# VIETNAM

# BUSINESS REVIEW

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***Japanese goods conqueringVietnam market***

## INSIDE THIS ISSUE



Back to top

# ECONOMY

## Vietnamese seedless lime sees great chance to enter Japanese market

VNA - Vietnamese seedless lime cultivated in Ben Luc district, the Mekong Delta province of Long An, sees a great opportunity to be exported to Japan, a fastidious market, heard an agricultural promotion conference recently held in Wakayama prefecture, Japan.

At the event, Yoshinobu Nisaka, Governor of Wakayama prefecture, said he is interested in agricultural cooperation between Vietnam and Japan in general and between Wakayama and Long An in particular.

Long An can send labourers to Wakayama to support agricultural production there, he said.

Japan wants to purchase Vietnamese seedless lime and lime products like pure lime powder, instant lime powder, canned lime juice, and lime seasoning powder, said agricultural expert Kha Chan Tuyen.

He highlighted that desiccated lime slices, lime leaves, dried lime peel, and especially lime essential oil are all favoured by the Japanese side after they found that these products are made of stable and quality materials.

Nguyen Van Hien, Chairman of the Chanh Viet Trading & Investment Joint Stock Company, highlighted that agricultural experts are supporting his company and local farmers with techniques to cultivate quality seedless limes.

He believed that fresh limes and lime products of Ben Luc locals will gain a foothold in the Japanese market.

Earlier, Chanh Viet Trading &Investment JSC exported its products to some European countries. Seedless lime products have also drawn attention from Muslim markets.

## Convenience stores aid growth of Vietnam's retail industry

VNA - Vietnam has returned to sixth place among the 30 most-attractive retail markets in the world this year according by A.T. Kearney, thanks to the expansion of convenience stores and mini-marts and the increase in use of technology in the industry.

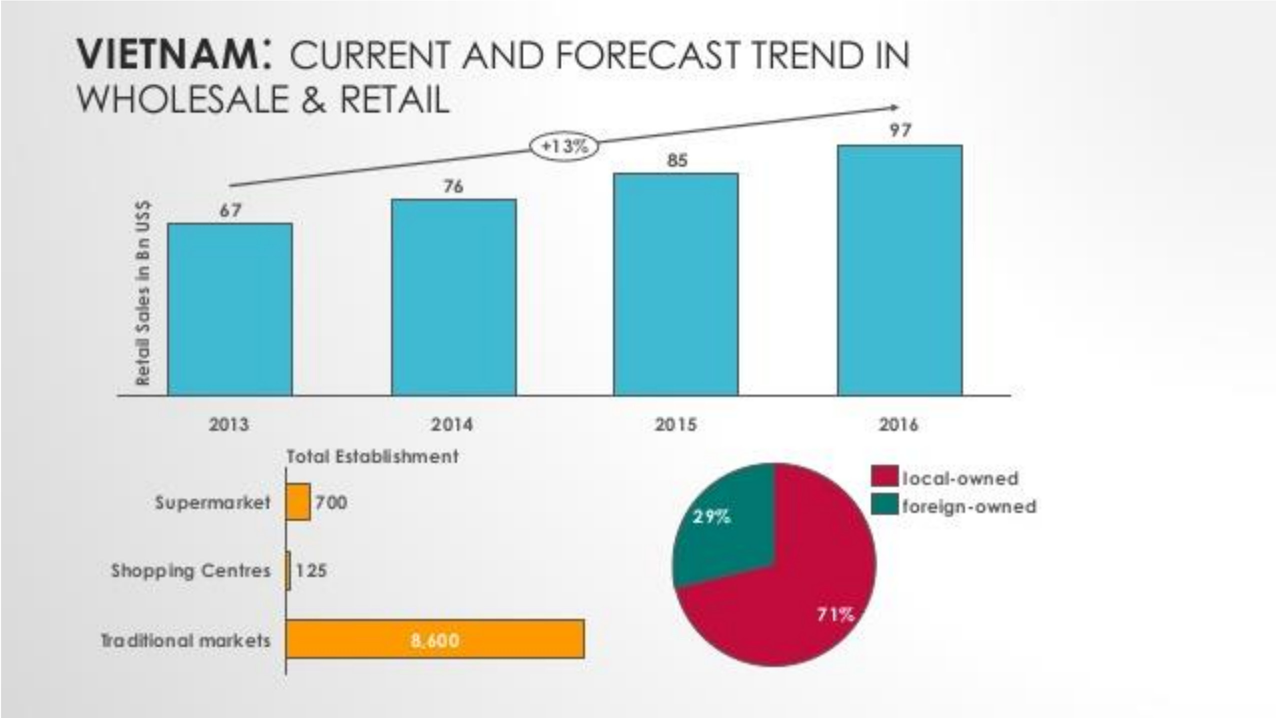
The country is attractive to retailers, with a market of more than 93 million people, relatively young population and an estimated GDP of US$220 billion.

Vietnam has been named on the list by US global management consulting firm A.T. Kearney since 2008. According to the firm's latest Global Retail Development Index (GRDI), convenience stores and mini-marts are the fastest-growing segment in the country.

Circle K and FamilyMart entered Vietnam in 2009 and are expanding rapidly. FamilyMart now has about 100 stores across the country and plans to have more than 800 stores by 2020.

Japanese retailer 7-Eleven also plans to open its first Vietnamese store in 2018 in a franchise agreement with Seven System Vietnam and a total of 1,000 stores are planned in the next decade. Vinmart opened approximately 1,000 stores last year and is set to increase that number by about 1,500 by the end of this year.

But these stores are under pressure from supermarkets in terms of shopping experience and product diversity and from conventional channels in convenience.




Vietnam has seen a strong rise of modern retailing channels that posted growth of 7.7% from April 2016 to March 2017, compared to 6.1% of traditional channels. Despite that, modern channels only accounted for 25% of total retailing revenue.

Technology has lent a helping hand to modern retailing, making it more convenient by providing new payment tools, improved online shopping experience and multichannel marketing.

The Gioi Di Dong (Mobile World), one of Vietnam's top 10 retailers in 2017, has spent 13 years developing its own integrated technology-based management system that supports different aspects of administrations, from sales, inventory, financial report, to salary payment, customer database and human resources. It is how the group manages its 1,500 stores and more than 31,000 workers.

But not every retailer is ready to invest in technology, and technological trends often switch before they can catch up, according to Nguyen Thi Tong, Chief of Secretary Group, Association of Vietnam Retailers.

# BANKING & FINANCE

## Vietnam officially permits bank bankruptcy


BizLIVE - Vietnam's National Assembly, the country's supreme legislative body, has officially permitted ailing banks to file for bankruptcy as the last resort, starting January next year.

The majority of legislators on Monday approved amendments to the Law on Credit Institutions, which list bankruptcy among the five options to restructure a credit institution under special surveillance. The other four options are recovery, consolidation, dissolution, and compulsory transfer.

This is the first time Vietnam officially allows banks to go bankrupt as the top leadership had feared for the spillover effect and massive cash withdrawal.

A small number of banks are under special supervision of the central bank for liquidity constraints and/or large toxic loans. The central bank in 2015 acquired three banks at zero dong, a move that has been questioned by many economists.

## Banks in Vietnam have room to lend $660 million for securities trading

BizLIVE - Banks in Vietnam has quite large room to provide loans to the securities sector.

Banks in Vietnam are eligible to provide an additional over 15 trillion dong ($660.8 million) to securities companies and traders, Governor of the State Bank of Vietnam (SBV) Le Minh Hung said last week.

Total outstanding loans at banks for the securities industry are estimated at 10 trillion dong ($440 million) presently, down 40% from the end of 2016, Hung said at a National Assembly Q&A session.

Under Vietnamese legislation, banks having a bad debt ratio of below 3% are permitted to provide loans for securities trading, with the amount of less than 5% of their registered capital.

With banks in the country having a combined registered capital of 505.26 trillion dong ($22.26 billion) as of August, they are entitled to lend over 25 trillion dong for this sector, meaning that they can lend another 15 trillion dong.

The benchmark VN Index of the Hochiminh Stock Exchange has risen over 30% this year, partly driven by foreign inflows. In the year to last week, overseas traders net bought a total of 22.46 trillion dong ($989 million) worth of Vietnamese shares.

## Vietnam shares break 10-year high again

BizLIVE - The biggest blue-chips pushed the main gauge to the highest levels unseen over the past 10 years.


*The movement of the VN Index on Tuesday morning.*

The benchmark VN Index of the Hochiminh Stock Exchange, Vietnam's bourse home to the largest blue-chip companies, jumped 2.1% on Tuesday morning to 922,42 – the highest in more than ten years, driven by heavyweights.

The gauge was off from a high of 926.4 this morning. Volume was large, with 127.63 million shares traded, worth 3.32 trillion dong ($146.2 million).

Buying was strong at bluechips, providing significant support to the main index. Vinamilk (VNM) was the biggest mover when soaring 3.69% to an all-time high of 193,900 dong ($8.54) a share.

The index was also pushed by the largest companies on the bourse, including Sabeco (SAB), Vincom Retail (VRE), Vietcombank (VCB), Vingroup (VIC), Petrolimex (PLX), VietinBank (CTG), Bao Viet Holdings (BVH), and FLC Faros (ROS).

The markets also saw differentiation among shares, with mid-cap such as CVT, AAA, DXG and HBC going south.

# INVESTMENT

## Are foreign-invested firms enjoying too many incentives in Vietnam?


Tuoitrenews - Preferential treatments including tax and land use incentives are a key factor in the Vietnamese government's bid to attract foreign investment; however, domestic enterprises are beginning to voice their complaints.

Foreign companies in Vietnam are enjoying massive tax and other incentives, giving them an advantage over already less-competitive domestic businesses.

For example, Samsung, which is operating in Vietnam through various entities, topped the Vietnamese finance ministry's list of 100 foreign companies with the biggest tax reductions in 2016.

All of Samsung's various subsidiaries in VN collectively had their taxes reduced by nearly $1b last year. Of these, Samsung Electronics VN Thai Nguyen alone enjoyed total tax incentives of VND10.36 trillion ($456.39m).

A finance ministry official said that these incentives are legally granted as per Vietnam's policy of attracting foreign investment and boosting productivity.

The incentives are available to any company meeting specific criteria, but the problem is that very few Vietnamese companies qualify, the official added.

While the tax reductions foreign companies can enjoy can total as much as 91.9% of their corporate income tax bill, Vietnamese companies and state enterprises can be entitled to a mere 17.8% and 4.8% reduction respectively, according to the same finance ministry official.

Another expert from the finance ministry said that besides reductions in corporate income tax, some foreign businesses are also given incentives in import and value-added taxes.

**Unfairness**

Firms that benefit from the preferential treatment in Vietnam say they are doing nothing wrong.

A Samsung Electronics Vietnam representative told Tuoi Tre (Youth) newspaper that Samsung is receiving the same tax breaks as other foreign tech companies in the country.

The incentives include a corporate income tax exemption for the first four years of operations, and a preferential tax rate of five percent over the next nine years. From the 14th year of operations onward, the tax rate will be set at ten percent.

However, experts believe that the current preferential treatment of foreign companies is weakening the competitive edge of local enterprises, both private and state-run.

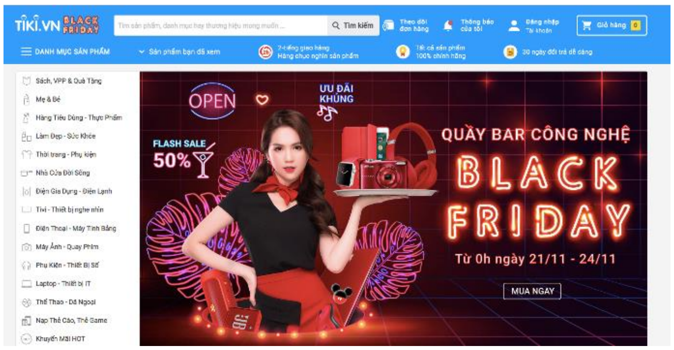
Lawyer Bui Quang Tin, who is regarded as an economic expert, said that Vietnamese companies are being treated unfairly.

Tin suggested that the government review the policy to ensure fairness between domestic and foreign enterprises.

Dinh The Hien, another economist, echoed Tin's view that there is unfairness between foreign and domestic businesses when it comes to tax incentives.

Hien recommended that the government give fewer preferential treatments to foreign companies, so all companies, domestic or foreign, can compete equally.

## JD.com puts US$44M into Vietnamese e-commerce platform Tiki.vn to fight Lazada




E27 - Tiki.vn will use the newly-raised financing to fund the growth and optimisation of its operations

Vietnamese e-commerce portal Tiki.vn has raised $44m from Chinese internet giant **JD.com**, making it one of the largest deals in the Vietnam tech ecosystem thus far.

This figure is twice the amount Tiki received from Vietnamese internet group VNG last year — a $17m funding that gave VNG a 38% stake in Tiki. Tiki will use the newly-raised funding to conduct more training, optimise delivery and logistics processes and market its express service TikiNow.

Tiki was founded in 2010 and initially sold e-books, but it has since diversified to become an all-encompassing marketplace, selling goods such as toys, digital devices, lifestyle and beauty products. Tiki currently stocks over 300,000 different kinds of products.

Last year, Tiki and insurance company FWD Life Insurance also inked a deal to sell personal accident insurance policies on the e-commerce platform. FWD and Tiki offered 100,000 customers free online insurance products to kick start the partnership.

The latest play by JD.com is likely a challenge to counter rival Alibaba's influence in Southeast Asia. In the last two years, Alibaba has made several significant investments in the region.

Last month, JD.com pumped US$500 million into Thailand to build two e-commerce and fintech projects to compete with Ascend's TrueMoney, an e-payments company with Alibaba's backing.

Alibaba also has a controlling stake in Rocket Internet's Lazada, which has a strong presence in Vietnam's e-commerce sector.

According to a *SimilarWeb* report, Lazada.vn ranks 23 places above Tiki.vn with regards to traffic; and a survey conducted by *Dream Incubator* showed Lazada.vn taking the lion's share of e-commerce transactions in the country at 36%.

And besides Lazada, JD.com and Tiki will also have to contend with another power player, Shopee, which is owned by NYSE-listed Sea (formerly Garena). In addition, other local e-commerce companies, such as Zendo.vn, may also put up a considerable fight.

# ENTERPRISES

## Sabeco holds roadshows in Singapore and UK


VIR - In order to draw more attention from foreign investors, the HCMC Stock Exchange will organise roadshows in Singapore and the UK to introduce investment opportunities in Saigon Beer, Alcohol and Beverage Corporation (Sabeco).

Accordingly, a roadshow will be organised at Ritz Carlton Hotel in Singapore on November 24 and another at London Hilton On Park Lane in London on November 27.

Within the framework of the roadshows, a representative of Sabeco will provide general information about the corporation, its manufacturing system, subsidiaries, distribution network, its financial potential (through the financial reports from the past three years), as well as its plans to develop after being equitised.

If investors need more information, they can work directly with representatives of Sabeco at Sabeco's office from November 29.

To date, the state holds 89.59% stake in Sabeco. Previously, MoIT stated that the divestment may be conducted in December.

However, important information, such as the share volume to be sold, the initial selling price and the number of shares offered to foreign investors, has not been disclosed as the detailed plan is still being built.

A number of institutional investors and companies have expressed interest in buying Sabeco shares following the Vietnamese Govt's decision to reduce its ownership in the brewer. These companies include Australia-based Carlton & United Breweries—a member of Belgian Anheuser-Busch InBev, Thai Beverage, and Heineken.

Organising roadshows aboard to lure investors to Sabeco's shares is a strategy used by State Capital Investment Corporation (SCIC) in the second divestment round of Vietnam Dairy Products JSC (Vinamilk).

Previously, SCIC organised non-deal roadshows in Hong Kong and Singapore to introduce Vinamilk to investors. This method was effective as Singaporean automotive giant Jardine Cycle & Carriage (JC&C), which had yet to be mentioned on the previous list of interested investors, registered to buy the entire stake on offer. After the purchase, JC&C registered buying an additional 6.7% stake in Vinamilk through open market purchases, increasing its total holding to 10%.

Sabeco is Vietnam's largest beer producer holding about 40% of the nation's $6.5-billion beer market. Revenue from beer sales contributed 85% to Sabeco's total revenue and contributed 95-97% to its profit in 2014-2016.

## Vietnamese fashion brands warn they may lose home market

VNN - Vietnamese fashion and garment companies have usually focused on outsourcing and have ignored branding. But the business strategy will no longer fit the new circumstances as more and more foreign brands have landed in Vietnam.

Mango has opened two Mango Mega Stores since 2015. H&M opened a shop in HCMC last September. On November 9, Zara opened its first shop in Hanoi.

According to Savills, Vietnam is the fifth country in South East Asia where Zara is present. The arrival of Uniqlo in the near future will make the Vietnamese market even more competitive.

Dang Phuong Dung, deputy chair of the Vietnam Textile & Apparel Association (Vintas), said the presence of the world's famous fashion brands will force Vietnamese companies to invest more in branding.

"Not many Vietnamese companies can develop their own brands and sell products under their names. In general, they do not pay much attention to branding because of IP infringement and counterfeit products," she said.

The presence of the world's famous fashion brands will force Vietnamese companies to invest more in branding.

"However, as more famous fashion brands have arrived, Vietnamese companies will have to build brands of their own to compete," she said.

Lai Tien Manh, a branding expert, and CEO of Midrand, said the presence of more foreign brands has occurred because income per capita has been increasing and demand is increasing.

"Vietnamese companies need to change their business strategies. To date, they have been focusing on doing outsourcing. But they will be uncompetitive if they continue doing this," he commented.

He went on to say that Vietnamese companies are good at producing textiles and garments, but not at fashion design, branding and distribution. They will have to make great efforts to survive in the market.

According to MOIT, in the first six months of 2017, the total textile & garment export turnover reached $14.58 billion, an increase of 11.3 percent over the same period last year, much higher than the 6.1 percent growth rate of 2016. Of this, garments brought $11.84 billion, an increase of 9.1 percent.

Vietnam has been witnessing outstanding growth rate in textile and garment exports in recent years compared with other exporters such as China, Bangladesh, Indonesia and India.

However, Dung commented that the majority of Vietnamese companies focus on exporting products and pay little attention to the domestic market, though it has great potential. Though Vietnam's textile & garment industry is a world leader, it mostly does outsourcing.

Some Vietnamese fashion brands well known in the domestic market such as Viet Tien, Nha Be, An Phuoc and Garment 10 only target mid-range menswear.

## Policymakers, auto manufacturers still arguing about car-parts import tariff

VNN - Vietnam will have to cut the tariff on CBU imports from ASEAN from 30 percent to zero percent in 1.5 months, but state management agencies and manufacturers are still arguing about the import tariff on car parts.

The Ministry of Finance (MOF) has submitted to the government a plan to help domestic automobile manufacturers cut production costs by applying a zero percent import tariff on car parts which cannot be made in Vietnam.

The preferential tariff will be applied to manufacturers which can satisfy requirements on localization ratios and output.

MOF has submitted to the government a plan to help domestic automobile manufacturers cut production costs by applying a zero percent import tariff on car parts which cannot be made in Vietnam.

The Vietnam Automobile Manufacturers' Association (VAMA) disagrees with the plan. Its chair Toru Kinoshita said Vietnam needs to apply the zero percent tariff to all automobile and car part manufacturers, with no requirement on localization ratio and output.

He said if Vietnam doesn't cut the tariff on car parts to zero percent, it would encourage imports, rather than domestic production.

TMT Automobile, in a document to government agencies, also said that some kinds of car parts bear tariffs of 3-25 percent. Domestically made cars will have high production costs, thus making them uncompetitive with the CBU imports.

In reply, MOF said if Vietnam doesn't set requirements on the localization ratio and output, it won't be able to develop the automobile industry.

"Enterprises propose to cut the import tariffs on car parts, but they want to develop supporting industries. This is a paradox," said Nguyen Thanh Hang from MOF.

"Despite a lot of incentives offered to automobile manufacturers since 2004, the locally made content ratio is still low. Do enterprises really want to raise the ratio? Do they want to develop supporting industries?" she said.

Nguyen Minh Dong, who was a designer for Volkswagen, advocates exemption of the import tax on car parts and says the policy needs to be implemented immediately.

However, Dong thinks only the car parts which cannot be made domestically should enjoy the preferential tariff. MOF should raise the tax rates on the import products which can be made in Vietnam.

"This would encourage automobile manufacturers to increase their investments to make car parts in Vietnam," he said.

A representative of an automobile corporation said from 2018, there will be a battle between domestically made products and imports, but also a battle among ASEAN countries.

He said other regional countries are giving big support to their automobile manufacturers to help them fully exploit the zero percent tariff. Thus, it is not the right time to debate.

"It is necessary to reduce the corporate income tax, and exempt VAT for companies which manufacture small-size products in large quantities," he said. "It is also necessary to encourage manufacturers to export their products to regional countries."

# MARKET & PRICES

## Japanese goods conquering Vietnam market

VNS - Viet Nam has become an attractive market for Japanese retailers following the popularity of Japanese goods in the domestic market.

According to Kazuhiro Takahashi, Head of the Food, Agriculture, Forestry and Fishery Division under the Japan External Trade Organisation (JETRO), Viet Nam is one of the potential food markets for Japanese enterprises, especially for aquatic products.

Katsuya Uchida, a representative of Japan's Kyokuyo Company, said that the Vietnamese market currently accounts for 30% of the total seafood export turnover of his company. Of which, salmon and tuna are the most consumed products and receive positive feedback from consumers.

In order to promote exports and dominate the Vietnamese market, Japanese consumer goods and foodstuff enterprises also tend to change some criteria of their products to suit the tastes of Vietnamese consumers.

Besides, Japanese enterprises actively seek partners who can supply raw materials in Viet Nam in order to save costs and lower production costs.

Recently, more than 80 Japanese and Vietnamese enterprises participated in a trade conference in the southern province of Dong Nai to promote development cooperation between the two sides and call for investment and development cooperation.

Representatives of Japanese enterprises, who are manufacturing and doing business in Dong Nai Province, said that most of them have to import 60-90% of raw materials and components from foreign countries in service of production.

Therefore, these companies want to find suitable partners in the Vietnamese market to supply raw materials of high quality and at competitive prices in order to reduce imports and increase the rate of domestic production.

As one of the largest Japanese supermarkets in Viet Nam, AEON's policy in the Vietnamese market is to set aside 80% of its shelves to display Vietnamese goods. The remaining 20% is for goods imported from Japan and other countries.

According to a representative of AEON Vietnam, the massive appearance of Japanese retailers in Viet Nam is a great opportunity for the country's prestigious products to emerge in the distribution network of large retailers.

Japan's distribution and retail systems not only help Vietnamese businesses expand their domestic market but also to create conditions for Vietnamese products to reach the Japanese market and affirm their trademark in other countries, the representative said.

However, in order to be able to participate in the distribution and retail systems of Japan, the goods must be accompanied with documents proving their origin and quality accreditation, in accordance with legal regulations, as well as meeting the quality standards of each supermarket.

At present, the Ministry of Industry and Trade has access to a number of distribution systems in Viet Nam such as AEON, Walmart, Lotte and Auchan, as well as some foreign distribution systems not available in Viet Nam such as Co.op Italia, Bonat Italia, Central Group, French Ocean and German Metro to promote the direct distribution of Vietnamese products to the world market.

Besides, according to experts, Vietnamese consumers' preference for Japanese products is also opening up opportunities for Vietnamese producers to improve their products to increase competitiveness.

They said that Vietnamese producers need to have strategies to produce safe products that meet quality standards and the needs of consumers in the market.

In addition, there is a need for linkages between associations to create bulk supply chains, which will enable small businesses to access the market.

As consumers strictly demand quality products, Vietnamese producers should enhance the competitiveness through the improvement of quality for sustainable development, the experts said.

## Real estate inventories taper off over 16%

VNA - Real estate inventories nationwide saw a reduction of over 16 percent as of November 20, from the same time last year, to an estimated value of over VND26 trillion (US$1.14 billion).

Highest inventories were recorded in residential land. They were estimated at more than 3.1 million square metres and valued at VND12.4 trillion (US$544.8 million).

This was followed by town house with 3,129 units worth over VND7 trillion (US$307.5 million). Unsold apartments stood at 2,924 units, equivalent to about VND4.2 trillion (US$184.7 million) while that of commercial land was at 604,151 square metres valued at nearly VND2.4 trillion (VND105.5 million).

Unsold properties in Ho Chi Minh City were VND4.78 trillion (US$210.1 million) while Hanoi saw a total inventory value of VND5.3 trillion (US$232.9 million).

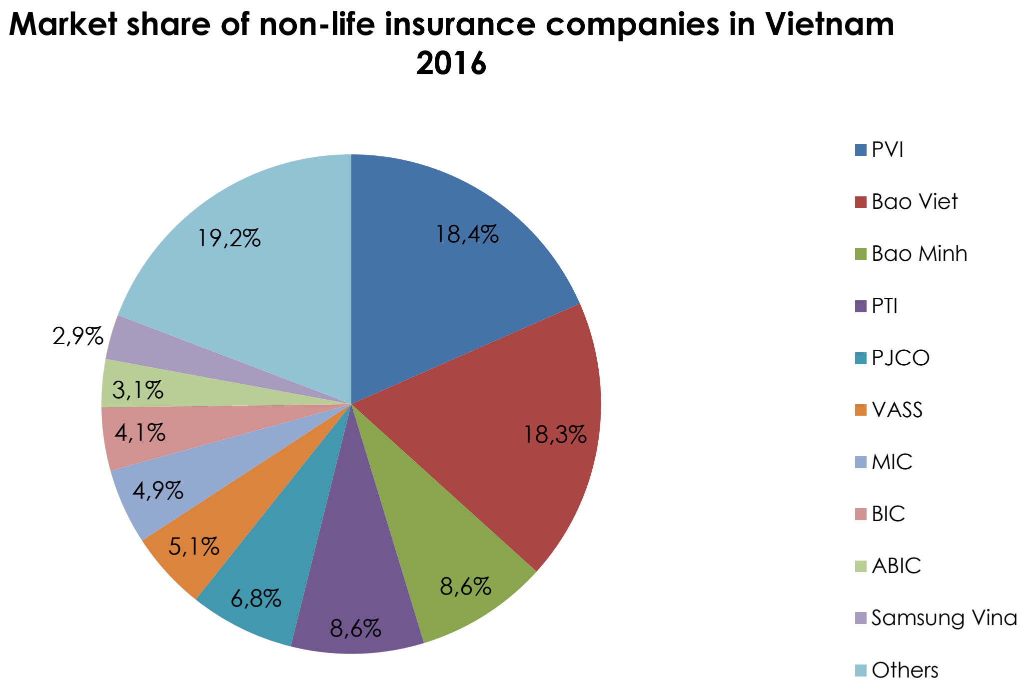
The Ministry of Construction forecast that housing price is stable in the short term and the tourism property market will experience robust development in the coming time.

Apartment prices in Hanoi declined 0.5% from the previous quarter and individual housing segment increased 0.13%.

In stark contrast, apartment prices in the southern hub went up 0.8%, however, luxury units dropped 0.5% in their prices. Individual housing segment escalated 1.65% from Quarter 3.

## Insurance market maintains high growth rate in Jan-Oct

VNA - Total premiums collected by Vietnam's insurance security companies surged 20.4% year-on-year to VND84.19 trillion (US$3.71 billion) in the first ten months of 2017, according to the Ministry of Finance.




During this period, insurance security companies invested VND236.11 trillion (US$10.4 billion) into the economy, up 21.8% compared to the corresponding period in 2016.

Of the total, investment from life insurance companies was VND199.78 trillion and from non-life insurance ones was VND36.34 trillion.

Those companies also paid VND23.9 trillion (US$1.05 billion) as benefits for the insured, with VND12.06 billion from life insurers and VND11.84 billion from the non-life insurance sector.

The Ministry of Finance said management of the insurance market and support for insurance security companies have been enhanced recently, aiming to create a more transparent environment.

The ministry also plans to complete draft decrees on agricultural insurance, micro-insurance, fire insurance, and sanctions against administrative violations in insurance and lottery businesses.

# HIGHLIGHTS

## 12 becomes 11, and the TPP finds a way forward

VIR - With the US withdrawal from the Trans-Pacific Partnership, the remaining 11 nations have decided to develop the pact into another version named the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Raymond Mallon, senior economic advisor from the Australia-Vietnam economic reform programme, delves into this new pact, which can have some impact on Vietnam's economy.

**Changes address concern about impact on national sovereignty and equity**

At the Danang APEC meetings, the remaining TPP-11 (CPTPP) members reaffirmed their commitment "to open markets, to combat protectionism, and to advance regional economic integration". While the cumbersome new name may not last, the new agreement should provide long-term benefits for all remaining TPP members, including Vietnam.

The statement appears to recognise the need to address concerns in TPP communities that elements of the TPP agenda were dominated by politically connected business interest groups. Changes also address earlier concerns that TPP could impinge on the rights of sovereign governments to address national concerns such as inequality, health and environment issues and climate change.

The controversial provisions on investor state dispute resolution are likely to be relaxed to make it more be difficult for investors to sue member states for the costs incurred investors because of national public interest regulations (for example related to health or environmental safeguards). Investors will only be able to sue a government for alleged breached of specific obligations identified in the TPP Investment Chapter. This means that Vietnamese government will retain greater flexibility to regulate in the national public interest.

Some attempts to extend intellectual protection have been suspended, including those relating to extending durations of patent protection, restricting attempts to circumvent the protection of digital information, and "procedural fairness" provisions that were to be applied to the pharmaceutical industry.

Four relatively minor key areas where further negotiations are required to achieve consensus before finalising the TPP are: state enterprises (Malaysia); services and investment non-conforming measures, (Brunei); dispute settlement: trade sanctions (Vietnam), and; cultural exception (Canada).

**Reduced global impact of TPP**

Obviously, the US withdrawal from TPP will reduce the global impact of the agreement. The TPP-11 member countries account for only about one-third of the total GDP, and 60% of the population, of TPP-12.

However, economic modelling confirms net benefits for all remaining member countries. While the US withdrawal from TPP will adversely impact on its citizens, the US' North American neighbours, Mexico and

Canada, should gain additional benefits, as potential US trade is diverted to Mexico and Canada. Peru and Chile are also expected to experience greater benefits following the US withdrawal.

**Impact of TPP changes on Vietnam**

Recent modelling suggests that TPP-11 would generate an increase of 2.43% in exports among partner countries (about 40% of what would have occurred under TPP12).

Earlier economic modelling showed that Vietnam was the country with the most to gain from TPP-12. Most of the net gains would have resulted from potential increases in trade (especially garments and footwear) with the US. While still potential beneficiaries of TPP-11, Vietnam (and Japan), are likely to experience the largest reductions in potential gains, because they stood to gain the most in the US market under TPP-12. The US withdrawal will eliminate many of the large gains that Vietnam stood to make in textiles and apparel in the US market under TPP-12. Despite this loss, Vietnam is still expected to be a significant beneficiary from TPP-11 in terms of the% impact on GDP growth.

Once implemented, TPP-11 member countries will only need to comply with one consistent set of rules for sourcing and producing goods and services from all other member countries. For example, a Japanese company that produces goods with inputs from Vietnam and Malaysia could sell to the Australian market using TPP-11 preferential arrangements since all the countries are members of TPP-11.

Streamlining of the rules of origin are likely to be particularly beneficial for small- and medium-sized enterprises (SMEs), who often lack the capacity needed to understand and comply with the differing requirements of multiple markets. The other changes to commitments are not likely to have a substantive direct economic impact on Vietnam, but will reduce risk of private investors taking costly legal action against Vietnam public interest regulations. Importantly for Vietnam, there are no changes to the goods market access outcomes contained in the original TPP.

**Potential benefits of moving beyond TPP-11**

Vietnam should still consider unilaterally adopting economic reforms that go beyond TPP commitments, where such reforms are beneficial to Vietnam regardless of any trade and investment concessions from other countries.

Reforming regulations to facilitate the development of competitive factor markets will be critical for both efficiency and equity objectives. Reforms to markets for agriculture land use rights are needed to ensure that farmers can benefit equitably from their agriculture land use rights. Reforms that help to simplify procedures and reduce the administrative costs of doing business are particularly important for SMEs that often lack the resources needed to overcome bureaucratic hurdles.

Extending competition policy reforms beyond TPP commitments could help drive the innovation and creativity needed for Vietnam to accelerate productivity growth and to develop a vibrant service sector. The adoption and implementation of a national competition policy framework that clearly specifies good regulatory principles that have to be followed by all government agencies could help.

Reforms to national regulators to make them independent of agencies that exercise ownership rights or represents particular business groups, would increase allocative efficiency, stimulate productivity growth and promote more equitable outcomes. An immediate priority would be to ensure that the Vietnam Competition Authority operates independently in implementing the new Competition Law.

The TPP-11 agreement has the potential to benefit Vietnam and those investing in Vietnam, but other domestic reforms could be taken to generate even greater national economic benefits.

## Wealthy Asian investors hunt for Vietnamese stocks

VNN - Wealthy Asian investors have been bringing billions of dollars to Vietnam and hunting for big investment opportunities.

The auction of Vinamilk shares, the most expected in 2017, was organized some days ago. A foreign investor paid $400m (VND9 trillion) to buy 48.33 million shares, or 3.33% of charter capital.

On the same day, foreign investors spent VND1.5 trillion to buy 8.6 million Vinamilk on the bourse at the price of VND173,800 per share, the ceiling price level of that day.

**Platinum Victory PTE**, belonging to Jardine Cycle & Carriage, the leading Singaporean automobile distributor in South East Asia, is a big investor in Vinamilk, according to Nikkei. The investor bought a 5.53% of Vinamilk stake in total, from both SCIC at the auction and on the bourse, worth $616.6m.

Wealthy Asian investors have been bringing billions of dollars to Vietnam and hunting for big investment opportunities.

Some days ago, the Vietnamese stock market witnessed an unprecedented transaction where hundreds of millions of VRE shares of Vincom Retail, worth $0.7b, were transferred to foreign investors within one trading session.

The value of shares sold was very small compared with demand - $2b, or 3 times higher than the offered value. The investors which bought shares included Avanda, Dragon Capital, Genesis, GIC Pte, HSBC, Karst Peak, Templeton Investments and TT International.

Analysts commented that the thirst for Vietnamese stocks began in 2016 when a series of share purchase deals were made by Asian investors. These included JX Nippon Oil & Energy which spent VND4 trillion to acquire an 8 percent Petrolimex stake.

Two foreign investment funds, the Hong Kong-based Magbi Fund Limited and Singapore-based Super Delta Pte Ltd, have spent VND2.4 trillion to buy a 40 percent stake of Traphaco, the largest Vietnamese pharmacy firm. Other pharmacy firms also have foreign investors: Domesco has Abbott, Hau Giang Pharmacy has Taisho Pharmaceutical, while Pymepharco has Stada Service Holding.

In the banking sector, **Japanese Shinsei** has acquired a 49% stake of Mcredit, a finance company. Another Japanese investor bought half of the finance company belonging to HD Bank.

Analysts said after the divestment from Vinamilk, SCIC would divest Vinaconex shares in 2017. Also, investors will have opportunities to buy into large plastics companies – Binh Minh and Tien Phong.

The information about the SCIC divestments has pushed up prices of the shares. BMP, NTP, VCG and DMC have increased by 3.5-6%.

Huynh Minh Tuan from VnDirect Securities commented that the demand is very high from foreign investors who will buy out all of the shares to be put on sale in the time to come.

# CONTACT

**For more information, please contact us:**

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