



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# Diversify your Supply Chain to Vietnam: Where, Why, and How

Filippo Bortoletti

October 2022





# DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



Business Intelligence

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Corporate Establishment and Structuring

---

Due Diligence

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Accounting

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Tax

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Audit and Risk Advisory

---

Technology

---

HR and Payroll

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[www.dezshira.com](http://www.dezshira.com)

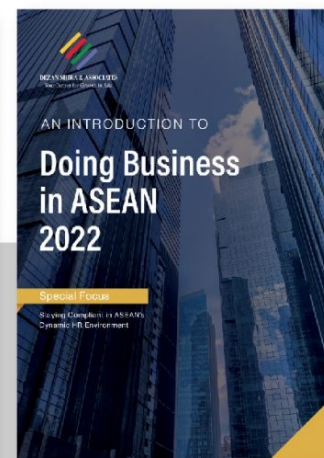
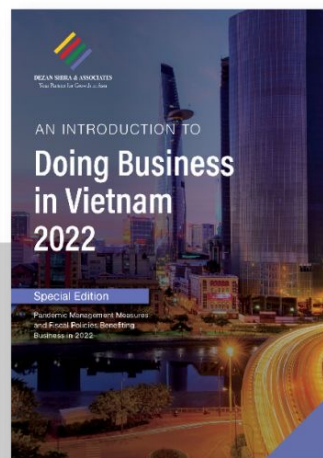




DEZAN SHIRA & ASSOCIATES  
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# INTRODUCTION GUIDES TO Doing Business in Asia 2022

CHINA | VIETNAM | INDIA | ASEAN



AVAILABLE NOW ON ASIA BRIEFING

Your speakers today:



**FILIPPO  
BORTOLETTI**

Director, Vietnam

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- 2. Why Vietnam?**
- 3. Identify your location**
- 4. Investing in Vietnam**

# Business Environment & Outlook Vietnam



# 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 / EVFTA

1945

1975

1986

1995

1998

2007

2016/18

2020



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# Snapshot



Official name

**Socialist Republic of Vietnam**



Main cities

**Ho Chi Minh City** main business center

**Ha Noi** capital

**Da Nang**

**Hai Phong** fast-developing port city



Population (2021)

**98.9 million**

Median age (2020)

**32.5 million**



Area

**331,672 km<sup>2</sup>**



Currency

**Vietnam Dong**

**(VND)**

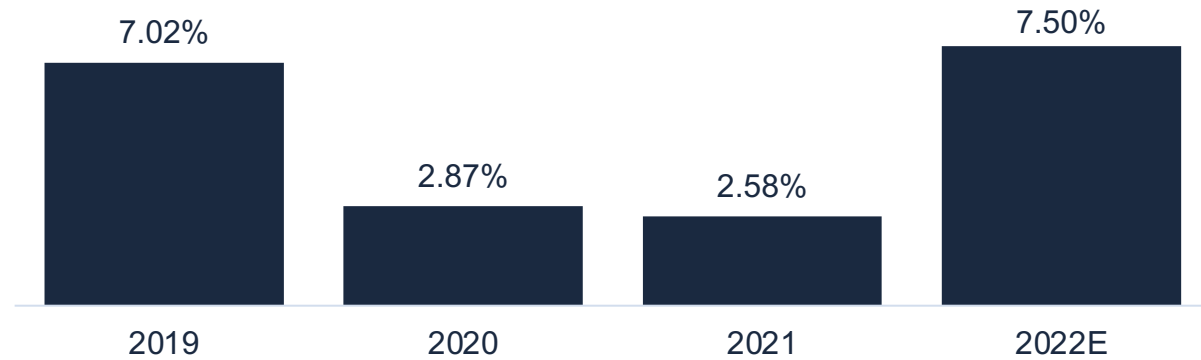
1 USD

~ 23.000 VND



# Key Macroeconomics

Nominal GDP  
**2021**



GDP pro-capita  
**2,988 USD**



GDP per family  
**10,756 USD**



**33** million  
Emerging middle class







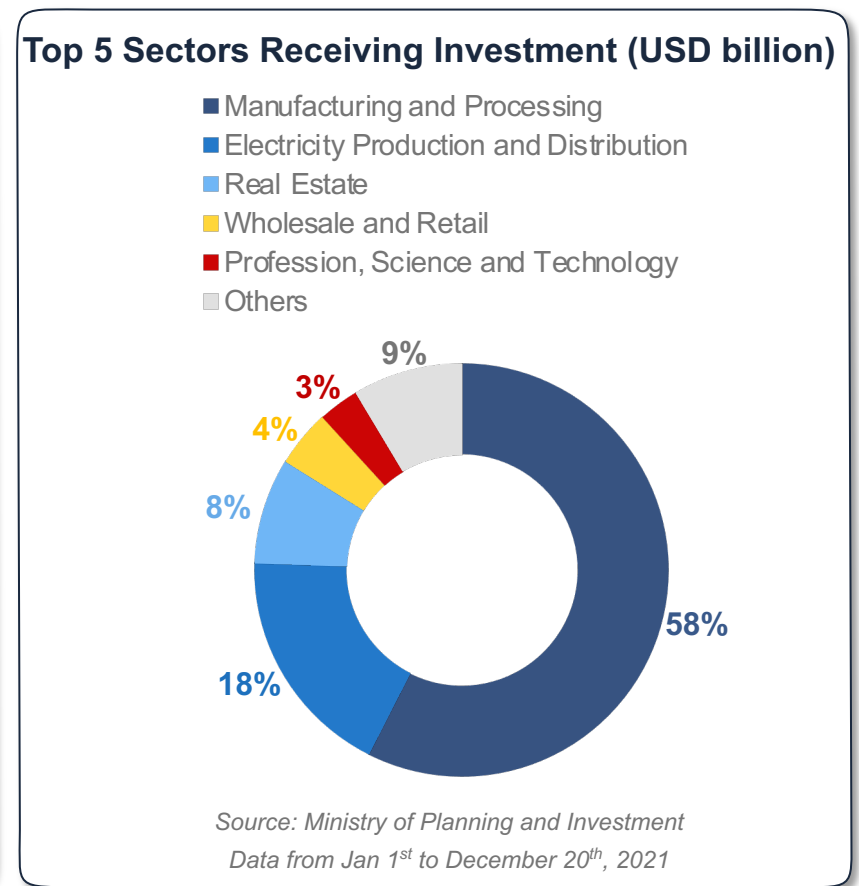
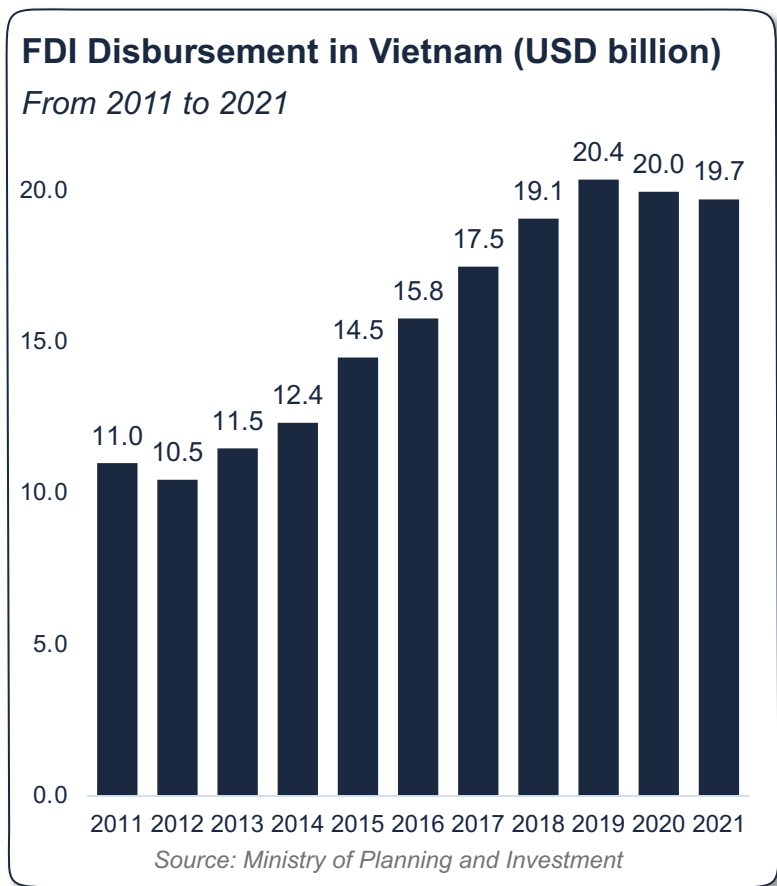
**19,491**  
People with Capital  
> 1 million USD



**390**  
People with Capital  
> 30 million USD

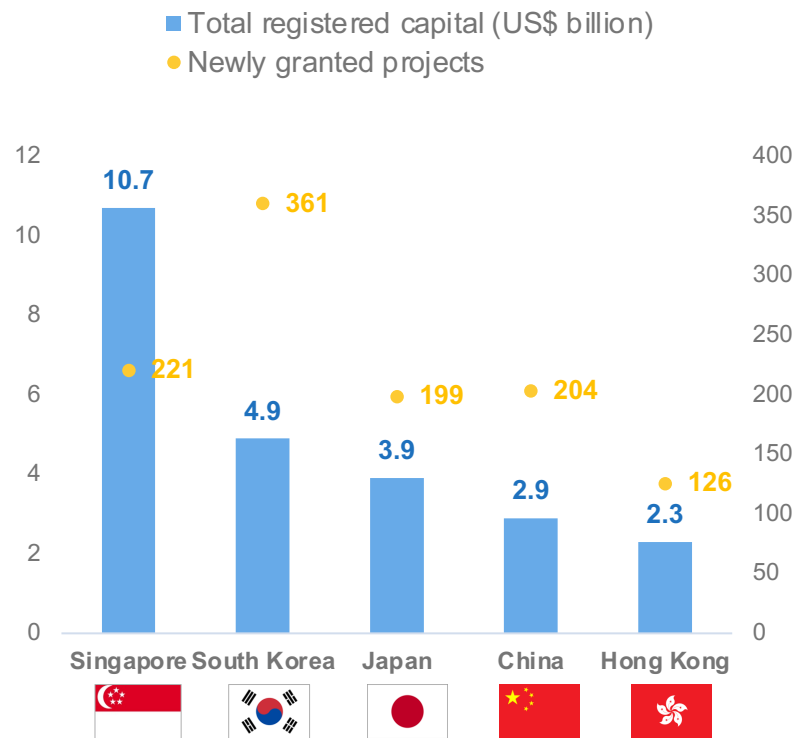
# Economics and FDI

- 
**2.58%**  
 GDP Growth Rate
- 
**19%**  
 Export Growth Rate
- 
**US\$19.74 billion**  
 FDI Disbursement
- 
**US\$668.5 billion**  
 Import and Export Turnover
- 
**1,738**  
 Granted Investment Certificate in 2021
- 
**106**  
 Investor Countries and Territories

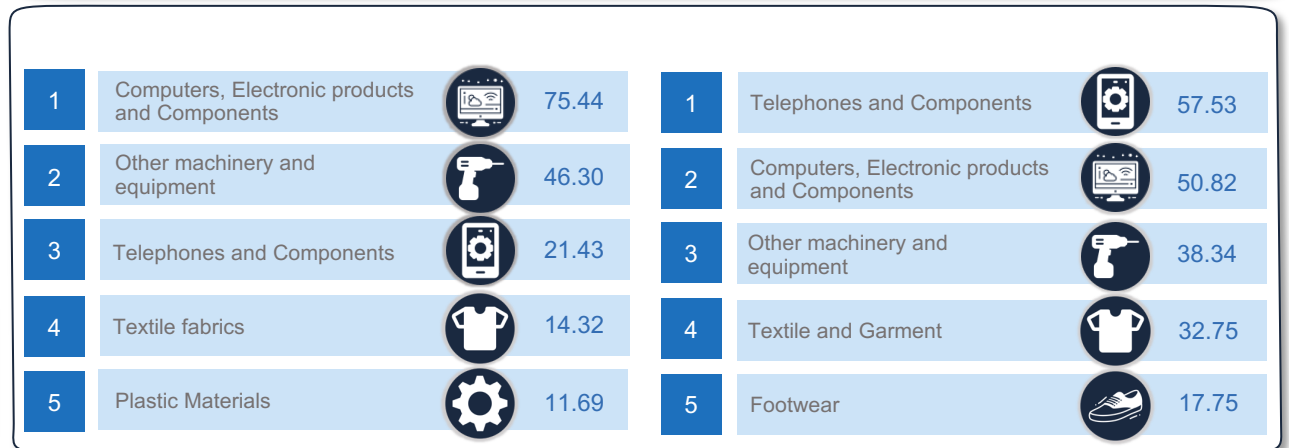
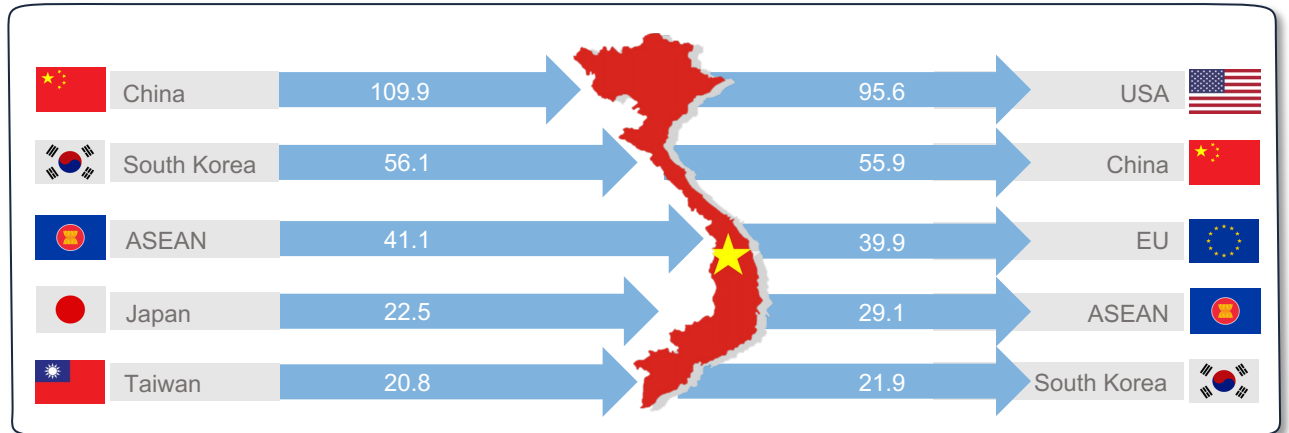


# Economics and FDI

## Top 5 Countries Investing in Vietnam (USD billion)



Source: Ministry of Planning and Investment  
Data from Jan 1<sup>st</sup> to December 20<sup>th</sup>, 2021



**Why Vietnam?**



# Pre-COVID benchmarking with potential alternatives

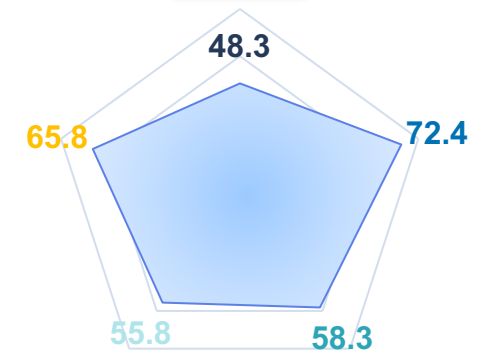
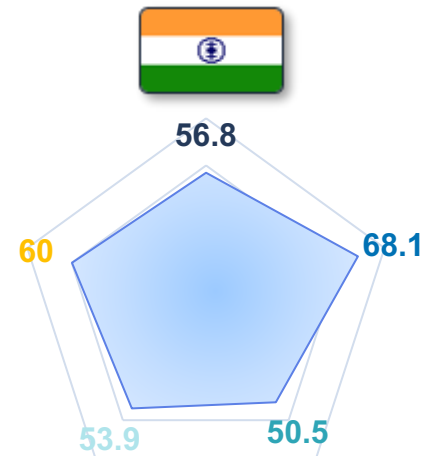
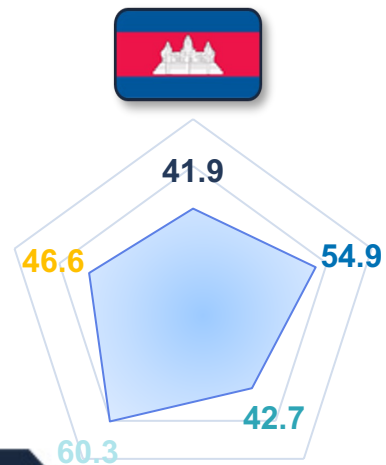
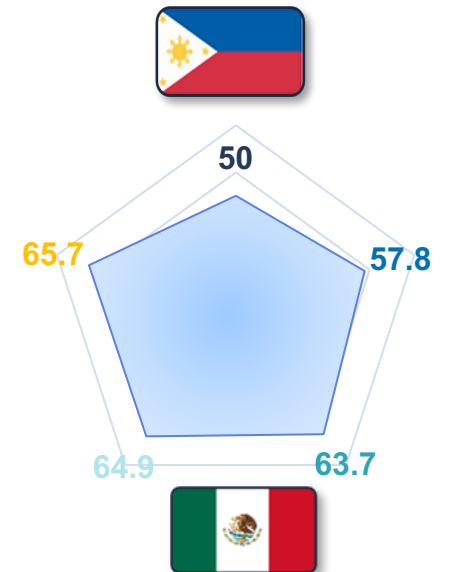
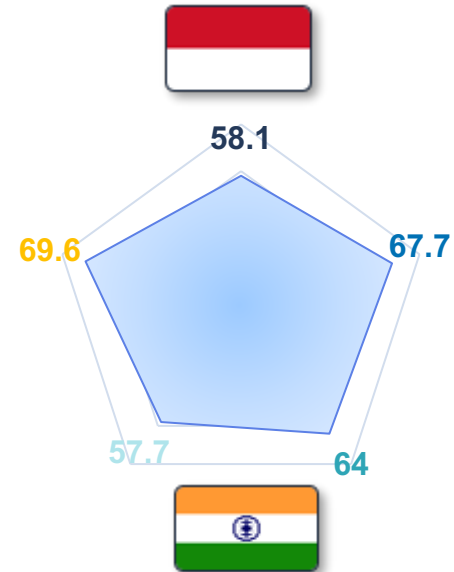
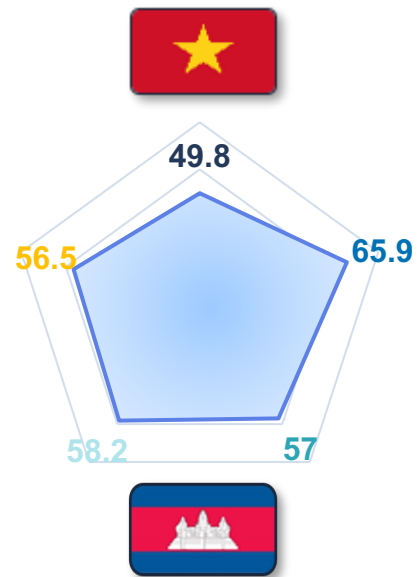
Institutions

Infrastructure







Skills

Labour market

Business dynamism



# Infrastructure – GCR 2019

|                             |  |  |  |  |  |  |
|-----------------------------|---|---|---|---|---|---|
| Population (million)        | 94.6  | 264.2   | 106.6   | 16.3  | 1,334.2   | 124.7   |
| GDP per capita (.000 US\$)  | 2.55  | 3.87  | 3.10  | 1.51  | 2.04  | 9.81  |
| <b>Infrastructure</b>       | <b>#77</b>  | <b>#72</b>  | <b>#96</b>  | <b>#106</b>   | <b>#70</b>  | <b>#54</b>  |
| Road connectivity           | 63.3  | 59.8  | 51.6  | 61.9  | 75.8  | 90.3  |
| Road quality                | 40.1  | 52.6  | 44.8  | 42.7  | 58.6  | 58.4  |
| Railroad density            | 19.1  | 6.5   | 4.3   | n/a   | 56.6  | 18.4  |
| Airport connectivity        | 86.0  | 100.0   | 82.6  | 53.9  | 100.0   | 92.4  |
| Liner shipping connectivity | 68.8  | 47.8  | 29.0  | 8.2   | 59.9  | 49.1  |
| Seaports efficiency         | 47.3  | 55.8  | 44.7  | 42.9  | 59.1  | 55.2  |
| Electricity supply quality  | 93.5  | 94.7  | 94.7  | 90.6  | 85.8  | 91.2  |
| Water supply reliability    | 59.2  | 62.5  | 61.5  | 57.6  | 55.9  | 63.7  |

# Institutions – GCR 2019



| Institutions   | #89  | #51  | #87  | #123 | #59  | #98  |
|--|------|------|------|------|------|------|
| Efficiency of legal framework in challenging regulations | 42.9 | 49.3 | 34.9 | 31.3 | 50.3 | 32.0 |
| Efficiency of legal framework in settling disputes       | 43.0 | 51.1 | 33.5 | 33.8 | 51.8 | 33.1 |
| Legal framework adaptability to digital business models  | 43.1 | 58.0 | 44.4 | 41.4 | 58.9 | 46.6 |
| Incidence of corruption                                  | 33.0 | 38.0 | 36.0 | 20.0 | 41.0 | 28.0 |
| IPR protection   | 44.4 | 59.3 | 58.2 | 40.9 | 57.4 | 52.4 |
| Auditing and accounting standards                        | 43.2 | 59.9 | 69.0 | 44.2 | 62.5 | 69.5 |
| Shareholder governance                                   | 67.0 | 70.0 | 47.0 | 33.0 | 87.0 | 57.0 |
| Government long-term vision                              | 52.5 | 60.8 | 53.0 | 43.5 | 60.0 | 32.9 |
| Energy efficiency regulations                            | 72.0 | 25.7 | 61.4 | 44.9 | 66.4 | 68.6 |
| Renewable energy regulations                             | 66.7 | 53.7 | 62.4 | 41.3 | 87.3 | 68.7 |

# Skills and Labour Market – GCR 2019



| Skills                            | #93  | #65  | #67  | #120  | #107 | #89  |
|-----------------------------------|------|------|------|-------|------|------|
| Extent of staff training          | 49.4 | 60.3 | 65.7 | 48.4  | 55.1 | 47.0 |
| Quality of vocational training    | 44.0 | 60.1 | 62.4 | 42.1  | 53.3 | 53.9 |
| Skillsets of graduates            | 41.2 | 59.0 | 66.4 | 44.2  | 46.2 | 51.5 |
| Digital skills                    | 46.1 | 58.5 | 67.7 | 42.8  | 57.2 | 46.0 |
| Ease of finding skilled employees | 49.3 | 59.2 | 67.1 | 41.7  | 52.8 | 53.0 |
| Labour Market                     | #83  | #85  | #39  | #65   | #103 | #96  |
| Redundancy costs                  | 57.1 | 0.0  | 51.3 | 68.1  | 75.6 | 62.5 |
| Hiring and firing practices       | 54.6 | 58.3 | 50.3 | 50.7  | 52.6 | 40.5 |
| Workers' rights                   | 64.0 | 64.0 | 62.0 | 59.0  | 58.0 | 71.0 |
| Pay and productivity              | 53.1 | 60.4 | 64.9 | 53.2  | 51.3 | 46.4 |
| Labour tax rate                   | 77.1 | 95.0 | 99.0 | 100.0 | 82.9 | 73.8 |



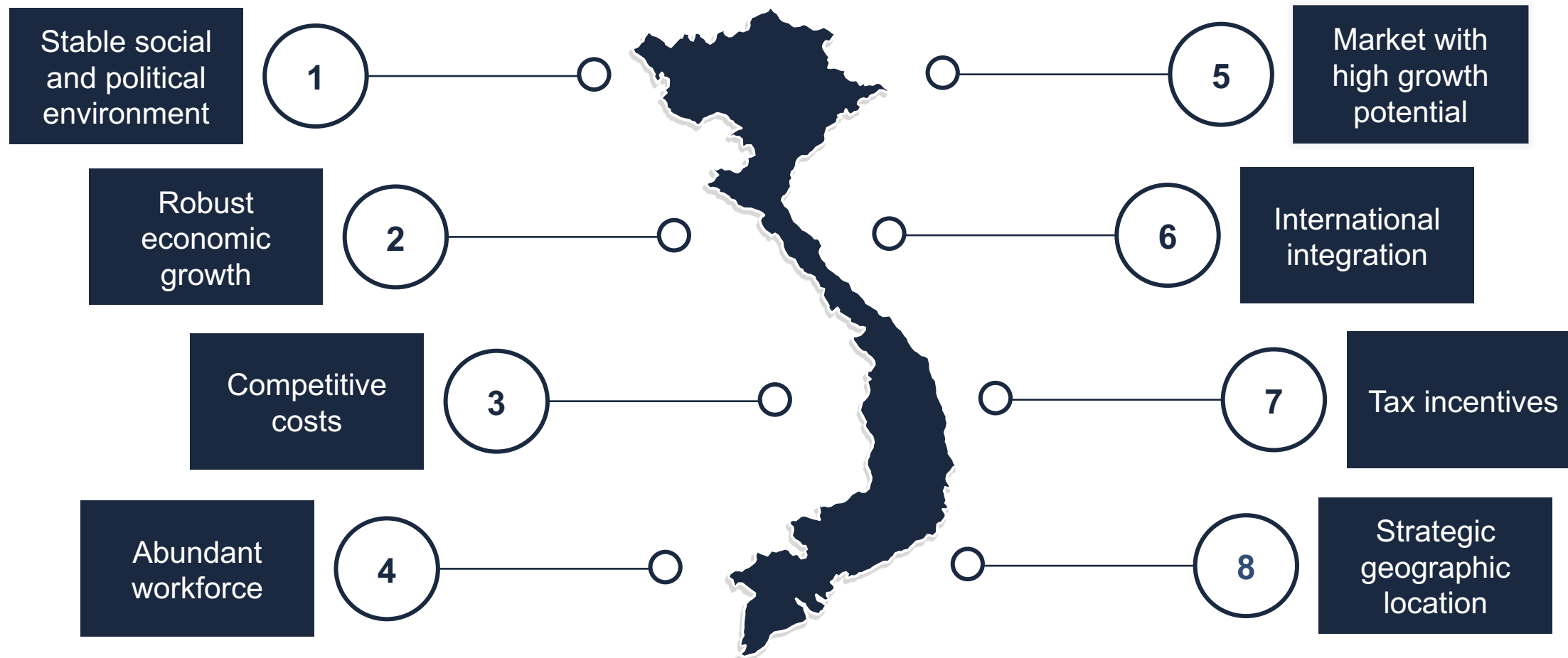
# Business Dynamism – GCR 2019



## Administrative requirements

|                             |      |      |      |      |      |      |
|-----------------------------|------|------|------|------|------|------|
| Cost of starting a business | 97.0 | 97.0 | 89.9 | 76.3 | 92.8 | 91.9 |
| Time to start a business    | 83.4 | 80.8 | 69.3 | 1.0  | 83.9 | 92.1 |

# Vietnam: an attractive investment destination



# China plus ... Vietnam



**Manufacturing**



**Escaping Tariffs**


















































































**Import/Export Processing Center**



**Foreign Professionals**



# FTA Integration

|   |    |    |    |    |    |    |    |    |    |
|---|---|---|--|---|---|---|---|---|---|
|    |    |    |    |    |    |    |    |    |    |
|    |    |    |    |    |    |    |    |    |    |
|    |    |    |    |    |    |    |    |    |    |
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|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

■ Not signed   
 ■ Signed   
 ■ In force

# FDI policies

- **“Negative list” approach to market access** for foreign investors
- **Conditional business lines**, with conditions in form of
  - Foreign ownership percentage of charter capital
  - Form of investment
  - Investment scope
  - Capacity of investors and partners participating
  - Others
- **Foreign-invested company if more than 50% of charter capital is foreign-owned**
- Foreign-invested companies are **allowed to conduct wholesale trade and retailing** without restrictions

# Tax incentives

## Prioritized sectors

10% CIT for 15 years + tax holiday first 4 years and halved CIT rate for 9 years: *Technology-related, garment, footwear, automotive, goods not produced domestically*

10% CIT: *Education and training, healthcare, sports, culture, and environment*

15% CIT: *Agriculture and related*

17% CIT: *Equipment for agriculture*

## Disadvantaged locations

10% CIT for 15 years + tax holiday first 4 years and halved CIT rate for 9 years: *firms operating in extremely difficult areas, special economic zones (SEZs), or high-tech zones (HTZs)*

17% CIT for 10 years + tax holiday first 2 years and halved CIT rate for 4 years: *firms operating in difficult areas*

Tax holiday first 2 years and halved CIT rate for 4 years: *firms operating in industrial parks*

## Project size

10% CIT for 15 years + tax holiday first 4 years and halved CIT rate for 9 years: *Manufacturing projects with investment capital > 6 VND trillion (261 USD million) invested in 3 years, by the 4<sup>th</sup> year with:*

- *10 VND trillion revenue per year, or*
- *3,000 headcount*

# Other incentives

## Custom duty incentives

**Exemption from custom duties** if meeting one of the following criteria:

- Goods are imported to form **fixed assets**
- Goods are imported for **implementing export processing contracts** with foreign parties
- **Raw materials and supplies** are imported to directly serve the **production of software products**, and cannot be produced domestically
- Goods are imported **for use in scientific research and technological development** and cannot be produced domestically.

## Land rental exemption

Subject to specific conditions, investment projects can enjoy land rental fee exemption:

- **Whole operational period** – projects in special encouraged sectors, in areas of particularly difficult socio-economic conditions;
- **15 years** – projects in special encouraged sectors, in areas of difficult socio-economic conditions; or projects in encouraged sectors, in areas of extremely difficult socio-economic conditions;
- **11 years** – projects in areas of extremely difficult socio-economic conditions; or projects in special encouraged sectors; or projects in encouraged sectors in difficult socio-economic areas;
- **7 years** – projects in difficult socio-economic areas;
- **3 years** – projects in encouraged sectors;

# Doing business

- Supply chain mapping and analytics
- Logistics and security
- Distributors, agents and resellers
- Financial health of suppliers

Supply Chain  
and Logistics

Labour  
Availability  
and Retention

- Understand local labor market and future trends
- Identify how to access the local talent pool
- Implement effective retention policies to mitigate turnover

- Assess contract terms with customers, suppliers, and other commercial partners
- Ensure mechanisms to increase the likelihood of positive outcomes on future potential claims

Contract and  
Commercial

Taxes and  
Duties

- Assessment of eligibility for tax incentives and tax holidays opportunities
- Understand rule of origin in compliance with FTAs and obtain C/O
- Comply with transfer pricing requirements








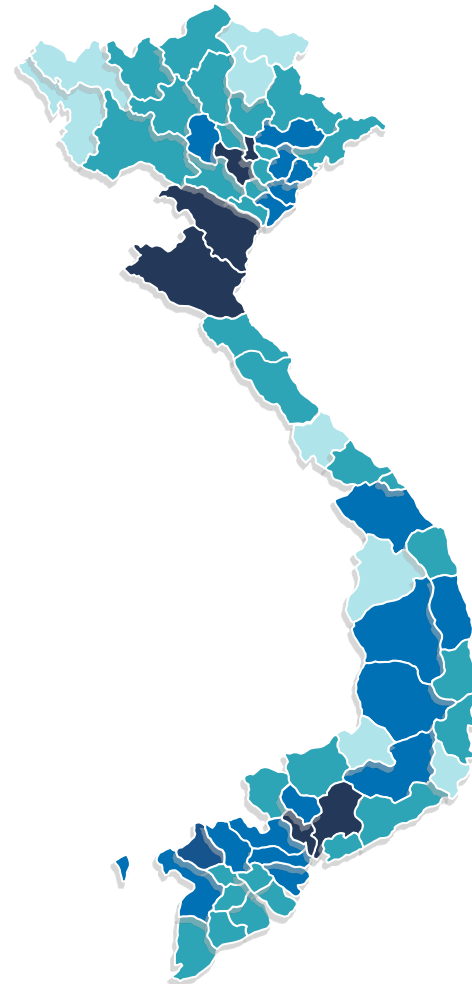
**Identify your location**



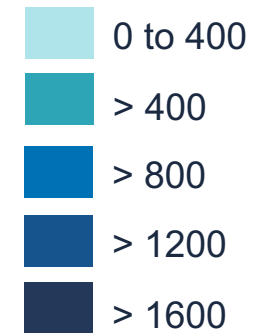
# Labour force in Vietnam (2019)

## Top occupations on vocational enrollment

-  Automotive
-  Electronics
-  Mechanical Engineering
-  Textile and Garment
-  Hospitality



## Labour force (/1000 persons)



# Main locations

## Hanoi Metro Area

Hanoi, Vinh Phuc, Phu Tho,  
Bac Ninh, Bac Giang, Ha Nam, Hung Yen

18,495 sq.km

16.01 million people

US\$68 bn GDP



## Nghe An Province

16,490 sq.km

3.34 million people

US\$5.4 bn GDP



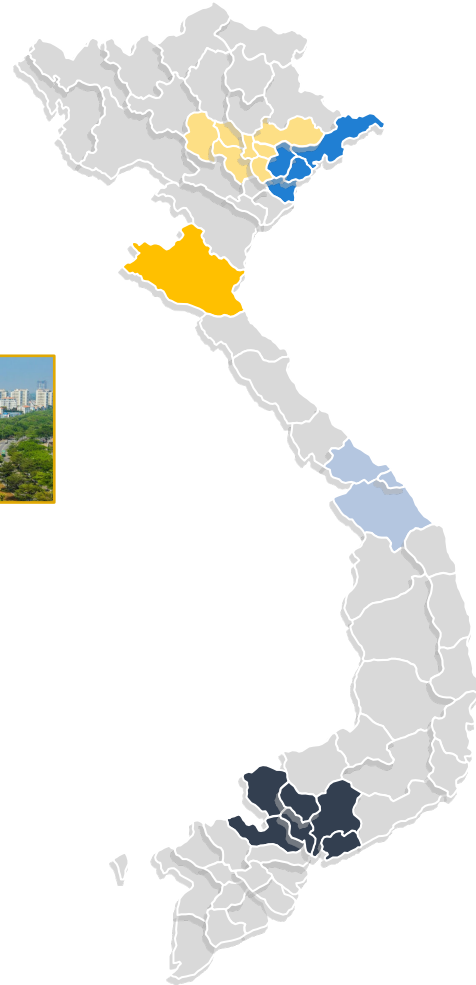
## Ho Chi Minh City Metro Area

HCMC, Binh Duong, Dong Nai, Ba Ria – Vung  
Tau, Long An, Tay Ninh

21,137 sq.km

18.63 million people

US\$112 bn GDP



## Hai Phong Metro Area

Hai Phong, Hai Duong, Quang Ninh, Thai Binh

10,995 sq.km

7.12 million people

US\$26.9 bn GDP



## Da Nang Metro Area

Da Nang, Thua Thien – Hue, Quang Nam










16,762 sq.km

3.77 million people

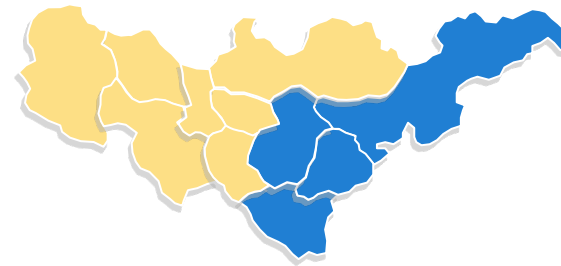
US\$12.5 bn GDP



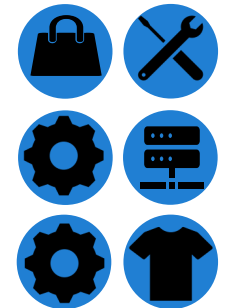
# Northern Industrial Cluster

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










-   Vinh Phuc
-   Hanoi
-   Hung Yen
-   Bac Ninh



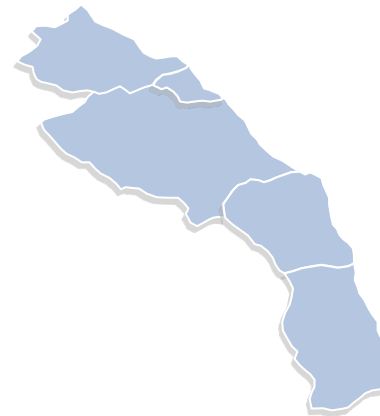
- Quang Ninh
- Hai Phong
- Hai Duong



# Central Industrial Cluster










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

-   Thua Thien Hue
-   Danang
-   Quang Nam



- Quang Ngai  
- Binh Dinh  

# Southern Industrial Cluster

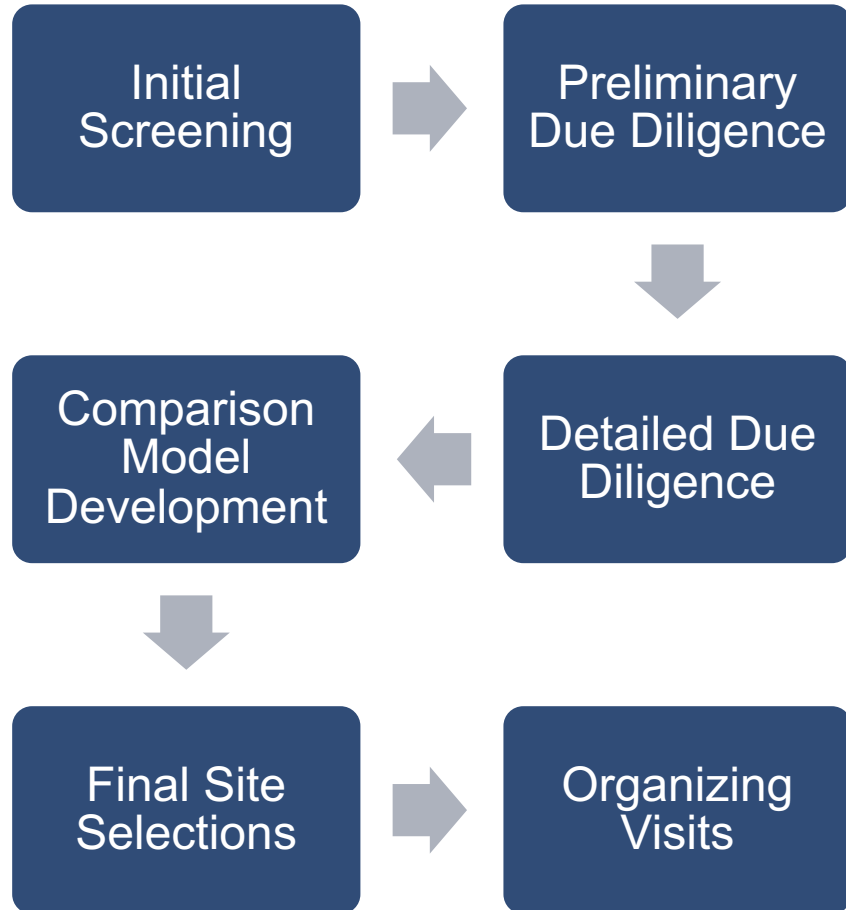
-  Electronics and Mechanical engineering
-  IT
-  Automotive
-  Textile and Garment
-  Telecommunication
-  Consumer goods
-  Construction materials
-  Forestry and Fisheries
-  Chemical and Chemical products

-   Binh Duong
-   Tay Ninh
-   Ho Chi Minh City
-   Long An
-   Tien Giang



- Binh Phuoc  
- Dong Nai  
- Ba Ria Vung Tau  

# How to choose your location



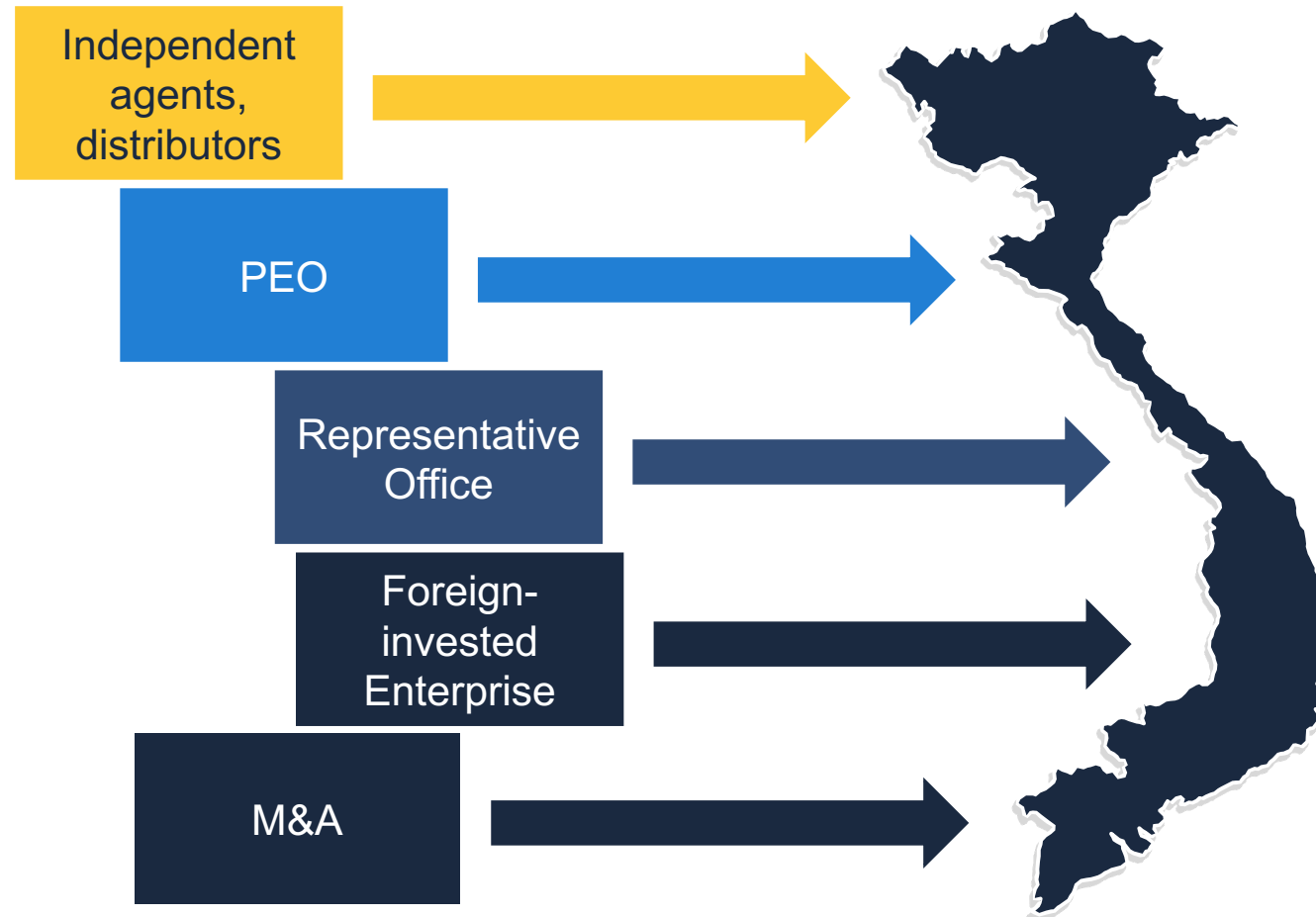
| FACTORS TO EVALUATE POTENTIAL LOCATIONS |                    |                     |
|---|--------------------|---------------------|
| Availability of materials               | Government policy  | Taxation            |
| Proximity to market                     | Labor availability | Incentives          |
| Infrastructure                          | Local laws         | Political stability |

# Investing in Vietnam





# Leverage business opportunities



# Key direct investment options

## Most Popular Investment Vehicles for Foreign Investors

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

# Focus on: Representative Office



**Commitment to the market is really appreciated by local entrepreneurs**

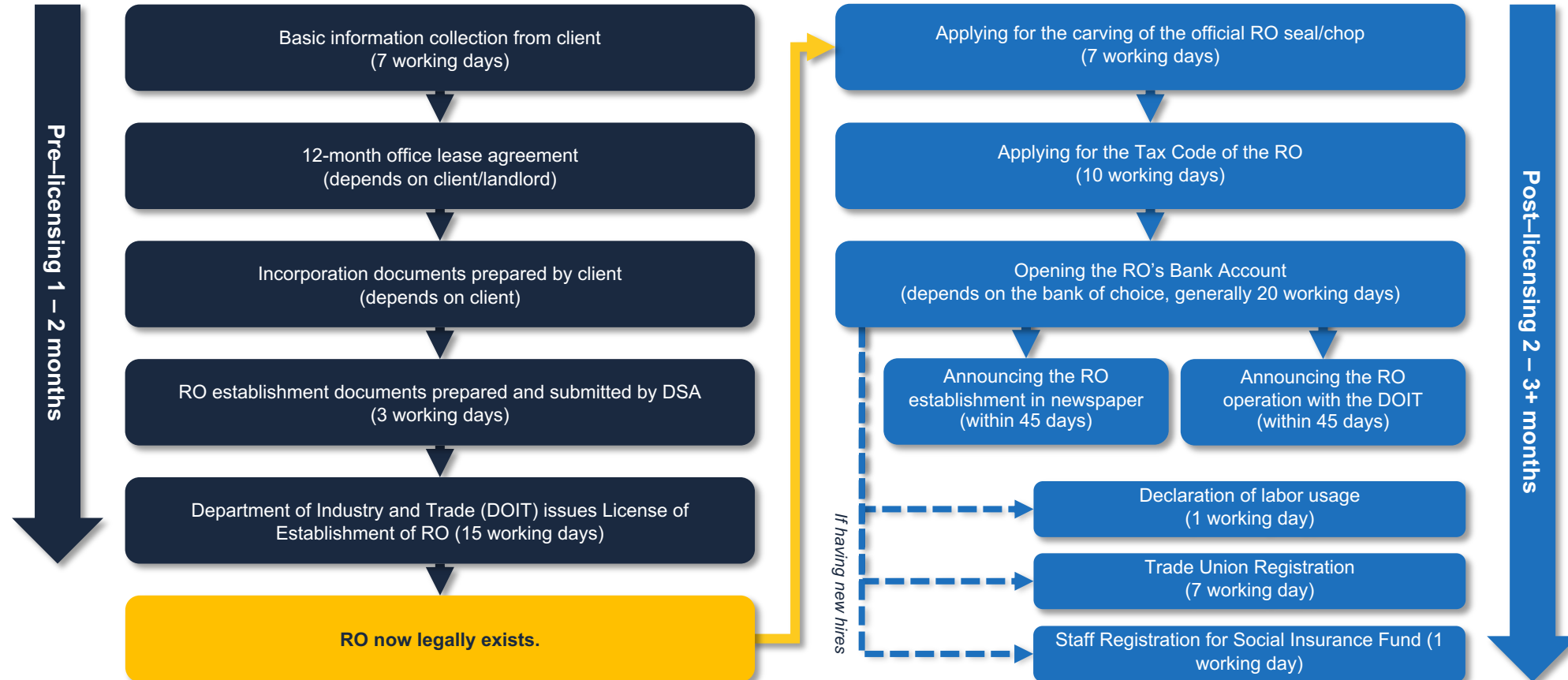
- Low-cost solution
- Cannot conduct revenue-generating activities
- Parent company bears liability



before applying for Operation License →

- 1) Must appoint a Chief Representative
- 2) Must sign a MoU or leasing contract  $\geq$  12 months

# RO registration procedure



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

# Focus on: Limited Liability Company

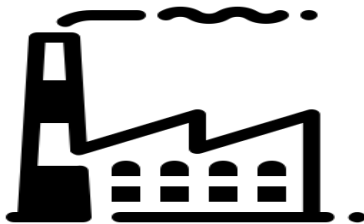


Up to 45 working days  
*(normally 1 month)*

~ 1 week

~ 1-2 months

Foreign manufacturers and suppliers



Export



Import

Trading companies in Vietnam



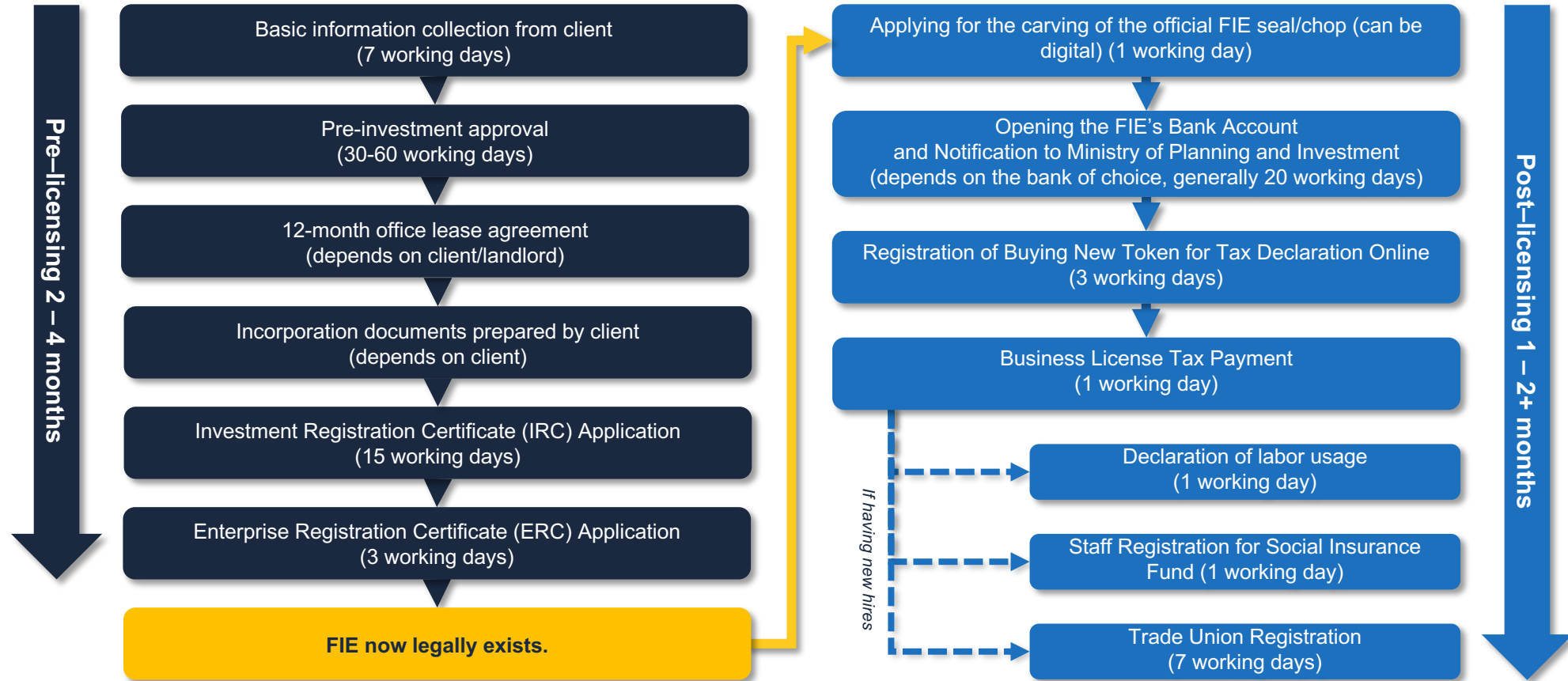
Benefit from preferential tariffs



before applying for Investment License →

- 1) Must appoint a Legal Representative
- 2) Must sign a MoU or leasing contract ≥ 12 months

# 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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