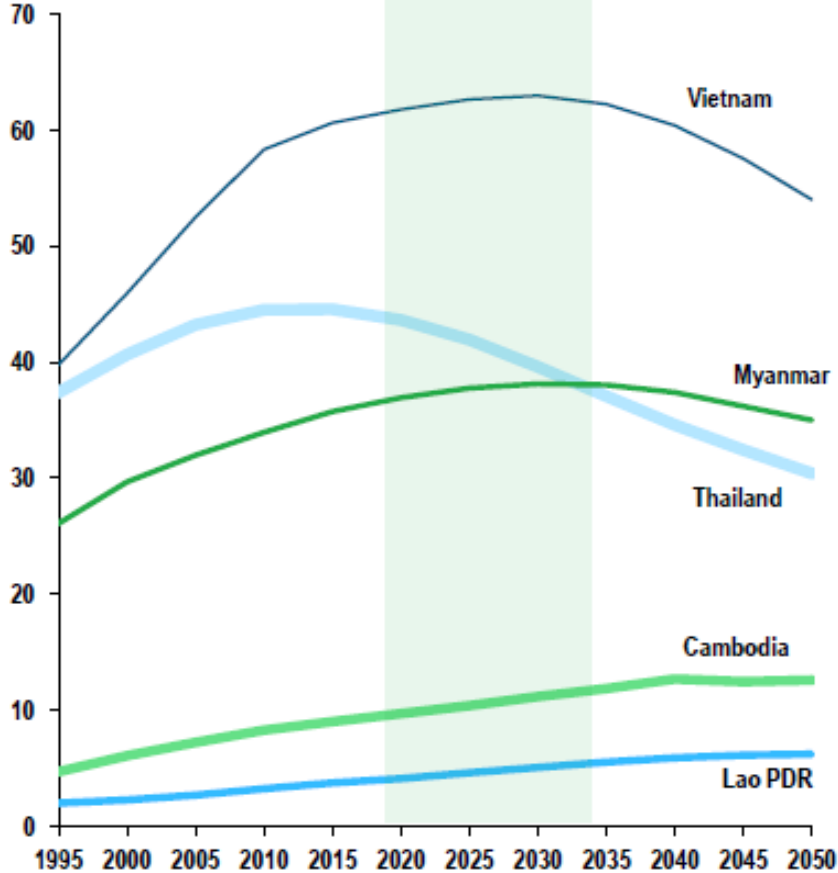
Investment in Vietnam (1)



Why did you invest in Vietnam?
% of respondents, our survey of foreign firms in Vietnam



Vietnam's large working-age population is a key advantage (working-age population, mn)

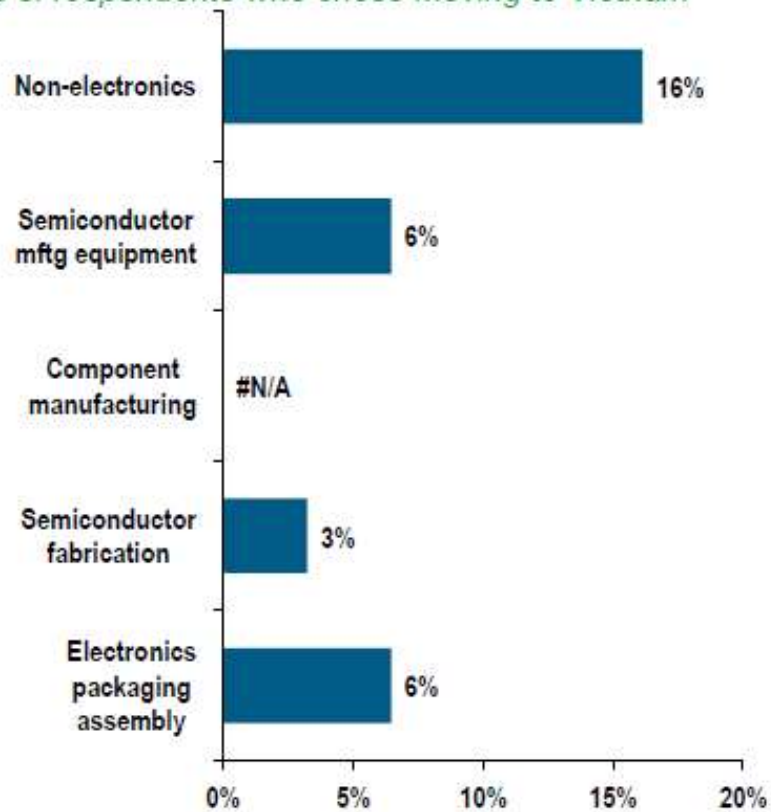


Sources: JETRO, Standard Chartered Bank Research

Investment in Vietnam (2)

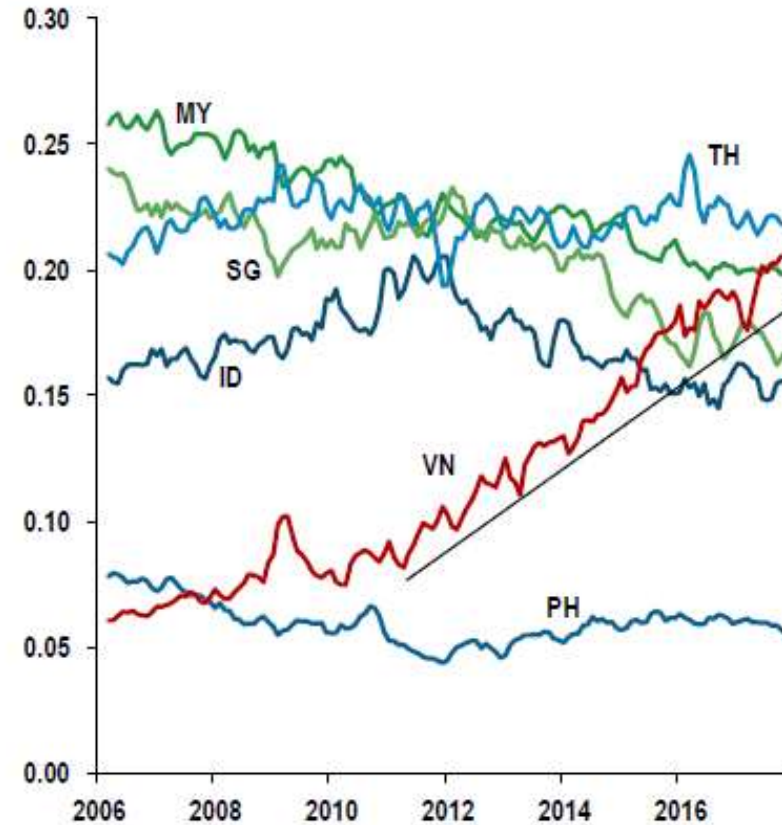
Emerging destination for electronics manufacturing

% of respondents who chose moving to Vietnam



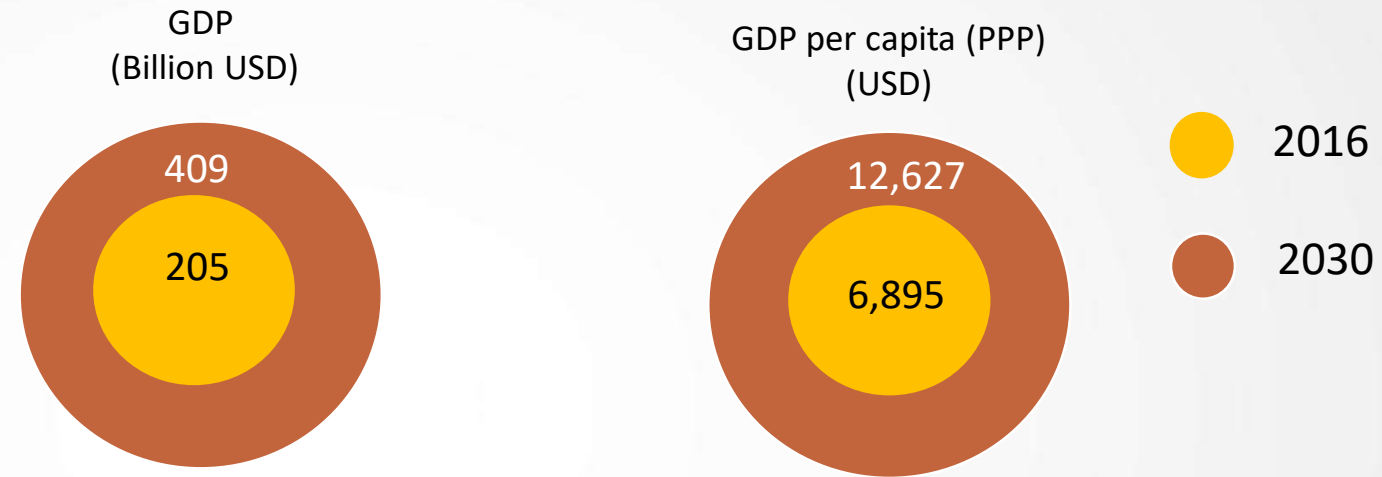
Gaining export share within ASEAN-6

ppt share, % 3mma



Investment in Vietnam (3)

GDP and GDP per capita (PPP) will double by 2030



The number of Vietnamese middle class consumers (est.)



Sources: Nikkei Asian Review; World Bank; IMF

Mission Statement

EuroCham is the voice of European business striving for an open and fair market environment in Vietnam.

We promote European sustainable investment and trade through good corporate citizenship, collaboration and engagement with the Vietnamese society.

- **More than 20 years experience and more than 1000 members**
- **Among 5 largest European Chambers world-wide**
- **Winner of Best Large Chamber Award in Asia-Pacific 2017**
- **2 offices in Hanoi and Ho Chi Minh City**
- **3 Chapters in Hai Phong, Da Nang and Binh Duong**
- **Strong affiliation with 8 European Business Associations**



Partners (1)

EVBN Sector Reports:



All available **free of charge** at:

<http://evbn.org/publications/market-studies/>

Partners (2)

IPR-Helpdesk:

Enquiry Helpline



E-learning &
Business Tools



Website & Blog



www.southeastasia-iprhelpdesk.eu

www.ipr-hub.eu

Training Workshops
& Live Webinars



IP Guides & Newsletters



Useful links on EVFTA

EVFTA text	http://trade.ec.europa.eu/doclib/press/index.cfm?id=1437
EU tariff schedule	http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157341.pdf
VN tariff schedule	http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157342.pdf
EuroCham EVFTA report	https://www.eurochamvn.org/The-EVFTA-Report
EU Delegation's EVFTA guide	https://eeas.europa.eu/sites/eeas/files/eu_fta_guide_final.pdf
Legislative train of EU Parliament	https://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-vietnam-fta
VCCI WTO Center on EVFTA	http://www.wtocenter.vn/fta/199-vietnam--eu-evfta-/1



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Vietnam

Industrial Market Overview

China | September 2019

Trang Bui, Senior Director of Market

JLL Vietnam



Vietnam Population and Housing Census 2019



96,208,984

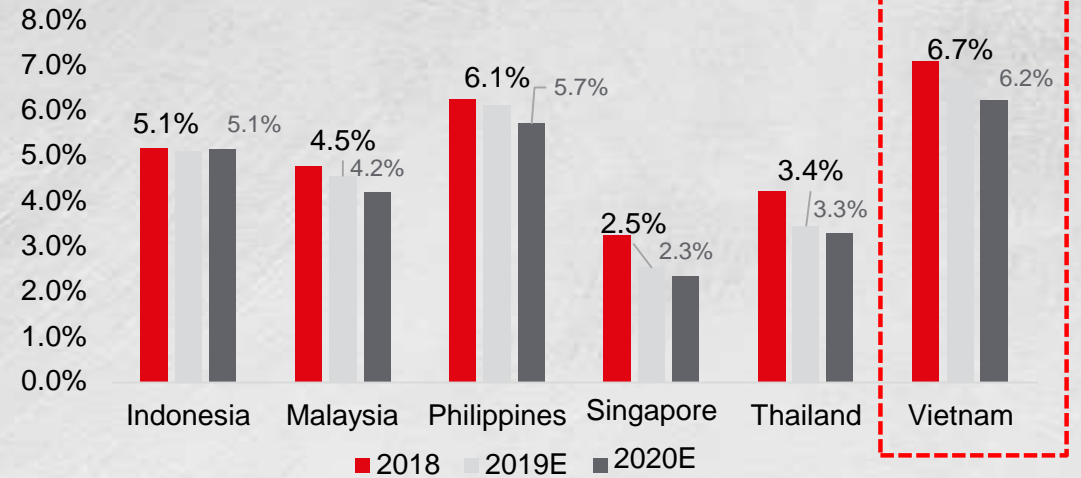
3rd in SEA (after Indonesia and Philippines)

15th globally

Increase 10.3 mil. persons over 2009-19

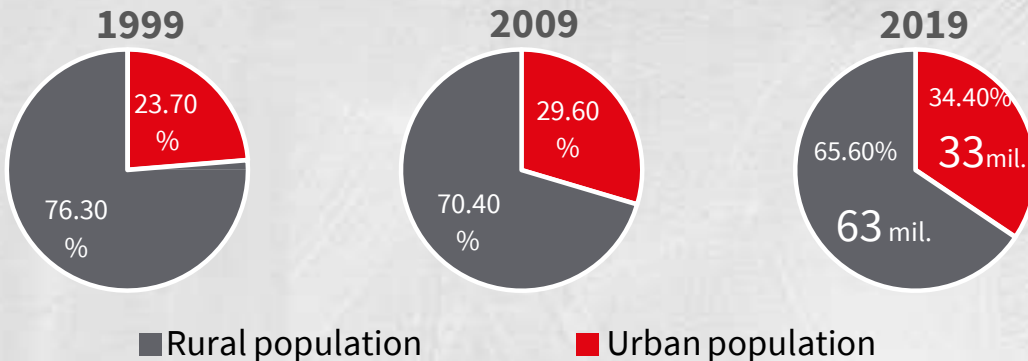
Avg. annual growth over 2009-19 is 1.14% per year

GDP forecasts for 2019-2020



Source: Oxford Economics

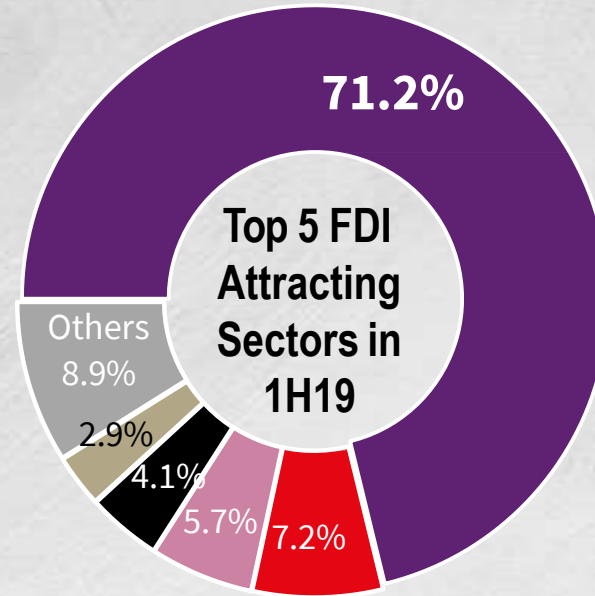
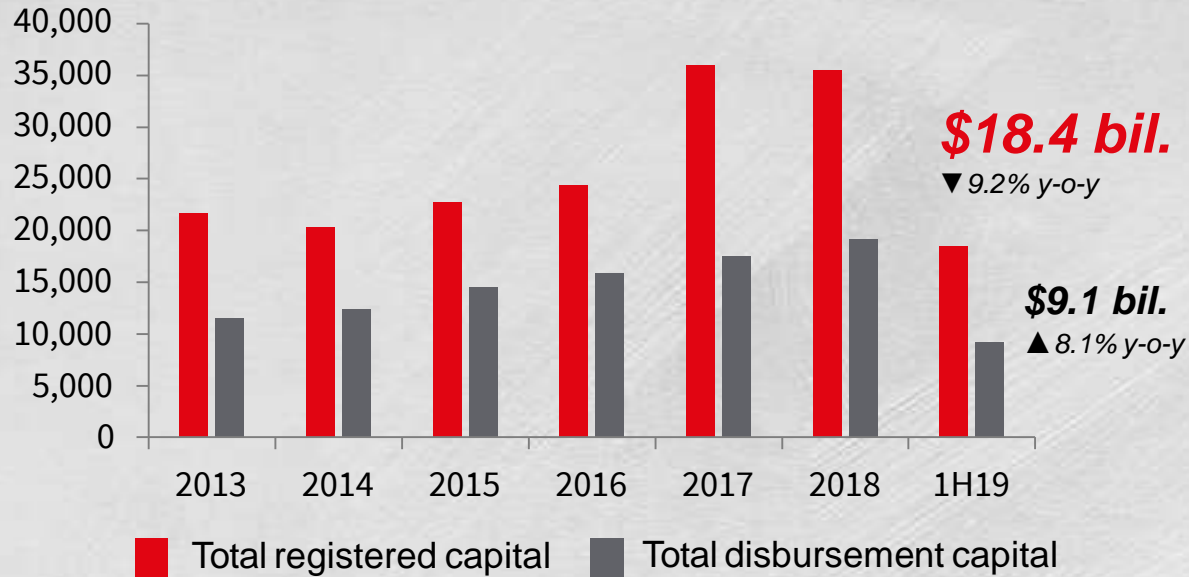
Population structure



Source: Ministry of Planning and Investment - Foreign Investment Agency (FIA Vietnam)

1H19 - Vietnam FDI

Vietnam's FDI by year (USD million)



- Manufacturing
- Real estate
- Wholesale and retail trade
- Scientific and technical activities
- Electricity, gas, water manufacturing and distribution

Top 5 Investors Investing in Vietnam in terms of registered capital in 1H19



Hong Kong SAR



South Korea



Mainland China



Singapore



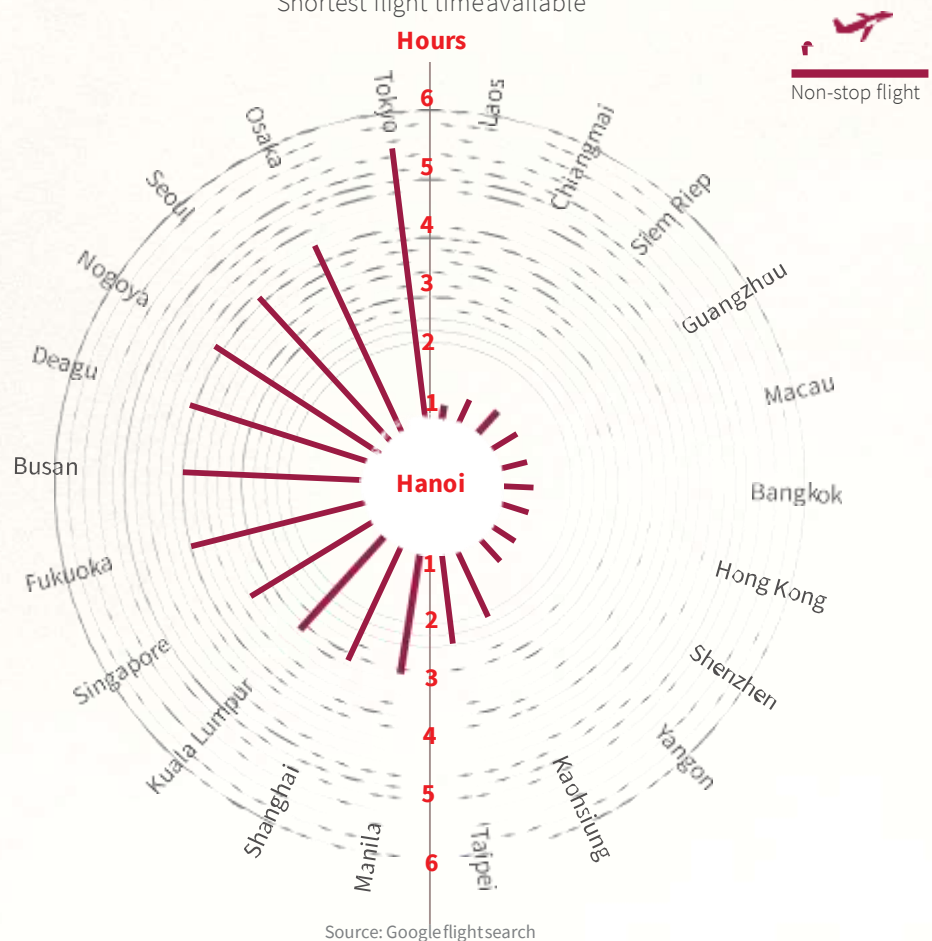
Japan

Vietnam

Strategic Location and *Strong Infrastructure spending*



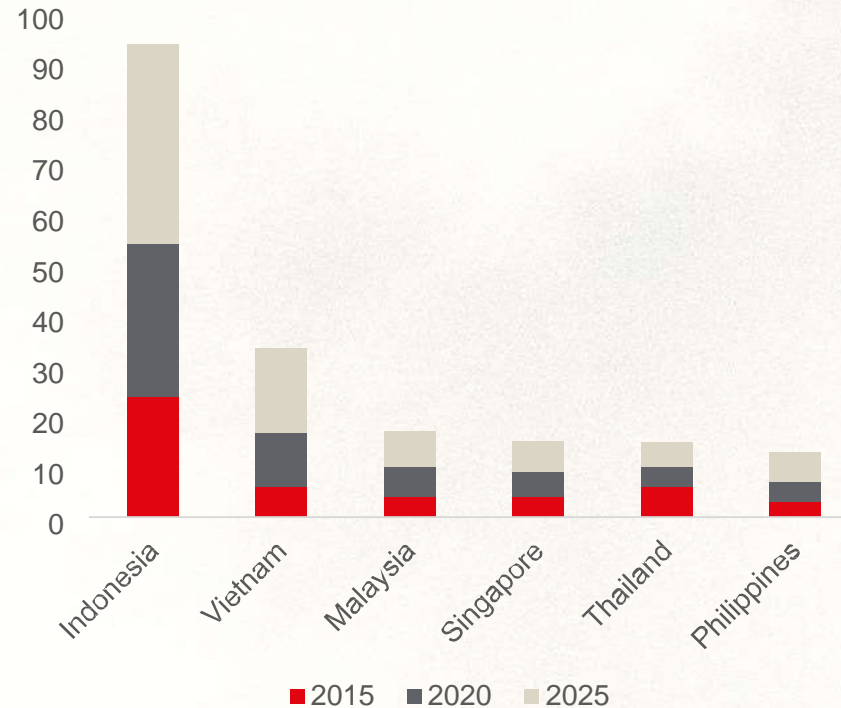
Shortest flight time available



Source: Google flight search

Vietnam has the second highest spending on transport infrastructure (road, rail, sea and airports)

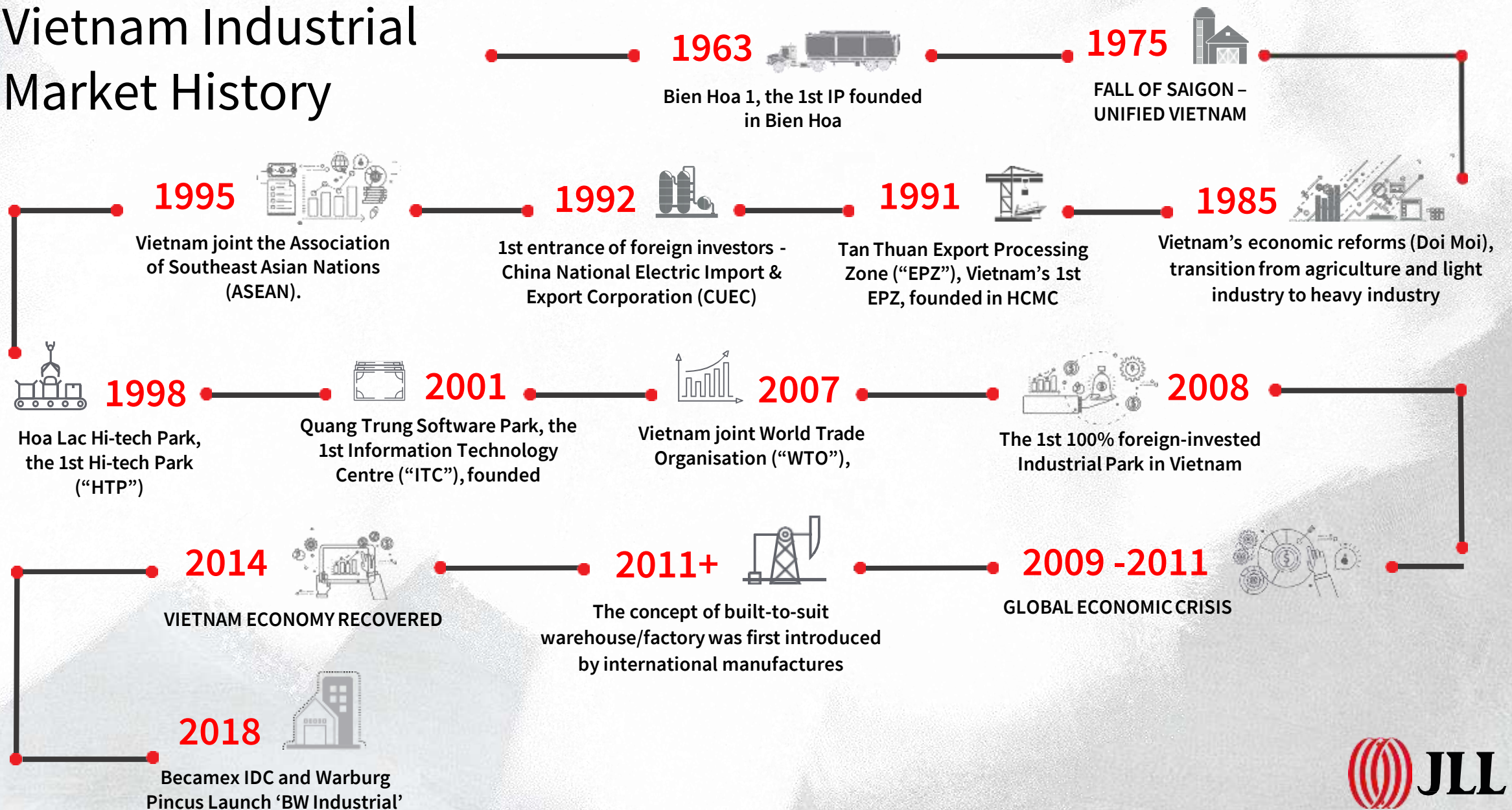
In USD billion (2015 constant prices)



Source: Oxford Economics, cited in PwC "Understanding infrastructure opportunities in ASEAN", 2017

Vietnam –
Southeast Asia's
New Industrial
Powerhouse

Vietnam Industrial Market History





Cumulative supply in key economic zones

1991 - 1995

The 1991-1995 five-year plan, piloted for the development of Industrial Parks (IPs) and Export Processing Zones (EPZs). Focusing on developing EPZs to attract FDI, increase export and create a prerequisite for Vietnam's integration into the world economy

1996 - 2000

Established the country's KEZs, accelerated the establishment of IPs and EPZs, and associated with the conversion of some EPZs into IPs to promote investment attraction, diversify the development of industries, especially light industries with export orientation. Piloted a new industrial model, such as Hi-tech Park (HTP).

2001 - 2005

Stimulated the country's industrialisation and modernisation by establishing new industrial models, including Information Technology Centre (ITC) and Agricultural Hi-tech Park (AHTP), Border Grade Economic Zone, Coastal Economic Zone

2006 - 2010

Further regulations, policies and plans were introduced to form IPs of rational sizes to continuously facilitate industrial development and attract investments for IPs and EPZs. For example, Decree No.29/2008/ND-CP, providing a clear guideline on investment incentives and the management mechanism for EPZ.

2011 - 2018

Aggressive policy reform to promote and facilitate the country's economic growth. Industrial market gradually moves up to the next level with more complex demand.



Vietnam Industrial

Key Facts



Vietnam total industrial land*

80,000ha

Vietnam total ready built*

5,900,000sq

m

Advantages

1. Incentives within Industrial and Economic zone

Accessibility to provincial/ state budget

Support by the state budget in training human resources, market development and application of science and technology, and so forth.

Visa exemption

For foreigners working/having business in the industrial and economic zones.



Tax exemption/reduction

Corporate income tax (CIT), Value-added tax (VAT), Import/export tax and Special consumption tax (SCT), Personal income tax (PIT).

Land use levy exemption/reduction

Exemption or reduction of land and water surface rents of the state.
Exemption or reduction of land use levy when change of land use purpose.

Services supporting business operation

One-gate administration services, on-site custom services, and so forth.

Advantages



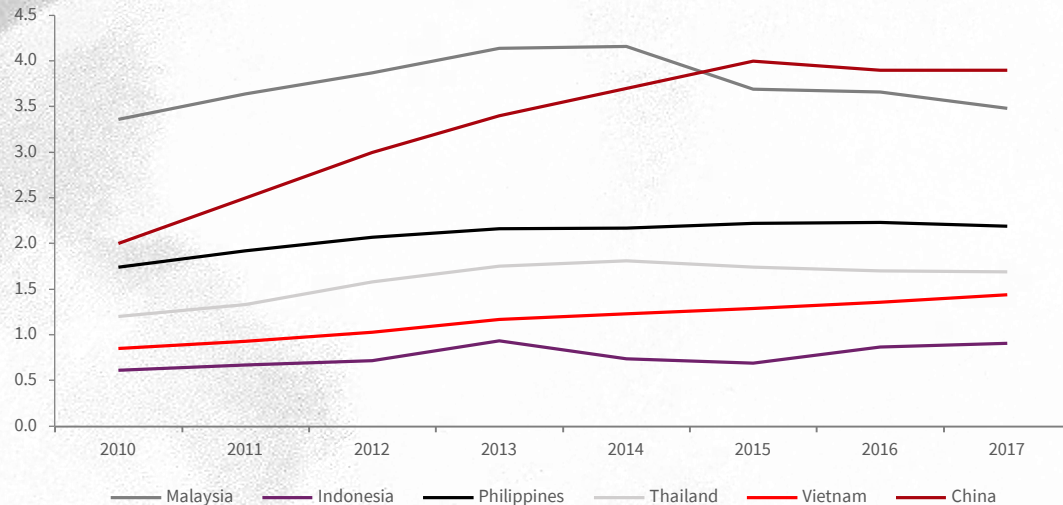
2. Movement from China

Costs are rising in China

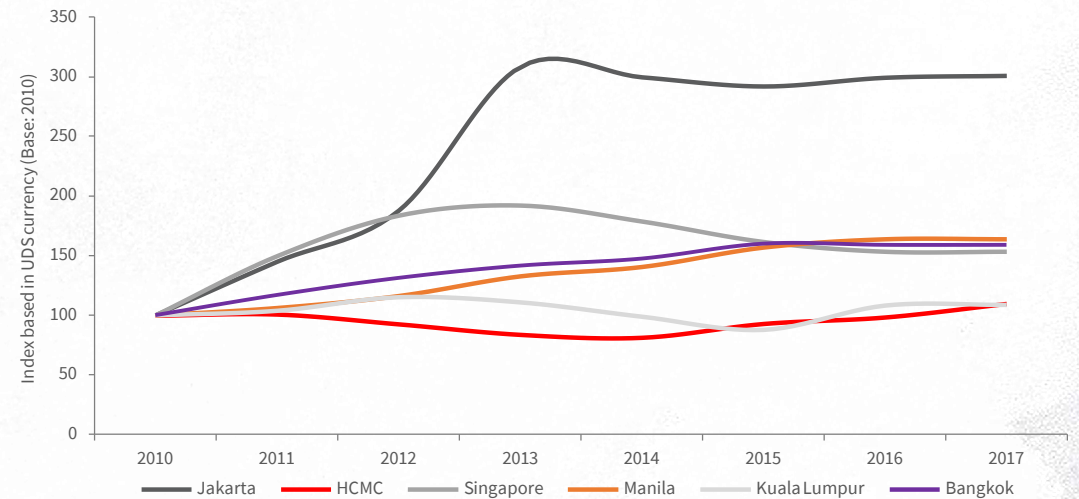
The growth in industrial land prices

Different concentration in industries

Manufacturing wage in USD/hour



Industrial land price index



Advantages



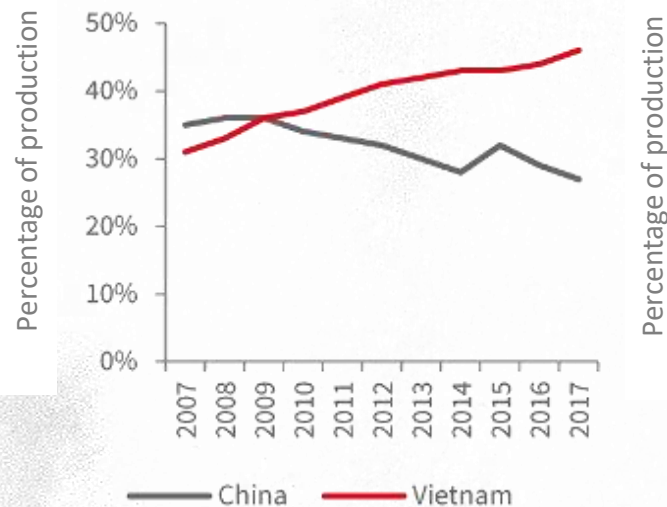
2. Movement from China

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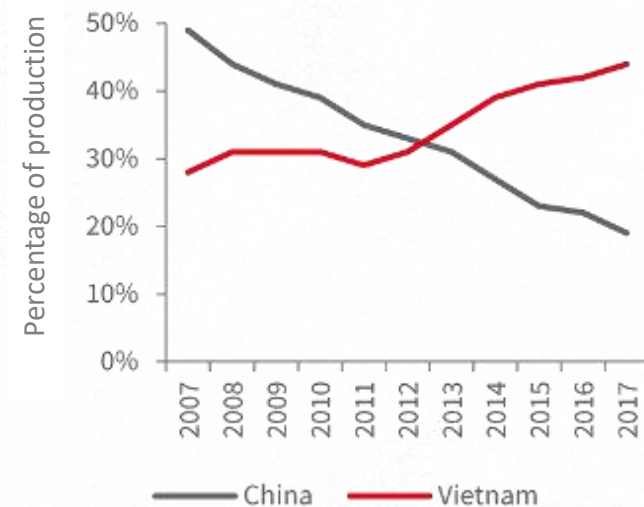
Different concentration in industries

Nike is slowly ditching China for Vietnam to make its sneakers



Source: www.theatlantic.com

Adidas now makes twice as much footwear in Vietnam as China



Advantages

3. Free Trade Agreements



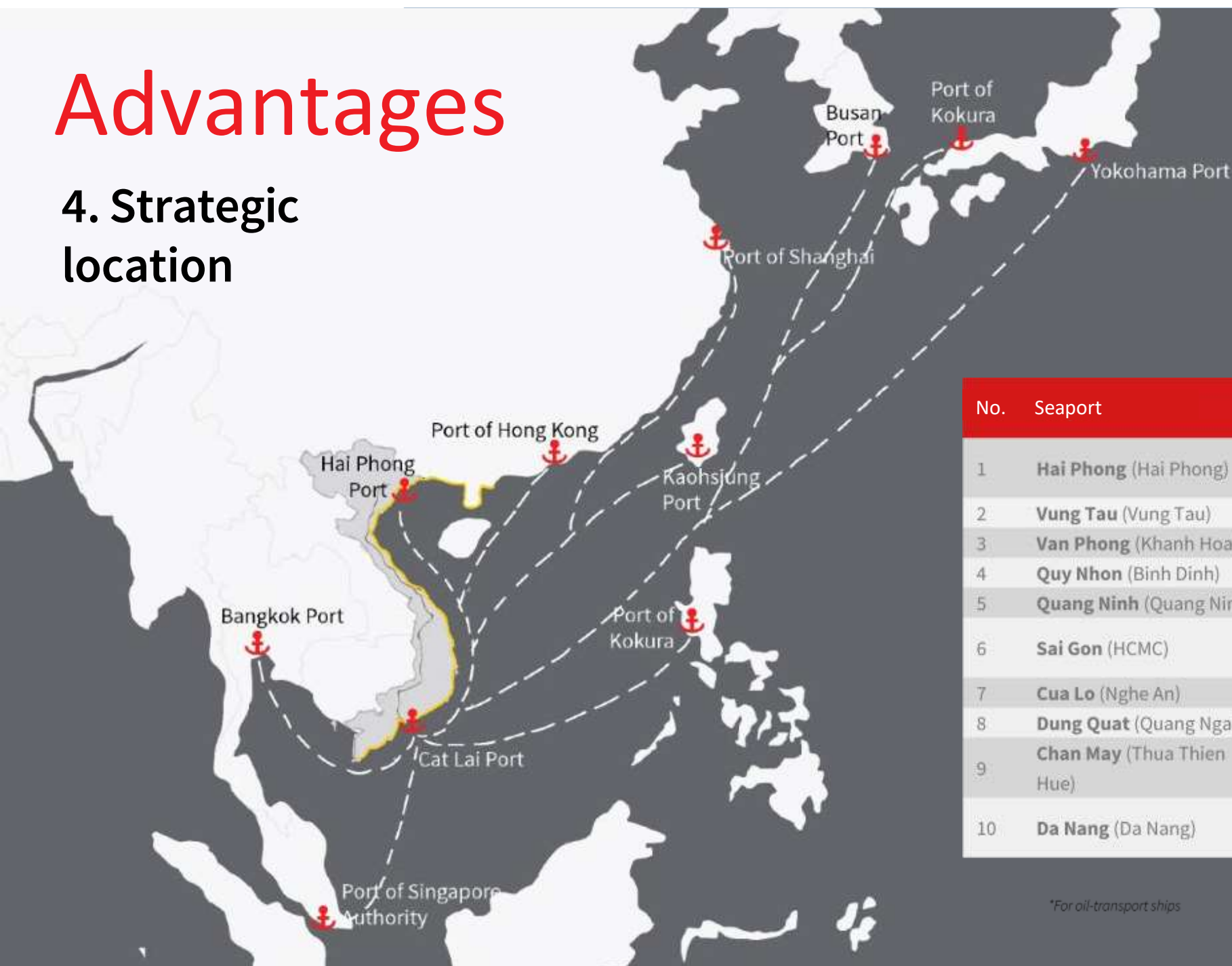
Advantages

3. Free Trade Agreements



Advantages

4. Strategic location



No.	Seaport	Elemental ports	Maximum Allowed DWT
1	Hai Phong (Hai Phong)	Hoang Dieu, Dinh Vu, Vat Cach, Tan Vu, Lach Huyen	10,000 – 20,000
2	Vung Tau (Vung Tau)	Cai Mep, Phu My, Song Dinh,	30,000 – 50,000
3	Van Phong (Khanh Hoa)	My Giang, Doc Let	350,000*
4	Quy Nhon (Binh Dinh)	Thi Nai	50,000
5	Quang Ninh (Quang Ninh)	Cai Lan	70,000
6	Sai Gon (HCMC)	Tan Cang Cat Lai, Cai Mep, Hiep Phuoc	20,000 – 30,000
7	Cua Lo (Nghe An)	No.1, No.2, No.3, No.4	30,000 – 50,000
8	Dung Quat (Quang Ngai)	Dung Quat, Sa Ky	20,000 – 70,000
9	Chan May (Thua Thien Hue)	No.1, No.2, No.3	30,000
10	Da Nang (Da Nang)	Tien Sa – Son Tra, Lien Chieu, Tho Quang	30,000 – 50,000

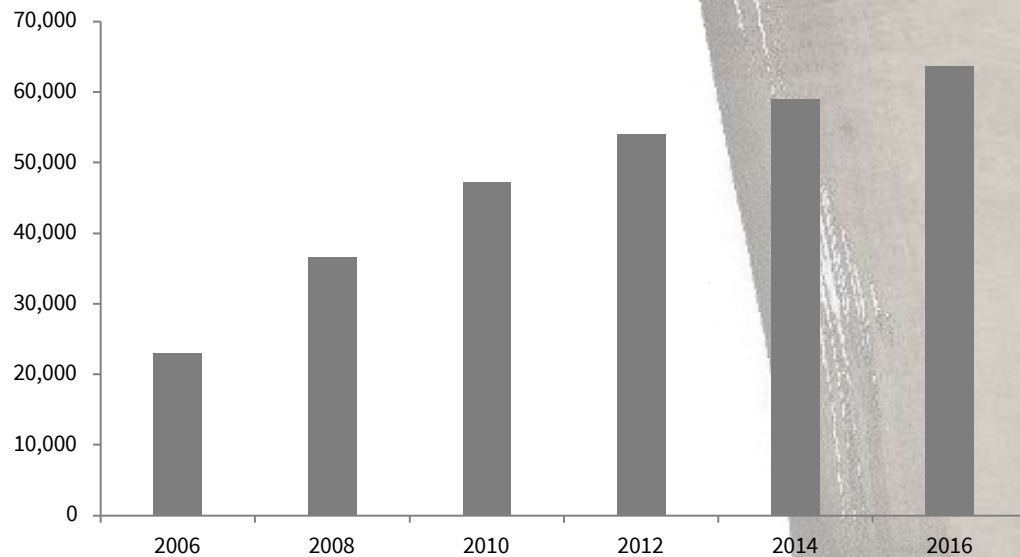
*For oil-transport ships

Advantages

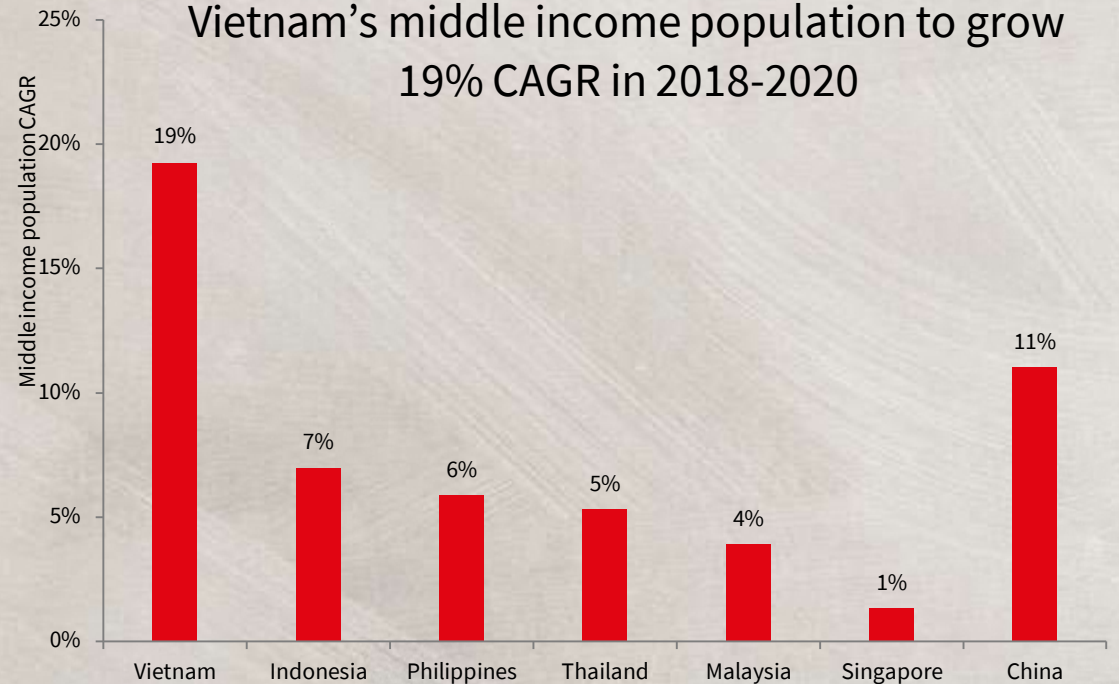


6. Growth of Middle and Affluent Income Class

Number of students study abroad



Vietnam's middle income population to grow 19% CAGR in 2018-2020



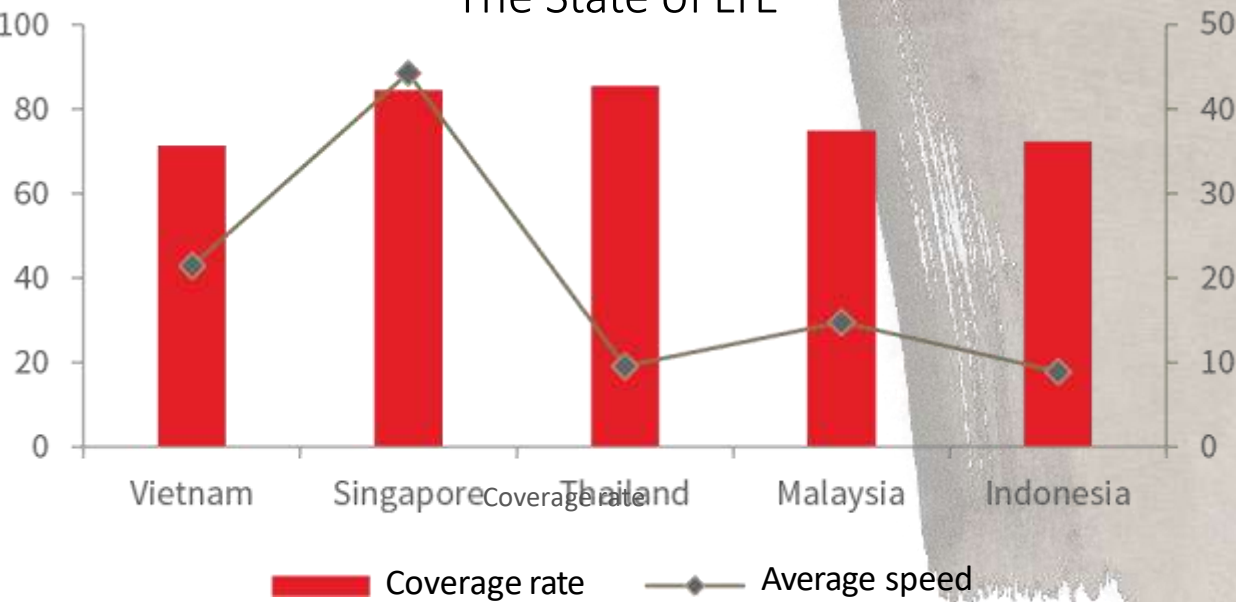
Advantages



7. The Robust Growth of E-commerce

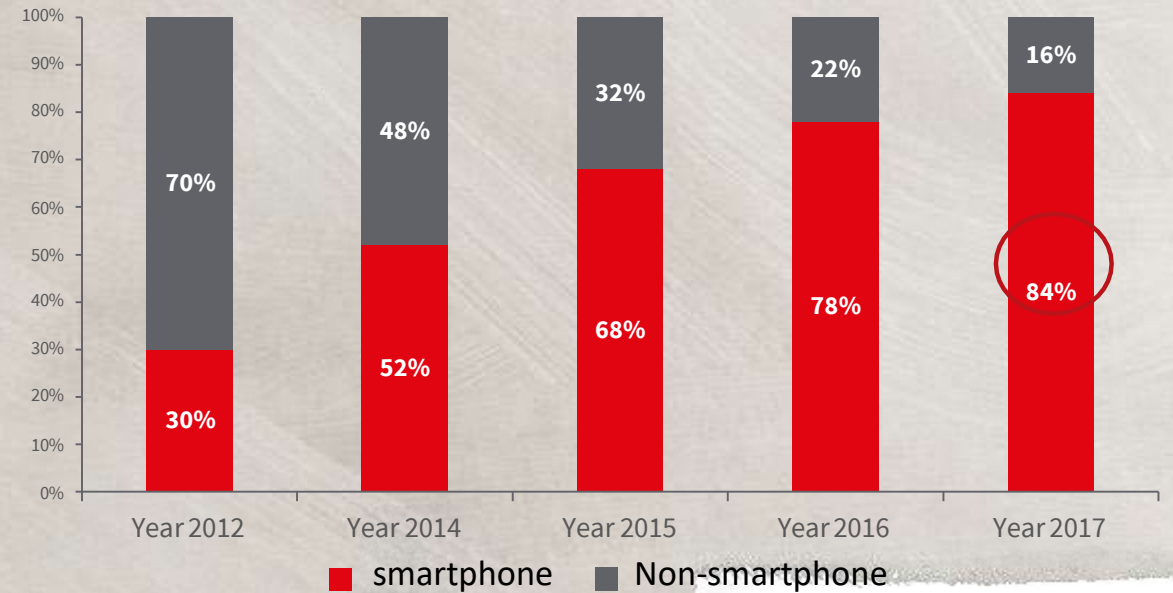
Mobile Internet

The State of LTE



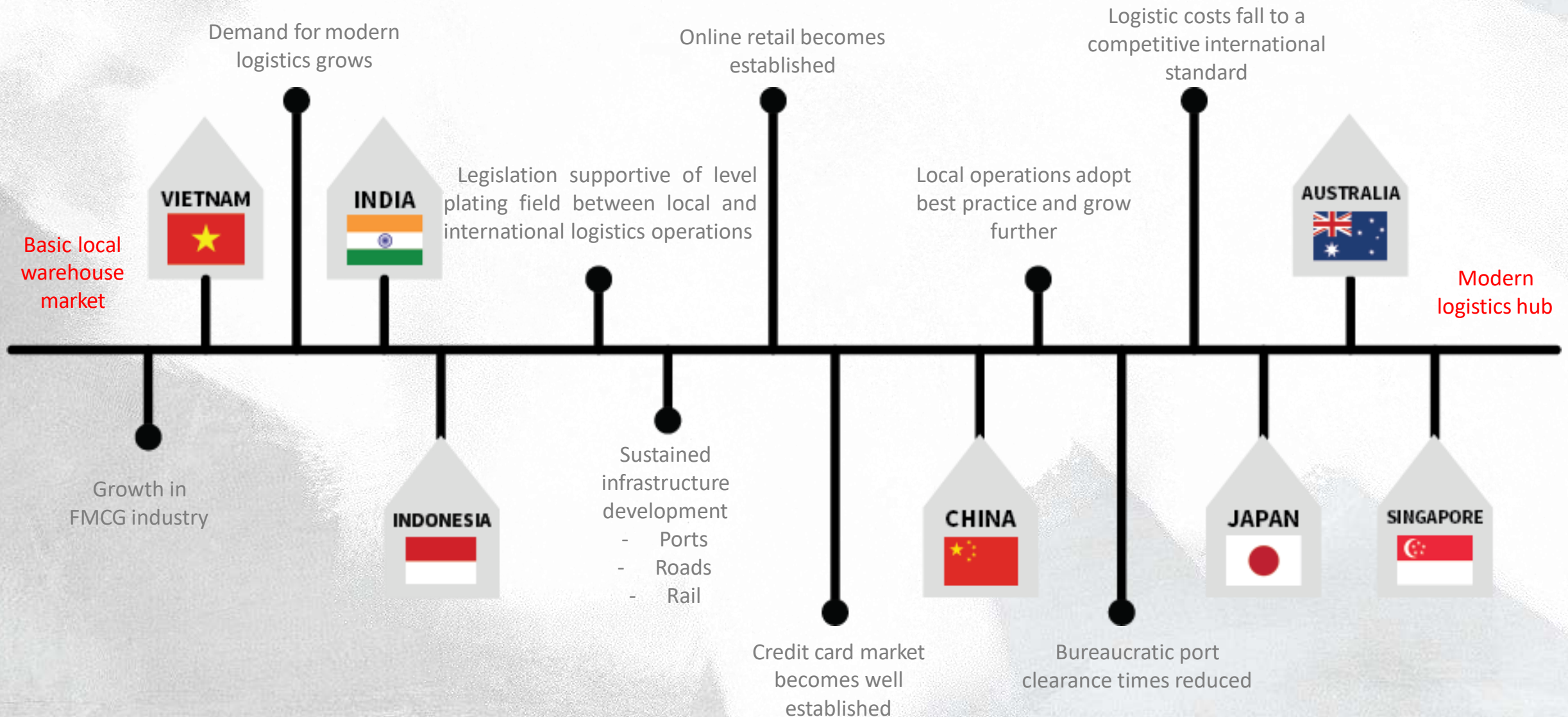
Smartphone Penetration

% of People Using Smartphone Amongst Mobile Phone Users in Key Cities



Source: Nielsen Vietnam Smartphone Insight Report, 4Q2017

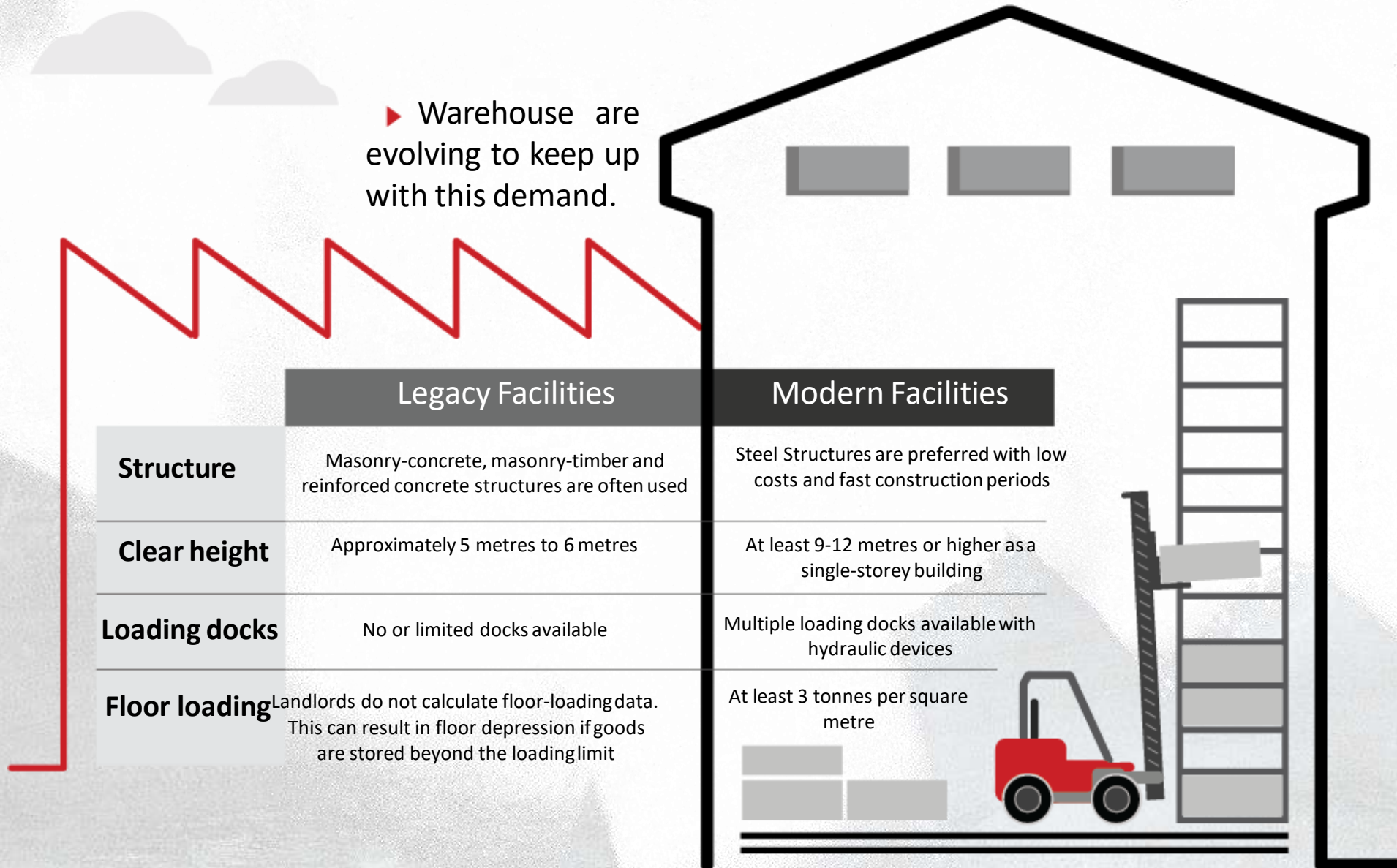
Evolving Logistics Market



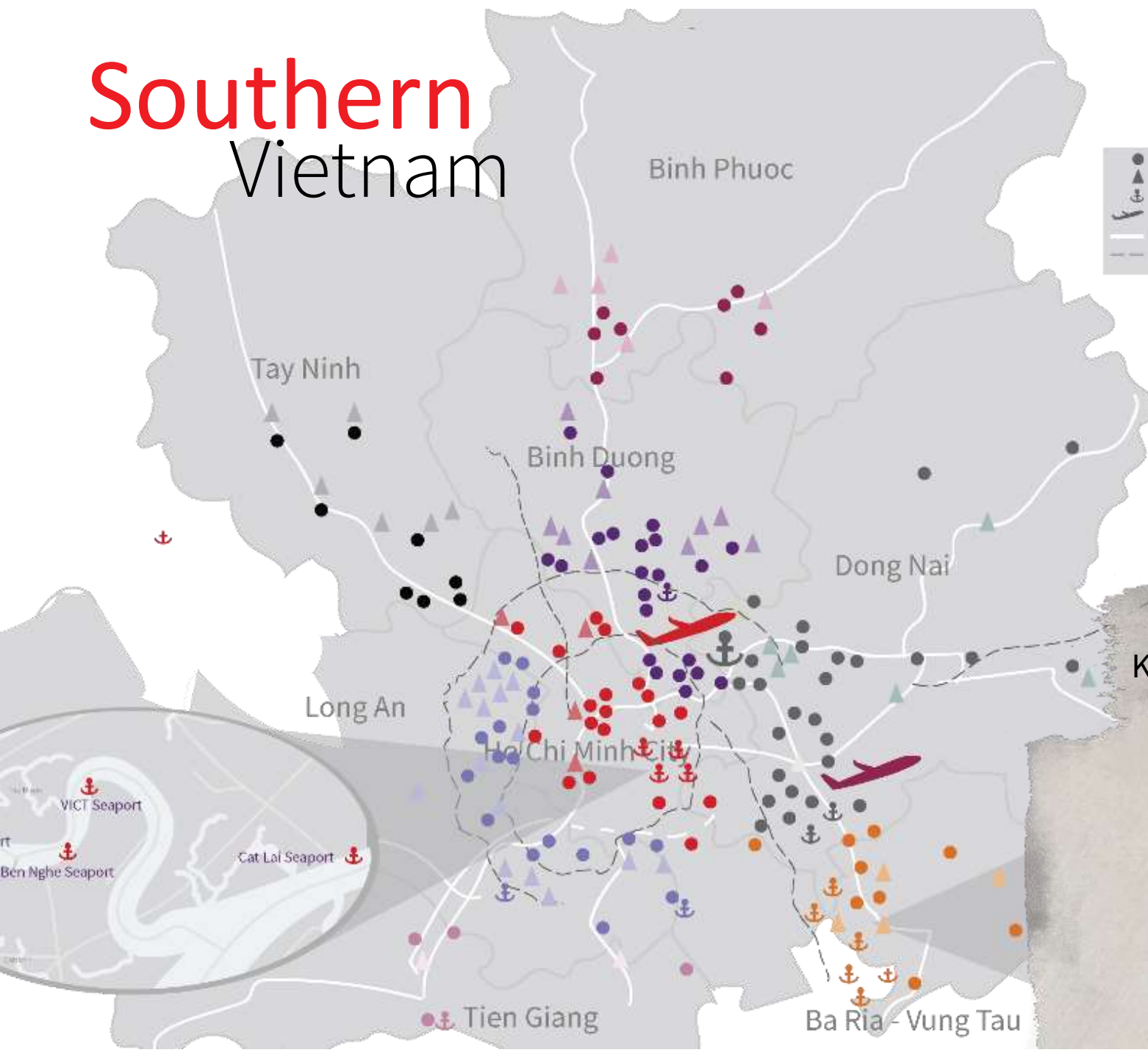
Evolving Logistics Market



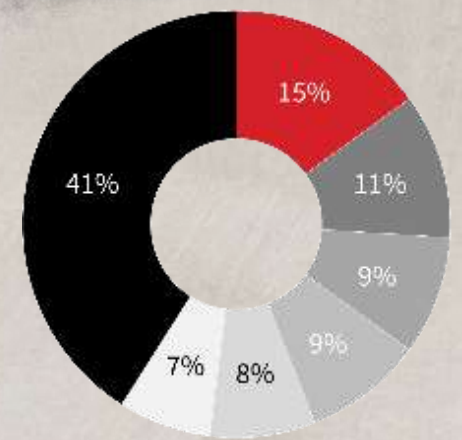
► Warehouse are evolving to keep up with this demand.



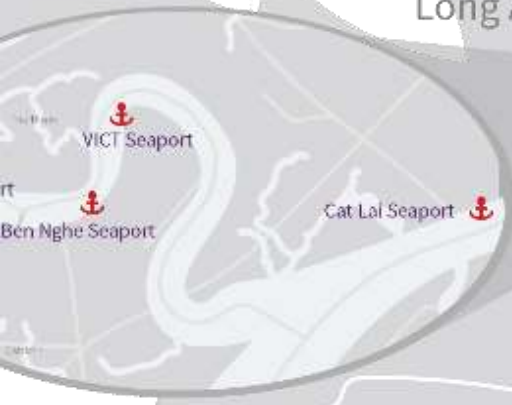
Southern Vietnam



Key Occupiers by Sector

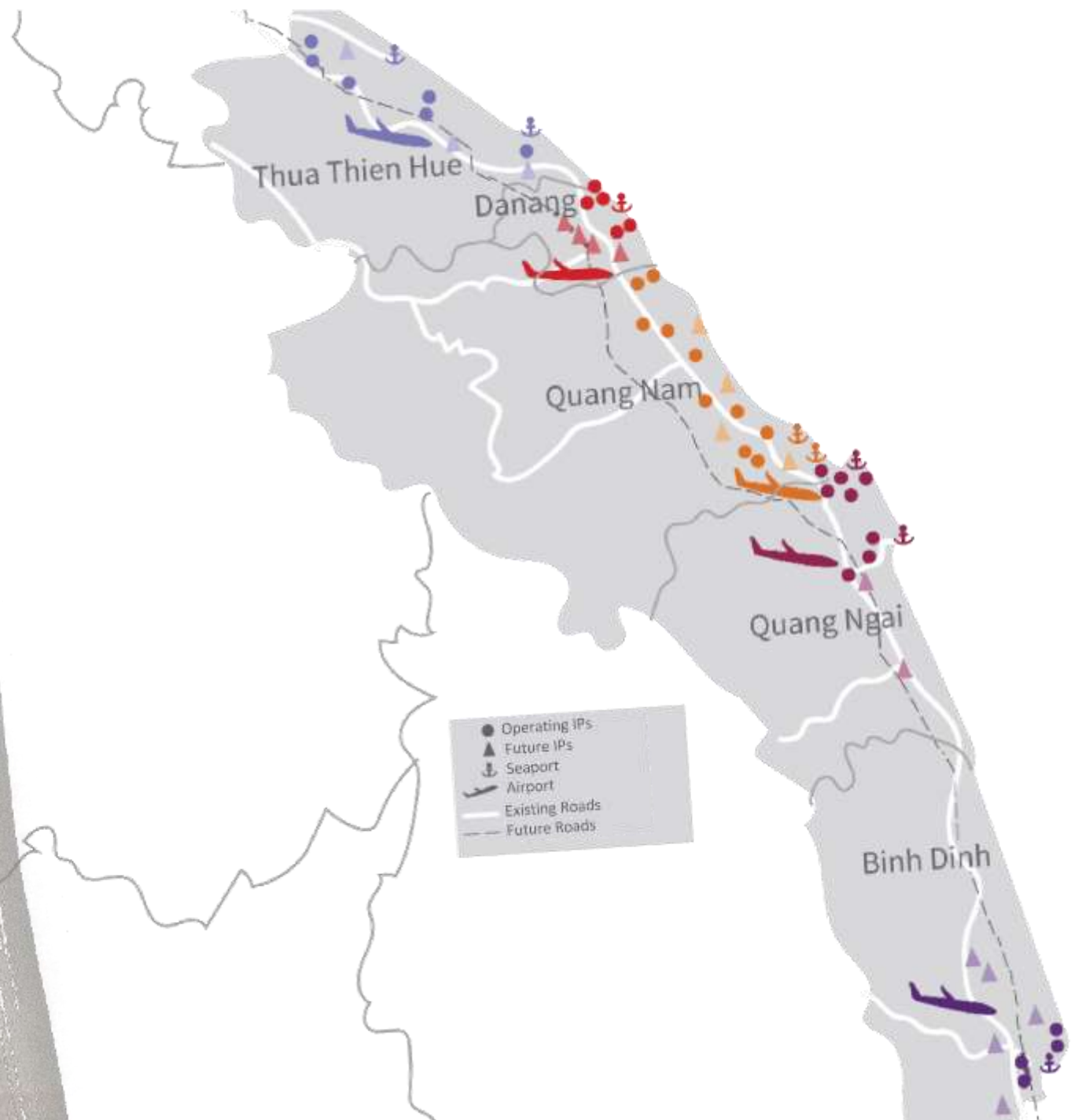
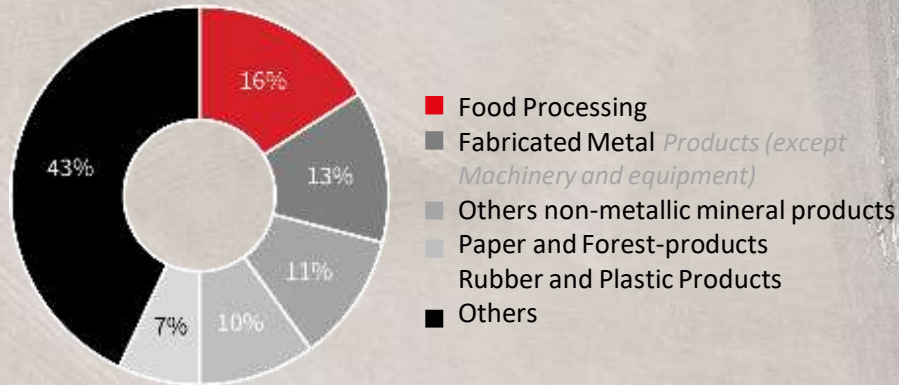


- Machinery and Equipment
- Textile and Apparel
- Fabricated Metal Products (except Machinery and equipment)
- Rubber and Plastic Products
- Chemicals And Chemical Products
- Food Processing
- Others

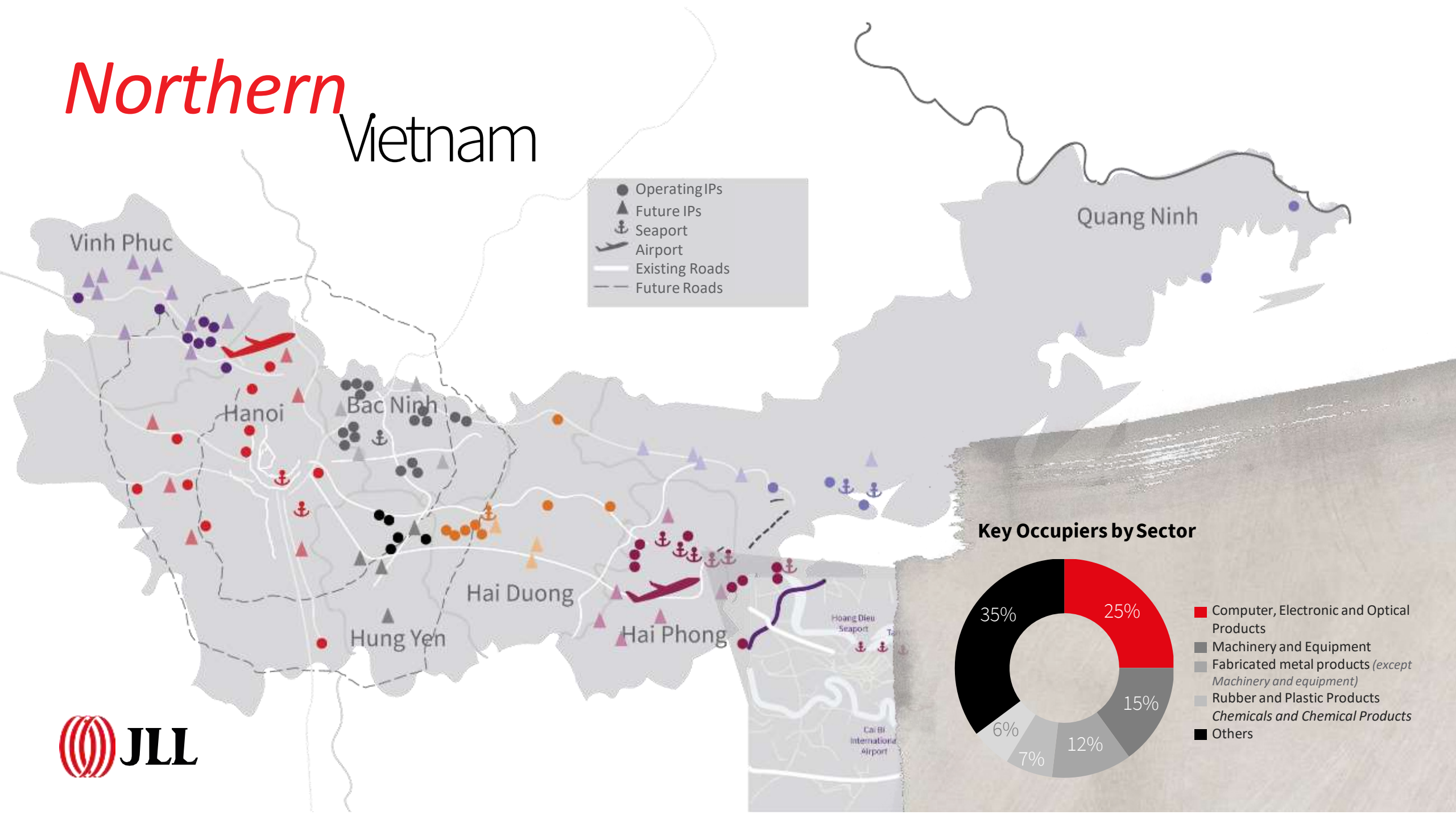


Central Vietnam

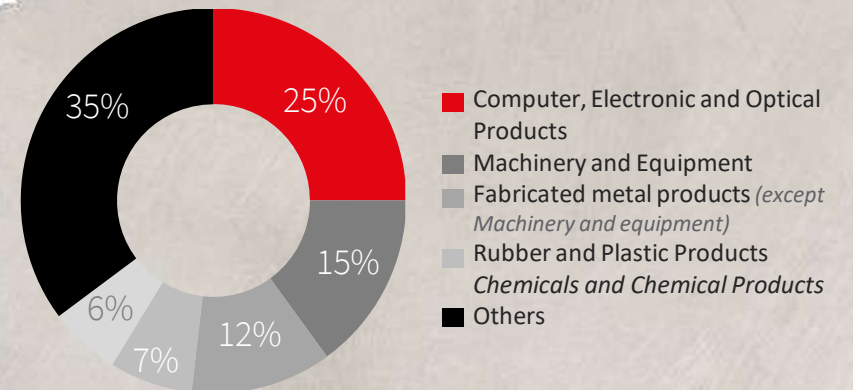
Key Occupiers by Sector



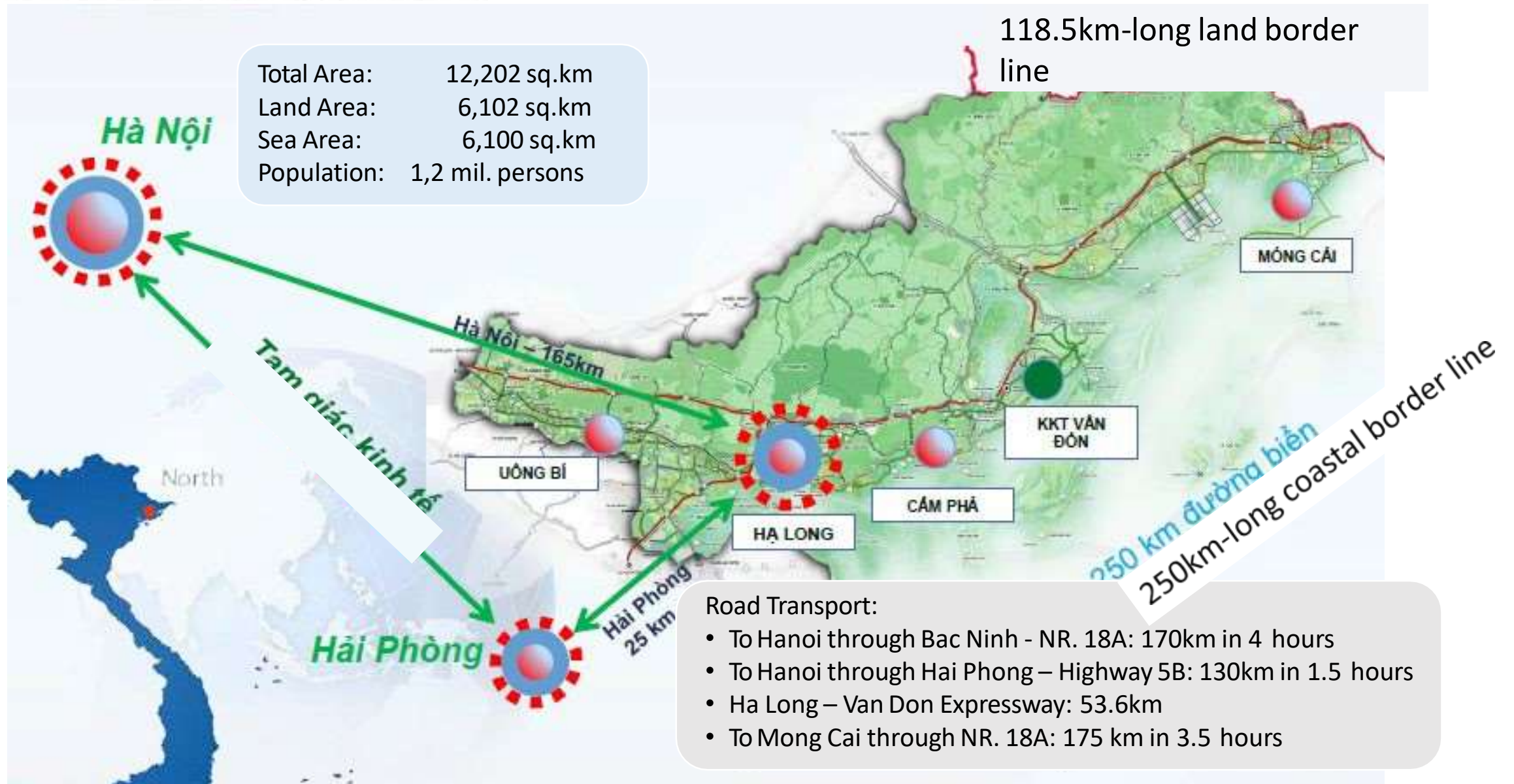
Northern Vietnam



Key Occupiers by Sector

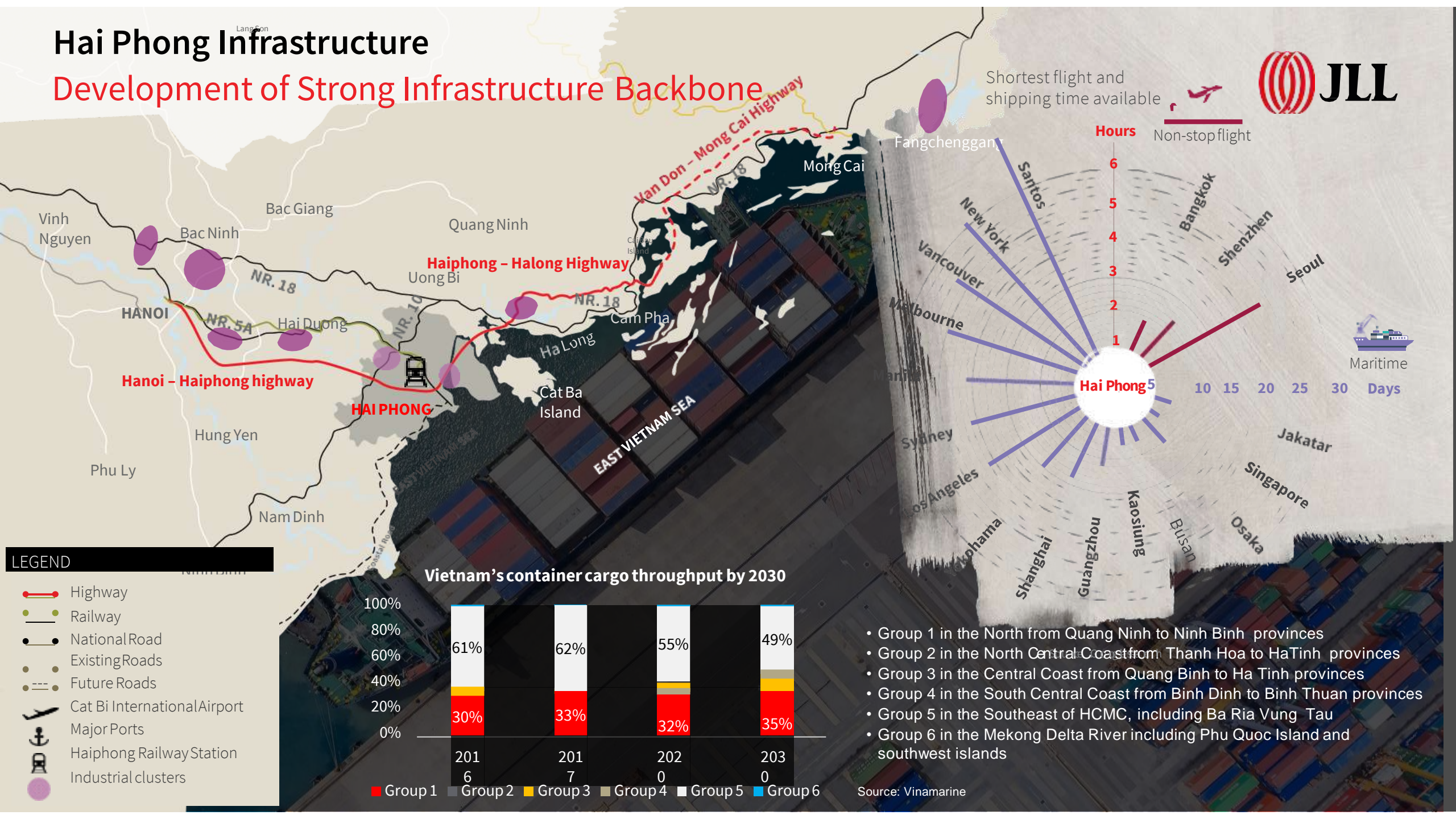


Economic Triangle: Ha Noi – Hai Phong – Ha Long



Hai Phong Infrastructure

Development of Strong Infrastructure Backbone



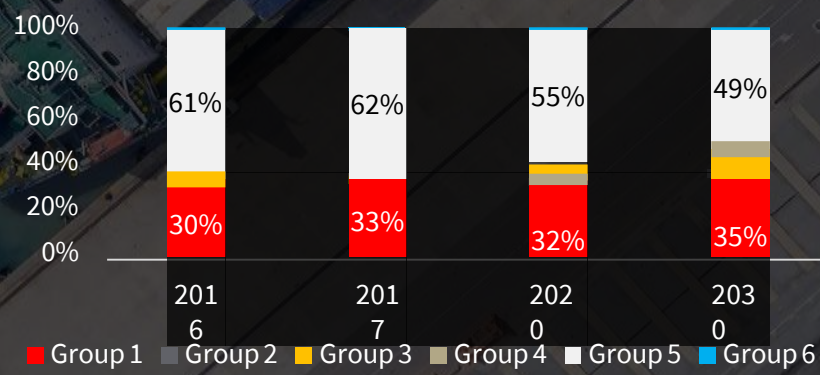
Shortest flight and shipping time available



LEGEND

- Highway
- Railway
- National Road
- Existing Roads
- Future Roads
- Cat Bi International Airport
- Major Ports
- Haiphong Railway Station
- Industrial clusters

Vietnam's container cargo throughput by 2030

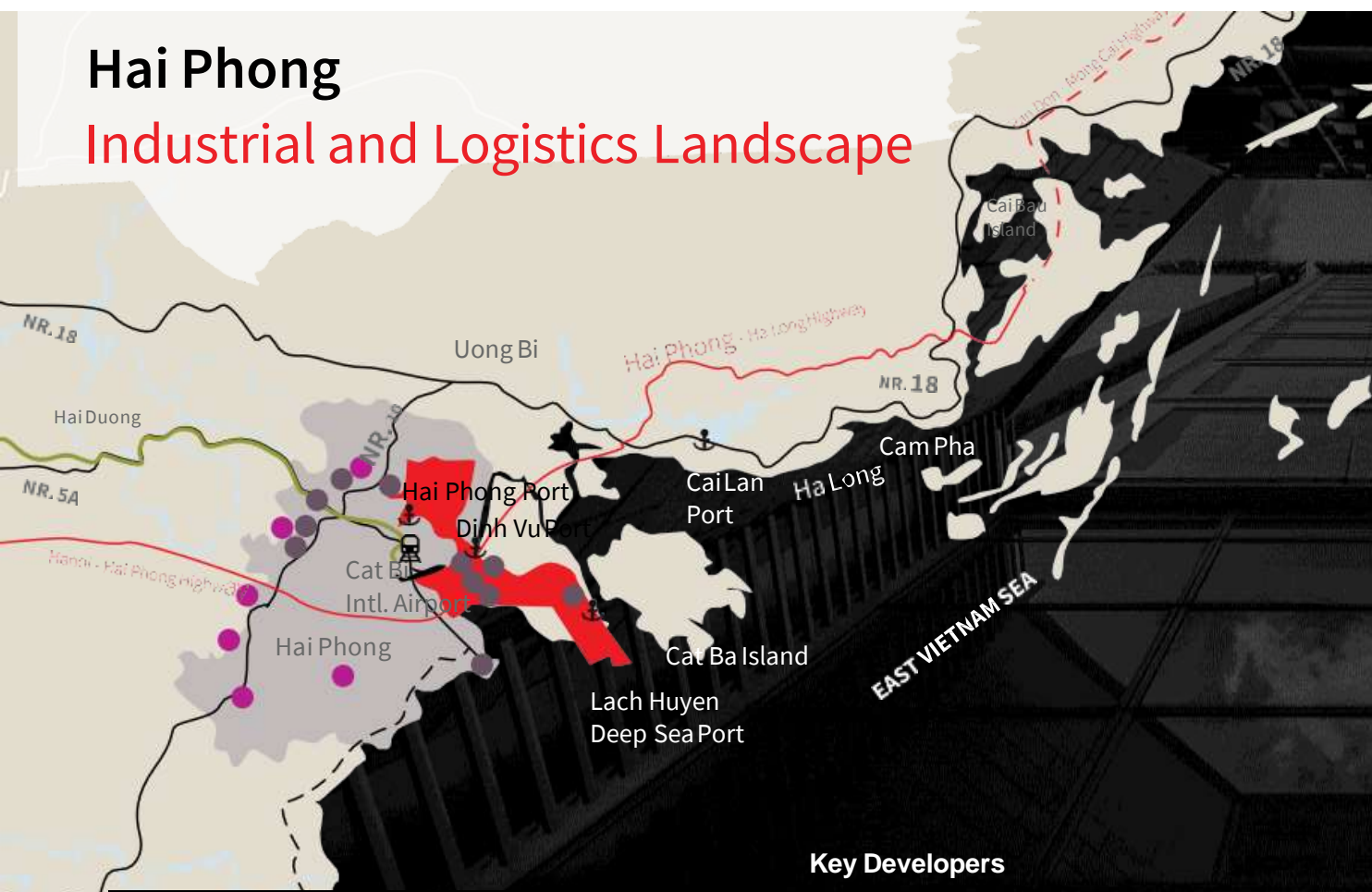


- Group 1 in the North from Quang Ninh to Ninh Binh provinces
- Group 2 in the North Central Coast from Thanh Hoa to Ha Tinh provinces
- Group 3 in the Central Coast from Quang Binh to Ha Tinh provinces
- Group 4 in the South Central Coast from Binh Dinh to Binh Thuan provinces
- Group 5 in the Southeast of HCMC, including Ba Ria Vung Tau
- Group 6 in the Mekong Delta River including Phu Quoc Island and southwest islands

Source: Vinamarine

Hai Phong

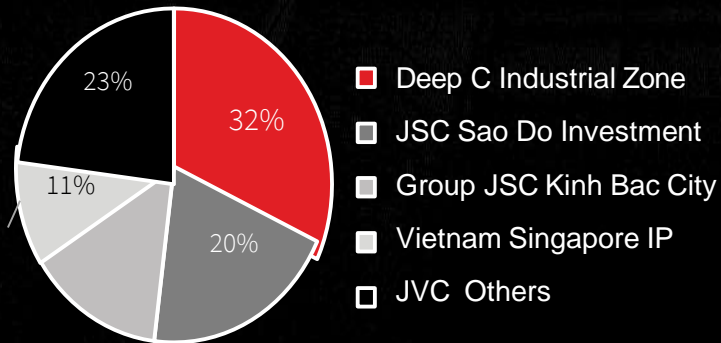
Industrial and Logistics Landscape



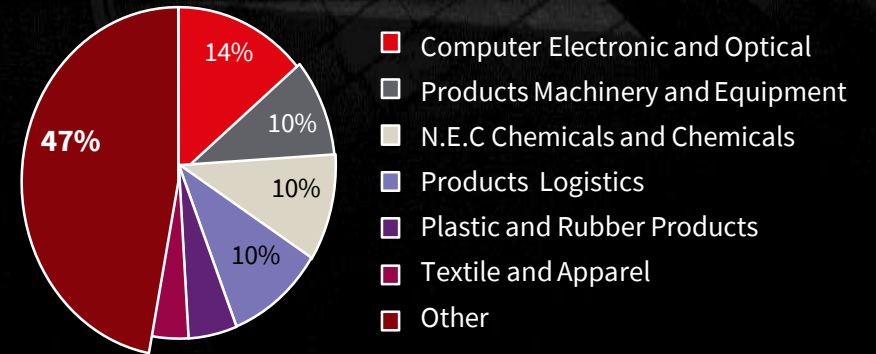
Key facts

Total Land Area (ha)	4,701	Total Ready Built (sqm)	395,000
Average Net Rent (sqm/leaseterm)	USD 92	Average Net Rent (sqm/month)	USD 4.6
Occupancy Rate	52%		

Key Developers



Key Occupiers by Sector

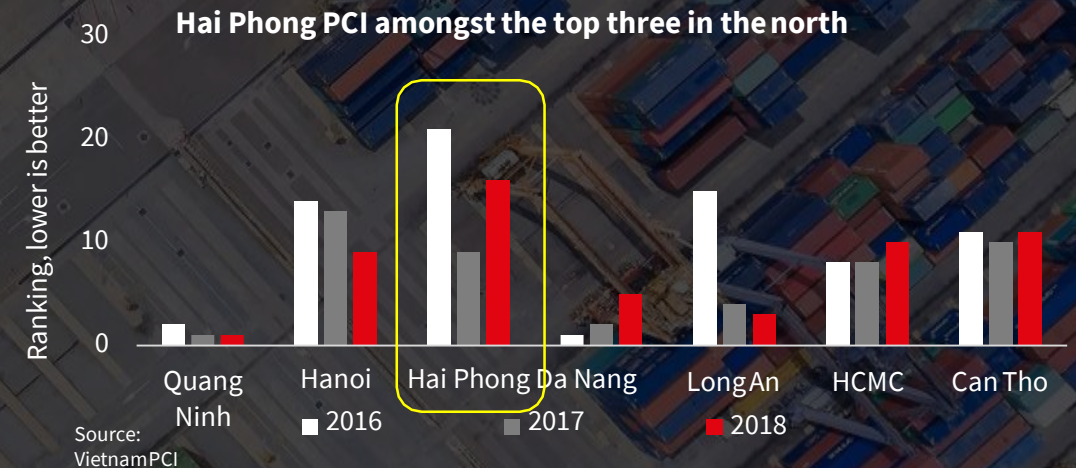
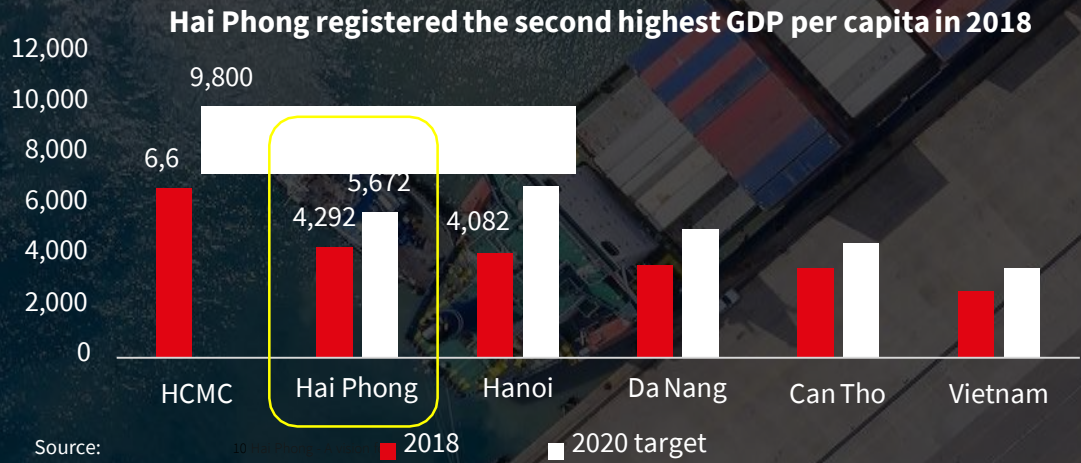
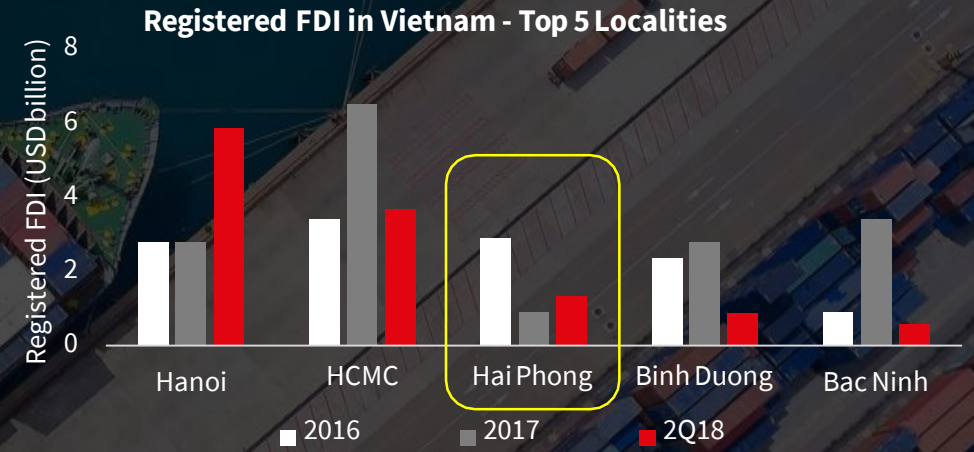
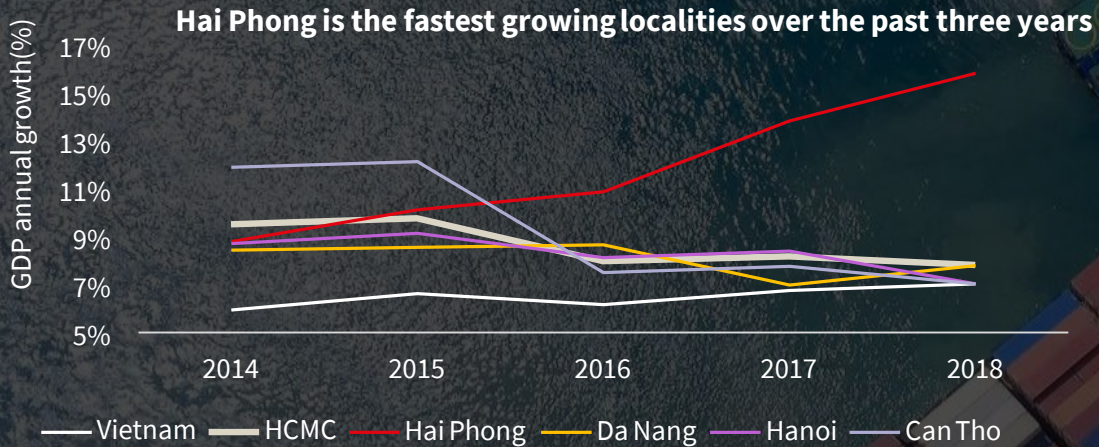


LEGEND

- Highway
- Railway
- National Road
- Cat Bi International Airport Major Ports
- Haiphong Railway Station
- Existing Industrial Parks
- Future Industrial Parks
- Dinh Vu Cat Hai Economic zone

Note: Map only illustrate future projects having clear address and development plans.

Hai Phong Economic - One of the best performers



Key Takeaways



1. Export Driven Economy

2. Movement from China

3. Strategic Location

4. Evolving Logistics Market

5. Infrastructure

6. Industry 4.0



Thank you



NAVIGATING ASIA'S BUSINESS LANDSCAPE: HOW VIETNAM COULD COMPLEMENT YOUR EXPANSION STRATEGY IN ASIA

Shenzhen -18 September 2019



DEEP C INDUSTRIAL CLUSTER

RELIABLE INVESTMENT LOCATION

Come and grow with us



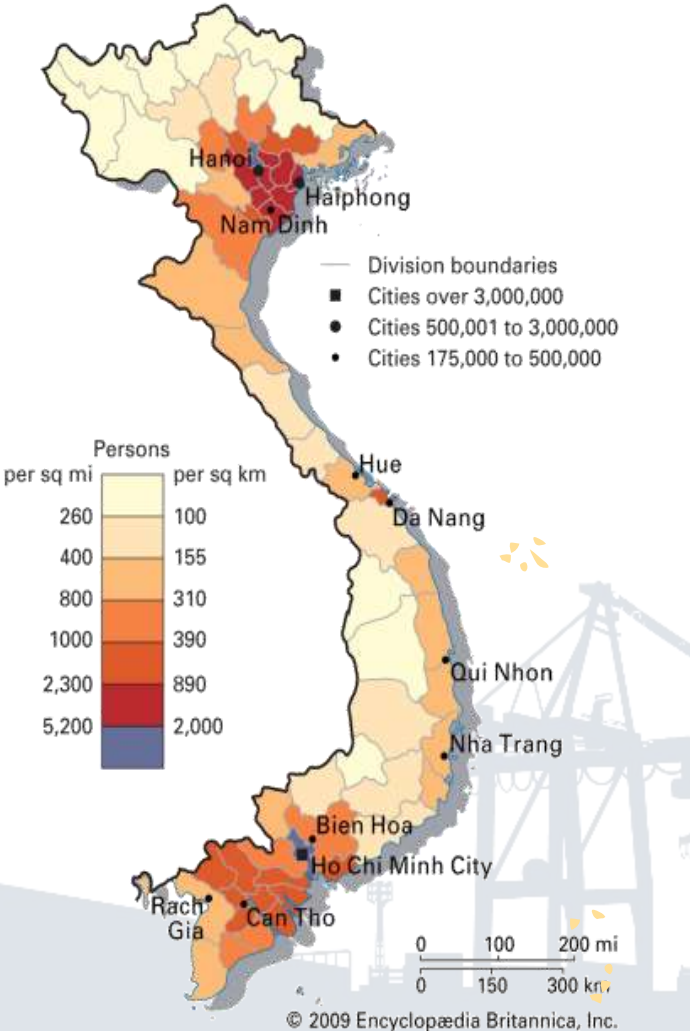
CONTENTS

- Investment Location: North vs South
- Hai Phong City and Quang Ninh Province
- Our Products
- Why DEEP C
- References



INVESTMENT LOCATION

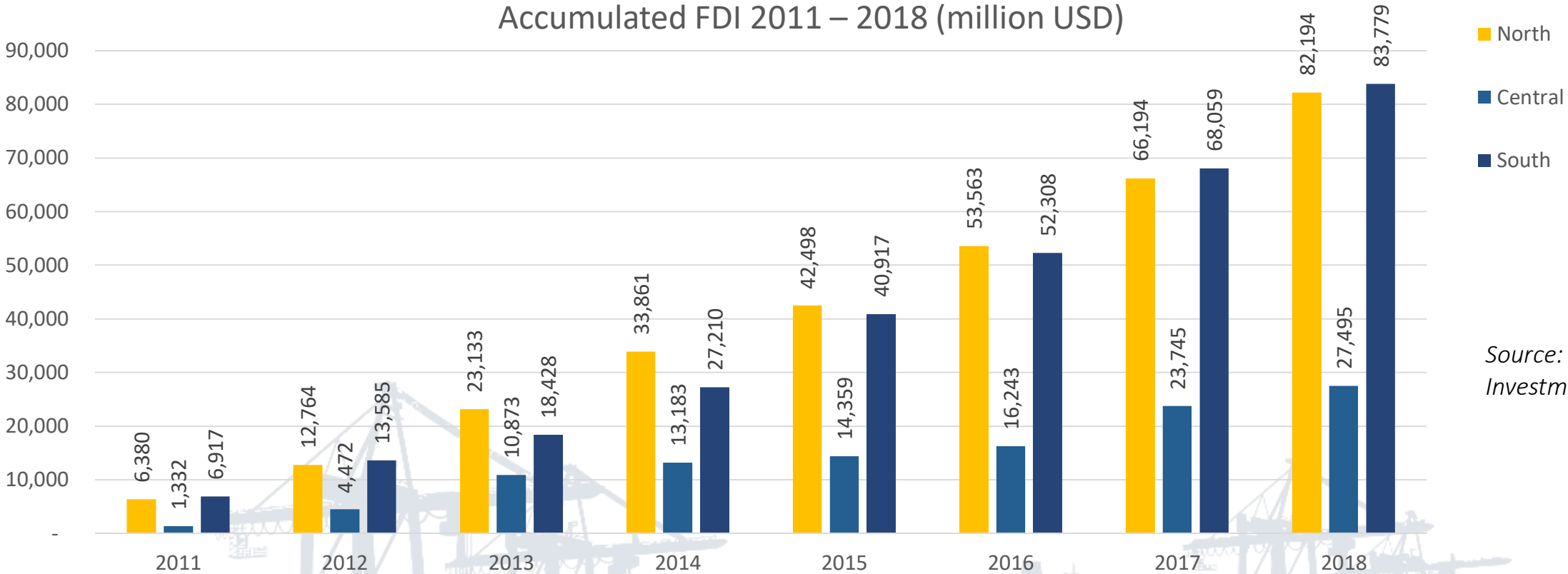
Main economic hubs of Vietnam



Item	Mekong Delta	Red River Delta (2014)
Main city	Ho Chi Minh, Binh Duong, Vung Tau	Hanoi, Haiphong, Quang Ninh
Population	33 million	32 million
Power	Power cuts	Ample capacity – Hydro + coal
Water	+/-	Available
Roads	Very developed but congested	Congested
Port	International	Limited accessibility, inefficient
Airport	Redundant	1 airport
Industry	Very developed	Coming up
Land	Densely occupied	Under development

INVESTMENT LOCATION

FDI Trend



Source: Foreign Investment Agency

The North occupies 42% of total outstanding investment in Vietnam

TRANSPORTATION INFRASTRUCTURES

Lach Huyen Deep Sea Port

Draft: -14m CD

- » Singapore: -16m Yokohama: -16m
- » Ho Chi Minh: -12m Busan: -15m
- » Hong Kong: -15.5m

Vessels: up to 100,000DWT ~ TEU +/-10.000

Direct shipping line to North America



TRANSPORTATION INFRASTRUCTURES

Highways



TRANSPORTATION INFRASTRUCTURES

Airports



Noi Bai International Airport



Haiphong New Cat Bi International Airport



Van Don International Airport

Redundant air transport system

NORTH VIETNAM

The New investment location

Item	Mekong River Delta	Red River Delta (2014)	Red River Delta (2018)
Population	35 million	34 million	35 million
Power	Power cuts & shortages	Ample capacity – Hydro + coal	Ample capacity available
Water	+/-	Available	Available
Roads	Very developed but congested	Congested	Large network available
Port	International	Limited accessibility, inefficient	International
Airport	Redundant	1 airport	Redundant
Industry	Very developed	Coming up	Rapidly developing
Land	Densely occupied	Under development	Prime land available close to new infrastructure

HAIPHONG CITY

2018 GDP growth rate: 16.25%
(Vietnam: 7.08%)*

6 million people within 30 km

Total FDI investment capital: nearly
18 billion USD/720 projects*

4 universities & 25 vocational
colleges

International banks, accommodation,
restaurants, hospitals

Eurocham, Kocham, Jetro etc.



* Source: Hai Phong People Committee (2018, Socioeconomic report)

HAIPHONG CITY

“HAIPHONG has been the spotlight for FDI investment, garnering attention and support from the central authority, supported by a major infrastructure boom and numerous governmental incentives”

JLL research report, 2019



QUANG NINH PROVINCE

1st rank on Provincial Competitiveness Index

2018 GDP growth rate: 11.1%
(Vietnam: 7.08%)*

Untapped labor force
~300.000 people in the surrounding area

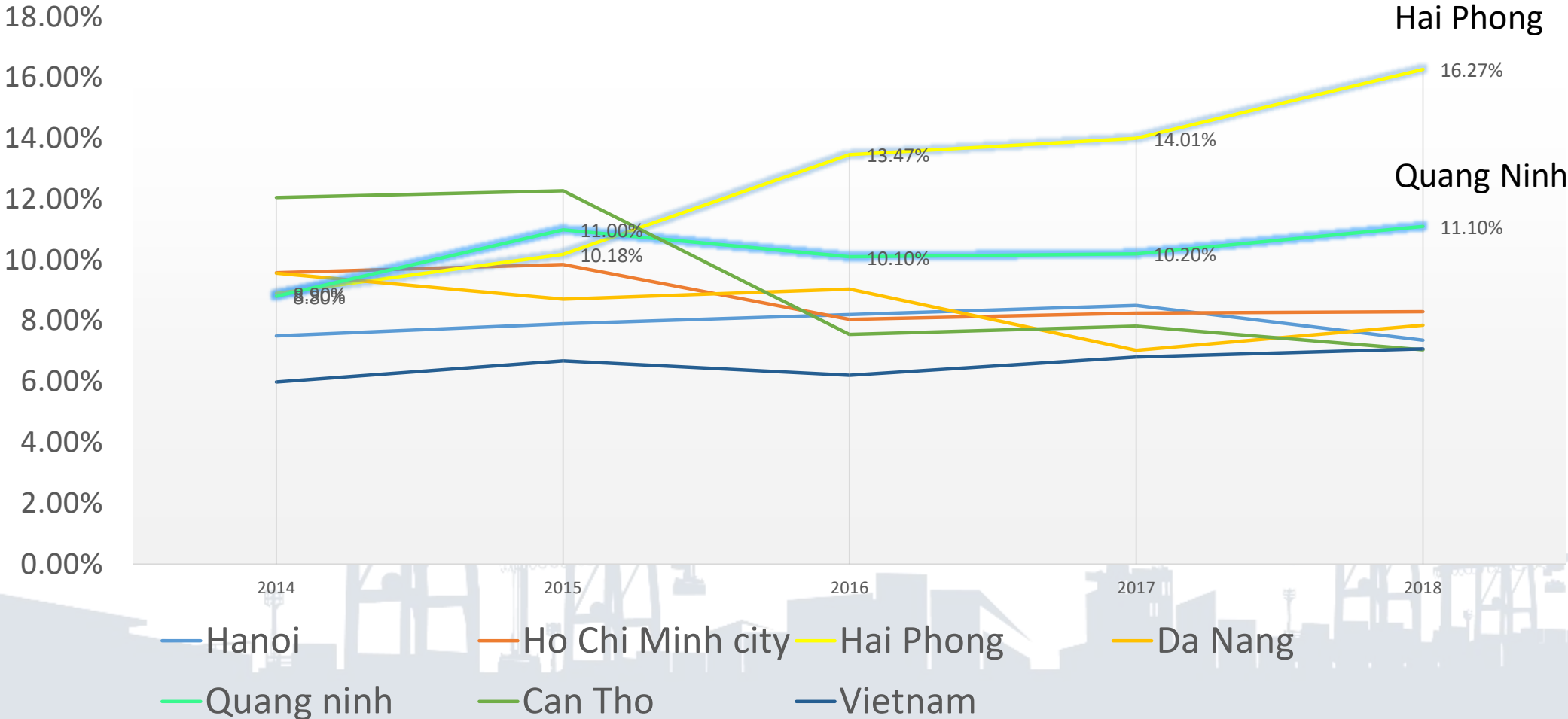
3 universities & 9 vocational colleges



* Source: Quang Ninh's Socioeconomic Report)

ECONOMIC OUTPERFORMERS

HAI PHONG AND QUANG NINH ARE THE FASTEST GROWING PROVINCES OVER THE PAST THREE YEARS



OUR LAND AND LOCATION



Haiphong City Centre

Cat Bi Int'l Airport

Dinh Vu International Port

Lach Huyen Deep Sea Port

Haiphong – Quang Ninh China Expressway

Hanoi – Haiphong Expressway

Coastal Expressway

OUR PRODUCTS

Land lease for Industrial Development

- › Flat Land leveled with sand at approx. +4,8m CD
- › Utilities provided near land plot
 - › Power
 - › Water
 - › Waste water treatment
 - › Telecommunication

OUR PRODUCTS



- Ready-built Workshop/Warehouse
- Build-to-suit
- Office for rent

OFFICE RENTAL SERVICES



WHY DEEP C?



Underground distribution
Redundant supply: 626 MVA
2-source supply
Renewable energy

Treated water: 20,000 m³/day
Raw water: 20,000m³/day
On demand demineralized water,
steam, potable water



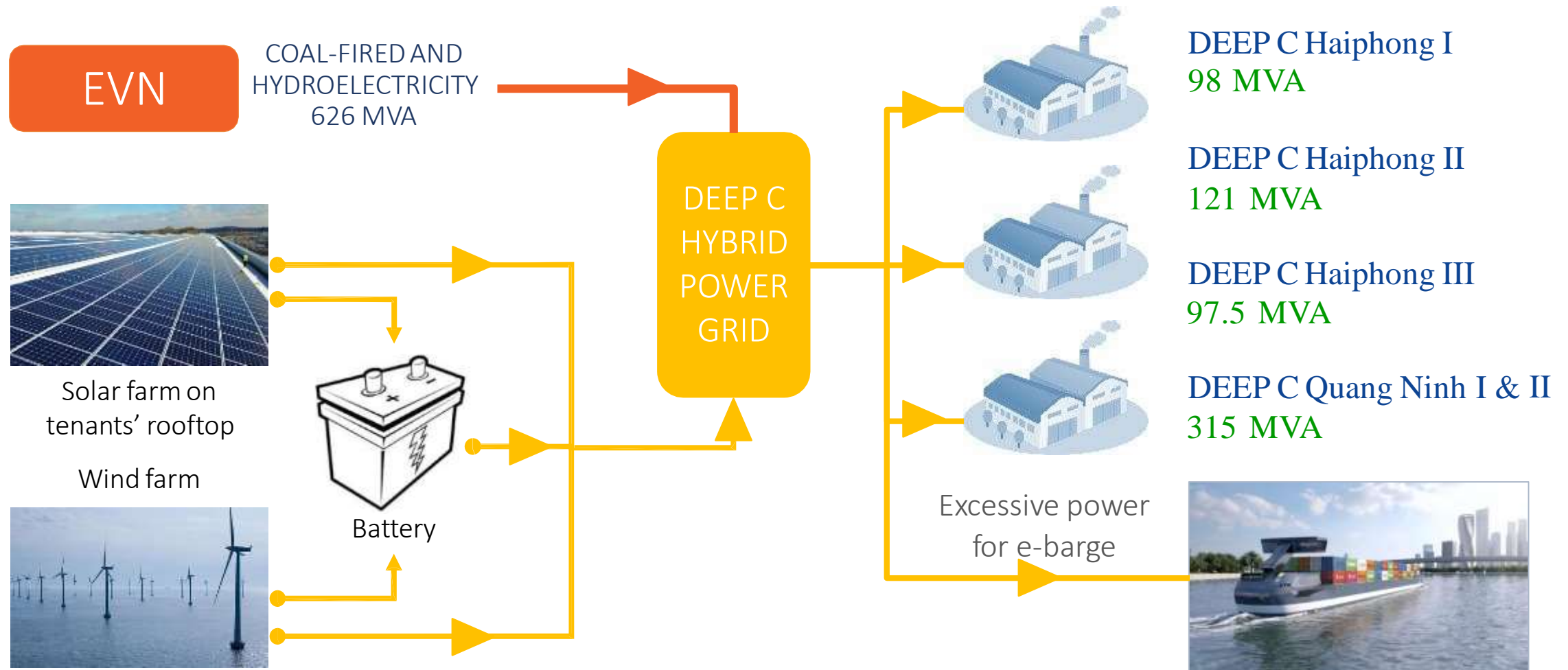
Treatment capacity:
12,000 m³/day
ISO 9001 & 14001

Capacity: 77,000 m³
Open channels with flap gate



WHY DEEP C?

› Plan to supplement 50% of DEEP C's power demand by RE by 2030.



WHY DEEP C?

Green development, comprehensive infrastructure, emission minimizing and effective usage of energy, circular economy

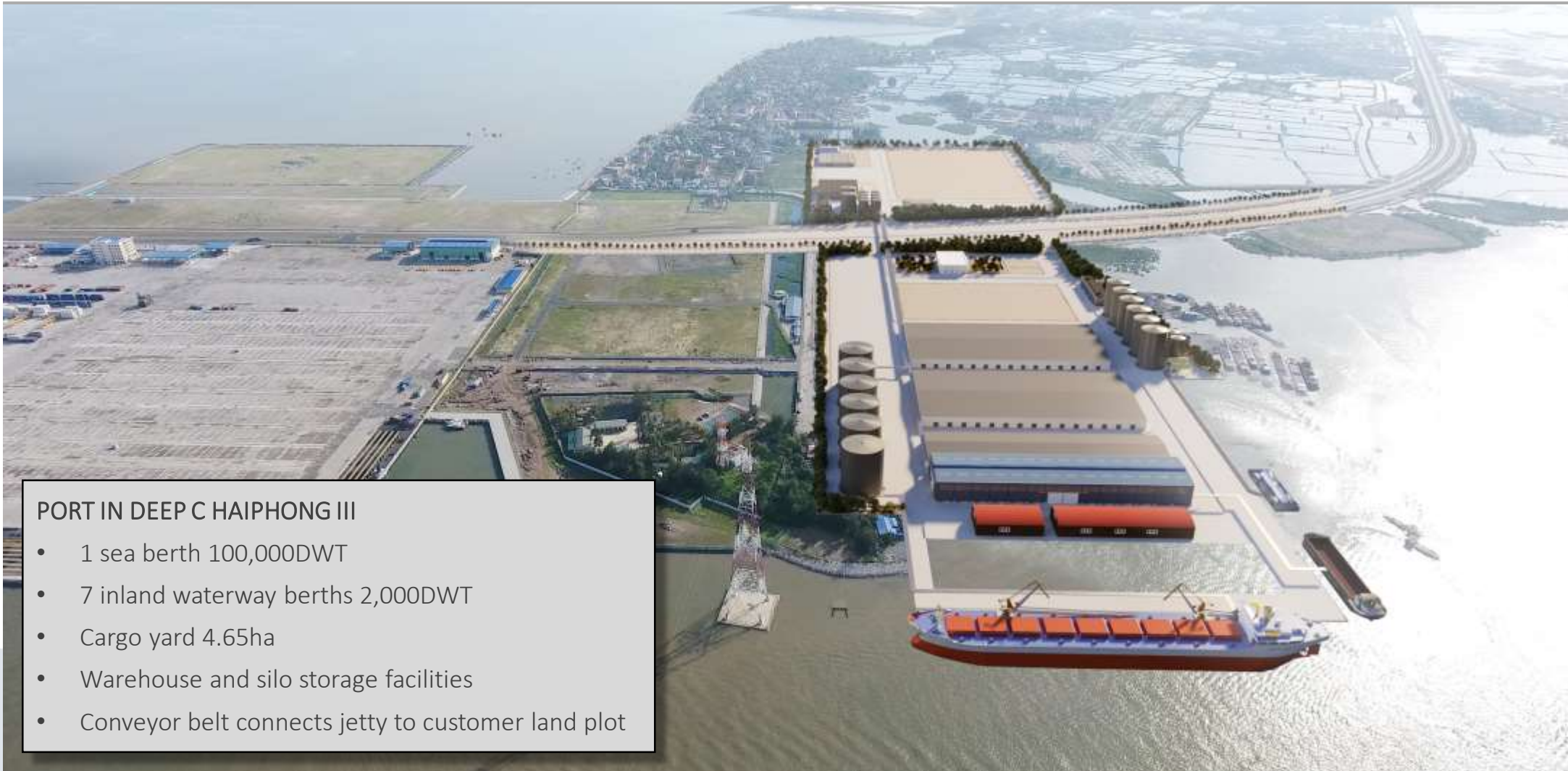


WHY DEEP C?

- › Petrochemical zone: source of fuel/ chemicals supply
- › 10,000 DWT Berth: Dock length 173m
- › 20,000 DWT Berth: Dock length 193 m



WHY DEEP C?



PORT IN DEEP C HAIPHONG III

- 1 sea berth 100,000DWT
- 7 inland waterway berths 2,000DWT
- Cargo yard 4.65ha
- Warehouse and silo storage facilities
- Conveyor belt connects jetty to customer land plot

WHY DEEP C?

- › Become a logistic inland waterway hub
- › Inland waterway terminals, transportation by hybrid barging services



WHY DEEP C?



WHY DEEP C?

- › Business licensing support
- › Recruitment support
- › 24/7 security
- › Office space
- › Cleaning
- › Facilities management
- › ...



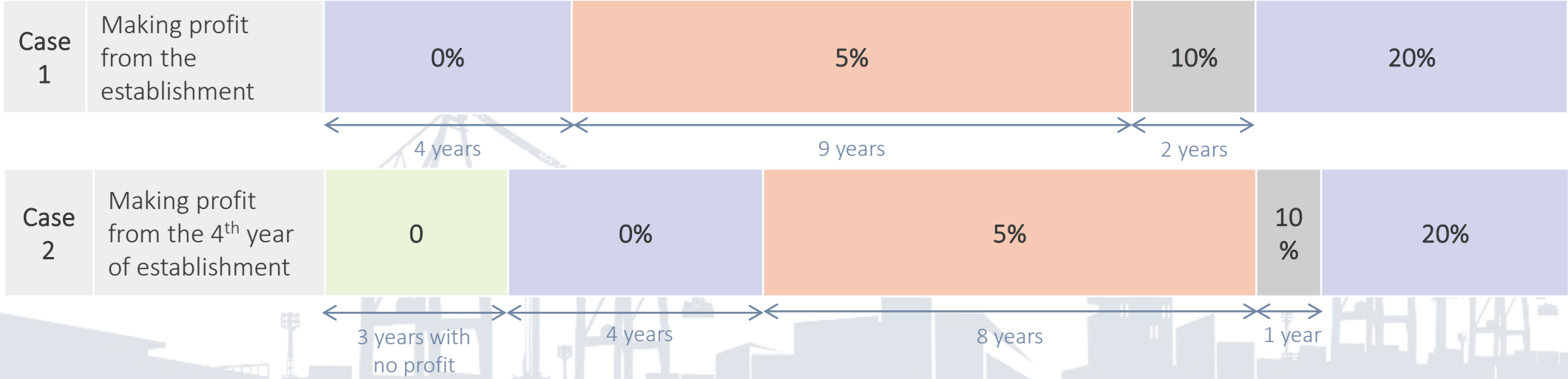
WHY DEEP C?

Tax Incentives: Economic Zone Tax Package – DEEP C Hai Phong

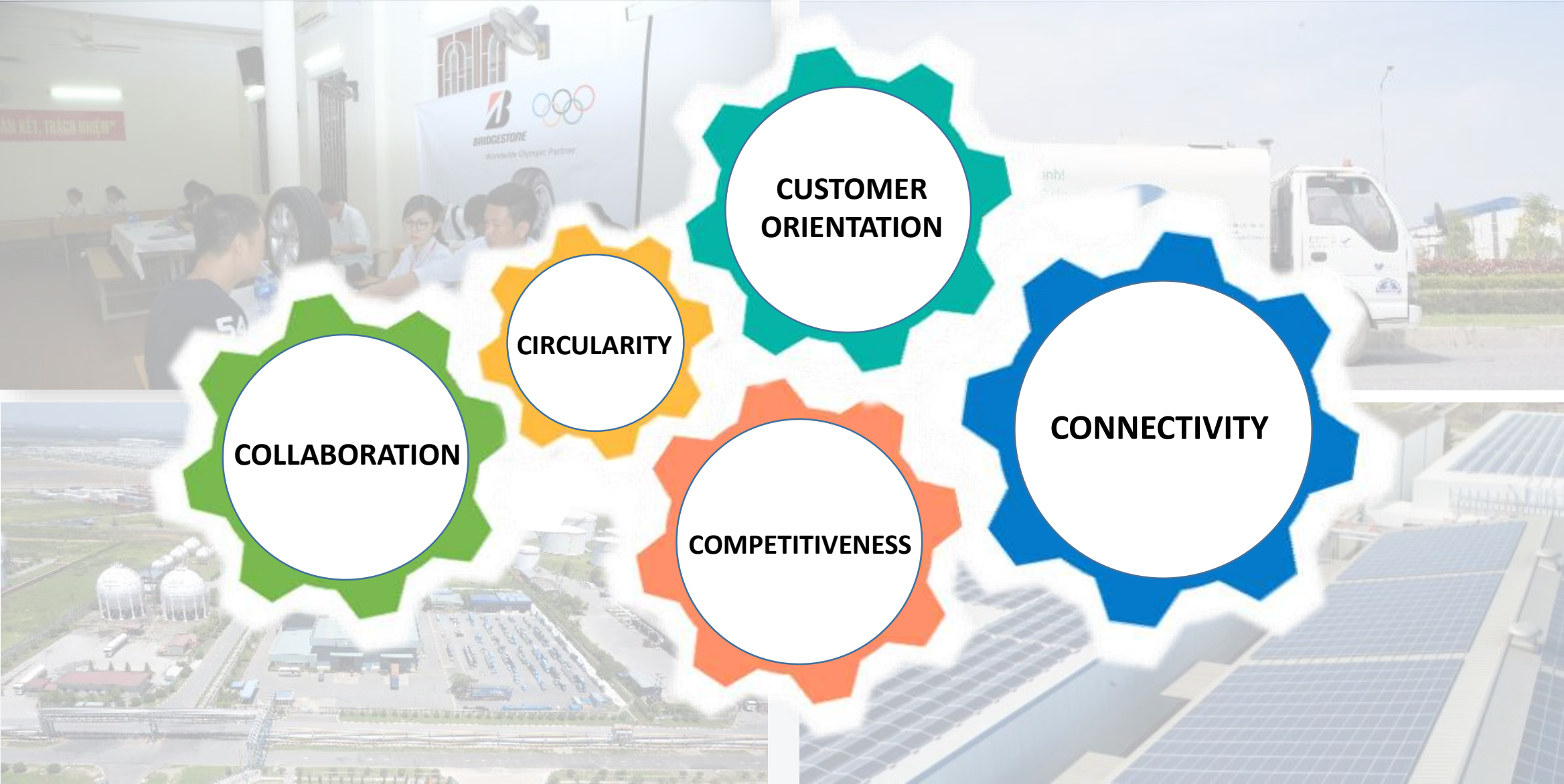
Corporate Income Tax

Remark: starting point is the sending out of the first commercial invoice.

General case	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	...
Normal tax regime	20%																			



SUMMARY



REFERENCES

Our partners

KNAUF GYPSUM BOARD PLANT



C. STEINWEG WAREHOUSING



YOU TECH



CHEVRON LUBRICANT PLANT



BRIDGESTONE TIRE MANUFACTURING



JYUICHIYA VIETNAM



REFERENCES

- Our client › Over 120 projects
- › Total investment capital: approximately US\$ 3.5 bn



And many more...!

THANK YOU FOR YOUR ATTENTION!

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Partners

DEEP C 
BLUE

DEEP C 
EURO JETTY VIETNAM

DEEP C 
RED

DEEP C 
GREEN ENERGY





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DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Manufacturing in Vietnam

Trent Davies, Manager

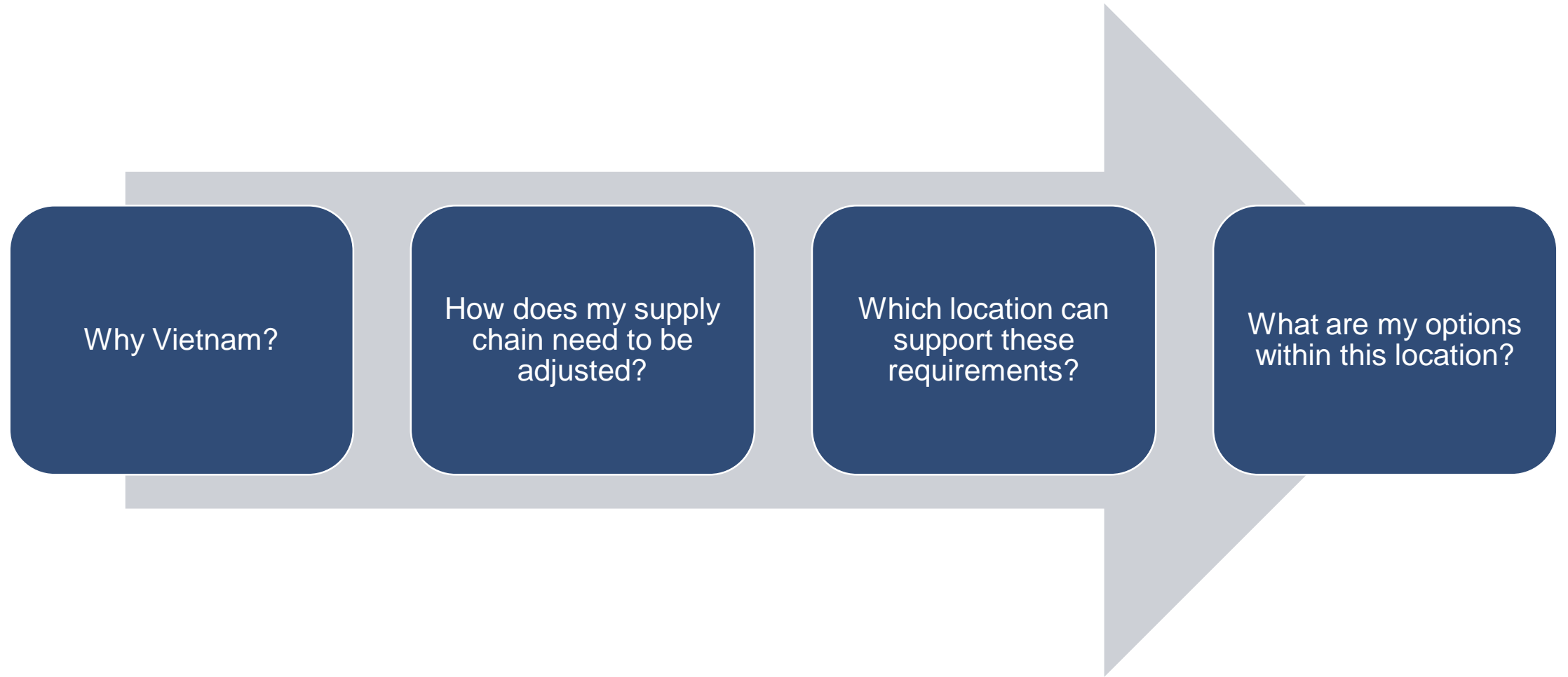
International Business Advisory



Developing a Location Specific Investment Strategy



Developing a Location Specific Strategy



Tariffs: An Introduction

MFN Tariffs

Applied in accordance with a country's obligations to the WTO.
Applied evenly to all countries in the absence of preferential tariffs or countervailing measures.

Preferential Tariffs

Preferential tariffs are applied at a rate below a country's obligations under the WTO. Rates are subject to the terms of a specific FTA.

Countervailing Measures

Imposed by countries to fight unfair trade practices, such as national subsidies or dumping. Normally applied on specific goods.

Tariff Type	Tariff Rate
Countervailing Duty	30%
MFN	5%
Preferential Tariff	0%

- All tariffs are applied to individual products
- Preferential tariffs and Countervailing measures are only applied to specific countries

HS Codes: An Introduction

The **Harmonized System (HS)** classifies goods with a six-digit **code** system. The **HS** comprises approximately 5,300 article/product descriptions that appear as headings and subheadings, arranged in 99 chapters.

Example:



Pineapple

HS code: 0804.30.10



International National
08 04 30 00 00 00

Section II: Vegetable Products

Chapter 08: Edible fruit & nuts, peel of citrus/melons

Heading 04: Dates, figs, pineapples, avocados, etc. fresh or dried

Subheading 30: Pineapples

Subdivisions for national purposes

Leveraging Vietnam's Free Trade Agreements

How does my supply chain need to be adjusted?

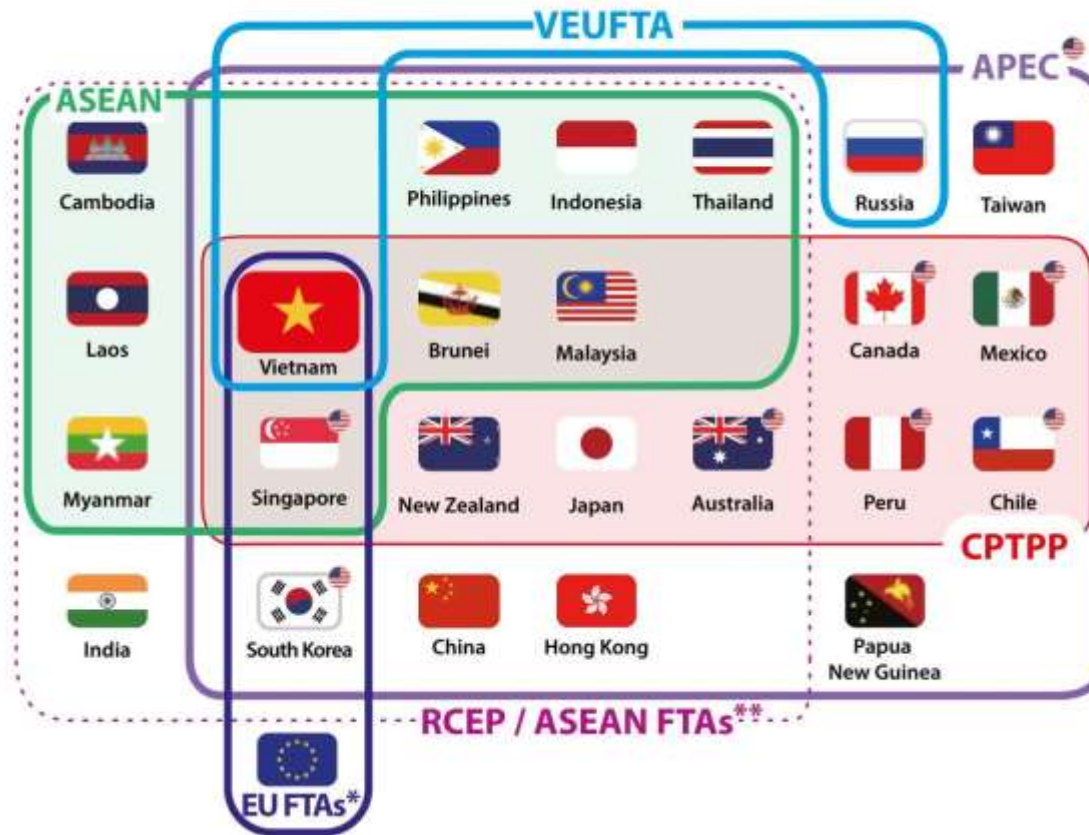


Which location can support required adjustments?



What are the next steps?

Vietnam's Free Trade Agreement Network



APEC
Asia-Pacific Economic Cooperation

CPTTP
Comprehensive Agreement for Partnership

VEUFITA
Vietnam Eurasian Union FTA

ASEAN
Association of Southeast Asia

EU
European Union

RCEP
Regional Comprehensive Economic Partnership

USA Flag: FTA with the United States

Blue Line: Agreements in Force

* The EU's FTA with South Korea has been finalized; and Singapore have been concluded, but not yet in force.

** ASEAN has multilateral trade agreements with New Zealand, Australia, Japan, and South Korea; AS with Hong Kong has been concluded, but not yet in force.

Shifting the Origin of Products to “Made in Vietnam”

How does my supply chain need to be adjusted?



Which location can support required adjustments?



What are the next steps?

	Type of Operation	Activities in China	Activities in 3 rd party market	Location of suppliers	Ability to change origin of good away from China
1	China	Manufacturing & Assembly	N.A.	China	0%
2	China +1	Manufacturing & Assembly	Finishing & Packaging	China	Very Low
3	China +1	Manufacturing	Assembly	China	Low
4	China +1	Manufacturing	Manufacturing + Assembly	China + 3 rd party market	Medium
5	Full Relocation	N.A.	Manufacturing + Assembly	China + 3 rd party market	High
6	Full Relocation	N.A.	Manufacturing + Assembly	3 rd party markets	100%

Findings a Location that Suits Your Production Strategy

How does my supply chain need to be adjusted?



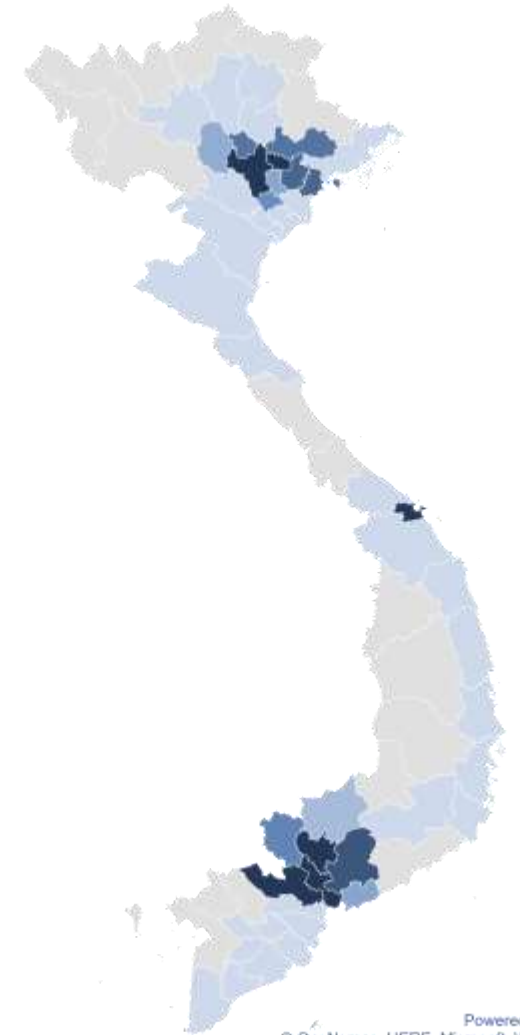
Which location can support required adjustments?



What are the next steps?

Vietnam's Market Entry Locations Compared

	North	Central	South
Key provinces for industrial investment	Bac Ninh, Hai Duong, Hai Phong	Quang Nai, Hue, Da Nang	Long An, Binh Duong, Dong Nai
Notable Industrial Zones	Dinh Vu, Yen Phong Industrial Park, VSIP Hai Phong	VSIP Quang Ngai, Phong Dien IP	Long Hau, My Phuc III, Nhon Trach 3 IP
Pros	Close proximity to China, reducing logistics costs for companies importing components from China	Low costs, room to relocate, along with suppliers and other partners if required	Diversified supply base and close proximity to the rest of Southeast Asia
Cons	Production, infrastructure, and labor more specialized than in the south	Supplier networks and many high end industrial zones not yet fully established locally	Congested logistics networks
Investment Strategy Best Suited	Companies seeking to quickly relocate operations and seeking high level of integration with Chinese supply chains	Companies seeking low costs, long term investment strategy, and willing to relocate majority of supply chain over time	Companies seeking to diversify its supply chain and distribution network; companies interested in targeting the domestic market
Realistic Corporate Structures			
100% FOE	√	√	√
RO + OEM	√		√
M&A	√		√



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Next Steps

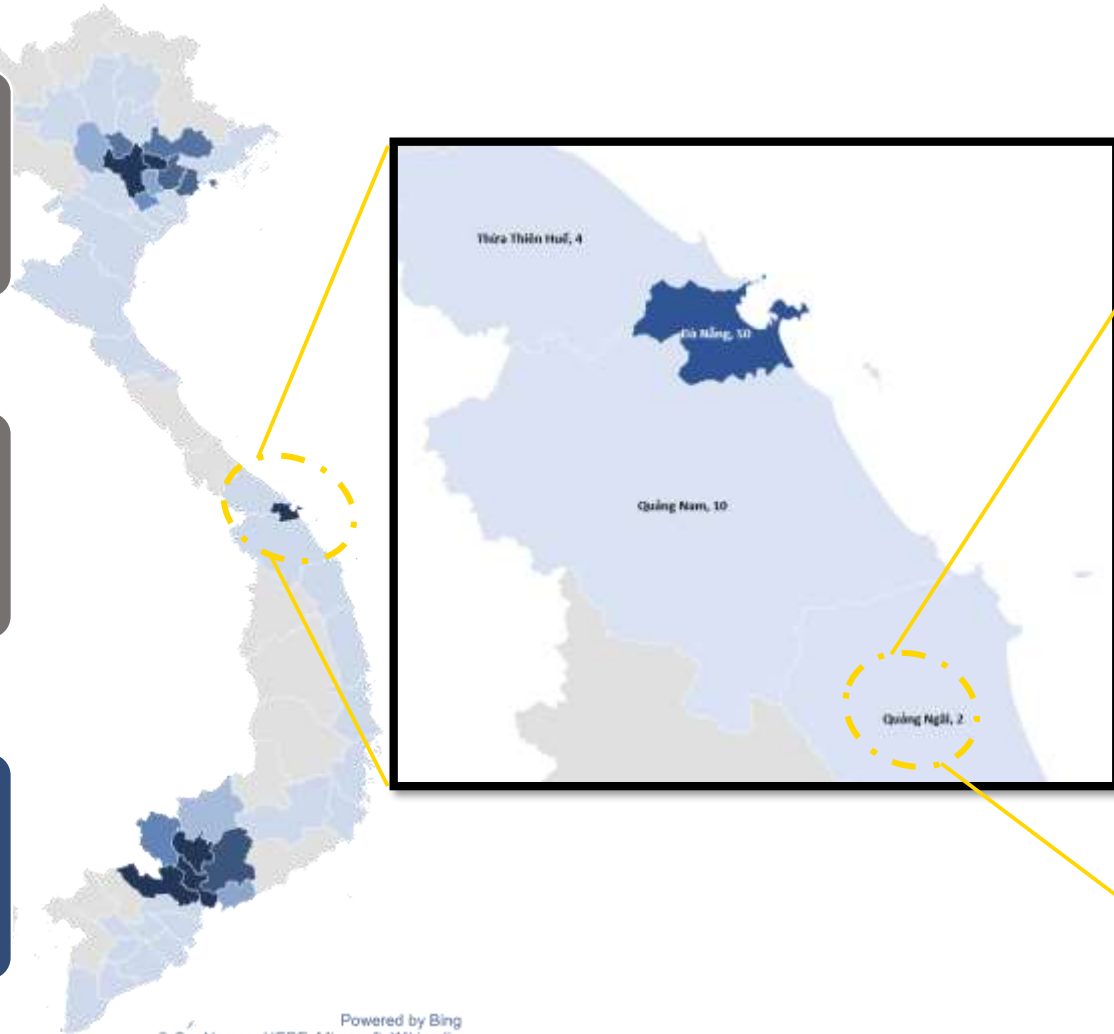
How does my supply chain need to be adjusted?



Which location can support required adjustments?



What are the next steps?



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Select a desired corporate structure

Identify land or facilities of interest

Identify partners of interest

Schedule market visit to better understand facilities and to meet with partners

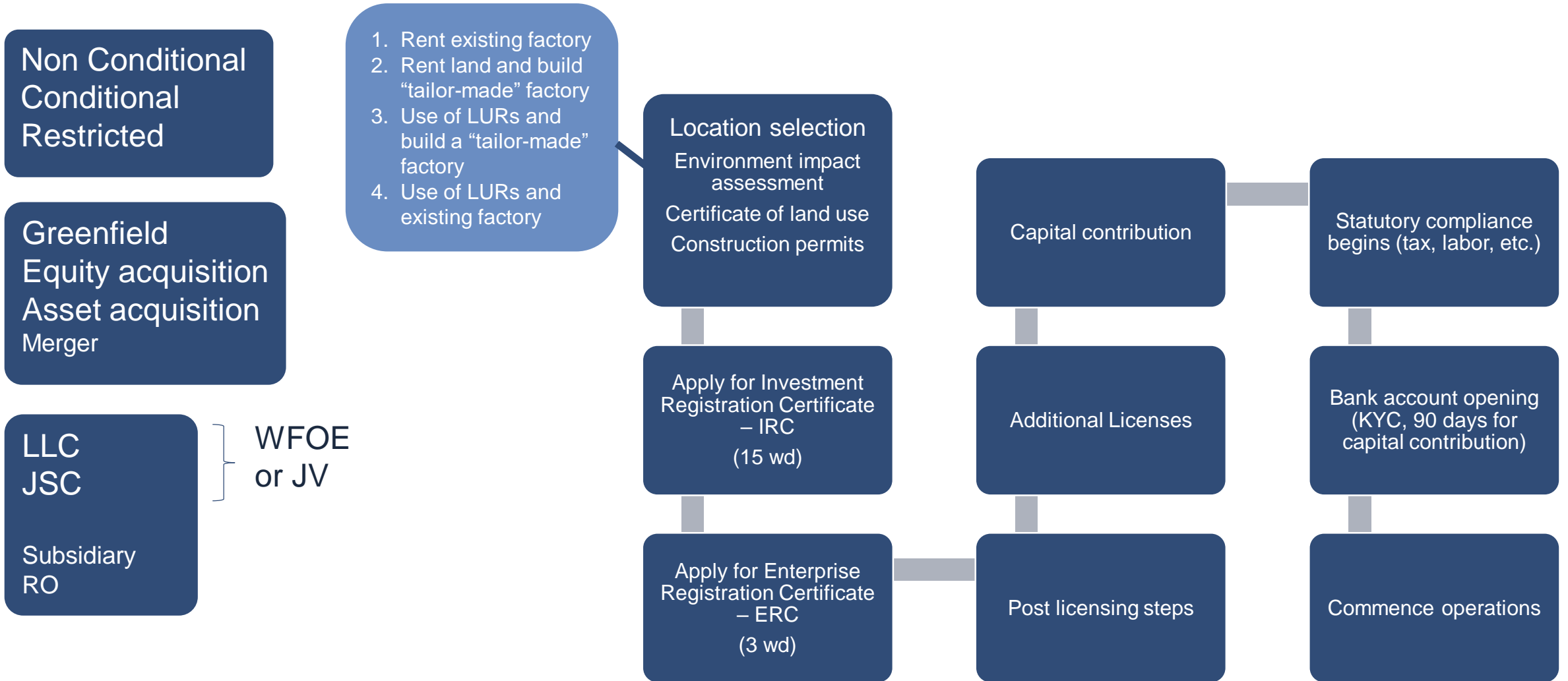
Doing Business in Vietnam



Key Market Entry Options

	Representative Office	100% Foreign Owned (LLC or JSC)	JV / M&A
Best suited for	Companies looking to understand the Vietnam market or for support for entities outside of Vietnam	Companies involved in unrestricted sectors seeking to retain complete control	Investors seeking access to conditional sectors, Vietnamese consumers or logistic networks
Capital Requirements	None	Sufficient capital	Subject to industry. Minimum requirements applied to conditional sectors
Setup time	6 – 8 weeks	Time to find location + 2 – 4 months	2 – 4 months + negotiation
Liability	Full liability with parent	Limited to VN entity	Limited to charter

How can foreign investors set up a factory in Vietnam?



Role of Legal Representative & Chief Accountant

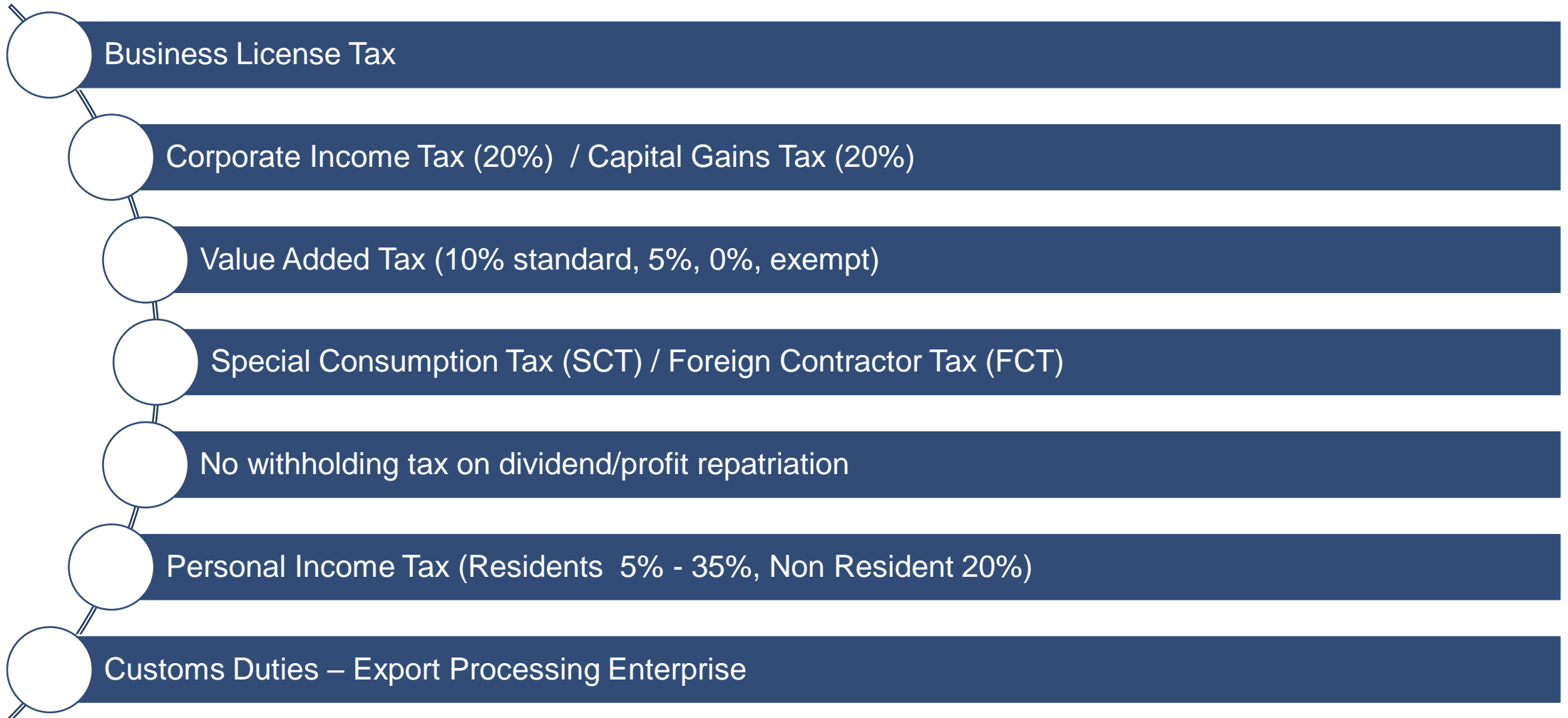
Understanding obligations and risks:

- Chief Accountant needs to physically sign most financial documents in the company, including paper copies of many bank documents.
- Legal Representative takes responsibility for company actions, as they “represent” the company. Must reside in Vietnam, but can have more than one legal rep.

Repatriation of Profits

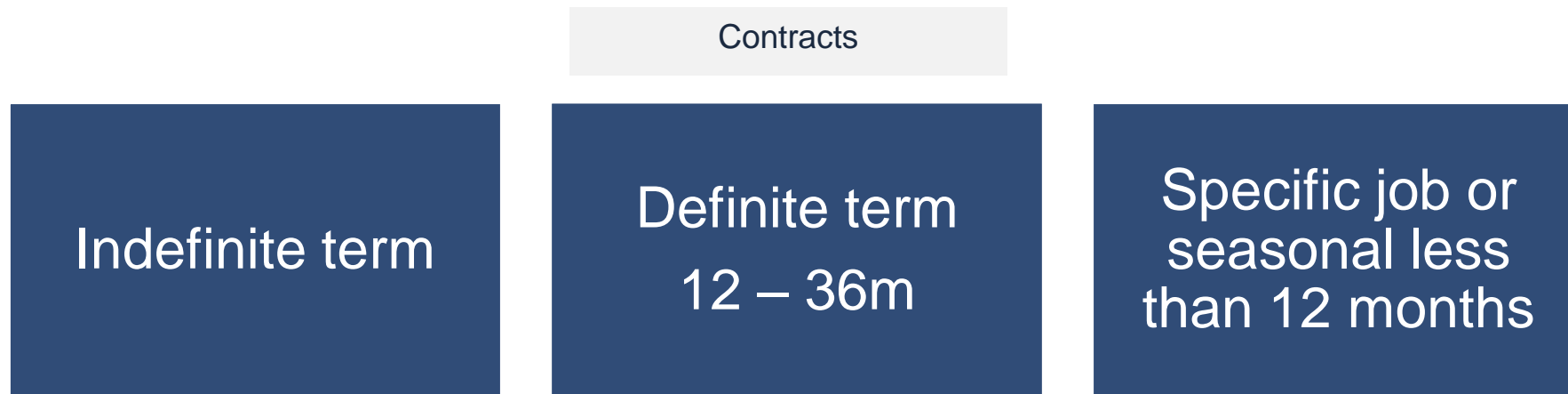
- Dividend can be freely repatriated (after relevant CIT taxes are declared and paid for)
- No withholding tax on dividend
- No profit repatriation if still have accumulated losses
- Equity (contributed to capital account) can only be repatriated upon liquidation
- Medium / Long term loans (>12 months) which are not registered with State Bank of Vietnam cannot be repatriated

Vietnam Taxes in a nutshell



Hiring in Vietnam

- Population of 95+ million people
- Young population - 60% of population is under 35 years of age
- English proficiency is steadily improving
- Hard working but lack of skilled labor
- Competitive wages (250USD – 350USD all in)



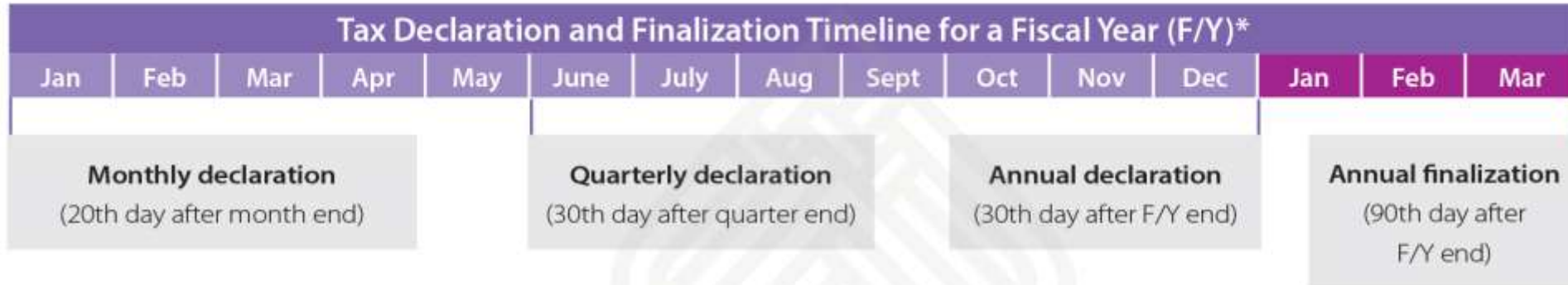
Vietnam's Compulsory Insurances

Total contribution of 32% for Social insurance, Health Insurance, Unemployment insurance
As of Jan 2018 expats must pay Social Insurance

SHUI	Employer	Employee
Social (SI)	17.5%	8%
Health (HI)	3%	1.5%
Unemployment (UI)	1%	1%
TOTAL	21.5%	10.5%

Calculated on salary but capped at 20 times statutory minimum salary ~27,000,000vnd.

Accounting & Compliance Procedures



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FOE Compliance Procedures



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