



New Government, New Environment

A new Vietnamese Government has recently been elected by the National Assembly, in which, Mr. Nguyen Xuan Phuc has been named as the new Prime Minister of Vietnam. As an experienced statesman, PM. Phuc has the potential to develop Vietnamese society and stabilize the economy. It is believed that Mr. Phuc will speak directly with the business community. This conversation will have an emphasis on the creation of a more innovative business environment. During which, PM. Phuc will be accompanied by relevant authorities and functional departments to create policies which will develop Vietnam's corporate environment. One of the main goals of these policies is to see the creation of 1.5 to 2 million efficient enterprises in Viet Nam by 2020. Additionally, solutions to the operational difficulties that impact businesses will also be discussed. The business community has clearly expressed their hope for an innovative business environment to the new government..

Saigon, Pearl of the Far East, is coming back?

Formerly known as Saigon, Ho Chi Minh was the most developed city in Asia during the 1950s. However, after experiencing two wars and undergoing dramatic change, Saigon no longer holds this title.. But, with a passion to bring Saigon back, Mr. Dinh La Thang, the newly appointed Party Secretary of HCMC said that the city now boasts one of the biggest economies in Vietnam. Due to its scale and complexity, HCMC requires special policies to be treated as a unique economic zone, much like Shanghai. To obtain this goal, a series of solutions have been recommended, in which one of the highlighted solutions is a revision of the government's organizational structure and its procedures relating to administration, and working with the public . As well as this, the authority and functional departments of HCMC have been taking drastic measures to tackle procedural delays. The collaboration with Microsoft Group will focus on fastening the development of the city in terms of administrative procedure reform, food safety control and management, smart traffic programs and environment preservation. With this level of commitment, effort and ambition, we are set to see Ho Chi Minh City reclaim its former glory as one of the economic centers of the region

Investment



Wave of investment from European Union

The EVFTA agreement is expected to bring an enormous wave of investment from the EU to Vietnam. Ambassador-cum-Leader of the EU Mission, Mr. Bruno Angelet, indicated in the ceremony for the **White Book 2016 Release** that heavy tariff reductions, which are mentioned in EVFTA agreement, would trigger investment between the EU and Vietnam. Accordingly, about 70% of regular trade, including mainstay industries, is duty free. Public procurements are also mentioned, these would allow EU investors to construct public infrastructure in Vietnam. Mr. Vu Tien Loc, the Chairman of the Vietnam Chamber of Commerce and Industry, stated that automobiles and wines from the EU will appear everywhere in Vietnam and Vietnamese agricultural products will do very well in EU malls and supermarkets in the near future. Moreover, the EVFTA agreement would assist in the process of institutional reform in Vietnam and bring opportunities to SMEs in both Vietnam and the EU with regard to international development. The EVFTA agreement is expected to strengthen the friendship of the two sides and facilitate corporation for global integration.

Economic Indicators (Q1 2016)

	% (yoy)	\$US
GDP Growth rate	5.46%	
Industry & Construction	6.72%	
Service	6.13%	
Agriculture, Forestry & Fisheries	-1.23%	
CPI (March)	1.69%	
Export	4.10%	37.9 bil
Import	-4.80%	37.1 bil
FDI		
Registered Capital	119%	4.02bil
Implemented Capital	14.80%	3.5 bil
Credit Growth rate	1.54%	

Source: VCBS

Investment status in Vietnam Q1 2016

According to the Foreign Investment Agency (FIA), part of the Ministry of Planning and Investment, foreign investors registered around \$ 4.03 billion in Vietnam in Q1/2016, a growth of 119% yoy. Meanwhile, while the FDI disbursement surged 14.8% yoy to \$ 3.5 billion.

Foreign investors currently invest in 19 sectors, in which the manufacturing and processing industries attract the lion's share of FDI, with 216 newly-registered projects and 149 capital-raising projects, the equivalent of \$ 2.9 billion and accounting for 72.2% of total FDI pledged in Vietnam. In second and third places are Real Estate with \$ 239.8 million (6% of total FDI and Entertainment (representing 5.2% of FDI).

Statistics from the Foreign Investment Agency (FIA) revealed that investors from the Republic of Korea took the lead with 888.6 million USD, accounting for 22 percent of FDI. They were followed by those from Singapore and Taiwan with 554 million USD and 466 million USD, respectively.

Dong Nai became the destination of choice for foreign businesses, receiving 585 million USD in investments, totaling 14.5 percent of FDI registered in the country. Bac Ninh and Binh Duong provinces came second and third with 398 million USD or 9.8 percent, and 371 million USD or 9.2 percent, respectively.

(Source: Ministry of Planning and Investment)

Industry Review



eCommerce ▶



Steel

The production and sale of domestic steel products in the first 2 months of 2016 continued to maintain a solid growth rate despite competition from low-priced steel from China.

On March 22, 2016, the Ministry of Industry and Trade decided to apply a temporary safeguard duty of 200 days for steel billets and long steel products, triggering domestic prices to soar. As a result, many agents purchased large volumes of steel for speculation. However, as some big steel manufacturers made a commitment to maintain their current prices, the cost of construction steel on the market gradually cooled down at the beginning of April. Presently, the selling price is around 11 - 11.3 million VND per ton.

Information technology

The IT industry has become a fast growing, sustainable, and profitable sector with increasing export value. Even during the slow recovery of the world economy, many large corporations, such as Samsung, LG, and Panasonic are continuing to invest and expand production in Vietnam. According to the latest report from the Vietnam Software and IT Services Association (Vinaso), revenue from software and IT services in Vietnam has increased 50% in five years, from \$US 2 billion in 2010 to over \$US 3 billion in 2015.

In the high-tech sector, the IT industry of Vietnam ranked in the top 10 leading countries in the Asia - Pacific region, and in the top 30 in the world on outsourcing and software development. Also, Since 2012, Vietnam has become Japan's second largest outsourcing partner .

Clean Food

Food quality is currently of major concerns in Vietnam. However, many foreign corporations perceive good opportunities for investment into manufacturing clean foods in this market. With an urban population of more than 20 million, in which the middle class and young families are increasing significantly, along with consumer attitudes and habits, Vietnam is definitely an attractive market for organic food.

Currently, Techna Group (France) – specializing in nutrient manufacturing for livestock and crops – is considering Vietnam as a strategic market for business expansion in ASEAN. CJ Cheil Jedang Co. (Korea) plan to invest \$US 500 million in Vietnam through direct investment or the acquisition of some food companies in Vietnam. This will increase their total investment capital in Vietnam to \$US 900 million. Their goal is to make Vietnam become the second largest oversea production center (following China) of CJ Cheil Jedang. In addition, giants like Vingroup, Hoa Phat, Hoang Anh Gia Lai are investing heavily in agriculture and this push could dramatically change the market in the future.

E-Commerce

Total revenue of e-commerce activities in Vietnam is expected to reach over \$US 7.5 billion by 2019 (Kent Research). Recently, Alibaba Group Holding Ltd. made its largest overseas investment with a \$1 billion deal for control of Lazada Group SA. "This cooperation is in conformity with the company's vision of making E-commerce become more popular in Vietnam", Alexandre Dardy - CEO Lazada Vietnam

On the basis of promoting non-cash payment in Vietnam for the period of 2011-2015, the State Bank of Vietnam also implemented a plan to enhance payment services via point of sale systems (POS) from 2014 to 2015, gradually expanding payment via POS, and forcing POS to become a habit of the cardholder, which is one of the vital components for the development of E-commerce.



PCI Report

The Provincial Competitiveness Index (PCI) 2015 was released on 31st March 2016 by VCCI and USAid. Da Nang, which scored 68.34 points, has topped the index for the third consecutive year. This is the sixth time the city has ranked in this position. Da Nang was followed by Dong Thap province with 66.39 points, and Quang Ninh province with 65.75 points. The top 10 provinces include Vinh Phuc, Thai Nguyen, Quang Nam, Thanh Hoa, Ho Chi Minh city and Long An. These provinces have demonstrated strong initiatives in reforming administrative procedures and improving management quality.

The PCI 2015 report was implemented via surveys of 11,700 enterprises in Vietnam, in which 1,600 were foreign-invested firms.

The report showed a good improvement in the quality of economic management of Vietnamese localities, which resulted in the remarkable number of 94,754 newly-registered enterprises, including 2013 FDI firms.

In 2015, there was a rise of 10% in the number of private enterprises that increased investment increased by over 10%, furthermore the proportion of enterprises who hired more employees was 12 %, and 49% of the interviewed enterprises plan to enlarge their business in the future. These are all outstanding figures stating the highest rates over recent 5 years.

Law Update

Decision [626/QĐ-BTC](#), effective dated from 6th August 2015, Publish 12 revised, alternative, annulled administrative procedures regarding to **tax management**.

Circular No. [03/2016/TT-BYT](#) effectively dated March 06, 2016, regulations regarding to **herbal ingredient trading**.

Decree No. [07/2016/ND-CP](#) dated January 25, 2016, detailed regulations on **establishment of representative offices or branches of foreign traders in Vietnam** under Laws on Commerce

Circular [07/2016/TT-BTC](#) amending and supplementing some articles of Circular [210/2012/TT-BTC](#) providing **guidelines on the establishment and operation of securities companies** have entered into force on 15.03.2016.

Circular No. [48/2016/TT-BTC](#) dated March 17, 2016, on amendments to **preferential import tax rates** applicable to certain articles of oils and spirit in heading 27.10 of the preferential import tariff.

Circular No. [53/2016/TT-BTC](#) dated March 31, 2016 amending and adding some Articles of Circular No. 200/2014/TT-BTC dated December 22, 2014 of the Ministry of Finance **guiding the corporate accounting system**

From 31/3/2016, Circular [59/2015/TT-BCT](#) regulates the operational management of **E-commerce via Mobile platform** begin to take effect .

Circular [21/2016/TT-BTC](#) which takes effect from 01/4/2016 refers to **CIT incentives for auxiliary industry**.

About Viettonkin

Viettonkin Joint Stock Company is a multidisciplinary-operated company specializing in Consulting Services, which provides professional services to both domestic and foreign businesses. By facilitating business, investment and trade between Vietnam and the rest of the world through innovative and cost-effective development services, we have helped many NGOs and business corporations that are now more active and successful in doing business in Vietnam.

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