

VIETNAM

BUSINESS REVIEW

Vol 25, June 29th 2016

Vietnam Dong insulated from Brexit fallout

INSIDE THIS ISSUE

HIGHLIGHTS

Brexit implications for ASEAN based investors
Hanoi targets no private vehicles by 2025

ECONOMY

Agri-forestry-fishery exports fetch \$15b
Fruit exports to US, Japan up 80%
Shrimp exports down in volume, up in value 5.9%

BANKS & FINANCE

Vietnamese stock market loses \$1.15b in wake of Brexit
Sacombank named ASEAN most valuable brand

INVESTMENT

City spotlight: Investment Opportunities in Da Nang
Vietnamese restaurant chains attract foreign investors

ENTERPRISES

Japanese trading houses ramping up biomass business
Vinasun adds Vcar app to compete with Grab, Uber
Park Hyatt Bangkok commissions Vietnam's wooden furniture

MARKET & PRICES

National CPI reaches 5-year high in June
Domestic hospitality market continues recovery in 2016

LEGAL UPDATES

New fine levels imposed on violations against regulations on
investment, business registration
From July 01st, 2016: Enterprises shall have to pay insurance for
occupational accidents for each employee

ECONOMY

Agri-forestry-fishery exports fetch \$15b



VNA - Vietnam's combined agriculture-forestry-fishery export turnover reached \$15.05b in the first six months of 2016, up 5.4% from one year ago, according to the Ministry of Agriculture and Rural Development (MARD).

Of which, agriproducts contributed \$7.32b, a 5.1% increase against the same period last year.

In terms of rice, the country exported 2.69 mln tons to earn \$1.21b, down 9.8% in volume and 5.9% in value YoY. Coffee exports fetched \$1.71b from 985,000 tons while 107,000 tons of pepper brought home \$864m.

Rubber exports reached 429,000 tons, up 3.5%, but earned 12% less than that of the same period last year at \$532m due to a price loss of 15%.

Cashew remains a strong commodity with an increase of 8% in price, earning the country \$1.2b, up 11% YoY.

The export value of fishery products in H1 of this year amounted to \$3.07b, up 3.8% from the 2015.

The US, Japan, China and the Republic of Korea were leading importers of Vietnamese seafood with a proportion of nearly 53% of the total export value.

The forestry sector earned \$3.33b from exports during the period, a slight yearly downturn of 0.1%.

Fruit exports to US, Japan up 80%

VOV - Vietnam shipped more than 4,608 tons of fruit to demanding markets like the US, Japan, the Republic of Korea and New Zealand during the first half of this year, up 81% against the corresponding period last year, according to the Plantation Protection Department.

The department attributed the upturn in export value to better disease controls on fruit and veggie, ensured quality of products and higher demands in key export markets. It is predicted that exports of fresh fruit will continue to rise in the coming time which is a right time for harvest season. Besides, other fruits like mango and star-apples have been granted licences to export to some other demanding markets.

Shrimp exports down in volume, up in value 5.9%

Through May 2016, shrimp exports were down in volume compared to last year's corresponding period but still managed a modest 5.9% overall improvement in value due to higher export sales prices.

China, with a 34.3% market share, remained the largest buyer of Vietnamese wild caught and farm raised shrimp and prawns for the January-May period, according to statistics released by the Vietnam Association of Seafood Exporters and Processors (Vasep).

The US was the second largest importer of black tiger shrimp from Vietnam, with a proportion of 17.4%. Black tiger sales to the US reported a good result, with raw material supply on par with competitors.

Vietnam shrimp exporters have shifted production in favor of black tiger shrimp, a move expected to counter dwindling raw materials of other shrimp and prawn species in hopes of keeping the industry afloat.

The third and fourth largest export markets were the EU and Japan with market shares of 18.9% and 17%, respectively.

BANKS & FINANCE

Vietnamese stock market loses \$1.15b in wake of Brexit



VNE - The Vietnam National Petroleum Group (Petrolimex) is yet to finalize a date for listing its shares on the stock market.

Petrolimex has been preparing for listing in 2017. "We must list," Chairman Bui Ngoc Bao told its 2016 Annual Shareholders' Meeting on June 23.

It also plans to divest from the Pjico Insurance Corporation by selecting a foreign strategic investor to sell stocks to and the merger the Petrolimex Land Holdings JSC into the Petrolimex Concrete and Construction Co. Ltd will be completed shortly, he added.

Petrolimex executives also told at the meeting it will continue with plans to merge the Petrolimex Group Commercial Joint Stock Bank (PG Bank) into the Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank). "This deal will be finished in 2016," Mr. Bao said.

According to a report submitted to the meeting, Petrolimex sold more

than 103.5 million shares to its strategic investor, the JX Nippon Oil & Energy Vietnam, at a price of VND39,017 (around \$1.7) per share, increasing its charter capital to \$517m. These shares cannot be re-sold for 5 years.

JX Nippon Vietnam became the official shareholder of Petrolimex on May 28. The State's shareholding accounts for more than 86%, with JX Nippon Vietnam taking 9.09% and the remainder belonging to other shareholders.

Petrolimex is gradually following its roadmap of reducing State capital to less than 75%. At an extraordinary general meeting held in March it announced it would issue redeemable preference shares to shareholders representing 15% of 2015 after-tax profits.

"Under the roadmap of reducing State-ownership to 75% and then 65%, the group will have new issuances before consulting with the governing agency and seeking shareholders' opinions," Mr. Bao said. The group's oil and petroleum output growth exceeded plan last year but revenue was only 96% of that planned, at nearly \$6.68b. Pre-tax profit was 53% higher than the target, however, at around \$170m. The dividend for 2015 is expected to be 15.9%.

2016 targets are for nearly \$6.1b in revenue, down 9% compared to 2015, pre-tax profit of about \$180m, 30% higher, and a minimum dividend of 8%.

Sacombank named ASEAN most valuable brand



VOV - The Mekong Times Newspaper in collaboration with the Vietnam-Laos-Cambodia Economic Cooperation Development Association have ceremoniously honoured Sacombank as one of the most valuable 100 brands in ASEAN.

Since Sacombank's inception, it has consistently been recognized as a most valuable bank brand in Vietnam and ASEAN, said a bank representative in accepting the award at the ceremony in Bangkok, Thailand.

The bank has exponentially magnified its brand value over recent years, expanding to 564 current locations and is the first VN bank to have opened branches in both Laos and Cambodia.

INVESTMENT

City spotlight: Investment Opportunities in Da Nang

AB - Da Nang has developed into a major urban center - Vietnam's third largest economic center with the highest growth rate and urbanization ratio in VN. Endowed with a strategic location along the central coast, Da Nang is easily accessible through major highways, seaport & affordable int'l flights connecting it to other Asian countries. The local government's pro-business policies offer many incentives for investors in the fishing, manufacturing, infrastructure, service, and tourism industries. The city has consistently ranked first in USAID's Vietnam Provincial Competitive Index for the past 3 years, yet Da Nang's FDI inflow has been low compared to its true potential, leaving future investors with ample opportunities.

Where to Invest?

Fishing and Food Processing: With its coastal location, Da Nang has a booming fishing industry worth \$110m. The industry will see lower tariffs thanks to FTAs, such as TPP, which will reduce or eliminate tariffs by 90%. The industry's biggest markets include Japan, US & EU; the former has a combined worth of \$1b in tuna and shrimp imports in 2015. However, the industry's sale

www.seiko-ideas.com

figures have been declining due to increased competition as well as more stringent regulations. With the signing of the TPP and EVFTA, Vietnam's fishing industry needs investment in farming and processing technology to meet high standards abroad. To support this, Da Nang has its own dedicated Seafood Service Industry Zone, along with 2 other industrial parks that are open to fishery products processing. In addition to seafood processing, opportunities abound in the local demand thanks to increasing disposable income and flourishing tourism, esp in wheat flour and beer production.

Manufacturing: With Vietnam transitioning into China +1, there will be opportunities for companies in the supporting industries as local suppliers lack the R&D to move from basic parts to more complex components, which are currently imported. The key industries that utilize these components include machinery, electronics, chemical, and shipbuilding. Da Nang's industrial production value in 2015 is estimated at \$1.8b, up 11.3% against the previous year. Shipbuilding is an attractive industry with the South China Sea tensions boosting demand for naval and coast guard ships. The Song Thu

Corporation has experience building and repairing ships for the Vietnamese navy, coast guard, marine police, search and rescue, and other non-military agencies using purchased designs. The company has started exporting its own boats and conducted 340 scientific studies about tech innovations.

Infrastructure: Meanwhile, as Vietnam's Singapore, Da Nang has shown its appetite for efficient governance as well as urban planning and infrastructure, especially in the face of the growing manufacturing sector and environmental concerns. In Da Nang, GE, Cisco, and IBM have been involved with the government's infrastructure efforts in electricity, telecommunications, and cloud-based governance solutions, respectively. GE upgraded and energized 14 of 18 series capacitor banks in Central Vietnam, including Da Nang, as part of its work on Vietnam's transmission lines. Cisco installed 186 miles of fiber optic cables, as well as set up Da Nang's Metropolitan Area Network, improved its network infrastructure, administration and security. Da Nang also won \$50m from IBM for transportation, water supply and

[Back to top](#)

INVESTMENT

drainage management. Elsewhere in Central Vietnam, GE and the Korean SolarPark have already been involved with recent wind and solar farm projects. Given the national trend towards sustainable energy and the city's proclivity for sustainable development, it's safe to assume that there will be more opportunities in this sector in Da Nang.

Service and retail industry: The development of major coastal property projects has been accelerating and investors in the service industry stand to benefit from the middle class that is growing in both size and income and the skilled foreign workforce staffing the factories. According to CB Richard Ellis, Da Nang is among the top 10 cities where retailers tended to open stores in 2014. This is driven by local demand, as well as neighboring localities. By 2020, 2/3rd of Vietnam's growing middle class will be outside of Ha Noi and HCMC, and often, they are ignored by investors in favor of the 2 main urban centers. Da Nang is home to a large portion of this growing group of sophisticated consumers with an average annual income of \$2,506. In addition, tourists, expats, and overseas Vietnamese help

Da Nang Setup Compared						
Type of investment	Type of operation	Location	Number of steps	Number of documents	Cost (20/6/2016 rate)	Duration
Company creation	Office lease	Inside IZ	18	37	\$185.32/ €163.27 (4.133 mil VND)	17-31 days
		Outside IZ	18	40	\$185.32/ €163.27 (4.133 mil VND)	17-41 days
	Land lease, requires a construction permit	Inside IZ	41	81	\$1317.62/ €1160.12 (29.385 mil VND)	82-141 days
		Outside IZ	59	110	\$1322.78/ €1164.63 (29.5 mil VND)	197-354 days
		In Da Nang Hi-tech Park	47	87	\$1311.39/ €1154.60 (29.246 mil VND)	58-212 days
Business Cooperation Contract	No physical presence.	Outside IZ	11	31	\$150.8/ €132.77 (3.363 mil VND)	12-23 days
		Inside IZ	11	32	\$150.8/ €132.77 (3.363 mil VND)	12-23 days

drive the preferences for non-Chinese imported groceries.

The abundance of engineers trained by the local universities and software technology centers have also spawned a software outsourcing industry. The industry overall has proved resilient to economic fluctuations, with a revenue of \$238m in 2013 and a growth rate between 20 and 30% since 2008. The most successful firm is FPT Software Da Nang, the largest software exporter in the city with a \$26m revenue in 2015, 70% of which is from JP market. Support industries, such as education for the workforce are another potential area of investment, as limited linguistic abilities remain a barrier to

workers. Skills training is another area of potential investment; local universities have partnered with India's APTECH and Japan's AOTS to train its local engineering force.

Tourism: With the easing of visa requirements for 5 European countries, an uptick in cruise ship tourism, and an increase in promotional efforts, Da Nang has achieved an average growth rate of tourists of 20.14% and a 30.7% average increase in revenue between 2011-2015. By the end of 2015, Da Nang had 74 tourism investment projects worth \$8.4b; 16 are foreign investments worth \$1.2b. The city has been accommodating to the tourism industry; it is the only city in Vietnam to allow overnight

INVESTMENT

gambling, as well as duty-free shopping on foreign cruise ships. 80-90% of cruise ship passengers opt to take local tours in Da Nang and nearby Hoi An. According to Golf Digest, Da Nang also has one of the best golf courses in Vietnam and with the presence of prestigious international hotel chains, the city is a prime destination for international events. In 2015, the city hosted the International Clipper race and the Asian Beach Games. It held its first electronic music festival with an international headliner in June 2016, which drew a lot of young local urbanites.

Vietnamese restaurant chains attract foreign investors

TNN - Foreign funds have poured millions of dollars in restaurant chains in Vietnam, where a large population with a growing middle class is expected to provide solid support to the growth of the food and beverages industry.

KAfe Group Limited, which runs a coffeehouse chain in Vietnam, received an investment of \$5.5m from institutional investors in London and Hong Kong.

Hong Kong-based Cassia Investments, a private-equity firm specializing in funding lower middle-market companies across

Asia, has provided 90 percent of the funding. The other 10% came from another investor based in London.

KAfe founder Dao Chi Anh, who said the funding would allow the chain to expand its operations in Vietnam, hopes to increase the number of outlets to 26 from 12 last year.

KAfe Group is also eyeing an overseas public listing at a later stage for further expansion in the country.

It is reportedly developing its own branded coffee and tea ranges and a pressed juice range.

Anh, a home chef and a cookbook author, opened the first KAfe store in August 2013, targeting young customers with fusion cuisine and naturally flavored drinks.

Anh's coffeehouse chain is one of many restaurant chains to attract foreign investment in recent years. Huy Vietnam Food Processing Company, which operate more than 100 restaurants serving Vietnamese food, got an infusion of \$11m from US fund Franklin Templeton.

Franklin Templeton prioritizes investment in firms with good management, efficient business and transparent information,

newswire VnExpress quoted Mark Mobius, its CEO, as saying.

Knowing the development strategy of Huy Vietnam Food Processing Company, Franklin Templeton decided to invest in it after holding negotiations in Singapore, he said, adding that his fund would invest further in the company whenever the it needs.

Huy Vietnam, founded in 2007, has received three rounds of funding worth \$65 million from foreign private-equity firms, including Fortress Capital. It runs casual restaurant chains such as Mon Hue and Pho Ong Hung.

Huy said it plans to expand in big cities and make an IPO.

Economist Nguyen Minh Phong said investment in dining chains is a developing trend. It is not much affected by economic downturns since food is indispensable. "Thus, the sector will always be attractive to investors."

High profit is another factor that makes the business mode attractive to investors, he said.

In 2014 another restaurant chain operator, Golden Gate, received an infusion of \$35m from Standard Chartered.

ENTERPRISES

Japanese trading houses ramping up biomass business



Sojitz plans to use leftover woody material from Vietnamese factories to make biomass fuel

Nikkei - Japan's general trading companies are expanding supplies of fuel for biomass power plants to meet an expected surge in demand from facilities set to start up in 2017 and 2018, a development encouraged by the country's feed-in-tariff system.

Sojitz will begin production as early as 2018 of fuel made from woody biomass in Vietnam in partnership with state-run Vietnam Forest, also known as Vinafor. The duo agreed this month to conduct a feasibility study and aim to spend a year hammering out specific plans.

Sojitz and Vinafor jointly run four production bases for papermaking materials in Vietnam. At these sites, they plan to build facilities that use bark and other leftover plant matter to produce fuel. Sojitz is targeting annual shipments of 1 million tons of fuel to Japan in the

www.seiko-ideas.com

medium to long term - enough to power a 200,000kW plant for a year.

Itochu aims to boost annual imports of fuel pellets made from such biomass as coconut shells & wood chips from around 120,000 tons in fiscal 2015 to 1.2 mln tons in 2019F. It is holding talks with biomass power plant operators & has reached sales agreements with some.

The trading house buys biomass from coconut shell sellers in Indonesia and Malaysia, as well as from pellet manufacturers in China and Vietnam. Itochu plans to add suppliers to the list & is considering setting up a plant of its own.

Sumitomo Corp. will start importing fuel containing bagasse -- the material left over after juice has been extracted from sugarcane - as soon as 2020. The trading house holds a 20% stake in a Brazilian biomass fuel maker. It plans to help lift the producer's capacity from roughly 180,000 tons a year to 2 million tons by 2025, with about 20% of the output to be shipped to Japan.

Sumitomo now imports biomass fuel from Canada and is diversifying its supply chain in anticipation of stronger demand.

Specialized and general trading houses including **Mitsubishi Corp. and Mitsui & Co.** have dealt

in biomass fuel, and Nippon Paper Industries plans to make it in Thailand starting next spring. But none of these companies has produced or imported more than 1 million tons a year.

The Ministry of Economy, Trade and Industry aims to have biomass power account for about 4% of Japan's total in fiscal 2030. Its feed-in-tariff framework for this fiscal year offers 24 yen (23 cents) per kilowatt-hour for electricity generated from such woody biomass as chaff and imported materials -- the same price as for energy from large solar installations. But with the solar power tariff expected to decline, the biomass price is expected to look generous in comparison.

Vinasun adds Vcar app to compete with Grab, Uber



Nikkei - The Ministry of Health set up an Nikkei - Vinasun Taxi has launched its own app for unmarked minicabs in its latest move to compete against Uber and Grab Taxi services.

[Back to top](#)

ENTERPRISES

Vinasun's unmarked Vcar service offers seven-seat Fortuners and four-passenger Camrys, and mainly operates in and around HCMC, Vietnam's commercial capital.

Nguyen Bao Toan, Vinasun's deputy managing director, told the Nikkei Asian Review that the Vcar service is based on the company's taxi-hailing app, and was first introduced for VIP and business customers.

The service has proved popular for business meetings, and occasions like weddings and birthdays.

According to Vinasun, passengers using the apps for traditional taxis or minicabs pay similar prices.

The company is also having to compete with the thriffter ride-sharing services offered by Uber and Grab.

Last year, Vietnamese authorities promised to develop a framework for ride-sharing services after traditional taxi associations demonstrated against unfair competition from Uber.

Grab Taxi, which originated in Malaysia, has been running pilots in five Vietnamese cities using both liveried taxis and unmarked minicabs. The company got

positive feedback from drivers and passengers - and tax collectors.

Uber, on the other hand, faces a tax bill. Last week, the local revenue department said it has not collected enough tax from Uber Vietnam, and warned of tough action.

Vinasun Group is the second biggest taxi operator in Vietnam, with some 6,000 cabs, concentrated in and around HCMC. The company has been listed on the HCMC Stock Exchange since 2008, and expects 4.4 trillion dong in revenue (\$197m) this year, up slightly on last year. Targeted net profit of 264 billion dong (\$12m) is 20% down year on year, however. Vinasun attributes the weak performance to the challenge from outside high-tech operators and a recovery by Vietnam's largest taxi operator, the Mai Linh Group.

Park Hyatt Bangkok commissions Vietnam's wooden furniture

VOV - Thai Central Group has signed a contract with Phu Binh Company to buy luxury furniture worth US\$1.2 million for six-star hotel

Park Hyatt to be inaugurated in Bangkok soon.

Nguyen Thuy Trang, Director General of Binh Phu Company, said this is a good opportunity for the company to introduce its goods to Thai customers.

Jariya Chirathivat, a Central Group representative, said Central Group has looked for a potential supplier of high quality products around the world and Binh Phu is a good choice. Vietnamese furniture can conquer the world market.

Central Group is involved in merchandising, real estate, retailing, hospitality and restaurants. In Vietnam, It holds 49% of shares at Nguyen Kim Group and owns Big C Vietnam. It also has a chain of Robin stores in Hanoi and Ho Chi Minh City.



A batch of goods including tables, sofas, mirrors, television cabinets, and chairs made at a factory in Binh Duong will be shipped to Bangkok in July.

Binh Phu Company has exported its products to many countries in the world.

MARKET & PRICES

National CPI reaches 5-year high in June

VNS - VN's CPI rose by 0.46% month-on-month in June, the highest June increase recorded over the last five years, the General Statistics Office (GSO) announced yesterday.

The index hike was driven significantly by massive fish die-offs along the central coastal areas of the country two months ago, said Vu Thi Thu Thuy, the head of the office's CPI department.

Worried that poison or toxins might be behind the abnormal fish die-offs, consumers bought less fish and more poultry and meat to eat. Prolonged hot weather and drought also reduced vegetable supplies in markets.

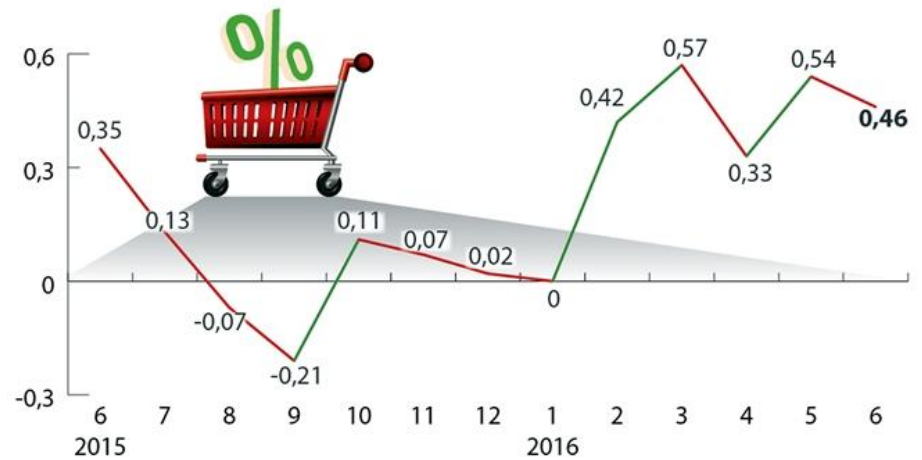
As a result, food prices increased 0.36% month-on-month in June.

Gasoline prices also increased twice since May 20, causing general fuel prices to grow by 6.46% month-on-month in June.

The cost of electricity also increased by 1.27%, due to the use of cooling devices in hot weather.

Growing construction demands - and the increased price of imported building materials - caused home maintenance costs to increase 0.14%.

Package tourism prices were up 0.48%, as families booked more



tours during children's summer holidays.

The prices of 10 of 11 major groups of goods and services increased in June, compared to May. Transport witnessed the highest increase at 2.99%, followed by housing and building materials with a 0.55% increase.

Prices rose by 0.21% for restaurants and eating and drinking services. Prices also rose between 0.03-0.6% for garments, household devices, healthcare and education services. Only post and telecommunications decreased, with a 0.27% fall in prices.

Thuy noted the CPI grew by 2.4% year-on-year in June, the lowest level recorded for the same period over the last 10 years. The average CPI expanded by 1.72% in the first half of this year, also a 10-year low. In June, gold prices declined 0.01% over the previous month but increased 4.04% YoY. Dollar rates

rose by 0.09% month-on-month and increased 2.52% year-on-year.

Domestic hospitality market continues recovery in 2016

VNA - The domestic hospitality market has continued its strong recovery in the first half of this year, thanks to high supply and demand as well as support from positive property policies of the state, experts said.

Nguyen Ngoc Tram, research manager at JLL Vietnam, said the local property market has seen positive results, including the hospitality segment.

Many hospitality projects have been marketed since the end of 2015, Tram said. According to JLL's statistics, he said 70-80 percent of the condotels and villas on offer had been bought. The number of customers interested in purchasing villas in the coastal area as second home had increased due to good sales promotions, with many

MARKET & PRICES

incentives in credit and services, while demand for a condotel or villa in the coastal areas had also seen a rise.

Expert Dang Hung Vo said the property segment for tourism and resorts has shown great potential and received a higher supply since the end of 2015.

The segment is expected to develop further this year and beyond because it will benefit from the better transport infrastructure, including airport and highways, good designs of hospitality projects and professional management services, he said.

In addition, price support and aid from banks in capital for projects are also factors that have attracted investors.

Meanwhile, according to Savills Vietnam, most hotel resorts have been offering luxury villas for sale with a beach view, an international operator and a management rental pool.

A new marketing strategy involves guaranteeing returns from the developer for a period of three to 10 years at a return of 6-10% per annum. The sale of resort villas is strong with robust interest from the local market and offshore purchasers looking to hedge a relatively stable currency, combined with potential capital growth. The prices of coastal villas generally range from 400,000 USD to above 5 million USD.

Vietnam is one of the fastest growing tourism destinations in Southeast Asia, driven by the entrance of international hoteliers, an improved visa policy and investment in key infrastructure.

The visible demand is evident with the significant presence of tourists from prosperous countries supported by reputable hotels. With greater discretionary income, these international tourists spend more compared to domestic citizens, who often choose three-star or

lower rated accommodation.

The development of international airports over the last five years has supported tourism growth. Last year, total arrivals by air reached more than six million, or approximately 80 percent of total arrivals in the country. Charter flights from key markets, such as China and Russia, into Da Nang, Khanh Hoa and to a lesser degree Phu Quoc have become popular.

International hoteliers have continued to show interest in Vietnam's coastal tourism destinations. Many projects will be introduced in the market in the next couple of years, especially in Khanh Hoa and Phu Quoc.

The Cam Ranh peninsula is an emerging destination, and by the end of 2015, more than 30 projects had been approved for construction, with 13 either ongoing or slated for launch in the next few years.

Phu Quoc is a late entrant in this upscale market but is expected to expand quickly. Five-star supply is growing rapidly with several new projects lined up in 2016-2017, such as Crowne Plaza Hotel, Novotel Resort, Sonasea Villas and Resort and Sunset Sanato Premium Complex.



LEGAL UPDATES

New fine levels imposed on violations against regulations on investment, business registration

VLO - Decree No. 50/2016/ND-CP dated June 01st, 2016 of the Government on penalties for administrative violations against regulations on planning and investment.

This Decree regulates penalties for violations against regulations on management and use of public capital, domestic investment and outward investment, bidding management and business registration.

Accordingly, in comparison with the earlier provisions, this Decree adds more violations that shall be imposed fine, in particular:

- Failure to submit a report to the investment registration authority before commencing the execution of an investment project which is not granted an investment registration certificate, a fine of VND 1,000,000 - VND 5,000,000 shall be imposed (Clause 1 Article 13)
- Making investment in conditional business lines without satisfying all conditions specified in the Law on Investment, a fine of VND 5,000,000 - VND 10,000,000 shall be imposed (Clause 2 Article 13)
- Making investment in business lines banned from investment, a fine of VND 30,000,000 - VND 40,000,000

shall be imposed (Clause 5 Article 13)

- Establishing an executive office of a foreign investor in the business cooperation contract without registering with the investment registration authority, a fine of VND 5,000,000 - VND 10,000,000 shall be imposed (Clause 2 Article 13)

- Failure to follow procedures for registration of capital contribution, purchase of capital contributions/shares of a business organization, a fine of VND 20,000,000 - VND 30,000,000 shall be imposed (Clause 4 Article 13)

- Using, changing, canceling the stamp design, changing the quantity of stamps of the enterprise or its branch or representative office without notifying the business registration authority, a fine of VND 2,000,000 - VND 3,000,000 shall be imposed (Clause 2 Article 32)

This Decree takes effect from July 15th, 2016 and replaces Decree No. 155/2013/ND-CP dated November 11th, 2013.

From July 01st, 2016: Enterprises shall have to pay insurance for occupational accidents for each employee

Decree No. 37/2016/ND-CP dated May 15th, 2016 of the Government on detailing and guiding the implementation of certain articles of the Law on occupational safety and hygiene with regard to

compulsory insurance for occupational accidents and occupational diseases.

This Decree details entities, payment rate and payment methods of compulsory insurance for occupational accidents and occupational diseases; conditions for supports for career change of victims of occupational accidents and occupational diseases when they return to work; conditions, support rate, documents and procedures for receiving support for fee of occupational disease examination; conditions, support rate, documents and procedures for receiving support for cost of occupational disease treatment; conditions, support rate, documents and procedures for support for training in occupational safety and hygiene, etc.

Accordingly, entities that have to participate in compulsory insurance for occupational accidents and occupational diseases include: State officials, public employees, civil servants; persons who conclude the labor contract for full 1 month and above; salaried managers of enterprises (Article 2)

This decree takes effect from July 01st, 2016.

HIGHLIGHTS

Brexit implications for ASEAN based investors

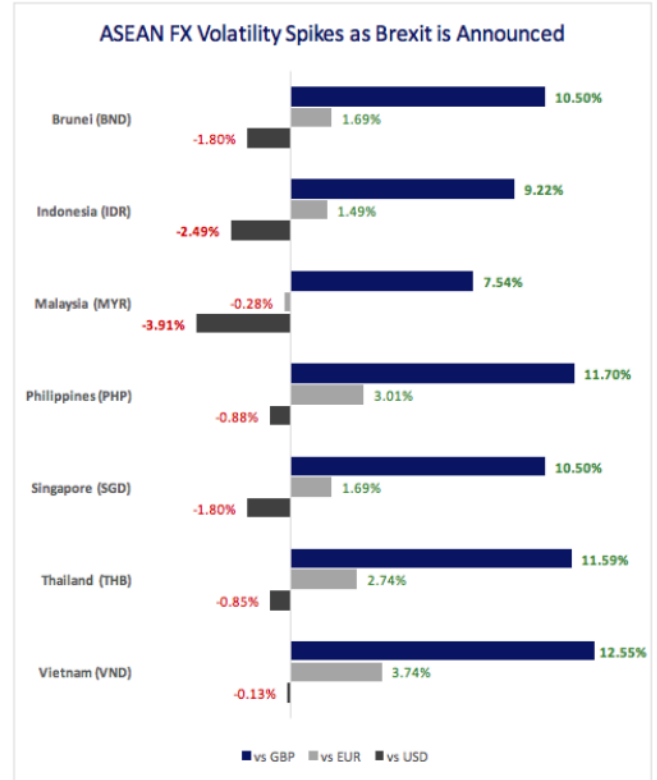
AB - In a victory that stunned analysts around the world, the UK has voted to exit the EU by a margin of 52-48%. In addition to producing significant implications for investors across Europe, the interconnected nature of the global economy leaves businesses across the world exposed. ASEAN is no exception. Currency markets within the South East Asian bloc have already seen swift valuation changes, and the pending exclusion of the UK from the EU's network of trade negotiations in ASEAN is likely to have a long term impact on trade within the region.

For European investors maintaining operations throughout ASEAN or British parties considering investment, it will be of utmost importance to monitor developments within the region closely in order to ascertain their likely exposure to Brexit fallout.

Short-Term Considerations: Foreign Exchange Volatility

As markets within ASEAN know all too well, currency volatility is one of the most immediate externalities associated with economic crisis. Despite the Pound Sterling being separated from the Euro, the mere threat of a Brexit was enough to depreciate the Pound by 7 percent against the US dollar during voting.

As polls closed, ASEAN currencies have also seen substantial rises in their value against UK. For those purchasing goods or servicing debts within the UK or using British Pounds as a medium of denomination or exchange, the prevailing headwinds within currency markets strongly favor currencies from within ASEAN. In the near term, this will allow consumers to purchase goods from UK based suppliers at a significant discount, however, it will also curtail the ability of British based consumers to purchase goods from a variety of markets including those within ASEAN. This is likely to constrain liquidity of British buyers and runs the risk of disrupting existing purchase agreements that these parties may have signed with ASEAN based suppliers. While the British Pound has been hit hardest by its exit from mainland Europe, Brexit has created significant tensions within the Eurozone as a whole and decreased confidence that the Euro will continue to be used within



the region. Reflecting these concerns, all currencies within ASEAN have appreciated significantly against the Euro with the exception of Malaysia. Investors flooding out of the Eurozone have instead taken refuge in Dollar denominated assets resulting in an appreciation of the US dollar against ASEAN markets.

Although muted when compared to the Pound, the movement of the Dollar and Euro will have tangible impacts on the cost of goods being purchased and sold to these markets. Exports to the European Union will likely see reduced demand as cost adverse Eurozone buyers are priced out of ASEAN markets. Buyers from within ASEAN

HIGHLIGHTS

ASEAN Trade Post Brexit

FTAs & Import Export Data

	EU FTA Agreement	Exports to UK (USD)	Imports from UK (USD)
Brunei	N/A	12 million	85 million
Cambodia	N/A	751 million	56 million
Indonesia	N/A	1.6 billion	8.9 million
Laos	N/A	N/A	N/A
Malaysia	Negotiations launched	2.3 billion	1.8 billion
Myanmar	N/A	N/A	N/A
Philippines	Negotiations launched	470 million	410 million
Singapore	Negotiations launched	3.3 billion	5.5 billion
Thailand	Negotiations launched	3.7 billion	2.5 billion
Vietnam	Signed & awaiting implementation	3.6 billion	6.4 million

on the other hand will benefit from discounted Eurozone goods brought on by the relative rise in their home currencies. Those exporting to US markets will likely see demand increase, with countries such as Malaysia and Indonesia particularly well positioned to benefit.

A final area of consideration for investors should be those nations within ASEAN that have chosen to control their currencies. Given the large volatility and volume of trading in international markets, countries such as Laos, Myanmar, and even Vietnam may struggle to maintain steady parity with the Pound and other currencies such as the US Dollar.

Long Term Challenges: Trade Liberalization

While currency markets will price in Brexit over the coming weeks, the long term impact of the UK's

departure will likely be reflected in ASEAN's trading relationship with the European Continent. Not only does the United Kingdom lack a network of independent trading arrangements with ASEAN states, but many of the EU projects with ASEAN remain unresolved.

Currently, the EU is in open negotiations with several of the largest economies within the ASEAN region including Malaysia, Singapore, Thailand, and the Philippines. Moving forward, the United Kingdom will not be included within these negotiations and will be excluded from the benefits of any finalized agreements. This is likely to present challenges for those wishing to export to the UK or for UK based investors currently seeking to invest within the region. Although it is likely that the UK will initiate similar agreements independently, these

agreements are yet to be announced and will likely take years to negotiate and implement. For mainland European investors who stand to benefit from agreements with ASEAN states, the fallout of Brexit is likely to cause considerable turmoil. As a serious blow to Brussels and confidence in centralized European governance, Brexit is sure to detract focus from negotiations in the near to medium term. Depending on the speed with which mainland Brexit fallout can be managed, negotiations may be subject to varying delays.

Investment Opportunities: The TPP & Vietnam

As explored above, currency volatility in Europe present salient import opportunities for a variety of ASEAN's producers and consumers. In the long term, however, a select group of ASEAN markets and investors stand to reap major advantages from the diminishing position of Europe within ASEAN.

Having already concluded negotiations with the European Union, Vietnam is likely to be the big winner in the face of Brexit. Lagging EU trade negotiations with other member states will make the communist nation one of the most exciting opportunities for low cost investment from a European perspective. In the face of lowered purchasing power within the

HIGHLIGHTS

Eurozone, consumers will be on the lookout for low cost goods. Given its unique position in low cost manufacturing, Vietnam will likely be more competitive than ever among European consumers. The longer that negotiations are drawn out in other ASEAN states, the more solidified Vietnam's advantage will become.

From the perspective of investment, TPP is likely to solidify advantages for its 11 members within ASEAN. The reduction of tariffs and convergence of regulations with Malaysia, Singapore, Brunei, and Vietnam provide significant opportunities for TPP members that will now be out of reach for European competitors. The dollar's strong appreciation against ASEAN currencies is also likely to compound benefits for US based investors, making them among best positioned to invest within ASEAN.

Navigating a Post Brexit Pacific

Despite the British decision to walk away from Europe, ASEAN is set to remain a lucrative and resilient location for investment and production. Many economies within the region are undergoing trade negotiations with the EU and have seen favorable treatment in the face of currency volatility. Nonetheless, it is important for companies operating in the region to understand the nature of their

exposure to this development and to take actions to mitigate externalities as they arise. In the short term, it is advised that companies with a large European (UK or mainland) customer base pay close attention to foreign exchange volatility and consider **mitigation options** within ASEAN. Even if headwinds favor them in the status quo, these could change quickly as the situation in European and Asian markets develops.

In the medium term, it will become important for companies to begin to monitor the progress of trade negotiations between the EU and ASEAN member states. It is likely that these could see delays and understanding when and where these delays will occur will allow for effective investment and operational planning.

Hanoi targets no private vehicles by 2025

VNS - Hanoi's authorities plan to encourage the use of public transport and limit individual vehicles, moving towards eliminating private means of transport by 2025.

The plan was at the top of the agenda for Hanoi's Party Committee's programme 06 draft on developing the city's

transportation network, which was discussed this morning.

Bicycles and motorcycles are the most popular means of transport chosen by the locals. As the city's population soars, the number of private vehicles in operation has continued to rise in recent years.

According to the programme, one key task put forward by local authorities is to focus all forces on urgent transportation projects to ensure traffic safety and reduce congestion.

Participants in the discussion agreed that Hanoi's urban infrastructure system had yet to meet the demands of rapid urban development. Public means of transport can meet only part of the demand, while traffic congestion is still common and accident statistics remain high.

The transportation scenario in Hanoi will become overly complicated if urgent steps are not taken, participants of today's meeting heard.

As the locals are increasingly using electric bikes and motorbikes for transport, Party Secretary of Thanh Xuan District Vu Cao Minh suggested halving the number of basic private transport options, including bikes and motorbikes.

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.*