

VIETNAM

# BUSINESS REVIEW

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*Real estate M&As spiked in the first quarter*



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## ECONOMY

### Vietnam posts \$1.36b trade surplus in Q1



VNA - Vietnam registered a trade surplus of 1.36 billion USD in the first quarter of 2016, Ha Noi Moi (New Hanoi) newspaper reported.

According to General Department of Vietnam Customs statistics total import-export turnover of the country in Q1 reached 76.17 billion USD, a year-on-year increase of 1.1% (817 million USD).

Exports for the first three months rose 6.6% to 38.77 billion USD while imports declined 4% to 37.4 billion USD.

The department highlighted some major exports during the period, including mobile phones and components being up 24.2% to 8.27 billion USD, textiles and garments up 6.5% to 5.12 billion, computers, electronic products and accessories up 4.9% to 3.73 billion and footwear up 9.6% to nearly 2.8 billion USD.

Seafood, rice, fruit and vegetable exports also rose.

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The US remained Vietnam's largest export market, valued at 7.9 billion USD, an increase of 11.1%. Vietnam's exports to ASEAN and Japan declined 9.9% and 0.4% to 4.2 billion and 3.2 billion, respectively.

### E-commerce spending in Vietnam exceeds \$4b in 2015



VNE - Vietnamese consumers spent \$4.07 billion purchasing goods via e-commerce in 2015, a 37% increase against 2014 and accounting for 2.8% of total retail revenue, according to the E-Commerce Report 2015 released on April 14 by the Vietnam E-Commerce and Information Technology Agency (VECITA) under the Ministry of Industry and Trade (MoIT).

On average each person spent about \$160 on e-commerce purchases in 2015. Clothing, footwear, and cosmetics were the best-selling category, accounting for 64% of revenue, followed by technology, electronic goods, and

household appliances and equipment.

E-commerce websites earning the highest revenue were those selling airline tickets, electronic and digital items, and audio equipment.

The ten leading websites by revenue were vietnamairlines.com, thegioididong.com, esale.zing.vn, fptshop.com.vn, lazada.com.vn, nguyenkim.com, pico.com, dienmaycholon.vn, hc.com.vn and phucanh.vn.

The top ten e-commerce exchanges in terms of revenue were lazada.vn, chodientu.vn, hotdeal.vn, vatgia.com, enbac.com, rongbay.com, sendo.vn, cungmua.com, deca.vn and adayroi.com.

A VECITA survey on 500 people in Hanoi and HCMC found that 88% used mobile devices to research goods & services prior to purchase & 45% used mobile devices to search for information on goods at least once a day.

40% of respondents said that they spent less than VND100,000 (\$4.50) on average when buying goods via mobile devices, while 36% spent from VND100,000 (\$4.50) to VND500,000 (\$22.50) and 24% spent over VND500,000 (\$22.50).

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## BANKS & FINANCE

### State bank works to keep bad debt below 3%

VNA - The State Bank of Vietnam (SBV) has requested that credit institutions and foreign bank branches intensify their credit quality & bad debt management and submit their bad debt handling plans for 2016 before April 28.

The move aims to ensure the bad debt ratio is at a safe level of below 3 percent of loans, the central bank said in freshly-issued Document No 2588/NHNN-TTGSNH sent to credit institutions and foreign bank branches across the country.

The document instructs credit organisations to implement bad debt treatments in accordance with Directive No 02/CT-NHNN dated February 23, 2016, on strengthening security assurance and the restructuring of credit organisations' systems, bad debt management, and monitoring and maintaining bad debt at a safe level.

The Directive also cited that credit institutions should focus on speeding up bad debt treatment through several measures such as risk contingency, selling bad debt to the Vietnam Asset Management Company (VAMC), supervising

debt collection, settling collateral, and monitoring credit, bad debt and overdue debt management.

### Will there be a breakup at ACB?



VNN - sources say Standard Chartered Bank, a big foreign shareholder of the Asia Commercial Bank (ACB), is considering leaving ACB.

The upcoming 2016 ACB shareholders' annual meeting will discuss the letter of resignation submitted by Julian Fong Loong Choon, a member of the board of directors, who represents Standard Chartered Bank, which now holds 15 percent of ACB's stake.

The leave of the board of directors' member is just one change in the bank's key personnel recently. Three months ago, Vijay Maheshwari, also from Standard Chartered Bank, resigned from the post of finance director.

The resignation of the representatives from the foreign

partner was due fact to a cut in expenses after incurring losses from emerging markets.

Will Standard Chartered Bank transfer its ACB's stakes? The information has not been confirmed, but some foreign finance institutions in HCM City have expressed their willingness to buy the stakes.

Under the current regulations, when an institutional shareholder transfers 5 percent of stake and more, it must get approval from the State Bank of Vietnam (SBV). The involved parties negotiate buy/sell terms and submit the share transfer plan to SBV.

The buyers must meet the requirements set for different periods. In general, it is easier to transfer shares from foreign partners to domestic ones.

Standard Chartered Bank became ACB's strategic shareholder in July 2005. At that time, the international finance community was quietly learning about Vietnamese credit institutions as the information about Vietnam's joining to WTO appeared in mass media.

Prior to that, in March 2005, ANZ Bank announced it had purchased 10 percent of Sacombank's shares at \$27 million.

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In early 2008, Standard Chartered Bank expressed its willingness to raise its ownership ratio in ACB. At that time, another foreign shareholder in ACB – IFC – agreed to transfer its ACB shares to Standard Chartered.

The bank then spent VND2.268 trillion, or \$135 million (the dong/dollar exchange rate was VND16,800 per dollar at that moment) to acquire shares at the VND140,000 per share, the price which was double the market price (VND68,000 per share).

At which price would Standard Chartered transfer ACB shares now?

ACB shares were traded at VND18,300 per share on April 4. With such a price, 15 percent of ACB shares being held by Standard Chartered Bank would be valued VND2.574 trillion, or \$115.4 million.

However, everyone knows that if divesting shares, Standard Chartered would not sell at the market prices.

“The selling prices must be high enough to ensure profit for Standard Chartered,” a deputy director of a security company said. He believes that the VND25,000-30,000 per share price level would be ‘reasonable’ for the transfer of 15 percent of shares in bulk.

### VCB to raise capital to \$1.78b



VNN - The largest local commercial bank, Vietcombank (VCB), will increase their charter capital to over VND39.7 trillion (US\$1.78 billion), said chairman Nghiem Xuan Thanh at the bank's general shareholder's meeting on April 15.

Thanh said the added capital of VND9.3 trillion was from the issuance of 933 million bonus shares at the rate of 35% for the existing shareholders of the bank.

He said that after raising charter capital, the bank will offer foreign investors about 360 million shares or a 10% stake, which will be taken from its two biggest shareholders, the State and Mizuho Bank of Japan. Thus, the state would reduce its stake in the bank from 77 to 70%, and Mizuho Bank's stake would fall from 15 to 13%.

Thanh said that by the end of Q1, the VCB's capital source had increase by 2.7%, higher than the average growth in the banking

industry. Chairman Thanh said despite offering the lowest interest rates in the market, its brand and competitive products helped the bank's capital to grow.

Credit within the quarter also increased by 6.5%, while the non performing loans (NPL) ratio was down slightly by 1.76% from the beginning of the year. The bank also reported profits before tax of VND2.3 trillion, up 61% over the same quarter last year.

By the end of 2015, the total assets of the bank had reached VND674 trillion, up 16.9% compared to the beginning of the year. The total profits before tax reached VND6.8 trillion. This year, VCB expected to earn VND7.5 trillion in profits, a 10% increase from 2015.

Shareholders of Vietcombank have already received a 10% cash dividend worth VND2.7 trillion for 2015, and the bank plans to pay a dividend of 10% in cash this year as well.

The bank also planned to pay 0.35% of its profit margin to its director board and supervising board this year. So with the target of VND7.5 trillion, leaders of the bank were expected to have a combined income of VND26.5 billion this year.

## INVESTMENT

### License of long-delayed Trung Luong - My Thuan to be revoked



VIR - The transport authorities have warned to revoke the investment certificate of Trung Luong-My Thuan expressway-phase 1 due to the long delay in construction as well as submitting the investor consortium's audited financial reports.

The construction of VND15 trillion (\$670.3m) Trung Luong-My Thuan expressway-phase 1 project in the southern region remains standing at starting point after 14 months of re-launching.

As of now, only three of 24 packaging tenders have been kicked off with poor performances although the local authorities have handed over 80% of land for investors.

According to Dang Trung Thanh, deputy head of the Department of Traffic Works and Construction Management under the Ministry of Transport, contractors have yet to concentrate its resource to

implement the project, leading to the long delay.

Besides, the investor, namely Trung Luong-My Thuan BOT Company consisting of Tuan Loc Investment Construction JSC, Yen Khanh Production and Trade Services Company Limited, BMT Construction Investment JSC, Thang Loi Group Limited, and Hoang An JSC have yet to submit the necessary application dossiers to the local authorities for approval of the official investment contract.

Furthermore, in spite of being urged, four of six stake-holders have yet to submit their audited 2015 financial reports aiming to prove their finances when they join the consortium.

Nguyen Nhat, Deputy Minister of Transport has recently continued to urge six stake-holders to submit their audited 2015 financial reports, especially, the capital invested in the expressway in reports must match with the figures in bidding documents and they are not allowed to transfer the investment right without the authorities' approval.

Especially, Nhat also asked BMT Construction Investment JSC and Tuan Loc Investment Construction JSC to submit their audited 2015 financial reports before April 30

otherwise the MoT and related agencies will refuse to sign the official investment contract, simultaneously notice the Ministry of Planning and Investment to revoke the investment certificate.

The Trung Luong-My Thuan expressway project involves building a 51 kilometre expressway and 4.5km approach road at the total investment capital of VND15 trillion (\$670.3m) under the build-operate-transfer (BOT) form.

The project construction initially kicked off by Expressway Investment Development Joint Stock Company under Bank for Investment and Development of Vietnam (BIDV) in November 2009 and expected to complete in late 2018. However the construction became suspended due to the investor facing capital constraints. It was resumed in February 2015.

### JX Nippon Oil invests in Nam Van Phong



VIR - Japan's JX Nippon Oil and Energy Corporation last week

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officially agreed to purchase an 8% stake in state-run Petrolimex, which holds 55% of the local petroleum retail market share.

The Japanese oil and gas giant signed a share subscription agreement to buy into Vietnam's largest distributor of petroleum products. This move will help JX Nippon secure business opportunities in Vietnam where the current demand for petroleum products is approximately 350,000 barrel/day and rising steadily.

The acquisition shifts JX Nippon one step closer to building its first overseas oil refinery in Vietnam, and may even position it in the petrol distribution business across the country.

"As part of our co-operation strategy, JX Nippon and Petrolimex have signed a memorandum of understanding to start a joint study for the construction of a refinery in Van Phong Economic Zone," said NOE president Tsutomu Sugimori in a recent speech.

The \$8-billion Nam Van Phong oil refinery project, which is expected to go online by mid-2020 at the earliest, will produce approximately five million tonnes of crude oil per

year. The prime minister gave in-principle approval for the project, and assigned Petrolimex to begin the process of project planning, and selecting co-investing foreign partners with sufficient capability, experience, and commitment in providing crude oil.

Petrolimex's chairman Bui Ngoc Bao said the deal with JX Nippon had been under negotiation for nearly two years. It had planned to sell 20% of its stake to JX Nippon at first, but the figure was reduced to 8% due to existing difficulties in the market, which were raised at the shareholders' meeting late March.

According to Bao, if the deal is approved by the group's shareholders, a portion of the capital earned from the sale will be used to restructure the finances of Petrolimex Singapore Pte. Ltd, which is currently reeling under losses amounting to trillions of dong. Petrolimex was recently found violating several capital and asset management regulations between December 26, 2013 and June 17, 2014. Following an inspection of the group during this period, the Government Inspectorate of Vietnam uncovered multiple

violations in the use of assets and capital, in equitisation, in the management of its parent company and subsidiaries, as well as in construction and land use.

Petrolimex incurred significant losses through its financial investments into businesses far removed from its core operations.

The report pointed out that Petrolimex's investment of VND400 billion (\$18 million) in PG Bank, VND171 billion (\$7.7 million) in PG Insurance, and VND51 billion (\$2.3 million) in PetrolimexLand were all carried out without permission from the Ministry of Industry and Trade or the prime minister.

The Government Inspectorate of Vietnam has therefore proposed that the government fine Petrolimex VND1.2 trillion (\$54 million), as well as an additional \$310,000 for misuse of capital and funding between 2010 and mid-2013.



## ENTERPRISES

### Businesses lose billions of VND on false rumor

VNN - Competing unhealthily by spreading false rumors has become a trick favored by many businesses in Vietnam.

In 2015, a rumor was spread that Masan's Kokomi instant noodle contained 'strange creatures', which stirred up the public as Kokomi is familiar to many housewives. The rumor originated from a village in Tinh Gia district of Thanh Hoa province.

The Thanh Hoa provincial Department Food Hygiene and Safety then collected the instant noodle in the same carton box and prepared noodles in a normal way, but it could not find the strange creature as rumored.

The noodle sample which was brought to the provincial cosmetics & drug testing center for examined also showed the same testing result. Meanwhile, according to the Ministry of Health, the instant noodle is processed at the temperature of over 100oC during production, and no creature can survive the process.

In mid-2014, people whispered in each others' ears that Huda, a well-known beer brand in the central region, was sold to China. Those, who spread the rumor, even

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delivered leaflets in large quantity to 'popularize' the information.

Only after Huda asked for the help from state management agencies, were the instigators arrested. According to Huda brand, the false rumor caused the loss of VND64 million within three years. This does not include the negative impact on the brand.

Food products suffer the most from false rumors. A rumor was spread some months ago in Singapore that sweet potato from Vietnam turned blue when it was put into refrigerator because it was grown in Agent Orange-stricken areas.

The Singaporean watchdog agency has recently helped vindicate Vietnam's potato, stating that the potato got blue because it was exposed to air.

False rumors have been not only targeting food companies, but also have relations to many aspects of the society's life.

There was a rumor that a crack on the Phu My Bridge in HCMC and the bridge nearly got collapsed in August 2015.

The rumor which came from a picture on social networks then stirred up the public and forced state management agencies to conduct a probe.

The agencies finally came to a conclusion this was a gap between the bridge's spans which did not affect the bridge.

According to Chau Huy Quang, a lawyer from the HCMC Bar Association, a lot of businesses have brought cases to the court and successfully protected their brands.

Pham Gia Automobile Engineering Company in HCMC, for example, successfully sued an individual who spoke ill of Pham Gia's services on an online forum and caused the company's revenue to decrease by 65%.

### Idemitsu Kosan to establish petrol firm in Vietnam



VNS - Japanese oil firm Idemitsu Kosan Co.,Ltd (Idemitsu) and its partner Kuwait Petroleum International Ltd. (KPI) applied to register a joint venture company in Viet Nam to sell petroleum products. A gas station of Japanese firm Idemitsu. The company will establish the first wholly foreign-owned

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company in the oil product distribution and retail sectors in VN.

The new company, Idemitsu Q8 Petroleum Limited Liability, will be the first wholly foreign-owned company in the oil product distribution and retail sectors in VN.

The two companies recently obtained the investment registration certificate from the Government.

"Through the establishment of a petroleum product distribution company, Idemitsu and KPI will achieve a stable supply of products for the growing Vietnamese market, where demand for petroleum products is expected to follow a steady upward trend, thereby contributing to the social and economic development of Viet Nam," Idemitsu said in a statement on Monday.

Idemitsu and KPI intend to promote retail and wholesale operations, mainly through the construction and management of service stations, across Viet Nam, the statement said.

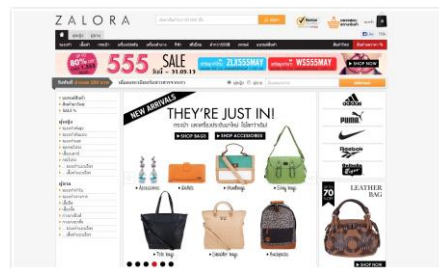
Idemitsu and KPI are two foreign investors in the Nghi Son Refinery and Petrochemical Limited Liability Company in Thanh Hoa Province. They own 35.1% each. The project is now under construction and will start commercial operations in 2017.

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Idemitsu is one of the largest oil and petrochemical firms in Japan. With more than 8,000 employees, it owns oil platforms & refineries, & produces and sells petroleum, oils and petrochemical products. As of Q3 of last year, its revenue was \$25.88b.

Kuwait Petroleum International is the international subsidiary of Kuwait Petroleum Corporation. It sells more than 450,000 barrels a day through 4,790 service stations in Europe, and its international divisions Q8Aviation, Q8Oils and International Diesel Service.

### Asian fashion portal Zalora is pulling out of Vietnam



VOV - Rocket Internet is jumping ship and divesting itself of unprofitable Asian fashion portal Zalora business units in both Vietnam and Thailand, according to TechCrunch media.

Zalora, Rocket Internet's fashion-focused site that raised over US\$250 million in equity funds when it started in 2012, unveiled it is

shedding the two lacklustre country businesses to cut down on costs, said TechCrunch.

When it started Lazada and Zalora in 2012, Rocket Internet made big moves to fill the e-commerce void in Southeast Asia, a region with over 550 million people without any services from Amazon or eBay.

Both companies eyed profitability by 2015, but they continued to pull in heavy losses last year thanks to a combination of factors including aggressive early targets and slow market growth.

Zalora, Rocket Internet's take on Zappos, has deemed its businesses in Thailand and Vietnam surplus to requirements— and it is in the process of selling both, a source close to Rocket Internet told TechCrunch.

A Zalora spokesperson declined to comment.

Zalora covers 11 countries across Asia Pacific including Indonesia, Taiwan and Australia.

A source said the company is now focused on countries where it is "on the verge of profitability" and Thailand and Vietnam don't figure in that equation. Zalora may opt to sell other business further down the line to further streamline its spending.

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## MARKET & PRICES

### Thailand leads in auto exports to Vietnam

VNN - Thailand has become Viet Nam's leading automobile exporter in the first quarter of this year, with a volume of more than 7,800 units, a 64.5% increase compared with the same period last year.

Statistics from the General Department of Vietnam Customs showed Thailand was followed by South Korea with 3,560 units and China with 2,260 units, a year-on-year decline of 41% and 58%, respectively.

Preferential import tax policies caused the sharp increase of cars imported from Thailand, under Viet Nam's commitments to the ASEAN Trade in Goods Agreement.

Under the agreement, the import tax on automobiles from ASEAN members – Myanmar, the Philippines, Malaysia, Thailand, Singapore, Laos, Indonesia, Cambodia, Brunei and Viet Nam – would fall from 50% to 40% by 2016, to 30% by 2017 and zero% by 2018.

With preferential policies on taxes, Thailand has attracted many well-known auto brand names to build production plants in the country, including Ford, Toyota, Honda and Nissan.



*A Ford pickup imported from Thailand. Thailand takes the lead in auto exports to Viet Nam in the first quarter of this year.*

In car manufacturing, the country has reached a localisation rate of between 80% and 90%. Meanwhile, the rate in Viet Nam is between 20 and 40%.

That's why Thailand's vehicles are priced lower than Viet Nam's.

According to research on the prices of vehicles in Thailand, Viet Nam and Indonesia issued by the Industry and Trade Ministry's Institute for Industry Policy and Strategy last year, Yaris of Toyota was the model with the largest difference. The vehicle was US\$29,281 in Viet Nam, but it was \$13,082 in Thailand and \$16,153 in Indonesia.

Meanwhile, the Honda model City CVT was \$26,878 in Viet Nam, 48%

and 26% higher than in Thailand and Indonesia, respectively.

The price of the Fiesta Ford in Viet Nam was also 63% and 54% higher than those in Thailand and Indonesia, respectively.

Of the cost for production of vehicles in Viet Nam, taxes and fees occupied 40-50% of the value. The remainder was cost for vehicle production. However, this cost was 20% higher than that of other regional countries because Viet Nam had depended on 80% of auto parts imported from foreign countries.

Thailand has more than 2,000 auto part manufacturers. This has not only helped the country increase its

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local supply rate, but also helped it become the biggest hub for auto and part exports in the Southeast Asian region.

The statistics from the General Department of Vietnam Customs showed that Viet Nam imported more than 19,700 units in the first quarter of this year, a year-on-year drop of 16.8%. The reduction occurred in nearly all kinds of vehicles, aside from trucks.

Of the figure, there were 9,860 trucks were imported, an increase of 16%. Meanwhile, the remainders were nearly 6,900 nine-seat cars and lower, and more than 3,000 other vehicles, a reduction of 37.6 and 45.6%, respectively.

Viet Nam's automobile industry still faces many difficulties. It still depends on imports of auto parts – its cost for production is always higher than those of other countries. To replace the imported parts with locally manufactured ones, the country will face other difficulties, as its suppliers still aren't developed.

### Appetite for safe food opens growing niche

VNN - Amid growing concerns over unsafe food in Vietnam, many foreign firms are seeking investment

and business opportunities in producing safe food in the country.

David Lennarz, vice president of the US' Registrar Corp, which assists businesses with US Food and Drug Administration compliance, told VIR that many US companies were assessing prospects for safe food production in Vietnam, especially as the local market was currently inundated with unsafe food.

"Many American firms are tending to shift their production from China - where labour costs are rising - to other low-cost markets like Vietnam, which has great potential in terms of their food and foodstuff production," Lennarz said.

Registrar Corp has been operating in Vietnam since 2005, and has already worked with 400 local companies in collaboration with US partners to produce high-quality products for export to the US as well as for consumption in Vietnam. At present, Registrar Corp is actively seeking to expand its operations in Vietnam.

Nguyen Vu Loc, CEO of locally-owned Westfood, told VIR that many foreign firms were turning Vietnam's unclean food problems into an opportunity to invest in safe food production chains here.

Loc added that the demand for safe food among Vietnam's

population of 93 million was expanding, and income had improved. "This helps foreign firms strengthen their confidence that they will succeed in this market," Loc said.

Last week, 13 Canadian enterprises met with several Vietnamese pork importers, processors, and end-users to discuss the introduction of Canadian pork products, and finding opportunities for co-operation via joint ventures or business contracts.

Canadian Ambassador David Devine said that "The impressive growth of 230% in Canadian pork exports to Vietnam in 2015 confirms the high potential of the Vietnamese market for Canadian pork products, and also the confidence that Vietnamese clients have in the quality and safety of Canadian products."

In another case, despite failing to acquire a 14% strategic stake in Vietnam's state-owned food processing company Vissan, South Korea-based food and bio-business holding company CJ Cheil Jedang was said to be planning to invest an additional \$500 million into the country via direct investments and mergers and acquisitions of food firms.

## LEGAL UPDATES

### Is the supplement of machinery, equipment during 2009-2013 regarded as expansion investment?

VLO - Official letter No. 4769/BTC-TCT dated April 7th, 2016 of the Ministry of Finance regarding tax policy applicable to regular investment activities

Because projects on expansion investment are not entitled to enterprise income tax (EIT) incentives within 2009 – 2013 period, under Circular No. 130/2008/TT-BTC, this Official letter defines the criteria for determining the cases of additional investment in machinery, equipment in this period which are not regarded as expansion investment, in other words, they are still entitled to EIT incentives according to the current projects

The additional investment in machinery, equipment is considered to be "regular investment activity" instead of "expansion investment" if it meets 2 criteria below:

i/ It is the activity to supplement machinery, equipment regularly for the project, which is enjoying EIT incentives, executed from 1 of these 3 dependent sources: (1) Fund of fixed asset depreciation of the enterprise; (2) Using after-tax profits to reinvest; (3) Using capital within the scope of investment capital already registered

ii/ The regular additional investment in machinery, equipment from the above - said sources must ensure that it does not increase the production and business capacity under the business plan already registered or approved. If the regular investment activity results in the increase of production and business capacity compared with that in the investment certificate/investment license, EIT incentives are not applied to the incomes from the extra of capacity. However, the criterion (ii) is not applied to the case in which the project's scale is not stated in the investment certificate/investment license or enterprises only supplement, replace machinery, equipment regularly and it does not belong to cases being granted the investment certificate

For enterprises which have regular investment activities during 2009 - 2013 period, now are entitled to enjoy EIT incentives according to the guidelines provided in this Official letter, if enterprises have already declared, paid EIT, they may declare the adjustments and the already-paid EIT may be either offset against the payable tax amount of the next tax period or refunded

The criteria which are used for determining the regular additional investment in machinery,

equipment applying EIT incentives for the remaining time from the tax period 2014 under point g Article 5 of Circular No.151/2014/TT-BTC are also implemented under the criteria stated in point 2 of this Official letter.

### Steel blanks and long steel products shall be imposed safeguard tax

VLO - Decision No. 862/QĐ-BCT dated March 07th, 2016 of the Ministry of Industry and Trade on application of temporary safeguard measures

Under this Decision, from March 22nd, 2016, steel blanks and long steel products of HS 7207.11.00; 7207.19.00; 7207.20.29; 7207.20.99; 7224.90.00; 7213.10.00; 7213.91.20; 7214.20.31; 7214.20.41; 7227.90.00; 7228.30.10; 9811.00.00 shall be imposed safeguard tax when they are imported into Vietnam

There are two safeguard tax rates: 23,3% (applied to such HS codes as 7207.11.00, 7207.19.00, 7207.20.29, 7207.20.99 và 7224.90.00) and 14,2% (applied to other HS codes)

The temporary safeguard measures shall be applied from March 22, 2016 till the Ministry of Industry and Trade makes a Decision on ceasing the effect and must not be beyond October 07th, 2016.



## HIGHLIGHTS

### Vietnam's seafood exports to benefit from TPP



VNN - With nearly half of its seafood exports going to Trans-Pacific Partnership member nations, Vietnam expects the trade deal to further boost exports to these markets, according to the Vietnam Association of Seafood Exporters and Producers (Vasep).

Speaking at a seminar titled, "TPP – Opportunities and Challenges to Vietnam's Import-Export Activities" in Ho Chi Minh City, Truong Dinh Hoe, Vasep general secretary, said last year seafood exports to TPP countries were worth US\$3 billion, or 46% of the country's total.

The US and Japan were the two largest importers, with a total value of more than US\$2 billion last year, he said.

When the TPP takes effect, Vietnamese seafood exporters would benefit from the deal, which seeks to reduce or eliminate 90% of import taxes, raising the country's

competitiveness vis-à-vis other exporting nations, he said.

For instance, Japan, the second largest buyer of Vietnamese tuna after the US, has for a long time imposed higher taxes on Vietnamese products than on those from other ASEAN member countries.

Argentina, Ecuador and India, the other main exporters to Japan, do not have a free trade agreement with that country, he said.

The TPP would make Vietnamese shrimp more competitive in the US than that from Argentina, Ecuador, India, Thailand, the Philippines or Indonesia, enabling Vietnam to significantly increase exports to the country, he said.

When the TPP comes into force, export tariffs would be slashed to 0%, creating an incentive for seafood firms to invest in their value chain from farming to processing and export, bringing them higher economic value, he said.

Vietnamese processors, who face a raw materials shortage, also expect to import them at cheaper rates once the TPP takes effect, he said.

But to enjoy the export tariff benefits, firms must meet the strict requirements related to origin of products, he said.

Besides, the seafood sector would face challenges as Vietnam integrates, including more trade barriers and anti-dumping and anti-subsidy lawsuits, he warned.

In the past decade the sector has developed to become one of the country's key industries.

Vietnam ranked third globally in seafood production after China and India and fourth in seafood exports (after China, Norway and Thailand).

The country has 612 seafood processing factories meeting national hygiene and food safety standards, including 461 that meet EU market standards.

Seafood exports were worth \$6.57 billion last year and are expected to top US\$7 billion this year, Hoe said.

Leather and footwear

Similar to the seafood industry which is facing challenges of product origin, the Vietnamese leather and footwear industry plans to produce more materials in an aim to increase the localisation rate of goods and satisfy origin standards included in Free Trade Agreements (FTAs) and the Trans-Pacific Partnership (TPP).

Speaking at the Vietnam Footwear Summit held in Ho Chi Minh City recently, Deputy Minister of Industry

## HIGHLIGHTS

and Trade Ho Thi Kim Thoa, said, "Under the leather and footwear industry's master plan, by 2020 turnover of the industry would reach US\$23 billion and localisation proportion would increase from the current 50%–55% to 75%–80%."

From this year, tariff level reductions will be carried out under FTAs, and by 2018, with Vietnam's membership in TPP, import tax levels for leather and shoes will fall from 17%–45% to zero.

"This opportunity will allow the Vietnamese leather and shoe industry to expand their export markets, reach strong growth and promote raw materials consumption," Nguyen Duc Thuan, chairman of the Vietnam Leather and Footwear Association (Lefaso), said.

Under these new regulations, manufacturers have shifted their focus to products, technology and investment. At the same time, buyers are concerned about adjusting sourcing strategies.

"To take advantage of FTAs and the TPP, the local leather and footwear industry should prepare material at home to enjoy preferential tariffs from the deal when exporting their products to the US, the EU and other markets," Deputy Minister Thoa said.

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"The Ministry of Industry and Trade has released a decree about part supplying industry development, in which leather and shoe investors will receive many preferential policies," Pham Anh Tuan, deputy head of the ministry's Heavy Industry Department, said.

The weak supportive industry has caused the leather and shoe industry to deeply depend on imported material even more, and domestic enterprises have had no chance to join global supply chains due to low competitiveness.

"There are only a few enterprises with a closed production that can join supply chains of global brand names like Adidas and Nike. Most domestic shoe enterprises continue to process goods only," Thoa added.

She also revealed that under the leather and footwear industry's master plan, some industrial clusters would produce material.

Most global shoe brands have invested in Vietnam because of the young and skilled labour force. In the coming times, the country will continue to create the most favourable conditions for foreign investors.

"Enterprises should notice that when tariffs are cut, the origin standard is necessary to compete.

They should also invest more to increase productivity," Thoa added.

### Tycoons jostle for stakes as Vietnam's buy-Thai market booms

Reuter - Through supermarkets, malls, dairy and beer, Thai tycoons are pursuing deals in Vietnam that could break mergers and acquisitions records in the upwardly mobile market of 90 million people, at the expense of their Asian rivals.

Vietnam's swelling middle-class sees Thai products as better and more affordable than Japanese and Korean imports, and vastly preferable to the cheap but unpopular goods that flood across the border from giant neighbor China.

"I prefer Thai goods. I don't have to worry if they're contaminated," Thai import shop customer Hong Anh said in Hanoi, reflecting the widely held view that Chinese goods are not only low-quality but hazardous as well.

Billionaire beer magnate Charoen Sirivadhanabhakdi is leading the Thai charge into Vietnam through his Thai Charoen Corp (TCC), which has finalized a 655 million euro (\$876 million) purchase of German retailer Metro's Vietnam chain. TCC

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## HIGHLIGHTS

subsidiary Berli Jucker is among the bidders for Casino Group's Big C supermarkets in Vietnam, worth about \$1 billion.

"We fully expect Thai companies to continue to view Vietnam in a favorable manner and to continue to invest and grow through M&As," said John T Ditty, managing partner at tax advisory firm KPMG.

"The Thai economy has been somewhat flat," he added, with Moody's expecting Thailand's real GDP growth to fall to about 2.5 percent this year from 2.8 percent in 2015 in the wake of paralyzing anti-government protests and a military coup.

In Vietnam, by contrast, things are looking up. Average incomes have quadrupled during 15 years of economic growth at over 5 percent. Retail sales will hit \$179 billion by 2020, from less than \$110 billion last year, reckons VietinBank Securities.

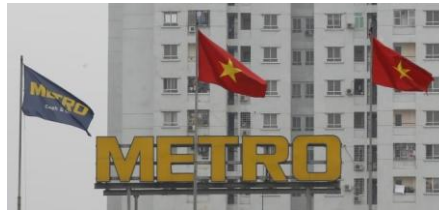
Action like that is driving M&A deals to record levels. Last year's \$4 billion worth of mergers and acquisitions was the highest ever, boosted by Thai tycoon Santi Bhirombhakdi-linked Singha Asia's \$1.1 billion worth of deals. Many analysts expect Thai firms to help smash that record in 2016.

Dealmakers say Thais are among those awaiting new offers and

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drawn-out state divestments, betting on Vietnam's demographics and hedging against political and economic uncertainty back home. Charoen is also expected to show interest in a mooted sale of an up to 45 percent government stake valued at \$3.1 billion in Vietnam Dairy Products JSC, or Vinamilk. His Fraser and Neave already has an 11 percent share in Vietnam's top listed firm and is tipped to raise that if the government proceeds with the sale.

### Big drinkers



Charoen could be in the mix again if his Thaibev, maker of Beer Chang, succeeds in tapping into what is Asia's third-biggest beer market after China and Japan. Thaibev has shown interest in \$2 billion brewery Sabeco, of which the government will sell 53 percent..

And rival Singha beer could enter the Vietnam market via the distribution network of consumer goods firm Masan Group, after a \$1.1 billion investment by Singha Asia Holdings in December.

Retail giant Central, run by Thailand's third-richest family, the

Chirathivats, is expanding its Robinson Department Store and has declared interest in Big C, adding to its \$200 million purchase of a 49 percent stake in electronics retailer Nguyen Kim.

Thai firms won't have it all their own way, however, as the likes of South Korea's Lotte, Japan's Aeon, China's Parkson and local firms Vingroup and KIDO expand.

But that's unlikely to deter Thais, said Chokedee Kaewsang, the deputy chief of Thailand's Board of Investment, who expects Thai firms to double or triple their Vietnam presence by 2019.

"They like Thai products, and the Thai brand," he said of Vietnamese. Hanoi businesswoman Bui Thuy Nga deals only in Thai goods and saw her small store quickly transform into a wholesaler with a dozen-page client list. It feeds a boom in Thai-only stores, which Nga estimates have tripled since 2012, selling anything from shampoo and stationary to plastics and toothpaste.

"Our business struggled at first and we didn't expect the market could grow that much," she said.

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