



DEZAN SHIRA & ASSOCIATES

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All Eyes On **Vietnam**: Why and How to Enter the Market

Webinar | 25 March | Thursday | 3PM (Vietnam) | Dezan Shira & Associates Vietnam



About DSA and Today's Speakers



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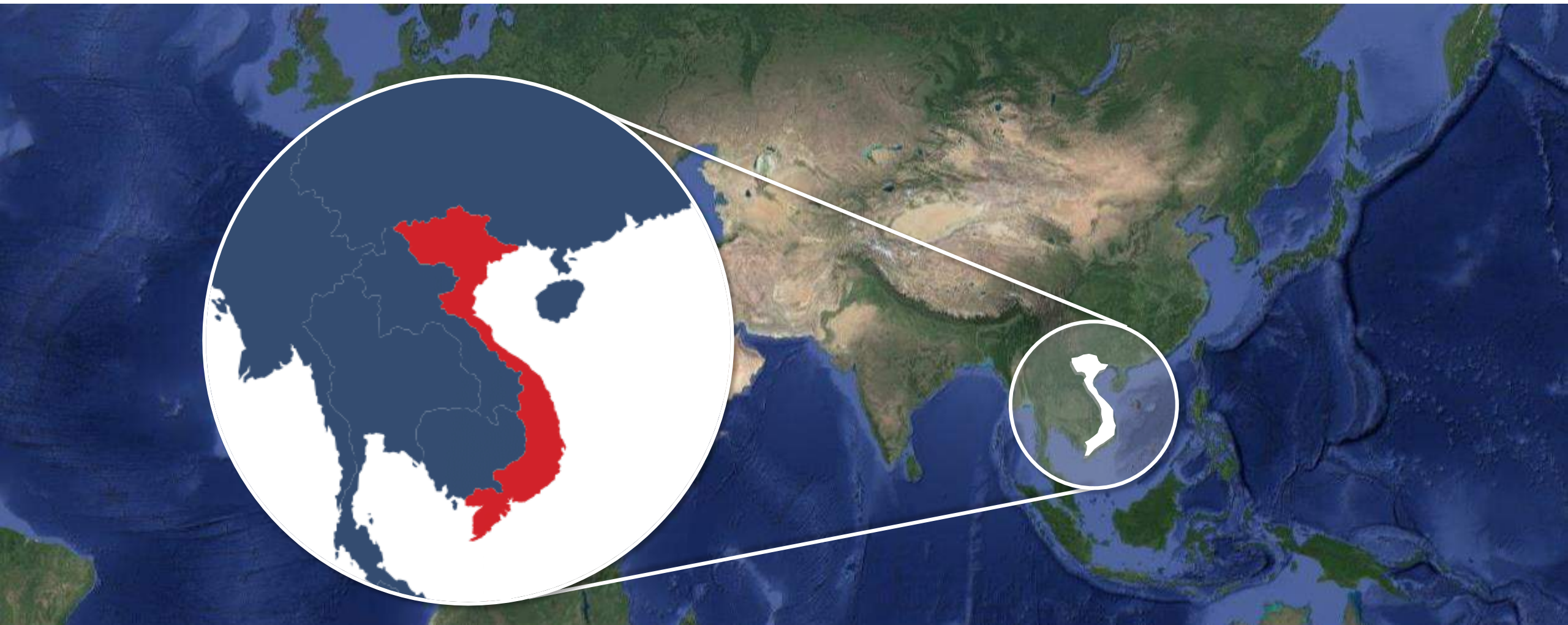
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| Vietnam Market Overview and Key Developments



The Geography



A Few Key Milestones

Declaration of
Independence

End of the Vietnam War
and Reunification

Đổi Mới
(EN: renovation)

Vietnam joins
ASEAN

Vietnam joins
APEC

Vietnam joins
the WTO

Vietnam signs TPP
(now CPTPP)

Signing of
RCEP

1945

1975

1986

1995

1998

2007

2016/18

2020



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Perceptions about Vietnam

The image displays two Google search results side-by-side. The top search is for 'vietnam books'. The search bar contains 'vietnam books' and the results page shows a grid of book covers. Below the grid, there are several article thumbnails with titles like 'Vietnam Reading List & Book Reviews - Vietnam Coracle', 'The Vietnam War: The Definitive Illustrated History', 'Tim O'Brien THE THINGS THEY CARRIED', 'FIELDS OF FIRE', and 'THE SYMPATHIZER'. The bottom search is for 'vietnam movies'. The search bar contains 'vietnam movies' and the results page shows a grid of movie stills. Below the grid, there are several article thumbnails with titles like 'Military Times' 10 best Vietnam War movies', 'The Best Movies Set in Vietnam: Travel from the...', '10 Best Vietnam War Movies of All Time - Top Vietnam ...', and '5 Best & 5 Worst Vietnam War Movies, According To Rott...'. Both search results pages include navigation tabs for related terms and a 'SafeSearch' dropdown menu.

Perceptions about Vietnam

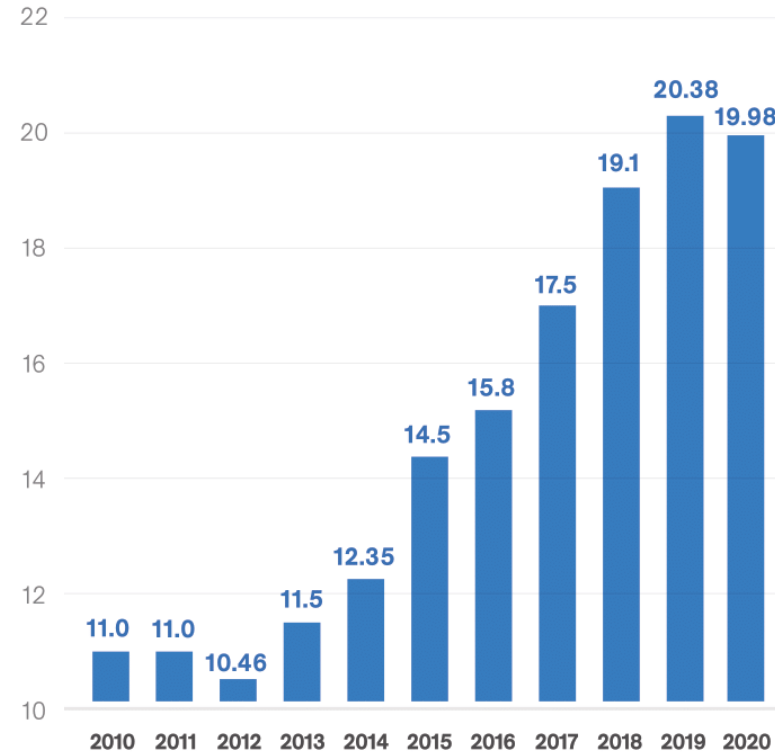


Economics and FDI

- 
2.91%
 GDP Growth Rate
- 
7%
 Export Growth Rate
- 
US\$19.98 billion
 FDI Disbursement
- 
US\$543 billion
 Import and Export Turnover
- 
2,523
 New Projects
 Granted investment certificate in 2020
- 
112
 Investor Countries and Territories







FDI Disbursement in Vietnam (US\$ Billion)

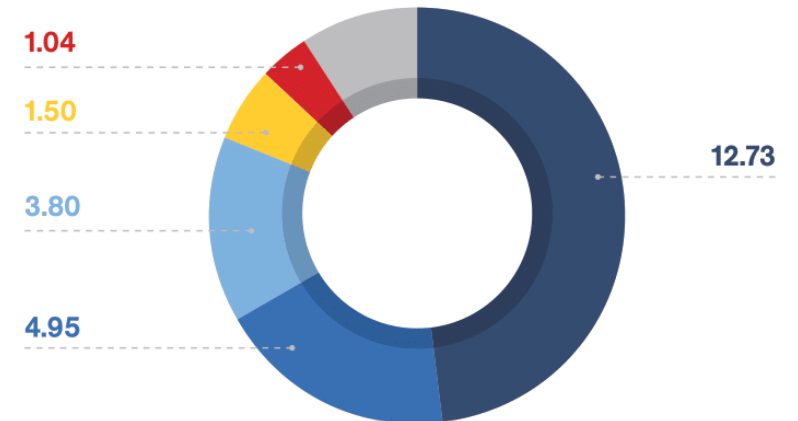
From 2010 to 2020



Source: Ministry of Planning and Investment

Top 5 Sectors Receiving Investment (US\$ Billion)

-  Manufacturing and Processing
-  Real Estate
-  Electricity Production and Distribution
-  Wholesale and Retail
-  Profession, Science, and Technology
-  Others

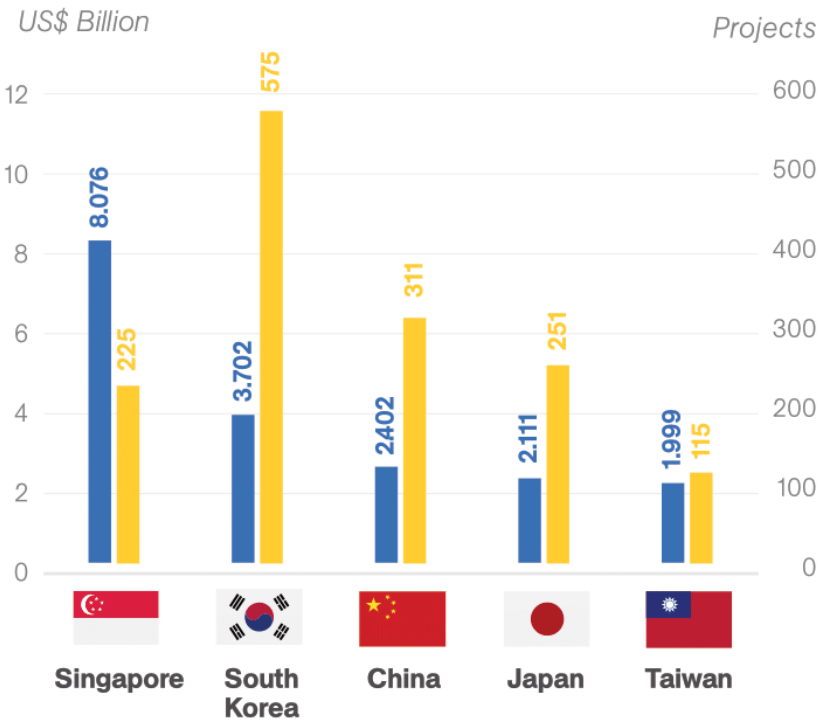


Source: Ministry of Planning and Investment
 Data as from January 1 to November 20, 2020

Economics and FDI

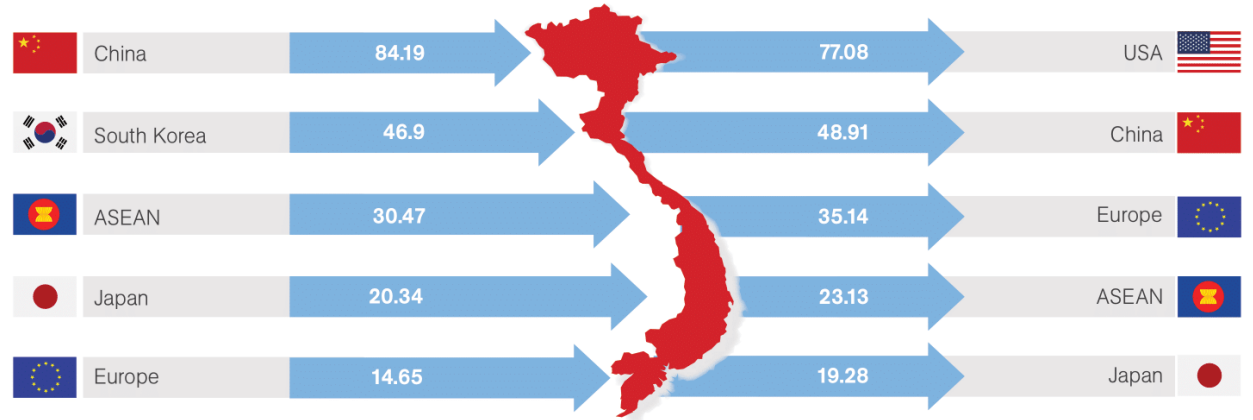
Top 5 Countries Investing in Vietnam

■ Total registered capital (US\$ Billion)
■ Newly granted projects



Source: Ministry of Planning and Investment
Data as from January 1 to November 20, 2020

TOP 5 IMPORT PARTNERS



Top 5 Imports and Exports (US\$ Billion)

TOP 5 IMPORTS

1	Computers, Electronic products and Components	63.97
2	Machinery and Equipments	37.25
3	Telephones and Components	16.65
4	Textile fabrics	11.88
5	Plastic Materials	8.4

TOP 5 EXPORTS

1	Telephones and Components	51.18
2	Computers, Electronics, and Components	44.58
3	Textile and Garment	29.81
4	Machinery and Equipment	27.19
5	Footwear	16.79



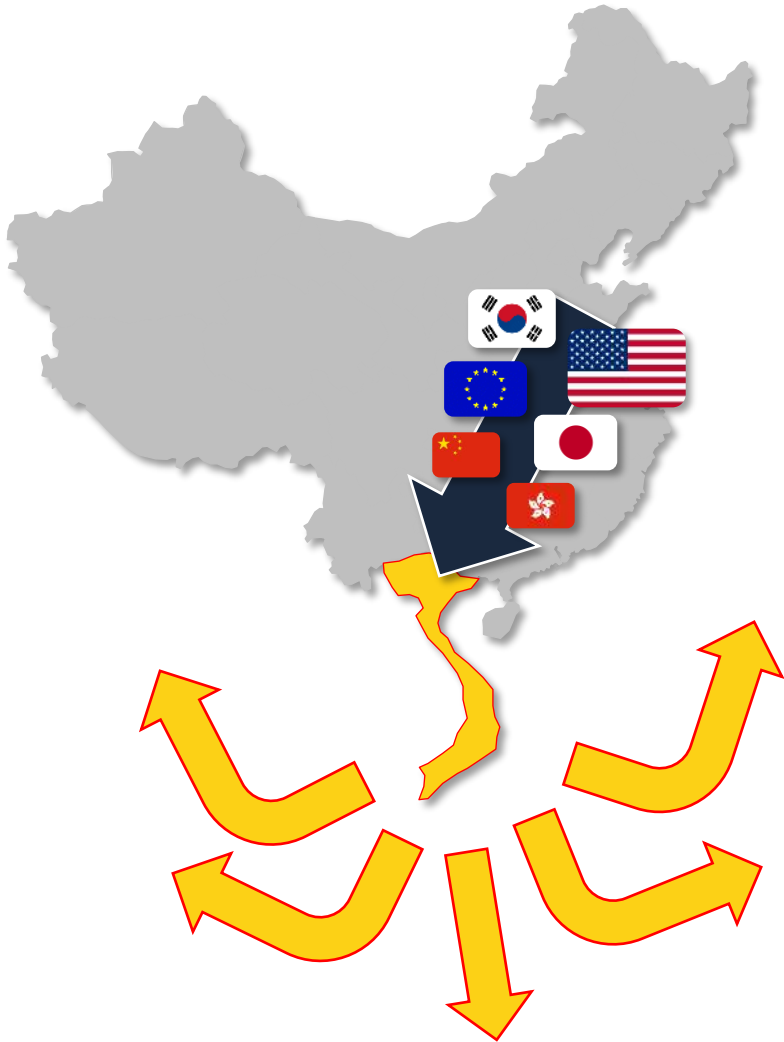
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II Why Enter the Market?



The Big Move: From China to Vietnam, and From Vietnam to the World



Manufacturing

- Most common and well-known reason to move from China to Vietnam
- Hence an 'old' and outdated reason to move to Vietnam to save labor costs (many other more attractive options in that aspect)



Escaping Tariffs

- Started to pick up drastically with trade war (due to a negative in China)
- Additional push through great intertwining of Vietnam in global FTA web (positive in Vietnam)



Import/Export Processing Center

- Go-to-choice for regional distribution center (ASEAN/APAC) if not even global import/export processing
- FTAs, DTAs and tariffs big contributor to this trend



Foreign Professionals

- Exodus of foreign professionals leaving China – trend prior to covid
- Now unable / increasingly unwilling to return
- Vietnam attractive alternative



Free Trade Agreements

ASEAN

Association of Southeast Asian Nations

*ASEAN has multilateral trade agreements with India, China, New Zealand, Australia, Japan, South Korea, and Hong Kong

CPTPP

Comprehensive and Progressive Agreement for Trans-Pacific Partnership

EVFTA

Vietnam – European Union FTA

UKVFTA

UK – Vietnam FTA

RCEP

Regional Comprehensive Economic Partnership

VJEPA

Vietnam – Japan FTA

VKFTA

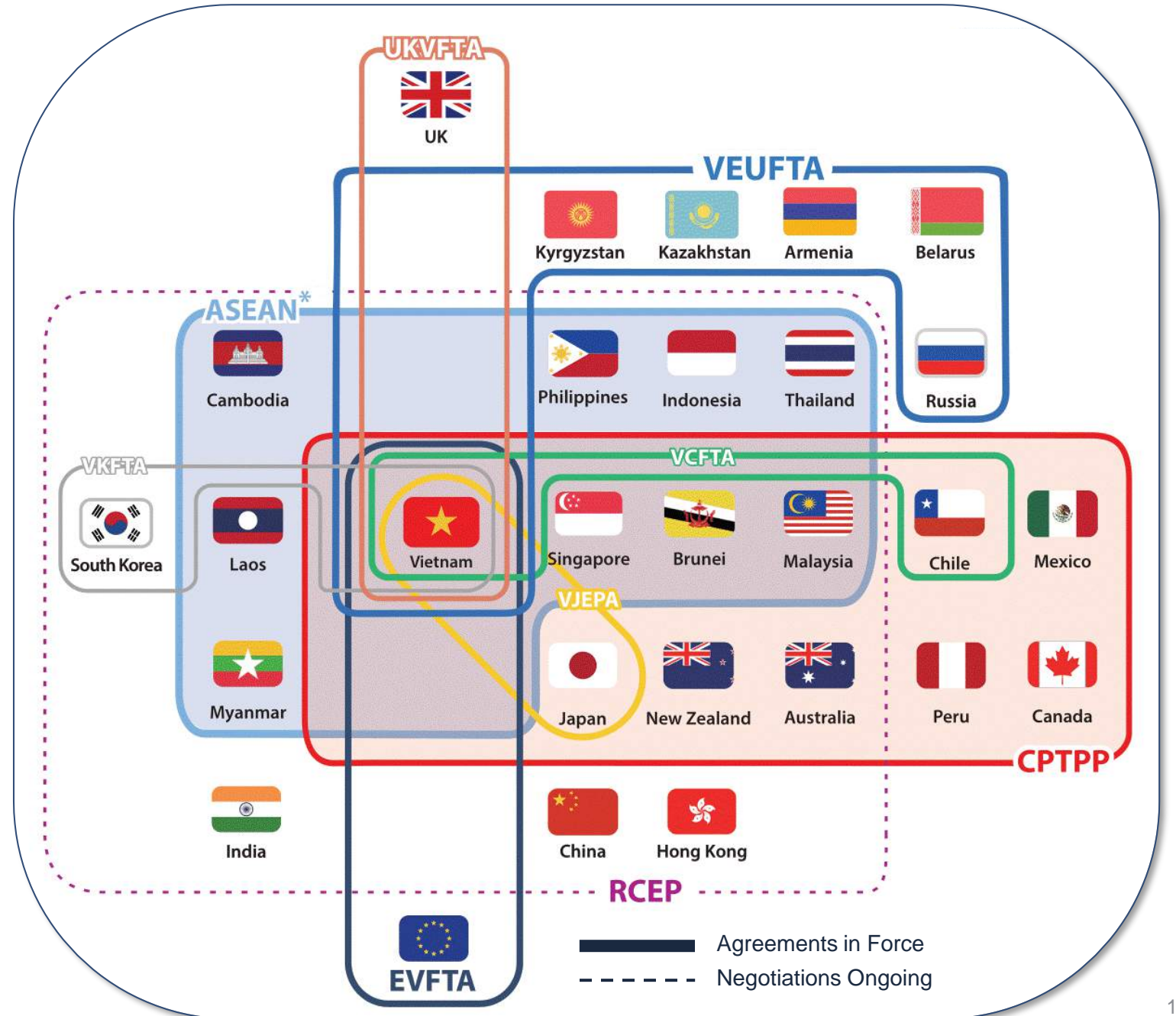
Vietnam – South Korea FTA

VCFTA
















































































Vietnam – Chile FTA

VEUFTA

Vietnam Eurasian Economic Union FTA


















































































Vietnam FTA Integration (2018)

■ Not signed
 ■ Signed
 ■ In force

Vietnam FTA Integration (2021)

■ Not signed
 ■ Signed
 ■ In force



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III How to Enter the Market?



Where in Vietnam? – 3 Key Economic Regions (KER)

THE NORTHERN ECONOMIC ZONE

23,401.3

Industrial Zone Area (ha)

3.7

Average Factory Rent (US\$/SqM/Month)

78%

Occupancy Rate

75.8

Average Industrial Land Price (US\$/SqM)

- Account for ~16.2 % of Vietnam's total population
- best positioned as hub for China plus one manufacturing investors, with time sensitive production chains, especially when shipping components between factories in China.

- Electronics and Mechanical engineering
- IT
- Automobile
- Textile and Garment
- Telecommunication
- Consumer goods
- Construction materials
- Forestry and Fisheries
- Chemical and Chemical products

THE CENTRAL ECONOMIC ZONE

12,862.6

Industrial Zone Area (ha)

3

Average Factory Rent (US\$/SqM/Month)

77%

Occupancy Rate

32.8

Average Industrial Land Price (US\$/SqM)

- comparatively less competition
- region's largest city Da Nang has benefited from good urban planning and development.
- Low-cost destination because the north and south have become saturated with investment, driving up costs and congesting logistics networks

THE SOUTHERN ECONOMIC ZONE

62,143.1

Industrial Zone Area (ha)

4

Average Factory Rent (US\$/SqM/Month)

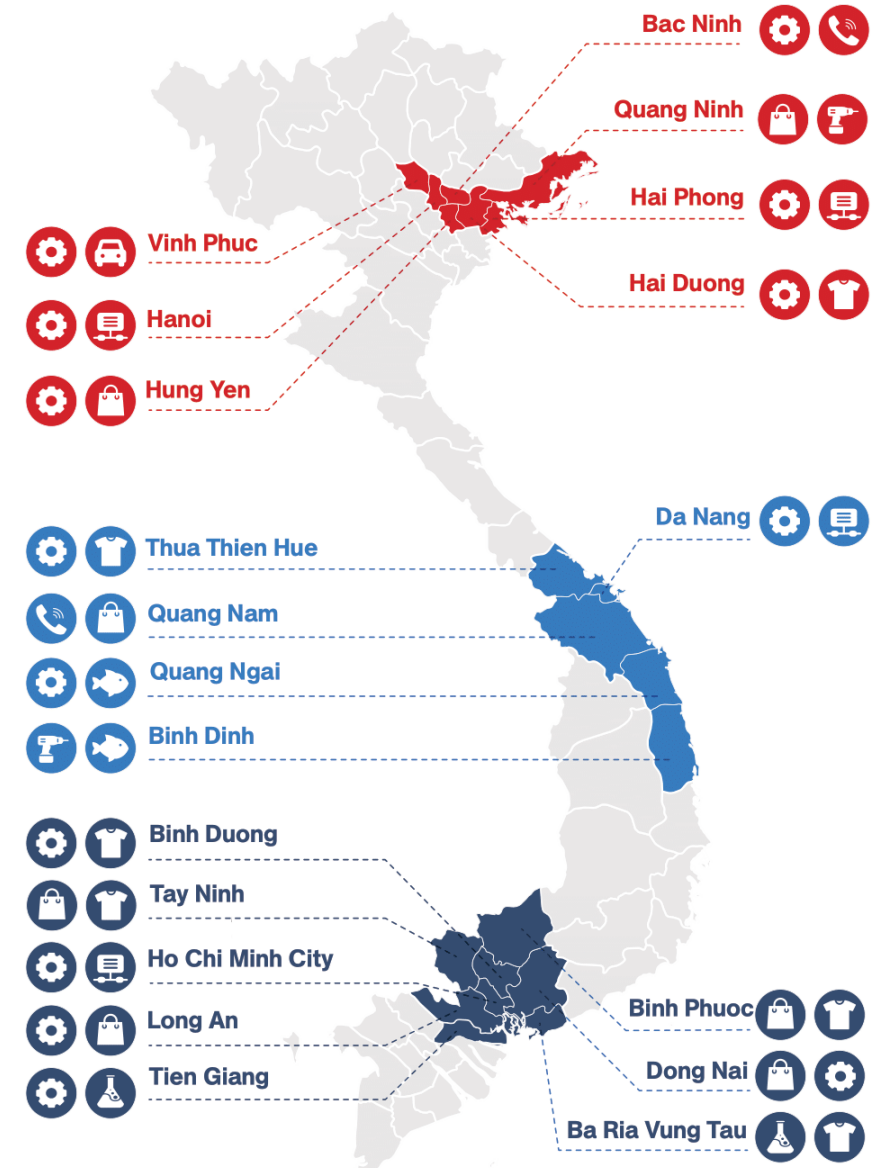
90%

Occupancy Rate

83

Average Industrial Land Price (US\$/SqM)

- attracts the most FDI projects
- HCMC has become a hub for start-ups and tech entrepreneurs
- Consumption another major advantage, investors seeking to establish brand identity with Vietnamese consumers = more opportunities in the south, access to countries largest consumer base
- HCMC is the preferred destination for companies trialing food and beverage products, pharmaceuticals, and luxury goods.

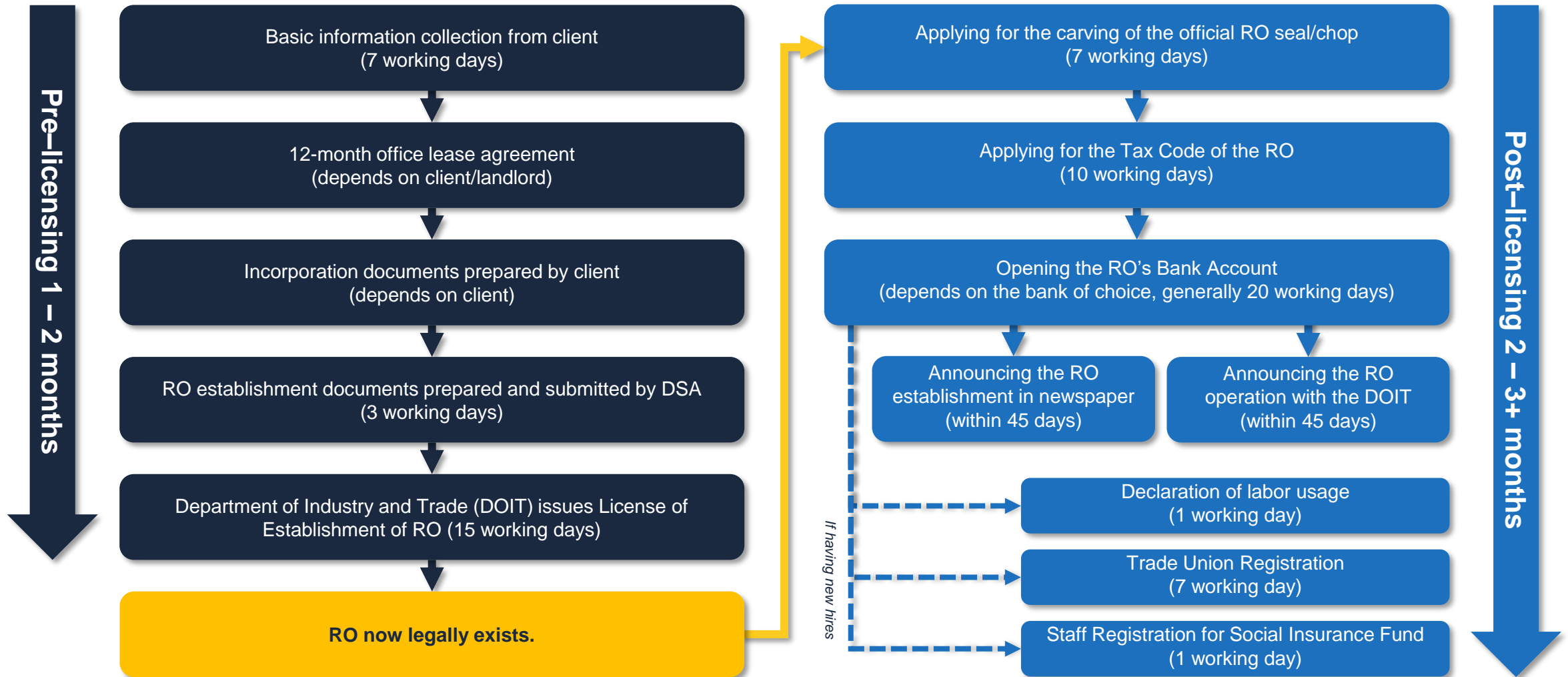


Key Market Entry Options

Most Popular Investment Vehicles for Foreign Investors

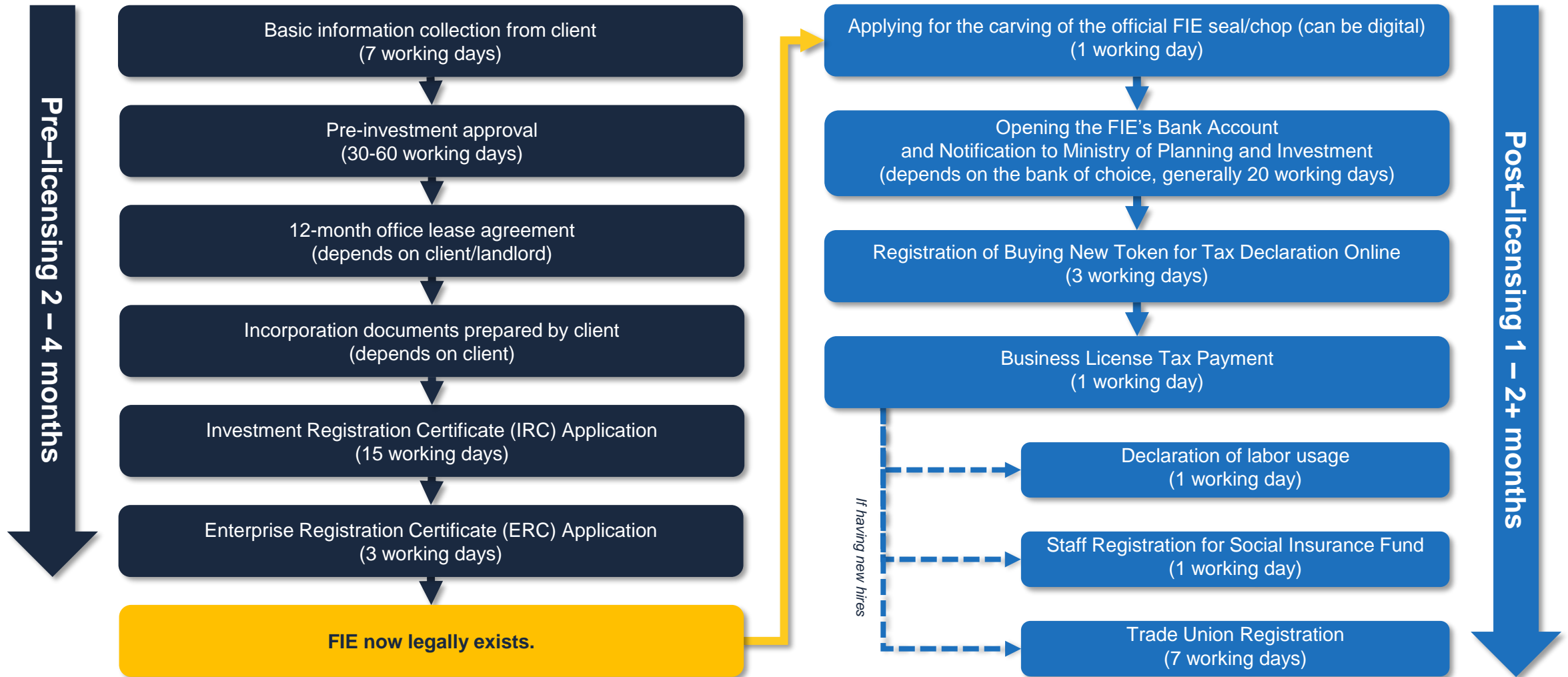
Entity Types	Common Purpose	Estimated Setup Time	Pros	Cons
Representative Office RO	<ul style="list-style-type: none"> ➤ Not a Separate Legal Entity ➤ Restricted to Market Research, Liaison and Quality Control Activities 	Time to Find Location + 6 – 8 Weeks NOTE: Applies to normal investing projects whose objectives/business lines are under WTO Commitment. For special cases, the timeframe will be prolonged.	<ul style="list-style-type: none"> ➤ Simple Registration Process 	<ul style="list-style-type: none"> ➤ Cannot Conduct Revenue-Generating Activities ➤ Parent Company Bears Liability
Branch Office BO	<ul style="list-style-type: none"> ➤ Not a Separate Legal Entity ➤ Permitted Commercial Activity within Parent Company's Scope 		<ul style="list-style-type: none"> ➤ Can Remit Profits Abroad 	<ul style="list-style-type: none"> ➤ Limited to Certain Industry Sectors ➤ Parent Company Bears Liability
Foreign-Invested Entity FIE Also, LLC	<ul style="list-style-type: none"> ➤ Separate Legal Entity 	Time to Find Location + 2 – 4 Months NOTE: Applies to normal cases. For special cases, the timeframe will be prolonged.	<ul style="list-style-type: none"> ➤ Liability Limited to Capital Contribution ➤ No Restriction on the Scope of Business 	<ul style="list-style-type: none"> ➤ Cannot Issue Shares ➤ Maximum of 50 Shareholders
Joint Stock Company JSC	<ul style="list-style-type: none"> ➤ Separate Legal Entity 		<ul style="list-style-type: none"> ➤ Liability Limited to Capital Contribution ➤ No Restriction on the Scope of Business ➤ Can Issue Shares, Go Public 	<ul style="list-style-type: none"> ➤ At Least Three Shareholders Required ➤ Supervisory Board Required for Most JSCs
Public Private Partnership PPP	<ul style="list-style-type: none"> ➤ Entails Partnership Between Foreign or Domestic Enterprise and Government for Infrastructure Projects 	Negotiation Time + 2 – 4 Months	<ul style="list-style-type: none"> ➤ Government Aggressively Pursuing PPPs to Develop Infrastructure 	<ul style="list-style-type: none"> ➤ Several PPP Models ➤ Investors Unsure of Returns

RO Registration Procedure



From now on, the RO can officially operate and hire staff under its name.

FIE Registration Procedure



From now on, the FIE can officially operate, sign contracts and hire staff. For specific industries or business activities (i.e., manufacturing, or domestic B2C sales), certain special licenses need to be applied for during the post-licensing process (i.e., Retail License)



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IV


Legal Updates

An introduction on Law on Enterprises & Law on Investment

By Phuc Duong
Senior Associate, Business Advisory Services

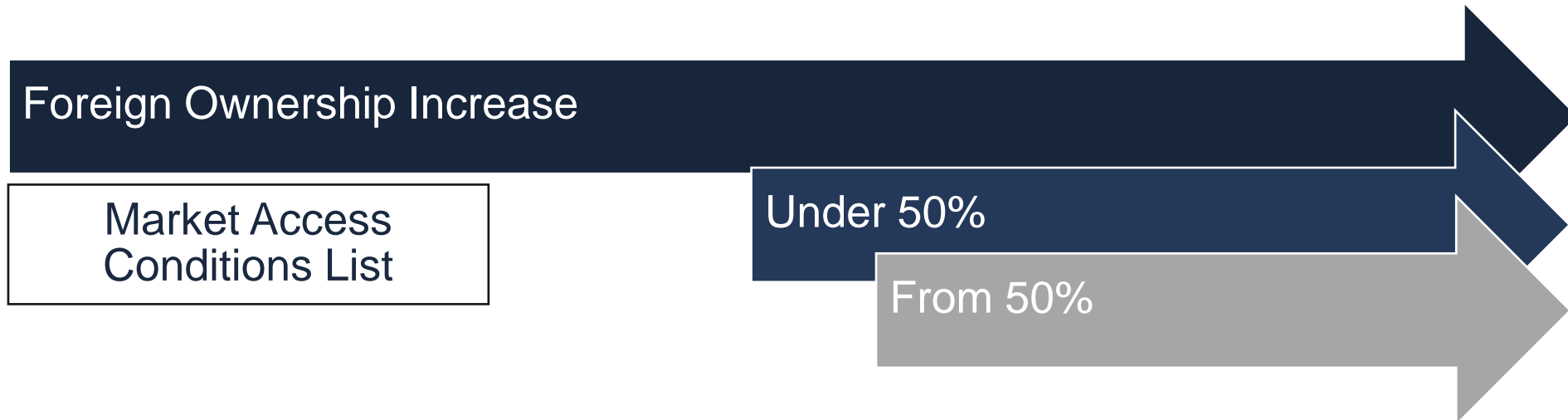
Key Changes to Law on Investment 2020

2021



Market access conditions	A market access “positive list”	<ul style="list-style-type: none"> a market access “negative list” “debt collection services” is banned
National investor	under 51% foreign ownership	under 50% foreign ownership
Licensing procedures		
• National security measures	N/A	Defined
• Pre-Approval	All required regardless of unchanged foreign ownership	Only required due to the foreign ownership <u>increase</u>
• Application forms	Just declaration required	More requirements and explanations required
Nominee transactions	Not defined	Prohibited

Required Pre-approval



Key Outcomes in Law on Enterprises 2020

- Less administrative procedures
- More time for Capital Contribution In-Kind
- Changes in management structure of single-member LLC
- Changes of voting thresholds in a JSC
- Transfer of shares



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Is Vietnam really “it”?





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VIETNAM BRIEFING

Q&A



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