

Newsletter

May 2016



President Obama visits Vietnam

The President of United States of America, Barack Obama, just completed a historic tour of Vietnam from the 23rd to the 25th of May 2016. This visit is a milestone in diplomatic relations between Vietnam and the US. In a press conference, President Obama officially announced the lift of the US arms embargo on Vietnam, marking the complete normalization in relations between the two countries. During discussions with Vietnamese Leaders, President Obama affirmed his commitment to supporting Vietnam with the Trans Pacific Partnership (TPP), peaceful resolutions in South China Sea disputes, internationally high-standard education as well as economic facilitation. The President also spent his time delivering speeches to the Vietnam's younger generation, which conveyed great inspiration. The visit did receive a remarkably warm and generous welcome from Vietnamese residents, successfully strengthening the comprehensive partnership between the two countries, advancing their shared vision for the future and boosting the economy and security of the region.

Economic Facilitation via President Obama's visit

President Obama's recent visit to Vietnam marked the deepening of ties between Vietnam and the US with a series of business agreements. The total value of these agreements is worth up to US\$ 16 billion



In which, Vietjet Air signed a US\$11.3-billion contract with Boeing to buy 100 new B737 MAX 200 planes. This is the biggest deal ever between a Vietnamese and a US company. Additionally, the airline signed another deal for engines made by Pratt & Whitney, a unit of United Technologies, with a contract value of US\$3.04 billion. A MOU between GE Wind and Vietnamese Government to develop wind energy projects in Vietnam by 2025 was also agreed upon. These projects are expected to provide 1000 MW wind energy to the National Power System of Vietnam.





'Super Projects' from EU to Vietnamese provinces

According to the department of Foreign Investment, there are currently 1.809 valid FDI projects from 24 EU nations, with a total US\$ 23.16- billion Registered Investment Capital, accounting for 8.7 % of total FDI projects, and 8% of total Registered Investment Capital from FDI into Vietnam.

EU investors poured capital into 18 economic sectors with a major focus on three industries, namely Manufacturing, Real Estate, and Electricity Production & Distribution.

In terms of investment areas, EU FDI projects are present in 51 of the 63 provinces in Vietnam, mainly at big economic centers with a high-standard infrastructure like Hanoi, HCMC, Quang Ninh or Dong Nai.

Of the 24 EU countries, the Netherlands, the UK, France, Luxembourg and Germany are the biggest investors in Vietnam, accounting for 84.3% of total EU investment capital.

Central Group bought Big C Vietnam

After beating Thai conglomerate TCC Group, other local and international peers (including Japan's Aeon and South Korea's Lotte) in the bidding round, Thailand's retail giant Central Group bought Big C supermarket operations in Vietnam for 1 billion Euros (US\$1.14 billion). This group is generally well known in Vietnam due a January 2015 deal in which they acquired a 49% stake in Vietnamese leading electronics retailer chain Nguyen Kim.



Vinamilk increases Foreign Ownership Possibility to 100%

At the Annual General Meeting of Shareholders held on May 21, 2016 in HCM city, an official said Vinamilk is going to offer foreign investors a 100 percent ownership opportunity. It believes now is the right time when macro-economics are gradually recovering after the crisis, and Vietnam is consolidating its position as an attractive destination for investment, especially after the signing of the trade agreement among twelve Pacific Rim countries (TPP) on February 4, 2016. Although the foreign ownership ratio ceiling was raised from 49 percent to 100 percent, Vinamilk affirmed that the National Brand would not be eliminated.



ANA Holding becomes a strategic partner of Vietnam Airlines

ANA Holdings and Vietnam Airlines, the two leading airlines of Japan and Vietnam, have recently signed an agreement for a business and capital partnership. The event follows an MOU from early 2016, in which ANA Holding would acquire 8.77% stake of Vietnam Airlines, worth US\$109 billion. Via this partnership, the two airlines plan to cooperate in a variety of services and programs such as passenger check-in, cargo loading, codeshare arrangements, and shared mileage programs.



Presence of Foreign Educational Institutions in Vietnam.

Following commitments to the WTO, Vietnam is opening the door to welcome foreign investors in education to come to the country. There are currently numerous foreign academic institutions operating in Vietnam including Preschools, primary schools, secondary schools, higher education institutes, Language Centres and Professional Vocational Education Centres. However, there are still some obstacles facing investors who wish to open a 100% foreign owned preschool, primary, or secondary school. Therefore, a Joint Venture with Vietnamese partners is always recommended. Recently KinderWorld, an education investor from Singapore, invested in the construction of an international education complex in Quang Ninh with an investment capital of \$US 13.5 million. KinderWorld operates 15 campuses in Vietnam. Following the visit of President Obama to Vietnam, the Vietnamese Government granted an operating license to Fulbright University. In a Joint Statement between Vietnam and the US, education was highlighted as an important issue in terms of future cooperation between the two countries. President Obama committed to US support to boost training in science, technology, engineering, math and medicine in Vietnamese Universities with the help of leading US universities and corporations like Harvard, Arizona State University, Intel, Johnson & Johnson and GE.



Resort real estate appeals to FDI in Q1/2016

Along with developments in the market for apartments and land, the resort real estate market in the Southern region has again attracted interest from foreign investors. According to CBRE, a real estate service provider, resort real estate supply increased in the first quarter of the year compared to 2015. Perhaps the most important area in terms of resort real estate is now Phu Quoc (Kien Giang).

As a newcomer in this market segment, Phu Quoc has only just been recognized as a prime destination, primarily as a result of infrastructure improvement. In Q1/2016, the total supply was more than 1,700 dwellings/units from six villa projects and one apartment project. Also in this period, there were more than 523,000 international and domestic visitors, up 37% YoY. Due to growing tourism and supporting policies, Phu Quoc has appealed to both local and international developers, especially after Phu Quoc International Airport went into operation in 2012. A number of large scale (200+ rooms) projects are expected to enter the market within the next 2 years, with international operators such as Starwood, IHG and Mövenpick are already in place.



CSR, Legal & Macroeconomic Updates



Vinamilk CSR in 2016

Based on a plan to provide 4 million cups of milk to 40,000 helpless children, the first activity was held on Ninh Xuan Primary School, in Hoa Lu, Ninh Binh on 08/05/2016.

This is the opening program of a plan implemented by Vinamilk via Milk Budget, namely 'Vuon Cao Vietnam'. In this year, the company will provide milk to 40,000 poor children across 40 provinces in Vietnam, with a total budget VND 22.5 billion.

As one of the VIP guests attending the event, the Vice President of the Ministry of Labor- Invalids and Social Affairs spoke highly of the Corporate Social Responsibility of Vinamilk, and the Children Sponsor Fund as well as Milk Budget- Vuon Cao Vietnam. There is hope that the program will be developed further in the coming years.



Economic Indicators in first 5 months of 2016 (yoy) (Unit: %)

Total increase of Index of Industrial Production (IIP)	+7.5
Total increased retail sales of goods and services	+9.1
Increased rate of total export turnover	+6.6
Increased rate of total import turnover	- 0.9
Increased rate of foreign visitors	+20.0
Increased rate realized investment capital from the State budget	+11.5
Increased rate in the 5 first months of 2016 compared with same period in 2015	+1.59
Core inflation in the 5 first months of 2016 compared with same period in 2015	+1.78

Source: GSO

Legal Updates



- Resolution [35/NQ-CP](#) dated 16/05/2016 on supporting and developing enterprises until 2020
- Decision [996/QĐ-BTC](#) dated 10/5/2016; the Ministry of Finance issued a Quota System of taxpayers to enterprises.
- The Ministry of Planning and Investment has issued [Circular 04/2016 / TT-BKH](#) (efficiency from 01/7/2016), text forms used in social enterprise registered under Decree 96 / 2015 / ND-CP
- [Decree 11/2016 / ND-CP](#) dated 03/02/2016, the implementation of the provisions on the granting of work permits to foreign labor working in Vietnam. This Decree replaces Decree 102/2013 / ND-CP and takes effect from 01/04/2016. The decree also clarifies the profile for requirement of providing work permits as well as the duration of the work permit, and the procedure for application and issuance of the work permit.

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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