

VIETNAM

BUSINESS REVIEW

Vol 24, June 22nd 2016

Vietnam overcomes Thailand, Malaysia in European market



INSIDE THIS ISSUE

HIGHLIGHTS

FDI lifts education to global standards

Vietnamese consumers willing to pay more if benefits outweigh the price: Nielsen

Using Obama's images for ads, does Habeco violate the law?

ECONOMY

Farming sector moves to regain growth amid climate

Exports of computers, electronics, spare parts see strong growth

BANKS & FINANCE

More banks set up remittance companies

Listed firms must adopt IFRS in 2020

INVESTMENT

FDI to HCMC slows as the city becomes choosier about projects

Investment vista entices Thai firms

ENTERPRISES

Uber loan programs helps Vietnamese swap scooters for new Hondas

Health authority tests products made by Coca-Cola Vietnam

Japan's Aeon to open 4th megastore, eyes expansion in Vietnam

Meiji hopes for exclusive importer in Vietnam

MARKET & PRICES

Vietnam is a top growth market as economy expands: BMW Asia says

E-commerce delivery market: patient players will win

LEGAL UPDATES

Foreign-language contract laws vary in Vietnam

How to determine withholding tax on loan guarantee fee

ECONOMY

Farming sector moves to regain growth amid climate

VOV - Minister of Agriculture and Rural Development Cao Duc Phat asked for greater efforts to restore the growth of the agriculture sector which is suffering from El Nino and climate change impacts during a meeting with the media in Hanoi recently.

In the remaining months of this year, the agriculture sector must focus on recovering from disasters and propose measures to maintain domestic and foreign markets, he said.

He also urged the Ministry's Cultivation Department to grow rice and vegetables on the largest scale and restore acreages of perennial plants following droughts and epidemics.

The Plant Protection Department will closely monitor disease outbreaks and suggest measures to ensure the safety of vegetables, tea and pepper while the breeding sector will continue driving back the abuse of banned substances and antibiotics.

The Directorate of Fisheries established a working group in the south to closely monitor technical assistance for shrimp farmers and restore aquaculture in several provinces in the central region.

The prolonging drought and saltwater intrusion have damaged nearly 250,000ha of rice, 18,960 ha of vegetables and more than 149,700ha of industrial plants. Over 288,000 households also lacked running water.

As of May 20, an estimated 1,355 heads of cattle were killed and thousands of others run short of drinking water while around 6,800ha of aquaculture were damaged.

In mid-May, the total loss nationwide was estimated at an upward of VND9.7 trillion (US\$990 million), VND700 billion (US\$31.8 million) of which was caused by severe cold spells, more than VND8.9 trillion (US\$404.5 million) by drought and saline intrusion, and others by whirlwind, lightning and hailstorms.

According to the department, the total output of winter-spring crop is estimated at 19.9 million tonnes this year, down 844,000 tonnes year-on-year.

The General Statistics Office estimated that pig and poultry stock rose 3-3.5% on year while the number of cows increased 1-1.5%, thanks to strong investment by major groups over predicted lack of meat supply in China.

Exports of computers, electronics, spare parts see strong growth

VNA - Vietnam raked in US\$6.37 billion from exporting computers, electronics and spare parts in the first five months of this year, a year-on-year rise of 6%, according to the Ministry of Industry and Trade.

These products have landed in nearly 40 countries and territories worldwide, including China, the US, the Netherlands, the Republic of Korea (RoK) and Japan.

From January-May, China was the largest consumer of Vietnamese computers, electronics and spare parts with purchase turnover hitting US\$1.12 billion, making up 17.6% of Vietnam's accumulated export value and up 12.9% against the same period last year.

It was followed by the US and the Netherlands with purchase values reaching US\$1.06 billion and US\$642.38 million, respectively.

Exports to other markets like Hungary, Slovakia and the RoK also grew sharply during the reviewed period. However, the figure decreased in such markets as South Africa, Turkey and the United Arab Emirates (UAE).

BANKS & FINANCE

More banks set up remittance companies



NCDT - Three more commercial banks, namely OCB, Vietcombank and Bac A Bank, have announced they will set up subsidiaries specializing in providing kieu hoi (overseas remittance) services.

Meanwhile, VietinBank, BIDV, Agribank, ACB, Sacombank and Dong A Bank have been running their remittance companies for many years.

According to Nguyen Hoang Minh, deputy director of the HCM City Branch of the State Bank of Vietnam, by the end of May 2016, the volume of overseas remittance to HCM City had reached \$1.7 billion, an increase of 2.2% over the last year's same period.

The remittances are predicted to keep flowing to Vietnam in the last months of 2016.

"The overseas remittance to HCM City accounts for 58-62% of total remittances to the country. The

remittance increases steadily by 10-15% year after year," Minh said, adding that this was one of the reasons that prompted banks to set up kieu hoi companies.

An analyst said that providing overseas remittance services is a profitable business. If noting that the remittance fee is 0.3-2%, one would see that banks could pocket tens of millions of dollars from the \$1.7 billion worth of kieu hoi in the first five months of the year.

The analyst went on to say that the volume of kieu hoi to Vietnam is expected to keep increasing thanks to the recovery of the economy, especially real estate market. The high demand provides a good reason for banks to establish kieu hoi companies.

Vietnamese prefer using legal services rather than going through unauthorized channels because banks charge lower fees and provide safe services.

Meanwhile, Nguyen Tri Hieu, a renowned banking expert, thinks that banks rush to set up kieu hoi companies partially because of current laws which say that one commercial bank can act as an agent for one kieu hoi company

only.

"The regulation sets restrictions on bank remittance services and prompts banks to set up kieu hoi companies of their own," Hieu said.

Dong A Bank and Sacombank are considered to be the pioneers who laid the foundation for the kieu hoi company model. Both the banks had overseas remittance division in the 2000s. Later, they decided to set up subsidiaries to facilitate their operation.

By nature, overseas remittance companies provide another channel for money remittance. When their relatives remit money to Vietnam, recipients can choose either to receive money from banks, or from overseas remittance companies belonging to the banks.

According to Le Minh Tam, CEO of Sacombank Overseas Remittance Service Company, at Sacombank, 60% of kieu hoi goes through the bank, and the remaining through the kieu hoi company. Therefore, kieu hoi companies can be seen as the arm of banks.

BANKS & FINANCE

Listed firms must adopt IFRS in 2020

VNA - Firms listed on Vietnam's two stock exchanges in HCM City and Hanoi will be the first to be required to adopt international financial reporting standards in 2020, a finance ministry official has said.

Trinh Duc Vinh, Deputy Director of the Accounting and Auditing Policies Department, told a seminar held on June 16 by the HCM Stock Exchange and the Institute of Chartered Accountants in England and Wales (ICAEW) that the application of the international system is inevitable due to demands from the World Bank, IFC and foreign investors, among others. The adoption would help improve the transparency of corporate financial reporting and, thus, foreign investment, he said.

"Listed and public firms will be the first to be compelled to adopt, expectedly in 2020, but we encourage all businesses that have sufficient conditions and want to do that."

By 2018 Vietnam should have the required legal framework for applying international financial reporting standards (IFRS), he said.



Businesses should put in place accounting-auditing human resources, a decisive factor in successfully adopting IFRS, he said.

Eddy James, technical manager of ICAEW Financial Reporting Faculty, shared with participants the lessons learnt in the EU in the last 10 years.

Evidence showed that the switch to IFRS fetched Europe important economic benefits, with long-term benefits outweighing short-term costs and implementation challenges, he said.

The benefits include transparency, accounting quality, comparability, market liquidity amongst others, he said.

Local variants of IFRS should be kept to a minimum as the full benefits of IFRS adoption can only

be reaped if the standards are adopted in full and amendments to or carve outs from IFRS should be avoided, he said.

Sometimes, complexity is unavoidable due to relentless growth in the length and complexity of financial statements as modern business is complex, he admitted. Strong national enforcement is critical, he warned.

According to Tran Anh Dao, HOSE Deputy Director, only a few listed banks and major institutions that have international customers have adopted IFRS so far.

INVESTMENT

FDI to HCMC slows as the city becomes choosier about projects

CV - The foreign direct investment (FDI) flow into HCMC has unexpectedly decreased, though capital to other cities and provinces has increased.

According to the HCMC Statistics Office, 276 FDI projects were licensed in the first five months of 2016 with the registered investment capital of \$481.2m. Also, licenses were also granted to 48 expanded projects with additional investment capital of \$166.1m.

As such, the total new FDI capital registered by mid-May 2016 had reached \$674.3m, much lower than that of the same period of last year at \$1.05b. With the figure, HCMC ranks fifth in the country in terms of FDI attraction.

Analysts commented that the FDI capital poured into HCMC has decreased considerably, while the capital into other cities and provinces keeps increasing.

A report of the Foreign Investment Agency (FIA) showed that the total FDI registered capital in the country the first five months of the year reached \$10.15b, up by 136.4% over the same period of last year.

While Hanoi and Hai Phong Cities lead the country in attracting FDI

www.seiko-ideas.com



with multi-billion dollar projects licensed, HCMC, after many years of topping the list of biggest FDI attractors, has fallen.

The number of FDI projects in the HCMC High-tech Park (SHTP) has also been modest with only two projects licensed in the first five months of the year, capitalized at \$22.34m.

Deputy Prime Minister Vuong Dinh Hue at the recent working session with the HCMC People's Committee also reminded the city's leaders of the fall in FDI attraction.

Le Thi Huynh Mai, deputy director of the HCMC Planning and Investment Department, said on Nguoi Lao Dong that the city still attracts FDI, saying that the statistics about newly registered projects and capital do not include expanded projects and the cases of foreign investors contributing capital into

projects.

She also said that the figures in the first months of the year do not truly reflect the panorama of FDI in the city as big projects are often registered in the last months of year. Because of the Investment Law, since July 1, 2015 many investors have shifted to make investment through the capital contribution or stake acquisition. The total capital invested under this mode was about VND8.2 trillion, or \$400m in the first four months of the year, according to Mai.

He said HCMC has sent a clear message that it does not welcome the projects in the labor intensive industries and it prioritizes high technology projects.

[Back to top](#)

INVESTMENT

Investment vista entices Thai firms



VIR - Thai investments are expected to continue growing across Vietnam thanks to the country's improved business climate and new trade bloc windfalls.

Thai Minister of Commerce Apiradi Tantraporn told VIR that Vietnam had been actively improving its investment climate, with large tariff cuts under the ASEAN Economic Community (AEC) and other free trade agreements (FTAs).

Interestingly, Thailand has reported fewer FTAs than Vietnam.

The three-day forum in Bangkok, hosted by Thailand's Ministry of Commerce, brought together some 1,000 participants from Cambodia, Laos, Myanmar, Vietnam and Thailand, as well as experts from Japan and the US.

The first ever event aimed to discuss ways to form a seamless Mekong Delta region or a Single Destination. According to the Vietnam-Thailand Business Council, Thailand could become one of Vietnam's ten

www.seiko-ideas.com

largest foreign investors over the next two years, moving up from its current 11th place ranking.

Thai investments in Vietnam rose by 35% from \$5.9b in 2012 to about \$8b in May 2016.

Under Vietnam's commitments to FTAs and the AEC, the reduction and removal of many import tariff lines for goods will help Thai firms to increase their investments in Vietnam, and from here they can further boost exports to FTA member markets.

Vietnam has signed 11 bilateral and multilateral FTAs and is currently negotiating another four with bilateral and multilateral partners.

It is expected that Vietnam will have a total 15 FTAs with 53 partners worldwide.

Chiming with this view, Grongthong Maneesin, a representative from Thailand's Duay Ruk Company, told VIR that her company would attend a large-scale Thai goods exhibition in Vietnam in August 2016. Representatives from many firms, such as Green Siam Marketing, TRI Global, Kito, CT Industry, NMB-Minebea Thai, and Gates Unitta also stated that they valued the Vietnamese market and were considering expanding investments in Vietnam. According to Ponpimon Petcharakul, the commercial

attaché from the Thai Embassy to Vietnam's Thai Trade Centre, several factors make the market attractive to foreign investors.

In addition to benefiting from the AEC and FTAs, Vietnam has a large population of nearly 100 million people and their disposable income is rising.

Vietnam's political stability is also a huge factor in its favour, as is its improved business climate and educated workforce.

Over the past few years, Vietnam has been home to many large-scale Thai projects.

Recently, in the retail sector, Central Group completed its acquisition of France's Big C Vietnam super market chain, at a price of \$1.1b.

This acquisition enabled Central Group to take over Big C's gigantic list of assets including 33 supermarkets and ten convenience stores with a combined annual volume of over 50 million customers. Late last year, Central Group purchased a 49% stake in Vietnam's Nguyen Kim electronics supermarket chain.

In addition, Thai Charoen Corp (TCC) spent \$876m acquiring Germany's Metro Cash & Carry Vietnam supermarket system.

[Back to top](#)

ENTERPRISES

Uber loan programs helps Vietnamese swap scooters for new Hondas

Bloomberg - In Vietnam, where motorbikes outnumber cars by a factor of 16, Uber Technologies Inc. is helping to create a new generation of auto drivers with first-time bank loans for vehicle purchases.

Vu Ngoc Hung traded his 12-year-old Taiwanese scooter for a brand-new \$28,500 Honda City after a lender financed 80% of his white four-door sedan based on his Uber fares. The program with Viet Capital Bank enabled him to more than triple his income to \$850 a month through the app-based taxi service to support his wife and parents, who previously sold stationary from home to help make ends meet.

"Driving a taxi through Uber has transformed my family's life with a stable income," said Hung, 40, who previously worked as a driver for a company. "I am now my own boss at a time when it's not easy to land a good-paying job."

Uber's three-month-old bank program is changing the Vietnam Dream, which now includes a new automobile in a nation of 45 million motorbikes. After testing in a country where Toyota Vios sedans compete with scooters carrying a

www.seiko-ideas.com

Revvng Up Four-Wheel Drives

Vietnam automobile sales have more than doubled since 2012



Source: Vietnam Automobile Manufacturers' Association

Bloomberg

family of four down narrow avenues hazy from vehicle pollution, the initiative is being rolled out in other Southeast Asian markets.

"About 70% of car buyers borrowed money from banks last year," said Ho Minh Tam, vice chief executive officer of Viet Capital Bank. "Vietnamese spending behaviors have changed."

Ride-Hailing Battle

The program also opens up another front for Uber in its battle for ride-hailing customers and drivers. In Vietnam, the San Francisco-based startup competes with GrabTaxi Holdings Pte. like it battles Lyft Inc. in the U.S. and Didi Chuxing in China.

Hung is one of the first Uber drivers in Vietnam to use the program that could be tapped into by tens of thousands of other Vietnamese, said Dang Viet Dung,

Uber Vietnam general manager. For many people in the country, it's the first time they have relied on financing in one of Southeast Asia's most expensive automobile markets.

"We believe this type of program has the potential to deliver similar benefits in other countries in the region and the world," Dung said.

Uber has also just started a leasing program with Toyota Motor Corp. in which payments are made from Uber fares.

Vietnam had one of the fastest-growing auto markets in Asia during the past three years, according to Koichi Sugimoto, an analyst at Mitsubishi UFJ Morgan Stanley. The country's 2015 vehicle sales jumped 55% to 245,000 units, the Vietnam Automobile Manufacturers' Association reported. Half of vehicles sold were imported,

[Back to top](#)

ENTERPRISES

according to the Hanoi-based General Statistics Office.

Auto sales increased 31% to more than 111,000 during the first five months of the year, the association said. Vietnam's auto sales are forecast to rise 10% this year, it said. Saigon Thuong Tin Commercial Joint-Stock Bank, a major auto loan provider in the country, says its vehicle lending soared 247% between 2013 and 2015. One-fourth of Toyota Vietnam's 2015 sales of 50,285 vehicles were purchased with financing, up from one-sixth of its sales in 2013, said Yoshihisa Maruta, president of Toyota Vietnam.

HCMC Housing Development Commercial Joint-Stock Bank cited ride-sharing apps like Uber and Grab with helping to almost double its auto loan business last year. Viet Capital Bank expects to increase its car loans six-fold in the next five years to represent one-third of its retail banking.

Grab, though, is not participating in vehicle financing programs and urges its "partners" not to "buy new cars to drive Grab as that would increase the numbers of vehicles on the roads, worsening the traffic situation and going against our company's policy and goal,"

Nguyen Tuan Anh, Grab Vietnam director, said in an e-mail.

Limited Capital

For Uber, the loan program is a good marketing tool to attract more drivers.

About 4,000 Uber drivers had joined HCMC's crowded streets earlier this year. Driver Hung says his car payments are deducted from his fares, which amounts to about half his monthly income and makes his take-home pay about \$450 a month. His 8% interest rate is lower than the 10-12% rates offered to Vietnamese who are able to afford a down payment of as much as 40%, Hung said. However, he would be on the hook for 4% of the remaining loan should he pay it off early. The Uber loans have significant risk, Man said. Drivers might struggle to make loan installments.

Health authority tests products made by Coca-Cola Vietnam

The Ministry of Health set up an inspection team to test food safety on products made by Coca Cola Vietnam, inspectorate chief Dang Van Chinh has said.

As scheduled, the inspection will be carried out within a period of 45 days. During inspection, inspectors will verify distributors of materials

including preservatives and additives for Coca Cola as well as detect loopholes in management from which inspection team will petition authority to amend the law. The inspection team will report its inspection result including Coca Cola's obedience to the regulation, violation and penalties as per the law if having.

This year, as planned, the Ministry of Health is also set to test products made by Coca-Cola Vietnam, Suntory PepsiCo Vietnam Beverage, URC Hanoi Company and Wonderfarm.

Japan's Aeon to open 4th megastore, eyes expansion in Vietnam

TNN - Japanese retail giant Aeon has revealed an ambitious plan for Vietnam, where the retail market is forecast to grow nearly 12% a year to around \$179b in 2020.

Under the plan announced at a press conference on Tuesday, 20 megastores of the chain Aeon Mall in be opened in Vietnam, local media reported.

Since its arrival in 2014, the retailer has opened three megastores into Vietnam and the fourth is scheduled to be opened in HCMC's Binh Tan District this July.

ENTERPRISES

Aeon also plans to have 100 supermarkets around the country through M&As. It now runs 30 Aeon Citimart supermarkets, after acquiring a stake of 49% in local retailer Citimart in 2014.

The company also plans to collaborate with local manufacturers to produce consumer goods under its brand Top Value for both the Vietnamese and overseas markets, according to the newspaper.

Vietnam's retail sales rose 10.6% from 2014 to VND2,469 trillion (\$109.4b) last year, according to official figures.

Meiji hopes for exclusive importer in Vietnam



VNE - Vietnam's General Department of Customs (GDC) has responded to a request from Japan's Meiji Dairy Corporation relating to its powdered milk products sold in Vietnam.

Vietnam Customs to support Japanese milk producer's petition on protecting its brand in Vietnam.

In an official document sent to VET on June 16, GDC said it fully supports intellectual property rights (IPR) protection for the Meiji milk brand in Vietnam but did not specifically state whether it agrees with Meiji's requests that no more permits be issued or customs clearance made on unauthorized Meiji milk products in Vietnam.

"Meiji's request for IPR in Vietnam market is legal," the GDC document stated. "The company should refer to Articles 73 to 76 of Vietnam's Customs Law for this request."

In April Meiji asked GDC and other authorities to revoke permits issued to unauthorized distributors of its products in Vietnam in an attempt to protect its powdered milk products. Meiji is yet to have an exclusive distributor in Vietnam, with its products available in the country being for the domestic Japanese market but unofficially exported by Japanese traders. There are also a large number of Meiji products in Vietnam being brought in by hand (in luggage, for example).

Meiji said it wants to control product quality and plans to appoint an exclusive distributor in

Hanoi, authorized to import and sell all their product lines to Vietnam's 90 million people, which grows by more than 1 million a year.

Regarding Meiji's petition, GDC said there was no information on quality and the nutritional difference between Vietnamese and Japanese standards or on counterfeit products being available in Vietnam.

The Japanese company has acknowledged that the content of its powdered milk produced for the Japanese market and sold in Japan do not meet Vietnamese standards.

Specifically, the components of biotin, choline, manganese, and iodine in its formula powder milk No. 0 branded Hohoemi (for infants under 12 months) and components of biotin, zinc, iodine in formula powder milk No. 9 branded Step (for one to three-year-old children) meet Japanese standard but not Vietnamese standards.

There are already some Japanese milk brands officially imported into Vietnam under exclusive distribution deals, such as Glico from the Ezaki Glico Group and Morinaga by Morinaga & Co., Ltd.

MARKET & PRICES

Vietnam is a top growth market as economy expands: BMW Asia says

Bloomberg - BMW AG said its car sales in Vietnam are expanding at the fastest pace among markets in Southeast Asia as the nation's economic growth spurs demand.

The company estimates unit sales in VN will rise 30-40% through 2017, according to Axel Pannes, managing director of BMW Group Asia, who heads 13 mostly developing Asian markets. BMW said it sold just over 1,500 cars last year in VN, a country it entered in 1993 and which has been its top growth market in Southeast Asia for the past few years. The luxury-car maker's outlook for VN comes as the government seeks an economic growth of 6.7% this year, with the nation's participation in free-trade agreements also boosting the outlook. Pannes also said BMW was "very positive" about prospects in Myanmar and was looking into entering other markets such as Nepal.

E-commerce delivery market: patient players will win

VNN - E-commerce delivery firms usually make no profits in the first 2-3 years of operation. Though they have to spend big money, their revenue is modest.



A report of the Vietnam Ecommerce Association said the high growth rate of over 30% was predicted for this field.

In Vietnam, there are 300,000 operational fanpages and 9,400 registered sale websites. According to the Ministry of Industry and Trade, the ecommerce turnover reached \$4.07b 2015, or 2.8% of the total goods and services retail turnover.

This explains why e-commerce firms and delivery service providers.

An analyst commented that Vietnam's logistics make up 25% of GDP, while in e-commerce, delivery costs account for 10% of the value of a goods item worth VND400,000.

The high cost is the major reason which makes online sale channel less competitive. 40% of polled clients said it is not cheaper to buy things online than through traditional channels.

In most cases, buyers only make payments when they get deliveries. This means that the main service delivery firms provide is COD (cash

on delivery), i.e. collecting money for sellers. With COD, delivery firms have to take high responsibility, while the profit they can expect is modest. This could be the reason why large firms such as VNPost, EMS, ViettelPost and DHL-VNPT and Kerry TTC entered the ecommerce delivery market later than others, and stayed less competitive than small firms in costs and speed.

However, analysts said that to offset the decreases in turnover from traditional services such as letter and document delivery, the firms may increase their investments in ecommerce and dominate the market with their large scale.

It is estimated that the firms like EMS and ViettelPost hold 14-15% of the ecommerce delivery market. GHN, which only joined the market in 2012, holds 7%.

A representative of EMS said the number of orders in the first three quarters of 2015 was 4-5 times higher than that of the same period of the year before.

LEGAL UPDATES

Foreign-language contract laws vary in Vietnam

VNN - In civil and commercial agreements, the parties to the contract may choose Vietnamese or other foreign languages to be the language of contracts. An exception applies in cases where specialised laws may require the contract to be written (or to have a copy) in Vietnamese.

In general, when foreign enterprises engage in a transaction with individuals and organisations in Viet Nam, they often use Vietnamese contracts or bilingual English-Vietnamese contracts following business practices in Viet Nam.

The 2005 Law on Commerce, which is the principle legal reference for commercial transactions in Viet Nam, does not specify the contract language. The 2005 Civil Code, which has a broader scope of regulations on civil actions, only provides a definition for civil transactions made orally or in writing; this content is retained in the new 2015 Civil Code, which will take effect from January 1, 2017. However, the 2004 Civil Procedure Code specifies that the language and scripts to be used in civil procedures shall be Vietnamese, which means that when disputes occur, the contract will be examined on the basis of the Vietnamese language; this content

is retained in the new 2015 Civil Procedure Code, which will take effect from July 1, 2016.

Enterprises need to comply with regulations on documents to be used when working with Vietnamese government agencies and commercial arbitration bodies as follows:

For tax regulations, Circular No. 156/2013/TT-BTC specifies that the language used in tax dossiers is Vietnamese; any documents in foreign languages must be translated into Vietnamese. The taxpayers must sign and stamp the translated copy and will be legally liable for the contents of this translation. The contract must accompany the tax dossier as an attachment. Therefore, it should be presented in Vietnamese.

For regulations on the invoices of goods sales and service provision, Circular No. 26/2015/TT-BTC specifies that the invoices should be presented in Vietnamese. In cases where foreign words need to be added, they should be placed on the right-hand side in parentheses. If only one language is allowed to be used on export invoices, then English should be used.

For the law on accounting, the 2013 Accounting Law specifies that the scripts used in accounting must be Vietnamese.

For regulations on notarisation, the 2014 Law on Notarisation specifies that the language and scripts used must be Vietnamese. Contracts that require notarisation should be translated into Vietnamese.

For regulations on arbitral proceedings, the 2010 Commercial Arbitration Act stipulates that in disputes with no foreign elements, the language used in the arbitral proceedings must be Vietnamese, except in cases where at least one of the parties is a foreign-invested enterprise; for any disputes involving foreign elements, the language used in the arbitration will be agreed upon by the parties.

In some commercial areas with specific characteristics, the State shall specify the language to be used in the contracts as follows:

Technology transfer: The 2016 Technology Transfer Act specifies in detail that the contract language should be agreed upon by the parties; where transactions are conducted in Viet Nam, a contract in Vietnamese is required, and the legality of Vietnamese and foreign-language contracts should be equal.

Consumer goods: The 2010 Law on the Protection of Consumer Rights specifies that the language used in contracts signed with consumers must be Vietnamese.

LEGAL UPDATES

Information technology: The 2010 Postal Act clearly specifies that contracts for the supply and use of postal services in writing must be presented in Vietnamese; if the parties agree to use additional languages, Vietnamese documents and other language documents should have the same legal value.

Urban construction: Decree No. 37/2015/ND-CP specifies that the language used for the construction contract must be Vietnamese. For construction contracts with foreign elements, the contract language will be Vietnamese and a foreign language that will be agreed upon by the parties; in case no agreement is reached, English will be used.

There are two concerns relating to the contracts that should be noted: The relationship between the parties to the contract: The language is the means to record the will of the parties in the transaction. When the law does not specify a language, the parties can freely agree upon the contract language.

The relationship between the State and the parties to the contract: In this relationship, the State requires the enterprises to present the contract or written documents in Vietnamese to facilitate the management of the State (such as taxes, accounting or notarisation).

www.seiko-ideas.com

Thus, foreign-invested enterprises can select the contract language when conducting transactions in Viet Nam. For typical contracts with no specific requirements, enterprises can use bilingual contracts with English as the preferred language. In fact, in the process of working with State agencies such as the courts, contracts in English are required to be translated and notarised. For specialised contracts, enterprises need to be in compliance with the specialised law.

How to determine withholding tax on loan guarantee fee



Loan guarantee fee, if separated from the loan contract and not guaranteed by the bank, shall be subject to a 10% VAT account when calculating the withholding tax

Official letter No. 2510/TCT-CS dated June 7th, 2016 of the General Department of Taxation regarding tax policy applied to foreign contractors.

The document is to provide guidelines on principles to determine withholding tax (including VAT and EIT) on loan

guarantee fee attached to the borrowing of foreign loan

According to the General Department of Taxation's opinions, if the guarantee fee is generally regulated in the loan contract, it shall be accounted into loan interests; it is only calculated EIT and is exempt from VAT upon determination of withholding tax

If this guarantee fee is separated in another guarantee contract, the determination of whether it is liable to VAT or not upon calculation of withholding tax should determine whether the guarantee party (in Vietnam) is a credit institution or an enterprise

Although the provisions on VAT in Circular No. 219/2013/TT-BTC allow the VAT exemption for the guarantee service, Clause 2 Article 3 of Circular No. 28/2012/TT-NHNN defines: "The guarantee party" must be a credit institution or a branch of foreign bank. Thus, if the "guarantee party" in the guarantee contract mentioned above is not a credit institution or branch of foreign bank, the guarantee fee according to such guarantee contract shall be liable to VAT upon determination of withholding tax.

[Back to top](#)

HIGHLIGHTS

FDI lifts education to global standards



VIR - As education is a top priority in terms of attracting foreign investment, Vietnam is making great progress with its education policies to meet the expectations of foreign investors, helping the sector to become more attractive. Bich Thuy reports.

In response to recommendations made by foreign investors, the Ministry of Education and Training (MoET) is revising several regulations on foreign investment and co-operation projects in the education and vocational training sector.

Pham Chi Cuong, deputy head of the ministry's International Co-operation Department, told VIR that "The revision is focusing on the limitation on the percentage of Vietnamese students, licensing-related issues, and the legal framework to extend the operation terms of educational institutions."

This move demonstrates the MoET's determination to improve the business climate in the field and help to clear significant barriers to

entry for foreigners wishing to invest in higher education in Vietnam. In fact, obstacles in the country's education policies are among the main reasons that deter foreign direct investment (FDI) in the sector over recent years. Education remains in the bottom tier of sectors that receive foreign investment. As reported by the Ministry of Planning and Investment's Foreign Investment Agency (FIA), as of June 13, 2016, Vietnam attracted over \$735.84 million in FDI via 276 projects in the education and training sector. The US topped the list with \$179.3 million, followed by Japan with \$98.37 million, and Singapore \$80.42 million. Taking this into consideration, education is still ranked 17th among the 18 sectors receiving FDI in Vietnam.

Challenges remain

The complexity of many existing regulations on education investment has been fiercely discussed at business workshops and forums since 2012. At this time, Decree No.73/2012/ND-CP took effect in November 2012, governing FDI and co-operation projects in the education and vocational training sector in Vietnam.

During a conference titled "Hanoi 2016 - Investment and Development Co-operation" held early this month, these issues were once again raised when

Christopher Jeffery, vice chairman of British Business Group Vietnam, said that licensing, facilities, and the development of new programmes were the three key issues that Vietnam should focus on. "In order to exist, foreign institutions are required to obtain three licences. Although these processes are similar, they must be pursued independently and sequentially. This can be quite a challenge. Additionally, Decree 73 is ambiguous, resulting in varied interpretations which often contradict one another," Jeffery stated.

The other concern is the development of new programmes that would fit the Vietnamese and/or international model. Again, the issue at hand is a slow process made even more complicated by sometimes ambiguous and inconsistent interpretations. This results in fewer options for students, which in turn makes recruitment more difficult and investment less attractive. The ultimate outcome is fewer well-rounded, qualified graduates. Jeffery believes it is critical to offer a diverse range of disciplines.

According to Jeffery, one of the greatest contributions that foreign institutions can offer is the development of world-class facilities that attract students who

HIGHLIGHTS

would otherwise consider studying abroad to instead stay at home. This would provide them with the incentive to enjoy the same experience at a fraction of the cost, while maintaining cultural and family ties. The support of the central and Hanoi government in land allocation to foreign investors for development of world-class facilities is a pre-requisite for development of the sector, both in direct investment projects such as British University Vietnam (BUV) and public private partnership (PPP) projects.

Brian O'Reilly, head of the Vietnam Business Forum's (VBF) Education and Training Working Group, complained that the cap of 10 to 20 per cent of Vietnamese students allowed to join international schools is unreasonable because the demand of Vietnamese students in international schools is rapidly increasing.

"With the present limitation, the foreign investment in education is closed in second-tier cities of Vietnam because the enrolment percentage of 10 to 20 per cent of Vietnamese students allowed to join international schools is based on the number of foreign enrolled students. The fact is, almost all second-tier provinces besides Hanoi and Ho Chi Minh City have a very limited number of foreign

enrolled students. As a result, a very limited number of Vietnamese students are allowed to attend," he added.

The other unsolved issues include limited invested capital, the inspection of facilities of foreign-invested institutions, the lack of a legal framework to extend the operational terms of educational institutions, and high requirements for teaching staff.

A promising land

Statistics from the FIA showed that Ho Chi Minh City continued to be the most attractive destination for education investors, with 128 projects worth \$267.7 million. The runners-up were Hanoi with 102 projects worth \$215.5 million and Danang with 11 projects valued at \$158.11 million.

Over past years, many foreign investors have succeeded in education investments in Vietnam. One of the most successful is Singapore's KinderWorld Education Group. The other big brands are American Pacific University's \$150 million project in Danang, BUV's \$70 million project in Hung Yen province, and the \$68.9 million Nagai Vietnam Centre and Oasis Development Management's project in Hanoi.

The country has also welcomed brands from the UK, the US, Japan, Australia, and

Germany. This also includes South Korea's Chungdahm Learning, which signed a co-operation agreement with Egroup last week to invest \$10 million in creating English learning products in Vietnam.

"Investing in education is not a business to make huge profits but a labour of passion. It is a commitment to excellence and to the future. What we really need is an opportunity to come together and go into greater detail of Decree 73 as partners, with a shared vision for opportunity creation and educational excellence," Jeffery noted.

For now, the efforts and actions should be made by the Vietnamese government, especially the MoET to unblock capital flows into the education and training sector.

Vietnamese consumers willing to pay more if benefits outweigh the price: Nielsen

TNN - For Vietnamese shoppers, price is not the only factor in selecting a store or product, and some additional ones complete the value-for-money perception, according to a survey released Thursday by global measurement company Nielsen.

When asked about the factors that influence purchasing decisions in 19

HIGHLIGHTS

product categories, price was only one of the attributes influencing product selection among Vietnamese shoppers.

Two other main factors are taste in edible categories and brand name in non-edibles, according to the Nielsen Global Retail-Growth Strategies Survey of more than 30,000 online respondents in 61 countries.

Nearly six out of 10 Vietnamese consumers say they “enjoy” or “somewhat enjoy” taking time to find bargains.

But, when it comes to store selection, there are several important attributes, not just price.

Product availability (62 percent), high-quality product (57 percent), convenient location (54 percent), store personnel (51 percent) and product assortment (51 percent) are the five factors that influence the decision by Vietnamese consumers to shop at a particular retailer.

“While intense promotional activity among retailers and manufacturers has created an expectation among consumers that low prices should be the norm in the market, some consumers are adjusting their spending—and increasingly, value is about more than the low price,” Roberto Butragueño, associate director of retail services, Nielsen Vietnam, said.

“Consumers are willing to pay more if they think the benefits outweigh the price.

“Sales and promotional strategies are not effective if brands and retailers don’t guarantee other attributes of the products. It’s clear that consumers do not want to compromise on quality,” added Roberto.

Health and wellness is a top-of-mind priority for consumers across Southeast Asia, especially in Vietnam. Nearly 79 percent of Vietnamese shoppers actively seek products with healthy ingredients and 74 percent say they read nutritional labels carefully.

More noticeably, 48 percent mention that there are not enough healthy options available to buy.

Butragueño said: “Currently the top consumer concern is even more skewed towards food quality. Therefore, a guarantee of food quality in particular and product quality in general could be a competitive advantage for modern trade retailers.”

With the rapid speed of life and shrinking family size, Vietnamese consumers crave convenience in everything, especially when choosing the stores they shop.

Nearly six in 10 say their store selection decision is highly influenced by convenient location.

Nearly five in 10 say that an organized store layout that makes it easy to shop is another factor when they have to choose which store to go to.

“Convenience is no longer a store front. It’s becoming a way of life. Stores aren’t going to disappear any time soon, but they will undergo a dramatic transformation as e-commerce grows and shopper expectations change. Retailers need to consider what role physical stores will play in their omnichannel strategy and how they can use them to strengthen their offerings and deliver value each trip,” Butragueño said.

Vietnam’s retail sales topped VND2.46 trillion (US\$108.8 billion) in 2015, a year-on-year increase of 10.6 percent and higher than most projections.

Local and international market forecasts had suggested retail sales would only reach \$109 billion in 2017.

Recent figures from the Ministry of Industry and Trade show that with 724 supermarkets, 132 shopping malls and hundreds of convenience stores, modern retail channels now account for around 25 percent of Vietnam’s retail market.

HIGHLIGHTS

Using Obama's images for ads, does Habeco violate the law?

Vietnamese marketing experts commented that US President Obama gave Habeco a golden opportunity to advertise its Bia Ha Noi (Hanoi beer) brand. But Habeco still cannot take full advantage of the opportunity.

After Obama had dinner at Huong Lien bun cha Shop and drank Bia Ha Noi on May 23, the first day of his visit to Vietnam, both brands appeared many times on mass media. Bia Ha Noi was even mentioned in Obama's speech the next morning.

However, while Huong Lien bun cha Shop's business has been thriving since then, Bia Ha Noi is less lucky.

A branding expert commented that Habeco is not professional in this case because it could not exploit the event to become more famous. What Habeco did after that was to post stories on its fanpage which simply said Obama drank Bia Ha Noi.

Meanwhile, Bia Ha Noi has great advantages to advertise itself to become better known, not only in Vietnam, but also in the world.

Facing criticism, Habeco recently took steps to improve its image in a 'better later than never' plan.

Habeco has cooperated with Huong Lien bun cha Shop to

www.seiko-ideas.com



launch a campaign to advertise the two brands. At Huong Lien Shop, the pictures of Obama drinking Bia Ha Noi and Obama saying at the Hanoi National Convention Center that he had many good dishes, namely bun cha Vietnam and Bia Ha Noi.

Habeco has launched a program offering Bia Ha Noi for free at 37 restaurants and beer shops in Hanoi. Of course, the images of Obama have been fully exploited with the message that Bia Ha Noi is the choice of the US President.

Habeco has announced it will offer 1,500 'Obama servings' at Huong Lien bun cha Shop at No 24 Le Van Huu street to the customers who luckily receive the gift vouchers on the days from May 29 to June 29.

Some new phrases have been created with the keywords 'bun

cha', 'Obama' and 'Bia Ha Noi', for example 'suat an Obama' (Obama serving), "Tong thong Barack Obama uong 2, con ban???" (Obama drank two bottles, what about you?)

However, some analysts commented that Habeco has run its PR campaigns 'hastily' and 'unprofessionally' which may bring bad consequences rather than good fame.

Tri Thuc Tre quoted an official from PLF, a well known law firm, as saying that under the 2005 Civil Code which takes effect until December 31, 2016, the images of any individual can only be used with the individual's consent. The violators of the law may have to pay a fine of VND30 million.

[Back to top](#)

CONTACT

For more information, please contact us:

SEIKO IDEAS - 10th Anniversary

Research & Consulting Division

Our services	Market Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
Our clients	Thinktanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media, etc
Address	Floor 5 th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Telephone	+84-4-6275-5246 ; +84-4-6273-6989
Fax	+84-4-6273-6988
Email	newsletter@seiko-ideas.com
URL	www.seiko-ideas.com
PIC	Nguyen Thi Quynh Tram (Ms.)
HP	+84-91-4994-830

**You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via namecard.*