



A GUIDE TO INVESTMENT AND TRADE IN VIETNAM 2019-2020



Disclaimer

All materials presented in this report, unless specifically indicated otherwise, are under copyright and proprietary to VCCI-HCMC. Information contained herein, including projections, have been obtained from materials and sources reliable at the date of publication. While VCCI-HCMC is confident in the accuracy of the information set forth, VCCI-HCMC does not always verify the sources and therefore, make no guarantee, warranty, or representation concerning it or them. Readers are solely responsible for assessing the relevance, accuracy, completeness and currency of the information within this publication. This report is written exclusively for VCCI-HCMC partners and professionals for information purposes only. It is not to be used or considered as an offer or the solicitation of an offer to sell, buy, or subscribe for securities or other financial instruments. All rights to the material are reserved and none of the material, its content, or any copy of it, may be altered in any way, transmitted, copied or distributed to any other party without prior written permission of VCCI-HCMC. VCCI-HCMC will not be liable for any loss, damage, cost or expense incurred by any party using or relying on information in this publication.

Second Edition published in 2019 by:

Vietnam Chamber of Commerce and Industry, HCMC Branch (VCCI-HCM)

171 Vo Thi Sau, Ward 7, District 3, Ho Chi Minh City, Vietnam

Tel: +84-28 3932 6598 - Fax: +84-28 3932 5472

Email: info@vcci-hcm.org.vn

Editor-in-chief: **Mr. Nguyen Thanh Binh**

Director, Business Information Centre, VCCI-HCM

Email: ngthanhbinh@vcci-hcm.org.vn; thanhbinhvcci@yahoo.com

Compiler of chapters I,II and III: Mr. Nguyen Thanh Binh Director of Business Information Center of VCCI-HCMC

Compilers of chapter IV: Mr. Thomas McClelland - Tax Partner of Deloitte Vietnam and Mr. Tran Van Tho - Tax Director of Deloitte Vietnam

Principal Designer: MZ Media

Designer of chapter 4: Deloitte

Content



09-15

CHAPTER I Vietnam At A Glance

- 10. Geography, landscape and climate
- 11. Country and people
- 14. Vietnam political structure



17-59

CHAPTER II Business Landscape

- 18. Looking back on the last year 2019
 - Macroeconomic
 - Vietnam Economic integration process and free trade Agreements
- 30. Vietnam's Positioning - Where does Vietnam stand compared to others
 - Overall Vietnam's Global Ranking
 - Global competitiveness index
 - Global Innovation Index
 - Ease of Doing Business Index
 - The Global Talent competitiveness index
 - Credit rating
- 35. Looking Forward
 - Prospects for Vietnamese economy in 2019 and beyond
 - Looking further into the Future
 - TOP TEN Reasons to invest in Vietnam
 - Investmnet Opportunities in Industries & Sectors



60-69

CHAPTER III Ho Chi Minh City - A Land where Birds will Come to Build Their Nest

- Ho Chi Minh City Stays true to itself
- The cosmopolitan city
- Smart City development plan
- HCM City investment autonomy
- The Driving Growth force & Economic Hub of the Country
- Key infrastructure
- The city of Pioneers
- TOP TEN Reasons to Invest in HCMC
- Appendix



75-86

CHAPTER IV Business Guide

- Introduction to new investment law and law on enterprise 2014 (Negative List)
- Investment screening and licensing authority
- Company incorporation process
- Investment incentives
- Taxation regime
- Profit remittance - Repatriation of Contributed Capital and Loans
- Labour regulations
- Market Access Restriction Related to WTO Commitment and Free Trade Agreement
- Reference cost of living, Utilities Charges, minimum wage rates

Foreword



Mr. VO TAN THANH
Vice President of Vietnam
Chamber of Commerce and
Industry, General Director of
Vietnam Chamber of Commerce
and Industry - HCMC Branch

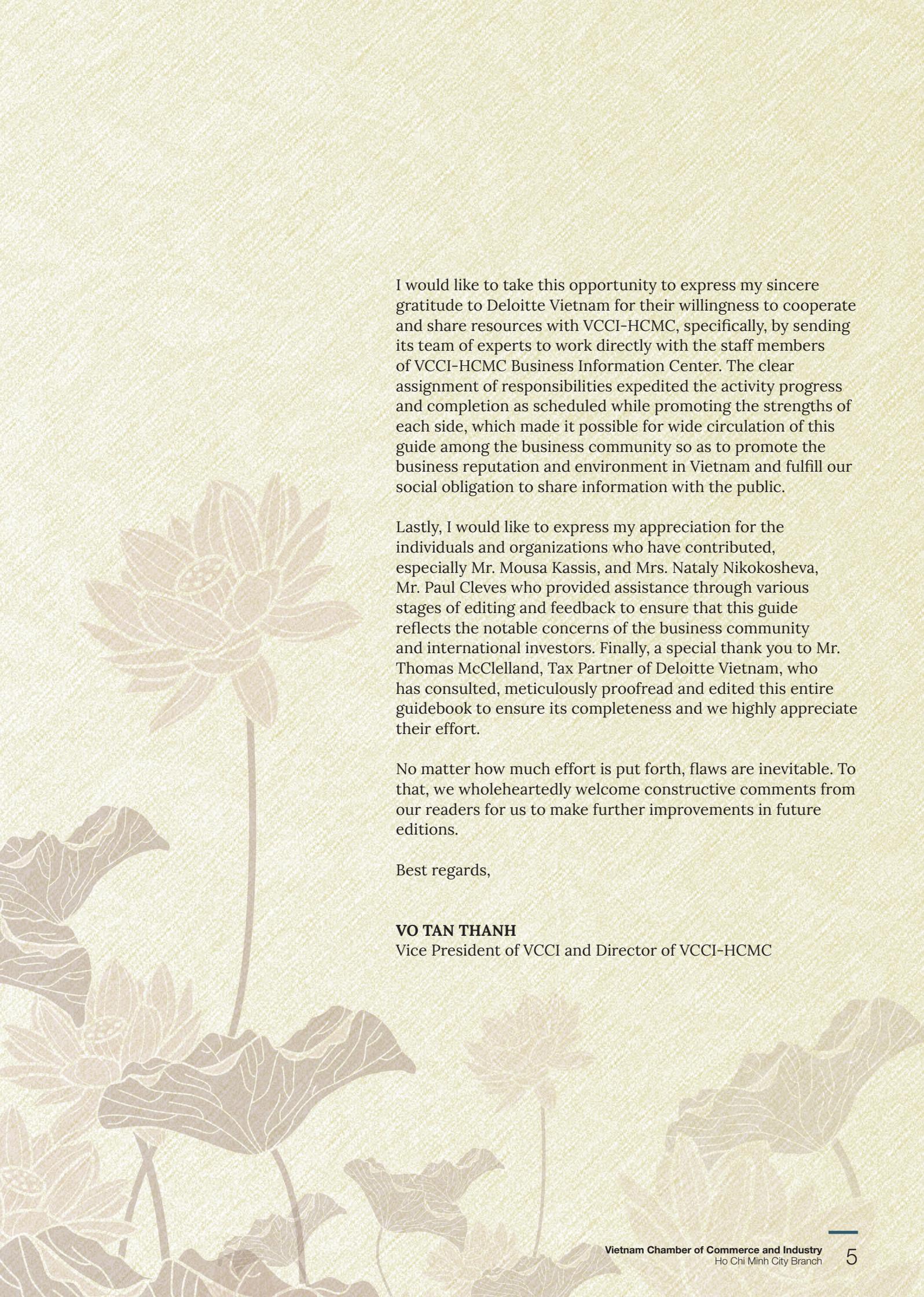
This is the second year that the new edition of the “Doing business in Vietnam” guide will be made available by Vietnam Chamber of Commerce and Industry, Ho Chi Minh City branch (VCCI-HCMC) for Vietnam’s business community, including foreign investors, organizations, and individuals who are potentially interested in learning more about the Vietnamese market and thus, exploring investment opportunities here.

This edition will encompass key features from the first edition. Components that will be kept constant include the overall presentation of chapters and sections, highlights on the role and position of a national organization for trade promotion aimed to promote and introduce the country’s business environment for investors to explore investment opportunities, find business partners, undertake long-term projects for mutual benefits and growth, and become part of the national economy.

This year’s publication is also notably different for it features the product of cooperation between VCCI-HCMC and Deloitte Vietnam, a global consulting services provider, which should ensure that the guidance on business and investment in terms of taxation regimes, forms of business and investment, market access strategies, opportunities of access to infrastructure markets, services and other necessary reference data will be provided in professional and practical manner.

Like the first edition, this one will similarly provide an introduction of the overarching topics followed by a detailed compendium of several issues, particularly the latest developments in the business environment, to further readers’ apprehension of market development in relation to the global market.

These two editions will also display similarities in the aspect whereby visuals and user-friendly languages will still be utilized to represent and contribute to the local image and perception of Vietnam and Ho Chi Minh City.



I would like to take this opportunity to express my sincere gratitude to Deloitte Vietnam for their willingness to cooperate and share resources with VCCI-HCMC, specifically, by sending its team of experts to work directly with the staff members of VCCI-HCMC Business Information Center. The clear assignment of responsibilities expedited the activity progress and completion as scheduled while promoting the strengths of each side, which made it possible for wide circulation of this guide among the business community so as to promote the business reputation and environment in Vietnam and fulfill our social obligation to share information with the public.

Lastly, I would like to express my appreciation for the individuals and organizations who have contributed, especially Mr. Mousa Kassis, and Mrs. Nataly Nikokosheva, Mr. Paul Cleves who provided assistance through various stages of editing and feedback to ensure that this guide reflects the notable concerns of the business community and international investors. Finally, a special thank you to Mr. Thomas McClelland, Tax Partner of Deloitte Vietnam, who has consulted, meticulously proofread and edited this entire guidebook to ensure its completeness and we highly appreciate their effort.

No matter how much effort is put forth, flaws are inevitable. To that, we wholeheartedly welcome constructive comments from our readers for us to make further improvements in future editions.

Best regards,

VO TAN THANH

Vice President of VCCI and Director of VCCI-HCMC

“The Voice of Business in Southern Vietnam”



VIETNAM CHAMBER OF COMMERCE AND INDUSTRY HO CHI MINH CITY BRANCH

About us

Vietnam Chamber of Commerce and Industry (VCCI) is a national organization that assembles and represents the business community, entrepreneurs, employers and business associations in Vietnam. The purpose of the Chamber is to develop, protect and support the business community, contribute to national socio-economic development. VCCI was established in 1963 in Hanoi as a non-governmental, non-profit organization.

Vietnam Chamber of Commerce and Industry, Ho Chi Minh City Branch (VCCI-HCMC) is the largest branch of VCCI. Based in Ho Chi Minh City, we also cover the operation of 6 other provinces including Binh Duong, Binh Phuoc, Dong Nai, Long An, Lam Dong and Tay Ninh, altogether forming the southern key economic region.

Vision

- To be the leading representative organization for the business community in Southern Vietnam.

Mission

- Enhance the competitiveness of the business community through representation, promotion and capacity building activities.

Core values

- Credibility - Transparency - Professionalism - Innovation - Community Spirit.

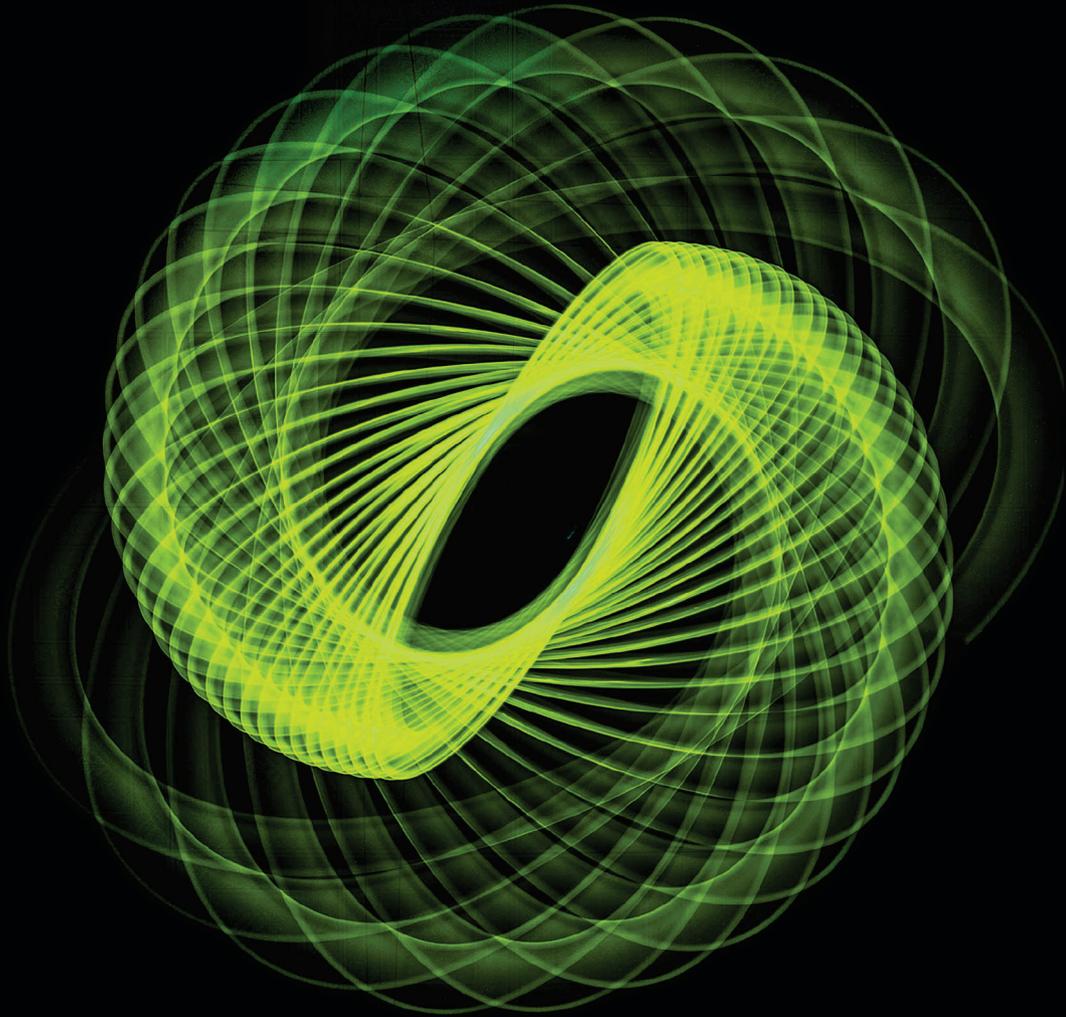
What we do - What we offer

- Trade promotion: Trade promotion event arrangement such as business briefing, B2B matching, seminar, conference, outbound trade mission overseas.
- Policy advocacy; legal & investment consultancy; trade document certification & certificate of origin (C/O) issuance.
- Trade facilitation: business & investment environment monitoring and networking
- Industrial/labor relations consultation, productivity improvement and skill development
- Membership development & capacity building including short term training course arrangement
- Others: Office and conference rooms for rent.

Contact us

VIETNAM CHAMBER OF COMMERCE AND INDUSTRY HO CHI MINH CITY BRANCH (VCCI-HCMC)

- A.** No. 171, Vo Thi Sau Street, Ward 7, District 3, HCMC
- T.** (84-28) 3932 6598
- F.** (84-28) 3932 5472
- E.** info@vcci-hcm.org.vn
- W.** www.vcci-hcm.org.vn



Move your business forward with our innovative solutions!

Deloitte brings world-class capabilities and in-depth local understanding to help clients succeed wherever they operate.

Our services

- Audit & Assurance
- Tax & Legal
- Risk Advisory
- Financial Advisory
- Professional Training
- Consulting

Achievements

- “The Best M&A Advisory Firm in 2017-2018” and “The Best M&A Advisory Firm of the Decade”
- 2018 Golden Dragon Award for “Focused Risk Advisory Services”
- “2018 National Disputes & Litigation Firm of the Year”
- “2019 Best Companies to Work for in Asia”
- SAP Vietnam Partner of the Year - Innovation Partner 2018

Website: www.deloitte.com/vn

Email: deloittevietnam@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.



CHAPTER I

VIETNAM AT A GLANCE - VIETNAM COUNTRY AND PEOPLE



Reproduced from Sy Hoang's lotus pattern
Graphic designer: Nguyen Quang Tu



I. GEOGRAPHY, LANDSCAPE AND CLIMATE

Located on the Indochinese Peninsula in Southeast Asia, Vietnam overlooks the Pacific Ocean and for that reason, has been nicknamed the “balcony over the Pacific”.

From a bird’s eye view, Vietnam is shaped like the letter S. A single mountain range called Truong Son stretches along Vietnam’s western border from the North to South, often likened to the shoulder pole that carries the two ‘rice baskets’, the Red River Delta rice basket on the one end and Mekong River Delta one on the other.

1 Geography, landscape and climate

With an area of 331,070 square kilometers, Vietnam is roughly the same size as Italy, slightly smaller than Germany, and a bit larger than the US state of New Mexico. Vietnam borders China to the north, Laos and Cambodia to the west, and the Pacific Ocean to the east. Running along the east of the Indochina peninsula, the country boasts 3,260 kilometers of coastline, territorial, and inland waters (vùng nội thủy và vùng lãnh hải). There is also an exclusive, 500,000 square kilometers economic zone located approximately 200 miles from shore. Last but not least, a 100,000 square kilometers area occupied by more than 4,000 islands and islets, including Paracel (Hoang sa) islands and Spratly (Truong sa) archipelago.

2. Climate

Laying within the tropical rain belt, Vietnam experiences high temperature and humidity all year round.

The weather in the Northern part of Vietnam (from Hai Van pass northwards) is divided into four seasons (spring, summer, autumn and winter). Meanwhile, weather in the South (from Hai Van Pass southwards) consists of a tropical monsoon with two seasons - the rainy season spanning from May to November and the dry season from December to the end of April. There also exists microclimates engendered by Vietnamese topographical features that support agricultural diversification and enhances landscape aesthetic.



Figure 1: Map of the Socialist Republic of Vietnam

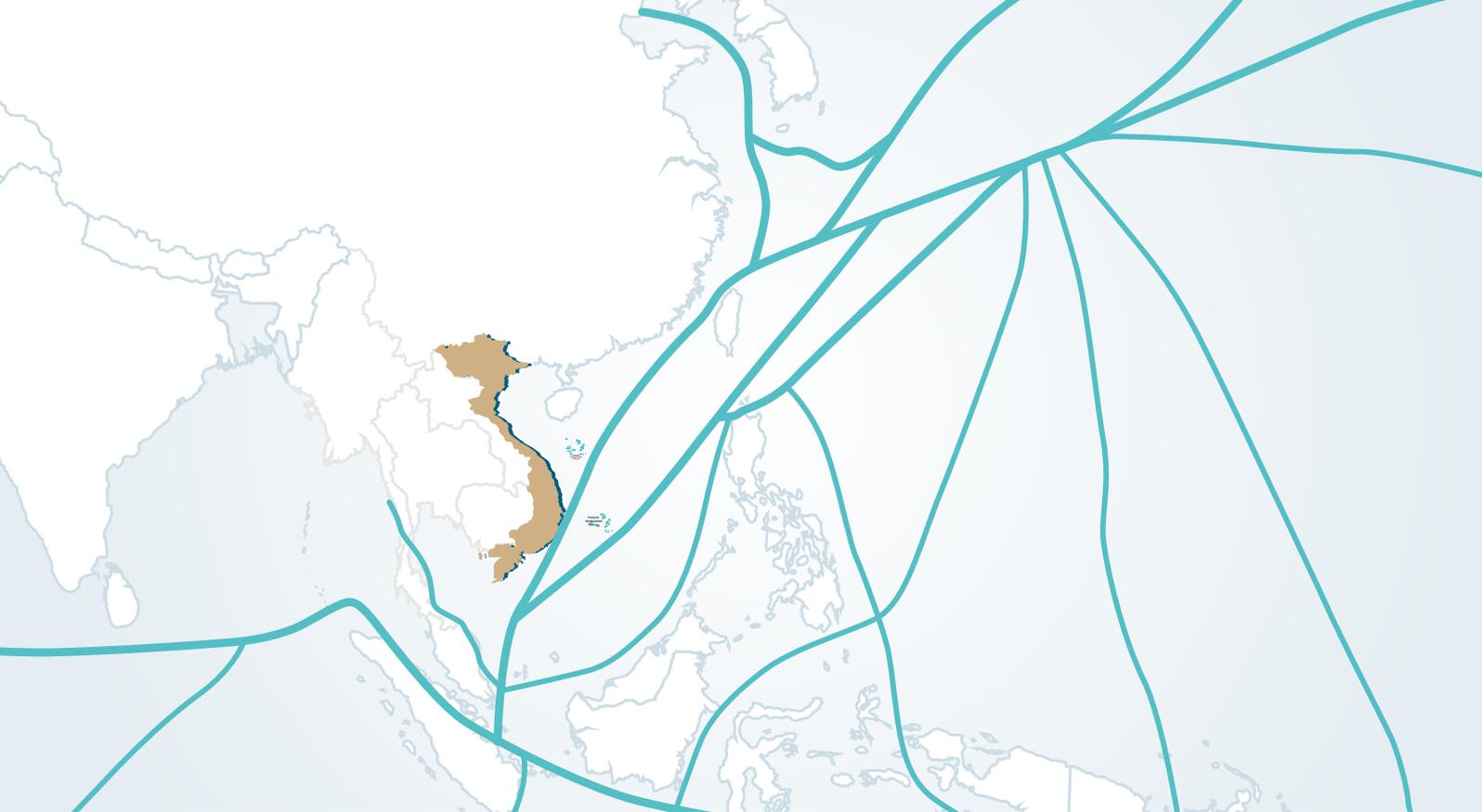


Figure 2: Vietnam is known as the “balcony over the Pacific”

3. Landscape

Mountains and hills account for about three thirds of Vietnam’s territory. Terrains extend from northwest to southwest, helping to direct the flow of rivers and position hydropower plants, dams, and reservoirs.

The two largest granaries are North red river delta covering about 16,700 square kilometers and Mekong river delta covering about 40,000 square kilometers. While in the north, the dyke system has been established and reinforced to prevent flood for hundreds years, in the south, the terrain is crisscrossed by a maze of rivers and canals. The famers have learned to coexist with floods and maximize deposits of silt for rice cultivation and water for aquaculture.

II. COUNTRY AND PEOPLE

As a market economy with a socialist orientation, Vietnam is proactively integrating into the global economy. During its transition into the modern era, Vietnam seamlessly incorporates traditional cultures and foreign influences,

Demographically, Vietnam features a mix of 54 ethnic groups led by the “Kinh” Vietnamese group representing approximately 85% of the population. Other ethnic groups such as the Tay, Thai, Muong and Khmer each represent 2% of the population. This multi-ethnicity has resulted in the emergence of a vibrant culture of rich and diverse heritage manifested in Vietnamese cuisine, literature,

legends, festivals and celebrations. As a result, Vietnam has rapidly become a favored destination for both social scientists and travelers alike.

Another element that has immensely influenced the country’s foundation is a historical one. Vietnam’s heroes and history are often celebrated through festivals and holidays. For instance, the Hung Kings, founders of the first Van Lang kingdom (from 2879 BC to 258 BC) are honored on Hung Kings Commemoration day, annually held on 10 March of the Lunar calendar. Another renowned Vietnamese individual who changed the course of history is King Ly Thai To, who decided



to isolate the kingdom from Hoa Lu citadel from Dai La citadel in 1010 and renamed it to what is currently known as Thang Long, Ha Noi.

Vietnamese history is also closely associated with a continual fight for independence against foreign enemies. Generations after, descendants will not only remember the founders and the builders of the country, but also the national heroes who established the glorious feats of fighting against foreign invaders, to whom the country will pay tribute to forever. One quintessential example is Tran Hung Dao, The Great Prince and military Commander of the Dai Viet (Great Viet) armies that successfully resisted three major Mongol invasions in the 13th century. To this day, he is steadfastly worshipped. There are temples established in his honor alongside other national heroes. The culture of historical commemoration also extends to the king's envoys who were sent to foreign land for the purpose of paying tribute and they were able to preserve the national prestige and honor and at the same time, these journeys allowed envoys to bring back newfound knowledge to the homeland where they were re-taught to locals. The Temple of Literature, the first national university, built in 1070 in Thang Long, Ha Noi, perfectly accredits the value and endurance of knowledge through generations. Here, stone stelae stand on stone turtles, inscribed with the names and academic careers of those who ranked first in the royal national examinations. This act immortalizes distinguished individuals. It was once the royal method of upholding meritocracy, irrespective of social cast and stock. Quoting a famous saying by Than Nhan Trung, who is inscribed in one of the Doctor's stele at this Temple: "The righteous talents are the vitality of a nation...".

The veneration of ancestors and national heroes will long continue to inspire modern Vietnamese as they develop their society, culture and economy.

Vietnam is at the crossroads of the Pacific Ocean and the Indian Ocean with great exposure to international sea lines, with ports of call like Hoi An or Pho Hien. Appointed the meeting place between the east and west, Viet Nam is constantly acquiring and adopting new knowledge and cultures to further enrich its own. Eastern traditions and cultures including "Tam Giao - Three religions - Buddhism, Taoism and Confucianism" have long influenced and guided Vietnamese behavior and thought. Meanwhile, the Western Latin alphabet has modernized the Vietnamese language into becoming a cultural

PISA RANKING IN THE LATEST PUBLICATION IN 2015

Science	Reading	Mathematics	
Singapore	Singapore	Singapore	Norway
Japan	Hong Kong (China)	Hong Kong (China)	Austria
Estonia	Canada	Macau (China)	New Zealand
Taiwan	Finland	Taiwan	Vietnam
Finland	Ireland	Japan	Russia
Macau (China)	Estonia	China *	Sweden
Canada	South Korea	South Korea	Australia
★ Vietnam	Japan	Switzerland	France
Hong Kong (China)	Norway	Estonia	United Kingdom
China *	New Zealand	Canada	Czech Republic
South Korea	Germany	Netherlands	Portugal
New Zealand	Macau (China)	Denmark	OECD AVERAGE
Slovenia	Poland	Finland	Italy
Australia	Slovenia	Slovenia	Iceland
United Kingdom		Belgium	Spain
Germany		Germany	Luxembourg
Netherlands		Poland	Latvia
Switzerland		Ireland	Malta
			Lithuania



Vietnamese National Assembly Building in Hanoi Capital



The government of 2016-2021 term of office

medium, facilitating learning processes and comprehension of global cultures and sciences. Instances of the melding of past and present are present in the myriad of Buddhist temples and Christian churches, the still-influential Feng shui practices in modern architecture, and the co-existence of herbal and western medicines. The most notable illustration of a culture's influence on Vietnam, however, remains Vietnam under French Colonialism. Despite their departure from Vietnam in 1954, the French still managed to establish a lasting imprint on Vietnamese arts, medical practices, and cuisine. In Ho Chi Minh City, there still exist street names or medical institutes in honor of French persons such as Louis Pasteur, Alexander Yersin or Alexander de Rhode. In an effort to continue the envoy's tradition of growth through knowledge, many Vietnamese families nowadays will encourage their children to pursue an education abroad in honor of their families and country. For these reasons, Vietnam has become a cultural melting pot that withstood the test of time.

In the latest PISA (The Program for International Student Assessment) ranking in 2015, Vietnam was one of the countries that stood out as doing remarkably well.

Vietnam was ranked 8th out of all participating countries on the subject of science, with an average score of 525 test points.

Vietnam's high PISA scores suggest that the potential for development exists. In order to actualize these potentials, more investment in tertiary education and vocational training at an internationally accredited level need to be made. In recent years, more international universities have been established in Vietnam (Vietnam-German University, RMIT, etc.). Among them, VinUni, the private university has dedicated a

groundbreaking investment capital for its first phase (until 2030), a fund equating to 5000 billion VND and equivalent to 215 million million USD. Enrollment is then scheduled for 2020 with the first rector coming from Cornell University. In the event that educational platforms continue to expand and strengthen to underpin future economic forces and scale up on the global value chain, Vietnam has the capacity to become a powerhouse in the era of the knowledge economy.



III. VIETNAM POLITICAL STRUCTURE

Every year, on Vietnam's National Day citizens are reminded of the instance when President Ho Chi Minh delivered the Proclamation on September 2, 1945, quoting the U.S. Declaration of Independence that states: "All men are created equal. They are endowed by their Creator with certain inalienable rights; among them are Life, Liberty, and the pursuit of Happiness".

These universal values have since remained with the Vietnamese people all through their fight for national independence, reunification and international integration.

Now, Vietnam is a socialist country operating under the leadership of the Communist Party. A nation-wide congressional vote (National Congress) of Vietnam's Communist Party is held every five years to determine the country's orientation, strategies, and adoption of policies on solutions for socio-economic development. The National Congress elects a Central Committee, which in turn elects the Politburo.

At Congress X in 2006, the slogan "Wealthy people, strong country, just and civilized society" was presented.

The latest National Communist Party Congress (Congress XII) took place in Ha Noi City during 20-28 January 2016. The next National Communist Party Congress is scheduled to be held in the first quarter of 2021. It is expected that during this convention, Vietnam's vision of the future will be charted and delineated to establish a new course of development.

1. Legislature branch - the Vietnam National Assembly

The National Assembly is the highest law-making body, the highest-level representative body of people and the highest organ of state power of the Socialist Republic of Vietnam. It is a unicameral body comprising of 498 delegates from various strata of society and different ethnic groups from across the country elected to serve a five-year term. The National Assembly exercises three main functions: creating, exercising, and supervising legal activities. The National Assembly meets bi-annually. The latest election of the 14th National Assembly took place on 22 May 2016 under the supervision of chairperson, Mrs. Nguyen Thi Kim Ngan.

On 12 November 2018, the National Assembly gathered a 100 percent vote for the ratification of CPTPP.

The Standing Committee within the National Assembly is the permanent executive body of the National Assembly. Its principal functions are the interpretation of the Constitution, Laws and Ordinances, the degree to which they are implemented, and the supervision of activities from the Government, the Supreme People's Court and the Supreme People's Procuracy.

2. The Executive Branch

Generally, the function of the executive branch is to enforce laws and rules. The executive branch comprises of the state president, the prime minister and the government.

2.1. The State President

is the Head of State, elected by members of the for a five-year tenure to represent the Socialist Republic of Vietnam in domestic and foreign affairs. The President has the right to proclaim Laws and Ordinances passed by the National Assembly and the Standing Committee. The President is the commander-in-chief of the armed forces and Chairman of the Council for Defense and Security. In foreign affairs, the President has the authority to appoint ambassadors and to sign international agreements and treaties.

The President appoints and dismisses the Prime Minister and the members of the Government based on resolutions of the National Assembly or its Standing Committee. Furthermore, the President has the right to nominate key officials such as the Chief Justice of the Supreme Court and the Chief Procurator of the Supreme Procuracy, subject to the National Assembly's approval.

On 23 October, at the sixth session of a plenum of the National Assembly, Party General Secretary, Nguyen Phu Trong, was elected as State President for the 2016 - 2021 tenure. This occasion marked the consolidation of the title of the General Secretary of the Party and the State President.

2.2. The Government

is the highest executive organ of the state. The Government has the same term of office as the National Assembly. In reality, the Government administers the implementation of the state's affairs in the fields of politics, economics, culture, society, national defense and security, and foreign relations.

The Prime Minister is the leader of the Government. The Prime Minister is responsible for the day-to-day operations of the Government. The Vietnamese Government currently has 18 ministries and 4 ministerial-level bodies.

On 27 July 2016, at the session 1 of the National Assembly XIV, the new government has been consolidated with Mr. Nguyen Xuan Phuc as the elected Prime Minister. The government's slogan for the upcoming term highlights "the government of development, action and integrity".

2.3. The Judicial Branch

The general function of the judicial branch is to interpret laws. The Supreme People's Court is the highest judicial organ of the Socialist republic of Vietnam. It supervises and directs the judicial work of local People's Courts, Military Tribunals.







CHAPTER II

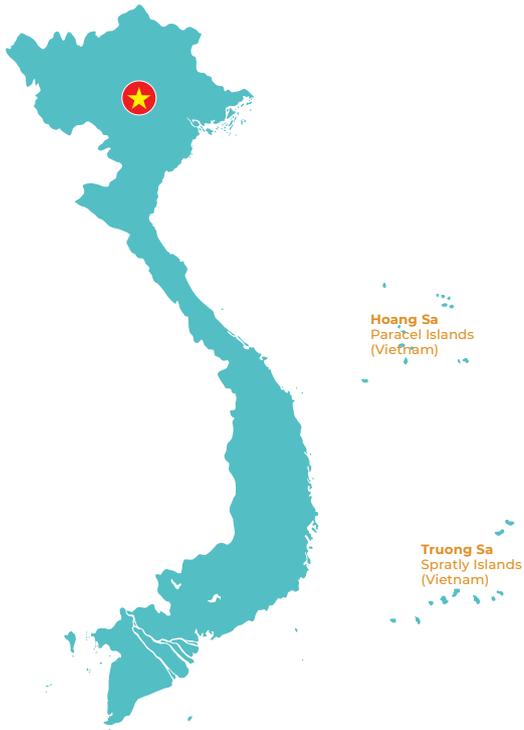
BUSINESS LANDSCAPE

Reproduced from lotus paintings in Noi Bai int'l
airport, designed by artist Nguyen Thu Thuy and
Tan Ha Noi group

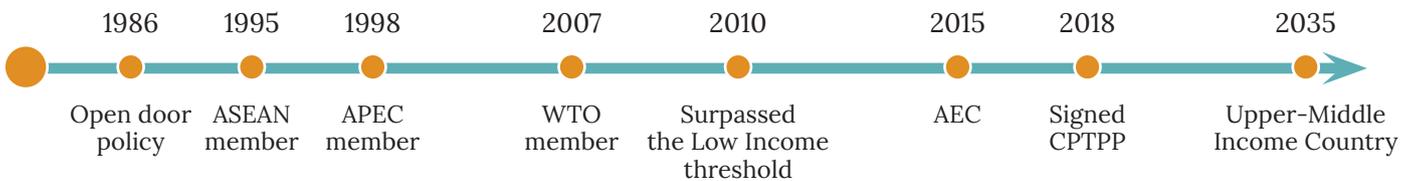


I. LOOKING BACK ON THE LAST YEAR 2018

VIETNAM'S MACROECONOMIC ENVIRONMENT 2018

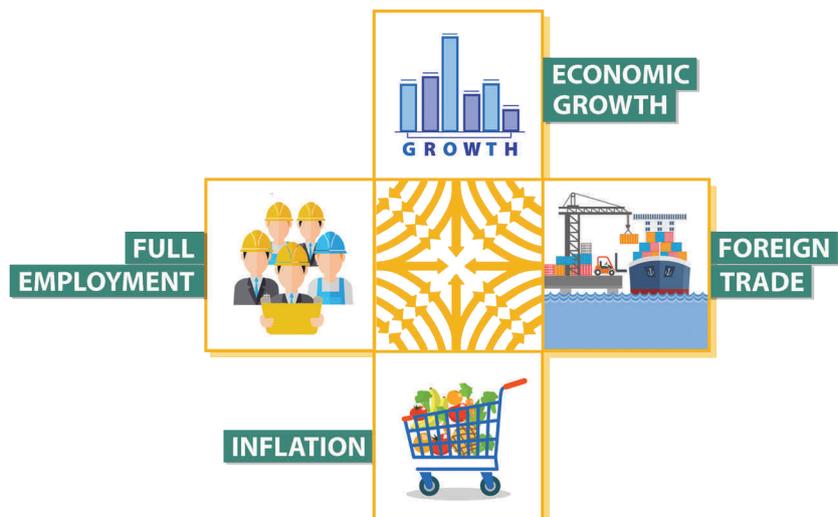


Socialist republic of Vietnam	
Area	331,698km ² (63 provinces & cities)
Population	94.64 million population (2018)
Population growth rate	1.06%
Labor force	55.7 million (2018)
Unemployment rate	2.0% (2018)
GDP growth rate	7.08% (2018)
GDP per capita	2.587 USD (2018)
Inflation rate (CPI)	3.54% (2018)
Minimum wage rate	2.9 million - 4.2 million VND ~ 124- 180 USD/month (16/11/2018)



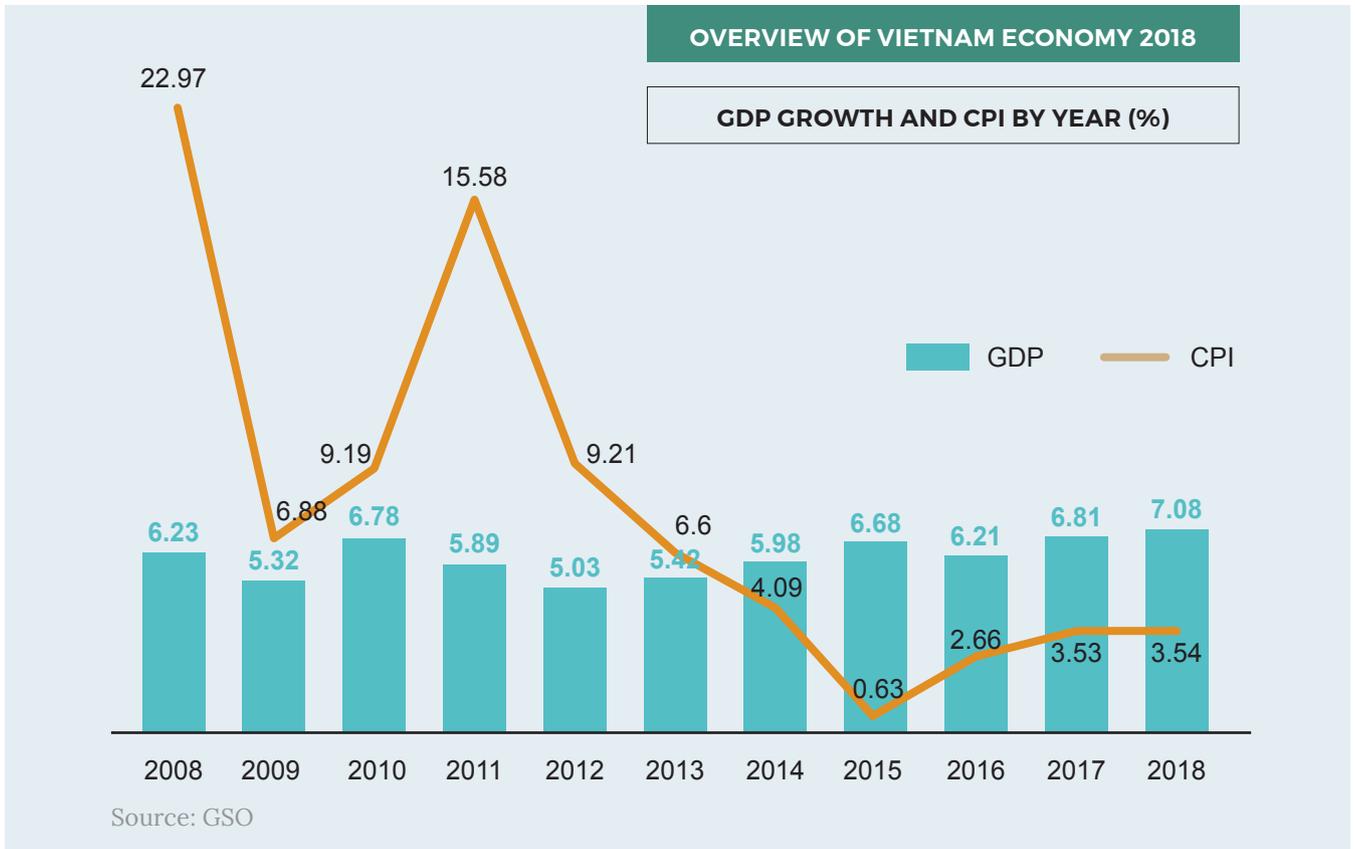
1. Macroeconomic Performance

In response to a volatile external environment and signs of decelerating global economic growth, International institutions such as the IMF, World Bank and OECD have simultaneously decreased the growth outlook of the global economy by one percentage point from the initial 2019 forecast. However, Vietnamese companies have recorded fairly promising results mirrored in the following dimensions:



1.1 Growth rate

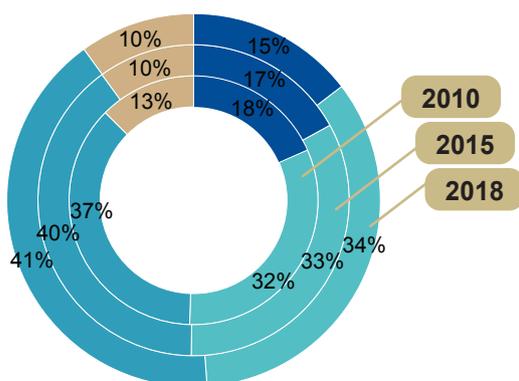
Vietnam's economy in 2018 recorded a growth of 7.08%, its highest in a decade. The FDI sector continued to be a major contributor to the country's trade, which accounted for 20% of GDP in 2018. In addition, 70% of Vietnam's export turnover came from FDI sector, from which Samsung Vietnam solely contributed roughly 25% of total exports in 2018. Increased social investment capital and credit growth remain as drivers of economic growth. On the demand side, robust domestic spending was a primary driver of growth.



A breakdown by sector shows that the agricultural industry grew by 3.76% and contributed to 8.7% of GDP growth. Industry and construction expanded by 8.85% and contributed 48.6% to the overall growth. Lastly, the services sector grew by 7.03% and contributed 42.7% to GDP growth.

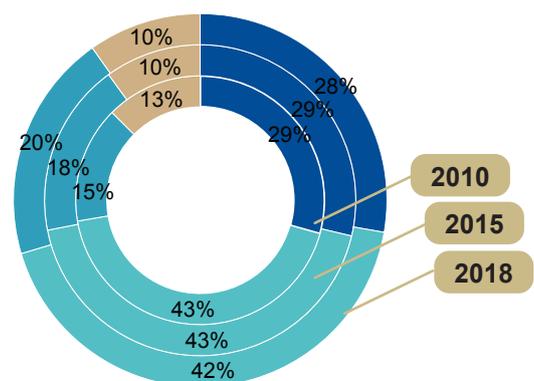
GDP COMPOSITION BY SECTOR

- Agro-Forestry-Fishery
- Industry-Construction
- Service
- Indirect tax minus subsidies



GDP COMPOSITION BY ECONOMIC FORM

- State
- Non state
- FDI
- Indirect tax minus subsidies



Source: General Statistics Office of Vietnam

Manufacturing sector:

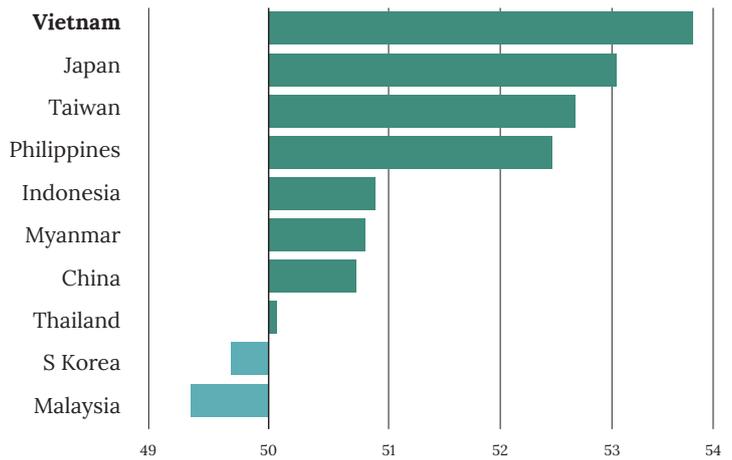
Manufacturing sector continued to be one of the main growth drivers of the Vietnamese economy, growing by a strong 12.98%. Although the 2018 growth rate witnessed a decrease from the prior year, it was still notably higher than the 2012 - 2016 period.

In 2018, the industrial and construction sector grew by a relatively high rate of 8.85% (yoy), these figures show a significant increase compared to the same period from previous years (2016: 7.57%; 2017: 8.00 %). This same sector contributed the most to the economic growth in 2018. Manufacturing industry with flagship Samsung continued to be the main driving force of this sector with a high growth rate of 12.98%.

According to the official figures on manufacturing PMI provided by Nikkei Vietnam Manufacturing PMI and compiled by IHS Markit, manufacturing sector continues to lead growth as PMI sees best annual average since survey's inception. The survey saw a steady monthly rise in all throughout 2018. Not only did Vietnam rank highest of all countries in Asia in 2018, it also held the highest recorded annual average since the establishment of the PMI surveys in 2011.

MANUFACTURING PMI RANKINGS IN 2018

Manufacturing PMI, 50 = no change on prior month (2018 full year averages)



Source: IHS Markit, Caixin, Nikkei

According to General Statistics Office of Vietnam (GSO), the Industrial Production Index (IIP) in 2018 recorded a growth rate of 10.2% compared to 2017 and again, the key role which the manufacturing sector plays in promoting growth recorded a rate of 12.3%.

HP INCREASE OVER THE YEARS (%)



Source: General Statistics Office of Vietnam

Agricultural-forestry-fishery sector:

The growth rate of 3.76% (yoy) of the agricultural sector was its highest in the period of 2012-2018, partly due to restructuring efforts in recent years, especially in plant cultivation and aquaculture. Agricultural producers had a good year in 2018 as a result of higher export orders. While rice exporters are busy, fruit and fish exports display signs of strength. Vietnam's fish sector in particular seems to benefit from the bilateral trade tensions between US and China, enjoying lax US regulations and taxes and reduced Chinese tariffs on foreign imports. Within this sector, local fisheries especially Pangasius farming, continued to be a well-recognized and respectable Vietnamese brand.

Service sector:

The service sector grew by 7.03%, higher than the growth rate from 2012-2016, with retail, wholesale, financial services, accommodation, catering

services and transports all posting decent growth. Total goods and service retail value this year accumulated to 4,395.7 trillion VND (approximately 190 billion USD at current exchange rate), up by 11.7% from the previous year.

1.2. Inflation

In 2018, the consumer price index increased by 3.54% due to the government's efforts to curb prices; however, it is slightly below the target of

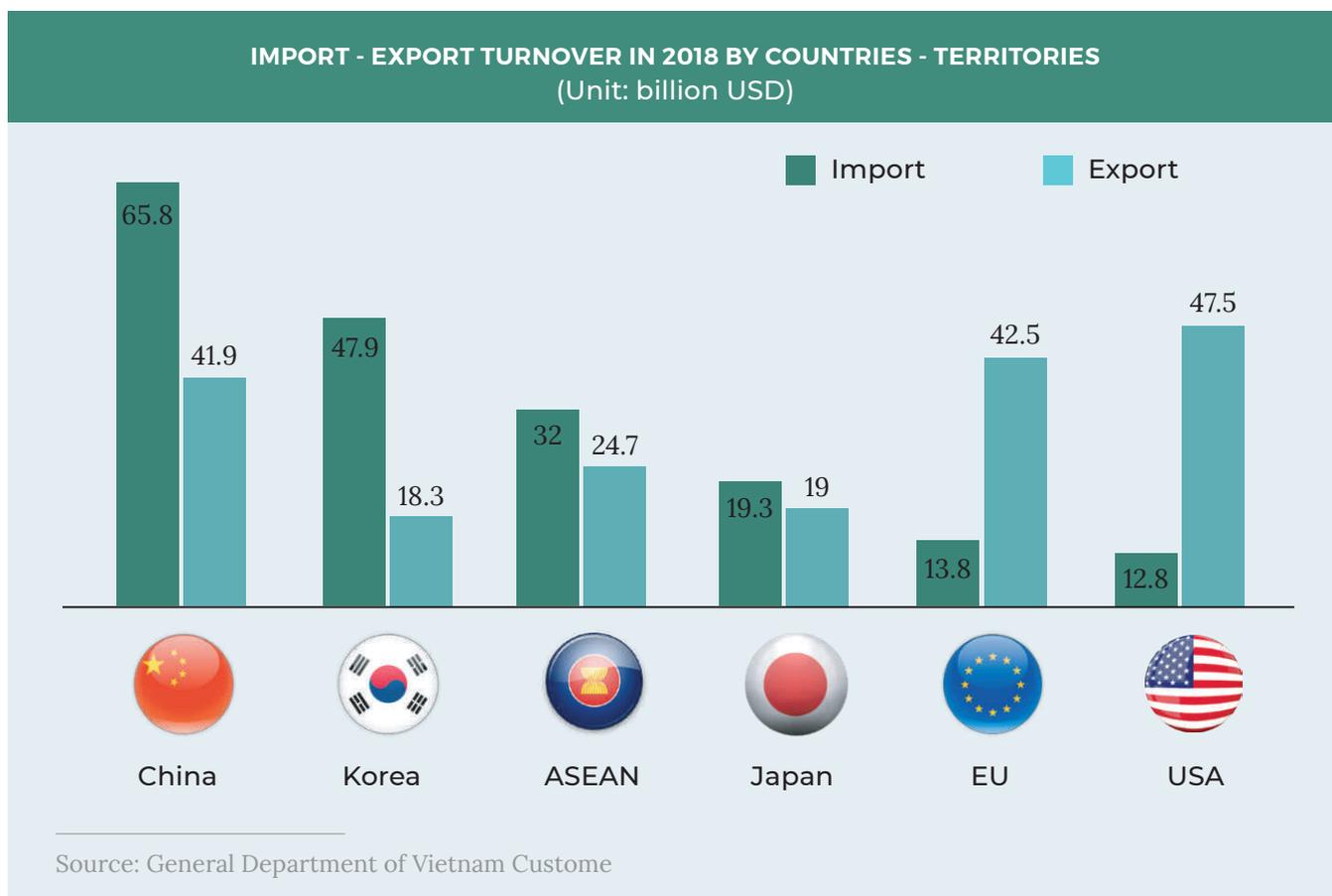
4% set by the National Assembly. The GSO stated that core inflation in 2018, excluding food, energy and government-regulated goods, rose by 1.48% compared to the previous year.

The pattern of headline inflation outpacing core inflation indicates that price increases mainly stemmed from higher food and energy prices and the government's upward adjustment of medical and educational costs.

1.3. External economic performance

a) Foreign trade

The year of 2018 is marked by the total import and export value reaching nearly 480 billion USD. The trade surplus approximated to 7.21 billion USD. The collective efforts of a favorable trade balance and SBV's monetary policy contributed greatly to enhance the country's foreign exchange reserves in the first half of 2018 and prevent exchange rates from drastic fluctuations in the second half of the year.

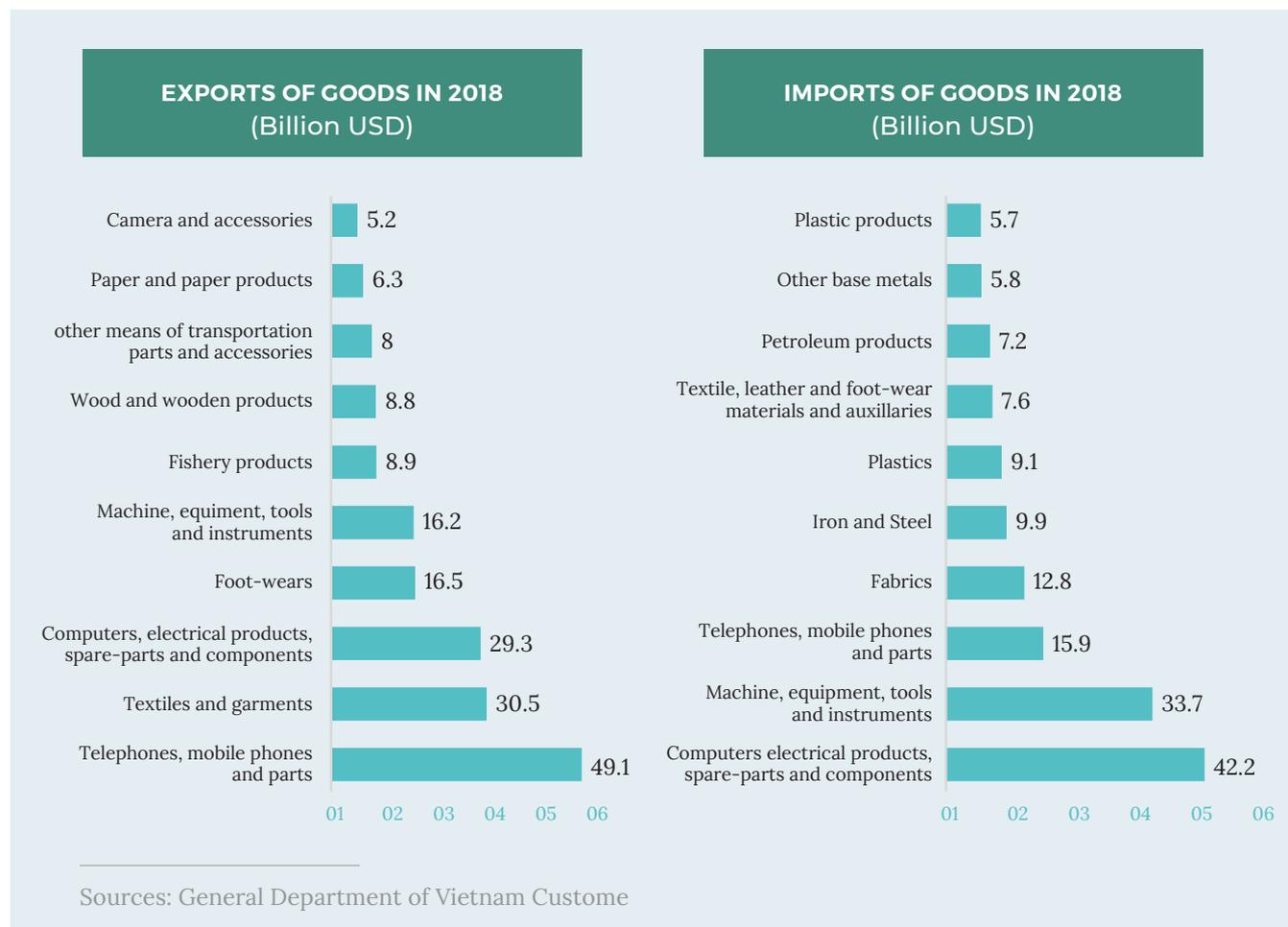


Export

Vietnam's export turnover in 2018 reached 244.72 billion USD. Of the total, exports from FDI sector accounted for 71.7%, posting 175.52 billion USD. These figures indicate an increase by 13.1% over the same period in 2017. Notably, exports from the domestic sector also improved significantly by 18.2% (yoy).

Regarding exported goods in 2018, there were 29 classified goods, each recording an export turnover of

billions of dollars. Altogether, they account for 91.7% of total export turnover. Several commodities experiencing the highest growth rate were phones and mobile components with 50 billion USD (mainly from Samsung as aforementioned), up by 10.5%; textiles and garments with 30.4 billion USD, up by 16.6%; electronics, computers and technological components with 29.4 billion USD, up by 13.4%; and footwear with 16.3 billion USD, up by 11%. Meanwhile, crude oil exports accumulated only 2.3 billion USD, decreasing by 21.2% in value and 39.5% in volume. This observed volatility in oil prices suggests that dependency on resource exploitation is likely unsustainable.



Lastly, no discussion about exportation can omit the importance of partnerships. The US continued to be Vietnam's largest export market with a turnover of 47.5 billion USD (up by 14.2% compared to the same period in 2017). These affirmative outcomes can be partially attributed to the US-China trade war as more US orders relocate from China to Vietnam. In 2018, China has risen to be Vietnam's third largest export market, just after the US and EU, leaving the position of highest trade deficit partner. China's higher per capita income justifies its increasing efforts to become Vietnam's primary consumer market, especially for agricultural products. As a result, events that affect the Chinese market can also significantly influence Vietnam.

Import

Total imports in 2018 grew by 12.5%, equivalent to 237.51 billion USD. Of the total, imports of the FDI sector accounted for 142.71 billion USD and the domestic sector accounted for 94.80 billion USD. This led to a trade surplus of 32.81 billion USD in the FDI sector and a trade deficit of 25.60 billion USD in the domestic sector in 2018. Exports of the FDI sector were dominated by a number of large enterprises such as Samsung whereby the export turnover of phones and its components alone accounted for 20% of the total annual export turnover.

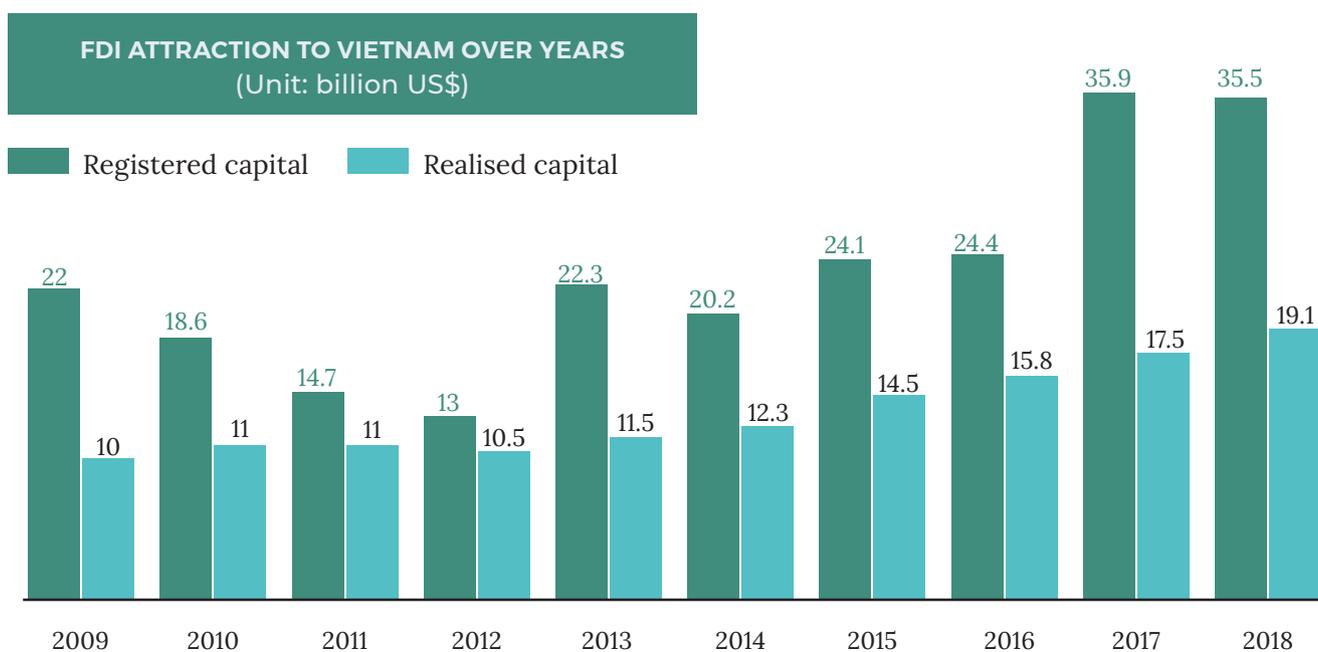
Top of the list constituting imported goods in 2018 were materials relating to the manufacturing industry, which reached 217 billion USD and accounted for 91.4% of total import turnover.

Machineries, equipment, spare parts and raw materials ranked second with the import turnovers of 101 and 116 billion USD, respectively.

China remained the largest import market with import value of 65.8 billion USD (up by 12.3%) The depreciation of CNY may be the cause, as we hypothesized in mid-2018 (in VEPR's Viet Nam Macroeconomic Report Quarter 2), making imported goods from China cheaper and more attractive to the Vietnamese market.

Meanwhile, South Korea replaced China as Vietnam's largest trade deficit partner with 29.6 billion USD. China follows closely with 23.9 billion USD. A high trade deficit with Korea can be attributed to the frequent import of materials from South Korean enterprises (i.e Samsung).

Investment



Source: Foreign Investment Agency

a. Granting of investment certificate

Updates from December 20, 2018 reported 3,046 new projects granted investment certificates, accruing a newly registered capital of nearly 18 billion USD. 84.5% compared to the same period of 2017. Also, additional registered capital reached 7.59 billion USD, 90% of the aggregate from 2017, despite an increase of 17% in the number of projects registering to adjust capital. In 2018, Vietnam enjoyed an increase of 64% in capital contribution and share purchase by foreign investors over the same period last year, totaling 9.89 billion USD.

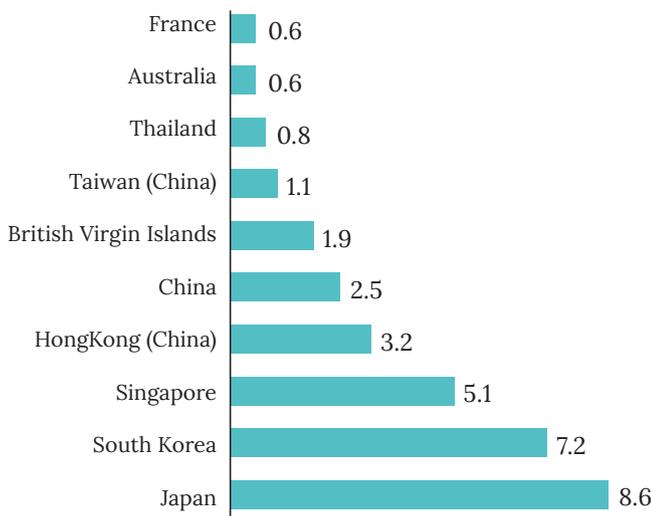
The total of new and additional registered capital and capital contribution and shares purchased by foreign investors in 2018 averaged 35.46 billion USD, estimably 98.8% of the total from the same period in 2017.

b. FDI in terms of countries and territories

In 2018, there were 112 countries and territories operating investment projects in Vietnam. Japan ranked highest with a total investment capital of 8.59 billion USD, making up 24.2% of total investment capital; South Korea ranked second with a total registered investment capital of 7.2 billion USD, accounting for 20.3% of total investment capital; and Singapore ranked third with a total investment capital of 5 billion USD, accounting for 14.2% of total investment capital.

TOP TEN FOREIGN DIRECT INVESTORS IN VIETNAM 2018

(Billion \$USD)



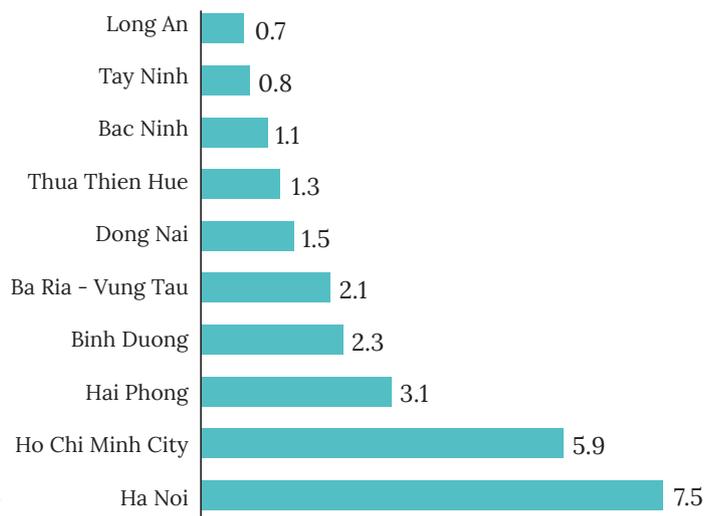
Source: Foreign Investment Agency

c. FDI in terms of localities

Among Vietnam’s 59 cities and provinces, Hanoi attracted the greatest FDI interest in 2018, accumulating a total registered capital of 7.5 billion USD, making up 21.2% of the nation’s total investment capital. Ho Chi Minh City ranked second with a total registered capital of 5.9 billion USD, accounting for 16.7% of total investment capital. Hai Phong ranked third with a total registered capital of 3.1 billion USD, accounting for 8.7% of total investment capital.

TOP TEN LOCALITIES RECEIVING MOST FDI INFLOW IN 2018

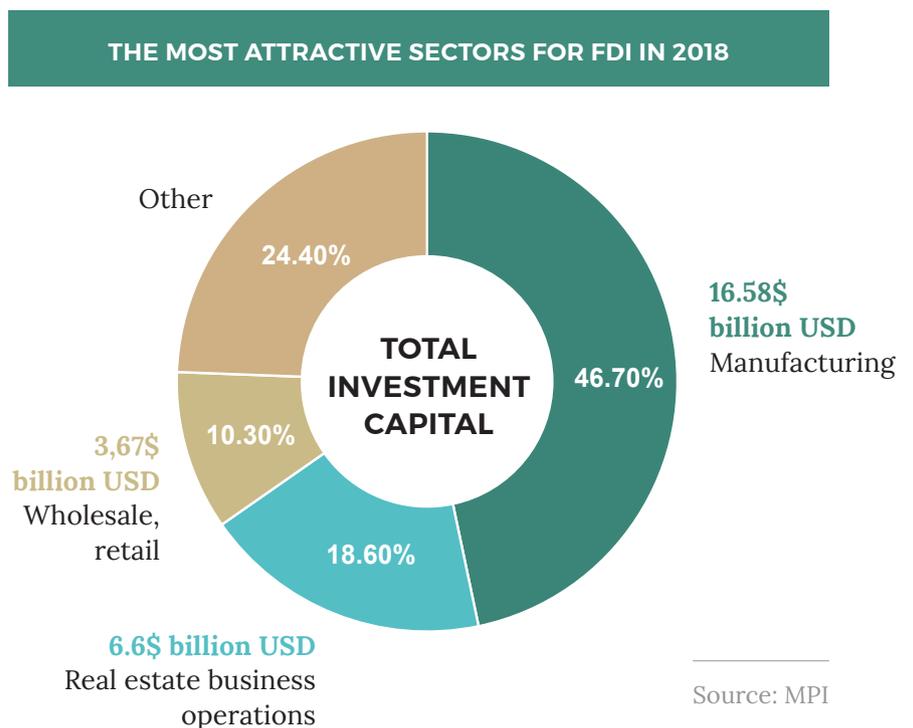
(Billion \$USD)



Source: Foreign Investment Agency

d. FDI in terms of sectors

In 2018, 18 fields were invested by foreign investors, in which, processing and manufacturing sector attracted much attention from foreign investors with the total capital of USD16.58 billion, accounting for 46.7% of the total registered investment capital. Real estate business ranked second with total investment capital of USD6.6 billion, accounting for 18.6% of total registered investment capital. Wholesale and retail field ranked third with total registered investment capital of USD3.67 billion, capturing 10.3% of total registered investment capital...



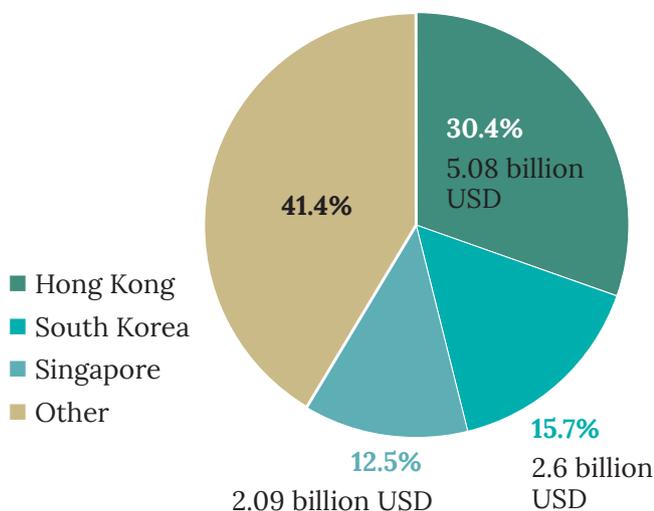
Source: MPI

e. Latest FDI Development

+ FDI in terms of countries and territories

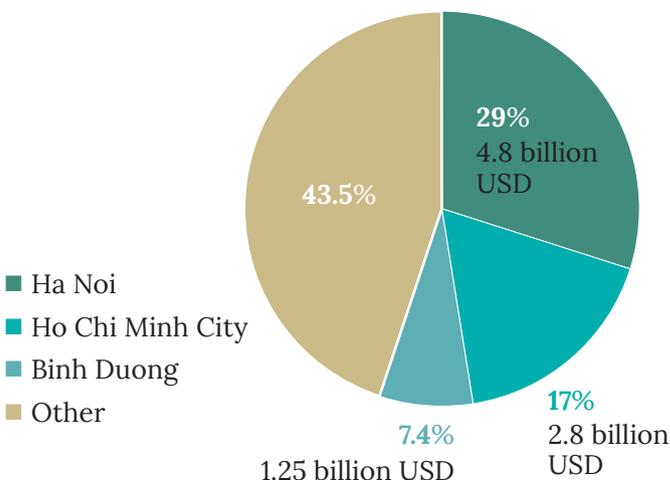
In the first 5 months of 2019, there were 88 countries and territories operating investment projects in Vietnam. Hong Kong ranked highest with the total investment capital of 5.08 billion USD (including 3.85 billion USD of shares purchase in Vietnam Beverage Co., Ltd. in Hanoi), making up 30.4% of total investment capital. Korea ranked second with a total registered investment capital of 2.62 billion USD, accounting for 15.7% of total investment capital into Vietnam. Singapore ranked third with a total registered investment capital of 2.09 billion USD, accounting for 12.5% of total investment capital. China and Japan ranked fourth and fifth with a total registered capital of 2.02 billion USD and 1.52 billion USD, respectively.

3 TOP NATIONAL FID INVESTORS IN VIETNAM IN 5 EARLY MONTHS 2019



Source: Foreign Investment Agency

TOP 3 LOCALITIES ATTRACTING MOST FDI INFLOWS IN 5 EARLY MONTHS 2019

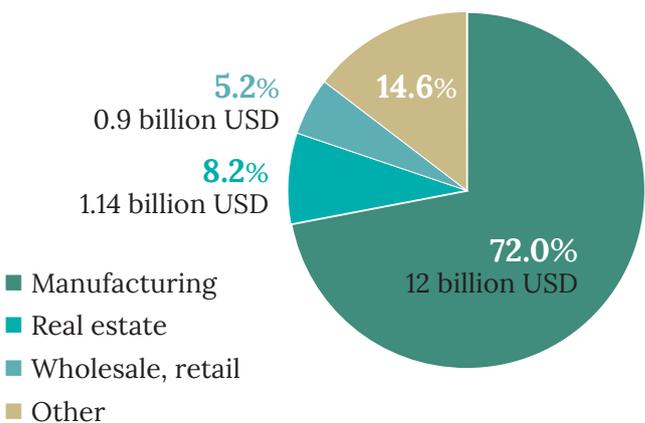


Source: Foreign Investment Agency

+ FDI in terms of localities

Within the first 5 months of 2019, there had already been 55 provinces and cities securing FDI investments. Of all recipients, Hanoi attracted the highest FDI inflow per individual state with a total registered capital of more than 4.79 billion USD, accounting for 28.6% of total investment capital. Ho Chi Minh City ranked second with a total registered capital of 2.78 billion USD, accounting for 16.6% of total investment capital. Binh Duong ranked third with a total registered capital of more than 1.25 billion USD, accounting for 7.4% of total investment capital.

3 SECTORS ATTRACTING MOST FDI INFLOW IN 5 EARLY MONTHS 2019



Source: Foreign Investment Agency

In the first 5 months of 2019, data had recorded foreign investments in 19 domestic fields, with a majority of funding directed towards the processing and manufacturing sector with the total capital of 12 billion USD, accounting for 71.8% of the total registered investment capital. Real estate ranked second with total investment capital of 1.38 billion USD, accounting for 8.2% of total registered investment capital. Wholesale and retail ranked third with a total registered investment capital of 864 million USD, accounting for 5.2% of total registered investment capital.

f. Offshore investment

The latest report from the Ministry of Planning and Investment (MPI) showed that 149 new projects were granted investment certificates for Vietnamese enterprises in 2018 with a total capital of 376.2 million USD and 35 capital adjustment projects with additional capital of 56 million USD.

Overall, the total investment capital of Vietnam abroad in 2018 (new and additional capital) reached 432.2 million USD.

Finance and banking sectors gained the greatest interest from investors with 105.8 million USD, accounting for 24.5% of total investment capital.

The second is the wholesale and retail sectors; repair of automobiles, motorcycles, motorbikes

and other motor vehicles gaining 82.9 million USD, accounting for 19.2% of total investment capital

Agriculture, forestry and fishery gained 52.3 million USD, accounting for 12.1% of total investment capital and the processing and manufacturing industry gained 52.1 million USD, accounting for 12% of total investment capital.

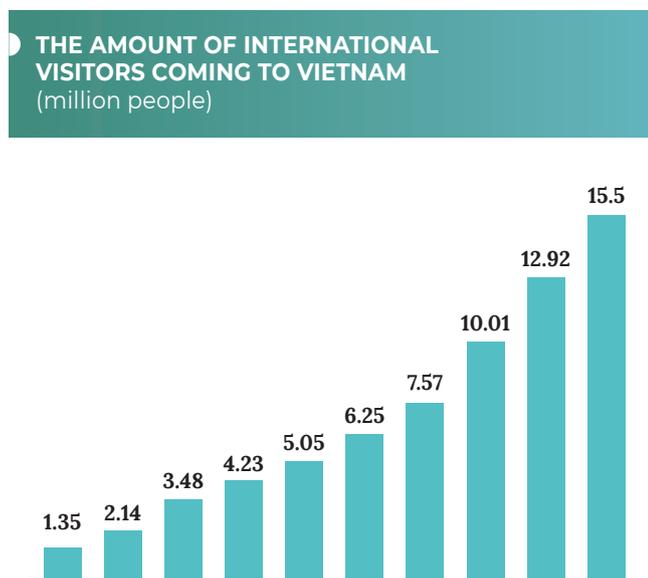
In 2018, Vietnamese enterprises invested in 38 countries and territories Investment in Laos accounted for the largest proportion with 81.5 million USD, accounting for 18.9% of the total investment capital, followed by Australia with 55.5 million USD, accounting for 12.8% and the United States with 53 million USD, accounting for 12.3%.

Exchange rate

The exchange rate rose sharply in 2018 due to the impact of the US-China trade war and FED's tight financial policy. As of December 27, the interbank exchange rate increased sharply by 3.26% YTD, while the unofficial rate also increased by 2.27% YTD. The rise of the unofficial USD/VND exchange rate has decreased quite sharply in the last month of the year thanks to a lot of remittances, which helped reduce the USD rallied pressure. Influence of FED's rate hike activities continued to boost the overall increase of the exchange rate.

International visitors to Vietnam in 2018

According the report of Vietnam National Administration of Tourism, total international visitors in 2018 reached 15,497,791 arrivals, increase 19.9% over the same period last year.



Source: General Statistics Office of Vietnam

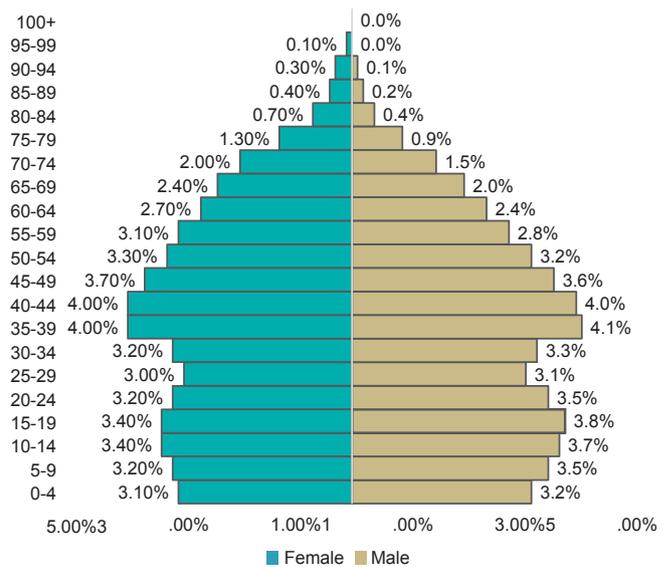
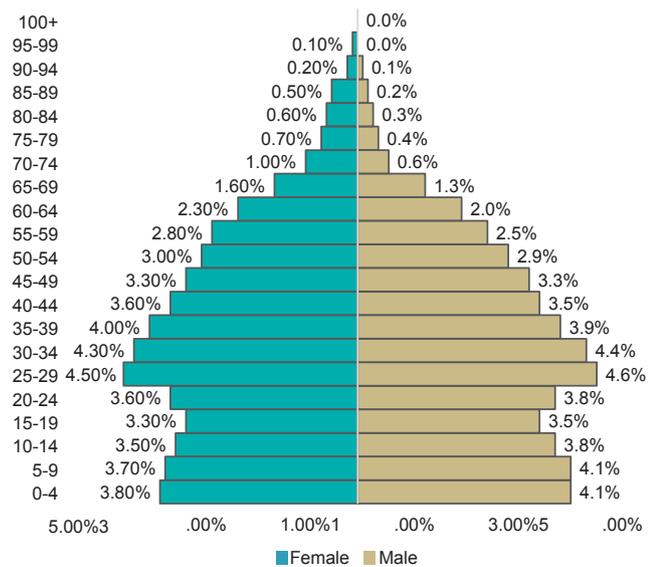


A Golden Bridge on Ba Na hill resort, Danang

1.4. Employment & Human resource

Labor force is the engine of economic growth. Among input factors to contribute to GDP growth, such as natural resources, capital, science-technology and labor, labor is the most important factor. In output perspective, labor generates income, final consumption, which is the important element of aggregate demand that is together with accumulation and export react back upon growth rate.

POPULATION PYRAMID, 2018 - 2030

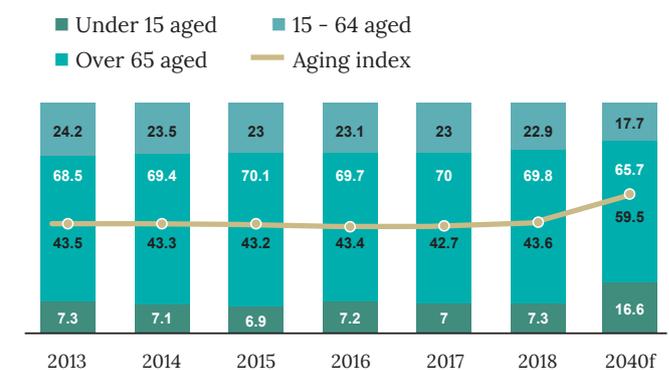


Source: Unite Nations

a) Golden population structure

The golden population structure along with the growing of the middle class will actively bolster national economic growth in the next decade. According to the United Nations, Vietnam's population is estimated at 96.87 million, increasing by 0.85 million people compared to 2017, ranking 14th globally and accounting for about 1.27% of the world's population. Currently, the middle-class accounts for roughly 13% of the population. It undergoes an annual increase of upward 1.5 million people and an urbanization rate of 35%. The World Bank expects this class to account for 26% of the population structure by 2026. Notably, the nation's primary labor force boasts a mean age group of 32-years-old whereby 67.1% of the population or 67.13 million people are placed within the 15-64 age range. A growing workforce in addition to competitive wages will robustly support and establish production and consumption sectors as the main economic growth drivers in the years to come.

POPULATION STRUCTURE (%)

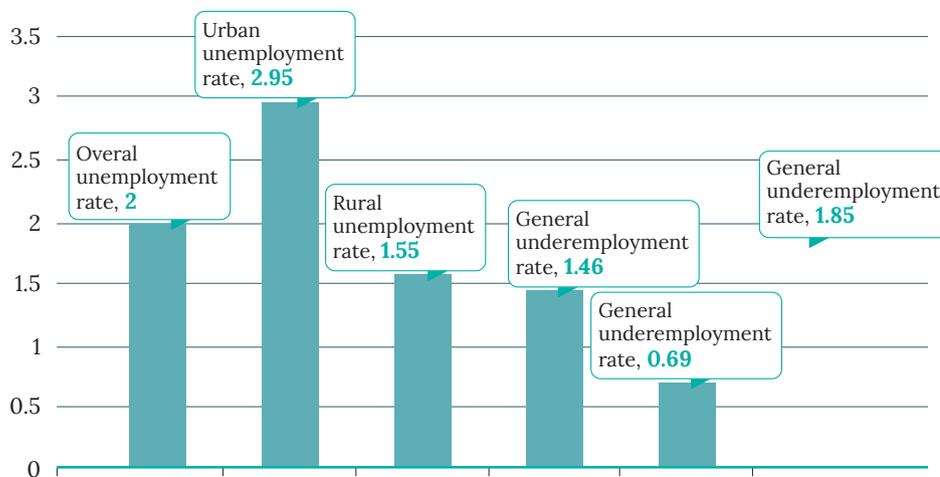


Source: General Statistics Office of Vietnam, Vietnam Credit

b) Unemployment rate & Underemployment rate

UNEMPLOYMENT RATE & UNDEREMPLOYMENT RATE IN 2017 (%)

Source: General Statistics Office of Vietnam



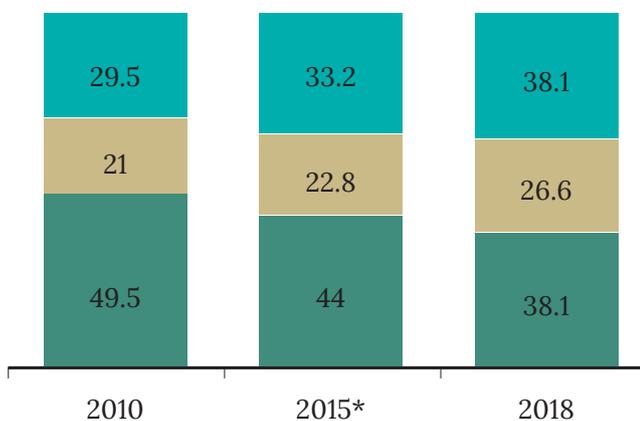
c) Labour structure

In 2018, the working population aged 15 and over was 54.3 million, those employed in agriculture, forestry and fishery accounted for 38.1% of the total (down by 2.1 % from the previous year). There are 14.4 million employees operating in industry and construction, accounting for 26.6% (up by 0.8 %); and there are 19.2 million employees in the service sector, accounting for 35% of the total (up by 1.3 % from the previous year)

The snapshot picture of the labour composition in major economic sectors is presented in the following graph:

LABOUR COMPOSITION BY SECTOR

- Agro-Forestry-Fishery
- Industry-Construction
- Service



Source: General Statistics Office of Vietnam

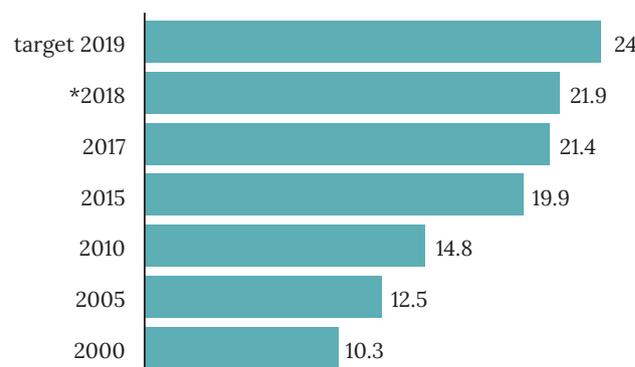
d) The shift from labor-intensive advantage to efficiency-driven pattern based on skilled and trained labors

Experts from the World Bank and the International Corporation (IFC) recently proposed that in order to attract more high-quality FDI, Vietnam should do many things, including the implementation of a major skills supply push to enable next-generation FDI. These experts stated that investors cite lack of industry-ready skills (technical, language, and soft skills) as the greatest barriers to growth.

According to the 2018 Global Talent Competitiveness Index (GTCI), which assesses countries in terms of their ability to attract, develop, and retain talent, Vietnam ranked 87th amongst 119 countries. Major challenges include the lack of technology infrastructure, R&D spending, vocational and technical skills.

The status of the trained workforce is presented in the following table:

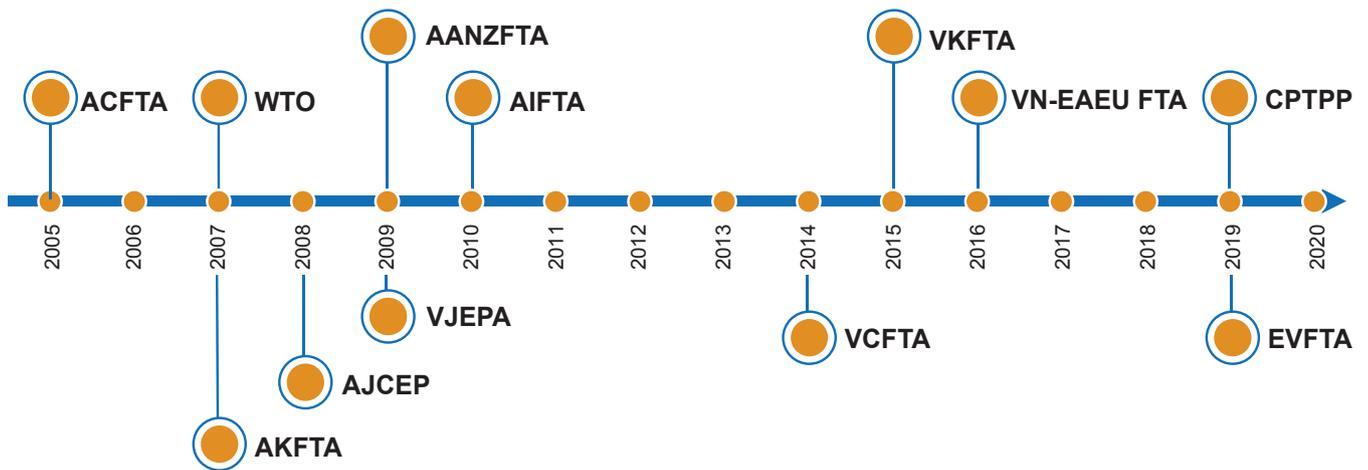
SHARE OF TRAINED EMPLOYEES AGED 15 AND OVER (%)



Source: General Statistics Office of Vietnam

2. VIETNAM ECONOMIC INTEGRATION PROCESS AND FREE TRADE AGREEMENTS

VIETNAM INTEGRATION FREE TRADE AGREEMENTS

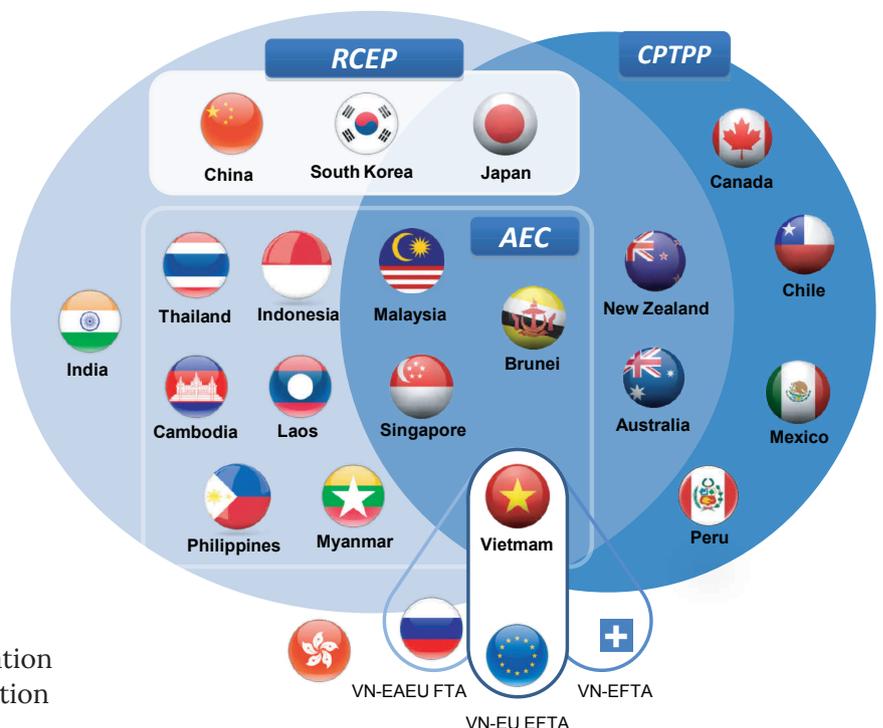


ATIGA	ASEAN Trade in Goods Agreement
ACFTA	ASEAN - China Free Trade Agreement
AKFTA	ASEAN - Korea Free Trade Agreement
AJCEP	ASEAN - Japan Comprehensive Economic Partnership
AANZFTA	ASEAN - Australia-New Zealand Free Trade Agreement
AIFTA	ASEAN - India Free Trade Agreement

VCFTA	Vietnam - Chile Free Trade Agreement
VKFTA	Vietnam - Korea Free Trade Agreement
VN-EAEU FTA	Vietnam-Eurasian Economic Union Free Trade Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EVFTA	EU - Vietnam Free Trade Agreement in 2020

INTERFACE OF FTAS

- ASEAN FTA 1999
- ASEAN - China FTA 2005
- ASEAN FTA
- ASEAN Japan FTA 2008
- ASEAN - Australia & Newzealand FTA 2009
- ASEAN India FTA 2010
- Vietnam - Japan FTA 2008
- Vietnam - Chile FTA 2014
- Vietnam - South Korea FTA 2016
- Vietnam - EAEU FTA 2016
- CPTPP 2018
- EVFTA to be ratified in 2020
- ASEAN - Hong Kong (to be signed)
- RCEP to be signed in 2020
- Vietnam - EFTA FTA under negotiation
- Vietnam - Israel FTA under negotiation
- ...



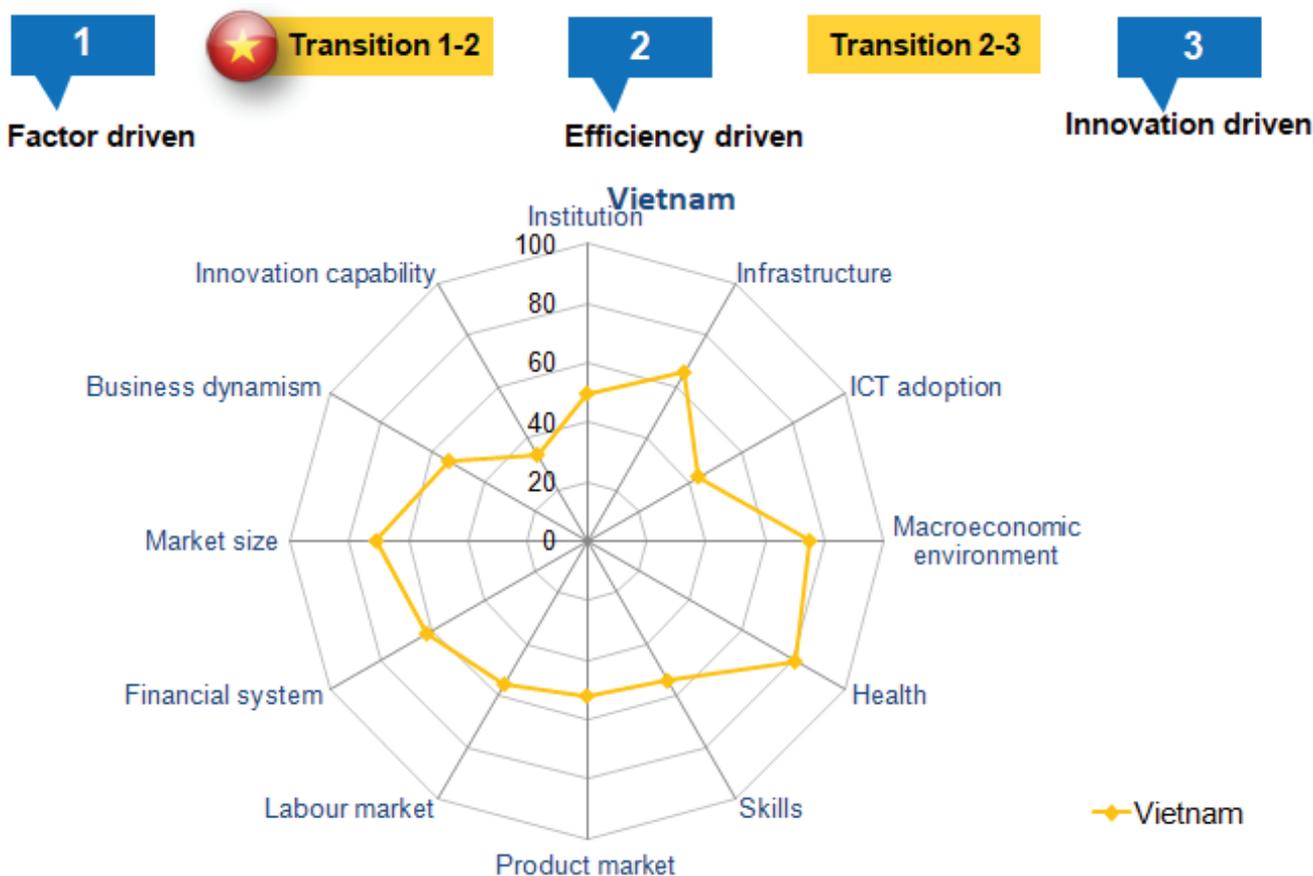
When examining the progress of Vietnam's integration into the global economy through Free Trade Agreements, it is pertinent to recognize Vietnam's leadership in the process of promoting international cooperation and linkage. This effort is manifested by the nation's admission to the WTO through enforcing the common rule of the game or rule of law. Amid the resurgence of protectionism, Vietnam instead advocates for a multinational trading system and opts for joining the new generation's trade agreement and most recently, signed and ratified the CPTPP. In Asia, only Vietnam, Japan and Singapore have collaborated on negotiations with the EU to formulate a new FTA. Initially, participation in FTAs

of the new generation will pose grave challenges for the Vietnamese economy. Starting from a low level, Vietnam will be forced to find solutions for weak competition, establish structure for an international-level legal institution, and develop strategies of supervision for legal enforcement, intellectual property, labor relations...etc.

On the other hand, Vietnam's commitment to certain FTAs assures foreign investors that Vietnamese businesses will comply with the rule of law when delineating long-term strategic investment plans.

II. VIETNAM'S POSITIONING - WHERE DOES VIETNAM STAND COMPARED TO OTHERS

1. OVERAL VIETNAM'S GLOBAL RANKING



Source: World Economic Forum

To project tomorrow's goal, it is necessary to first locate today's position.

According to the World Bank's country classification, Vietnam's per capita income averages 2.587 USD. Vietnam therefore falls into the lower middle-income bracket. However, the Vietnamese economy is steadily transitioning from a factor-driven economy into an efficiency-driven economy. The growth drivers for this stage have been the labor intensive and capital intensive factors that require harnessing from foreign investors.

The following list of reference on Vietnam's index ranking provides a snapshot of Vietnam's standing compared to other economies in 2018.

According to the World Bank's Doing Business 2018 report, Vietnam was ranked 69th of 190 economies in the factor measuring the Ease of Doing Business, increasing by 14 ranks from 2017 and 30 ranks from 2012. Similarly, the World Economic Forum's (WEF) Global Competitiveness Report 2017-2018 ranked Vietnam 55th of 137 economies, increasing by 5 ranks from the previous year.

2. GLOBAL COMPETITIVENESS INDEX

Vietnam decreased by 3 ranks in the Global Competitiveness Index 4.0 2018 edition to 77th of 140 economies according to the World Economic Forum's Global Competitiveness Report released on October 17. Although Vietnam has attained great achievements in factors such as Health, Market Size, Infrastructure, Skills, Labor Market, and ICT Adoption; indicators such as Business Dynamism, Product Market, Institutions, Infrastructure, Financial System, and Innovation Capacity fell short. Only Macroeconomic Stability remained unchanged.



VIETNAM'S GLOBAL RANKING

Global Competitiveness (2018) 55 th among 137 economies	#55
A.T.Keamey Global Service Location Index (2017) 6 th out of 55 countries	#6
Ease of Doing Business (2018) 69 th out of 190 countries	#69
Global Manufacturing Competitiveness Index (2016) 18 th out of 40 economies	#18
Human Capital Index (2018) 49 th out of 127 economies	#48
Average Score of PISA mathematics, science & Reading (OECD 2015 - 2016)	#22
Global Innovation Index (GII) (2018) 45 th out of 127 countries	#45

GLOBAL COMPETITIVENESS RANKINGS OF ASIA-PACIFIC COUNTRIES - REGIONS IN 2018

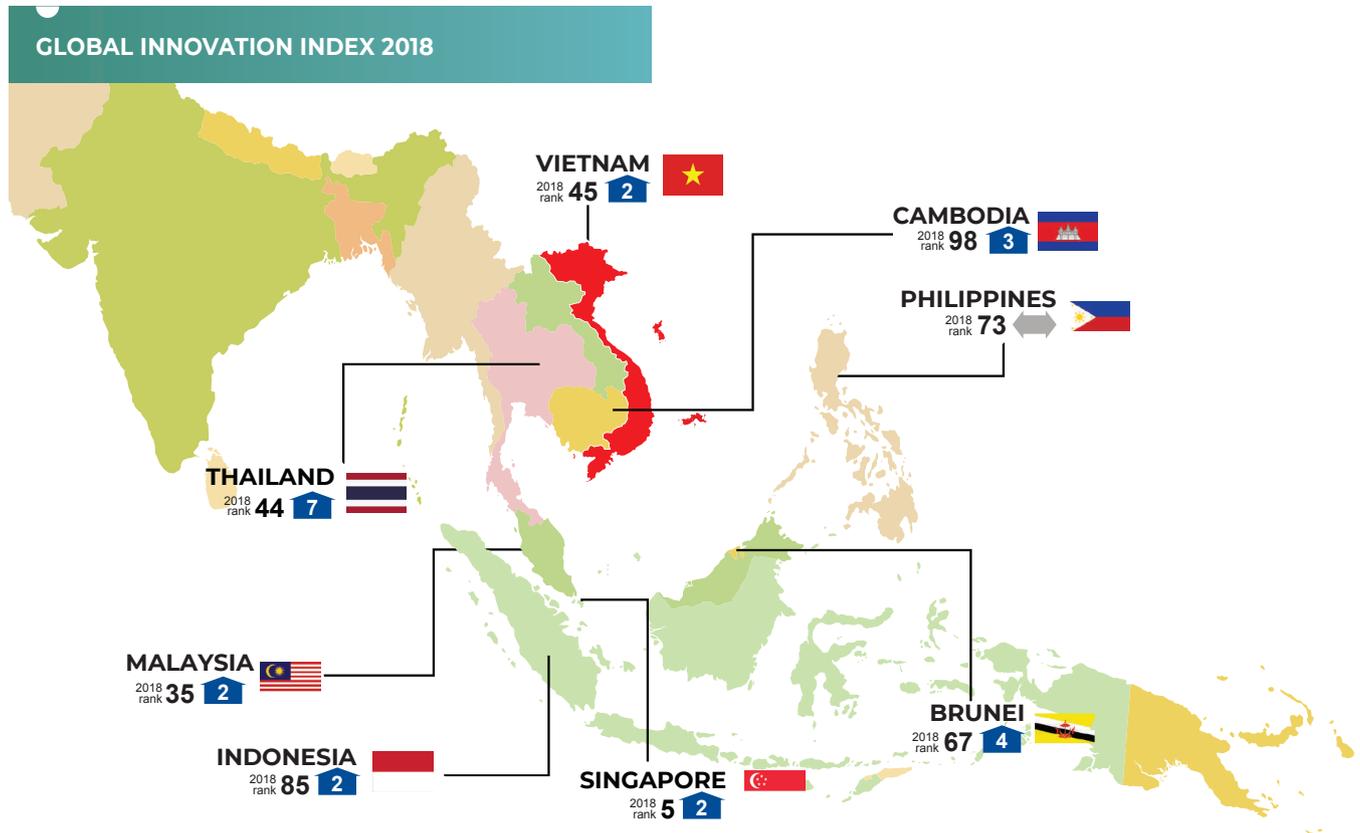
Ranking within Asia-Pacific		Global Ranking	
		2017	2018
11	Indonesia	47 (36)	▲ 45
12	Philippines	68 (56)	▲ 56
13	India	63 (40)	▲ 58
14	Brunei	64 (46)	▲ 62
15	Vietnam	74 (55)	▼ 77
16	Sri Lanka	81 (85)	▼ 85
17	Mongolia	95 (101)	▼ 99
18	Bangladesh	102 (99)	▼ 103
19	Pakistan	106 (115)	▼ 107
20	Nepal	108 (88)	▼ 109

* Numbers in paren these indicate 2017 ranking using previous ranking system

Source: World Economic Forum

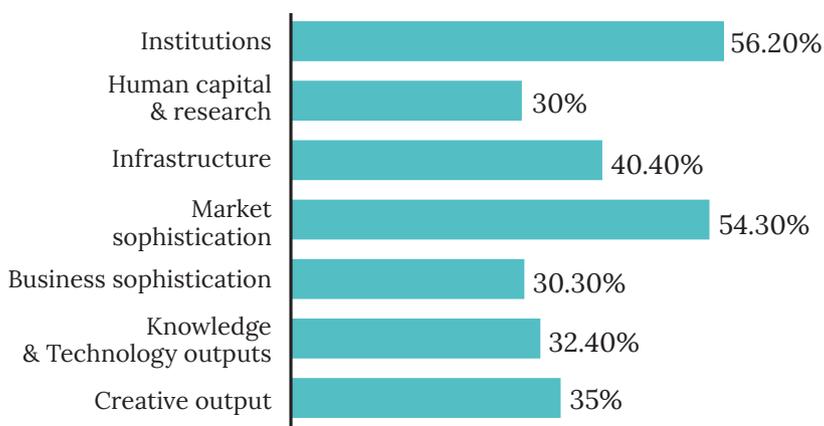
3. GLOBAL INNOVATION INDEX

Vietnam rose by 2 ranks on the Gil Report's Global Innovation Index 2018 (GII) to place 45th of 126 economies. The sub-indices in which the country saw the greatest ranking improvements pertain to Institutions, increasing from rank 87 to 78; Business Sophistication from 73 to 66 and Creative Outputs from 52 to 46. Gross Expenditure on Research and Development by businesses also rose in rank, from 36 to 13. Finally, collaboration between university and industry rose from 76 to 59.



RANKING OF VIETNAM IN THE SEVEN GII AREAS

(1 is highest possible ranking)



Source: Global Innovation Index 2018 by Cornell SD Johnson College of Business, Insead, and World Intellectual Property Organization

GLOBAL TOP 10

Changed in ranking from 2017

1		Switzerland	↔
2		Netherlands	↑1
3		Sweden	↓1
4		United Kingdom	↑1
5		Singapore	↓2
6		USA	↓2
7		Finland	↑1
8		Denmark	↓2
9		Germany	↔
10		Ireland	↔

In the measures of the human capital index (HCI), Vietnam was ranked 2nd in the ASEAN region behind Singapore and 48th out of 157 countries globally. A Vietnamese child born today will be 67% as productive when she grows up as she could be if provided a complete education and health support.

4. EASE OF DOING BUSINESS INDEX

1. Status of Vietnam's Ease of Doing Business Score:

The latest Vietnam ranking of Ease of doing business index is presented in the below table.

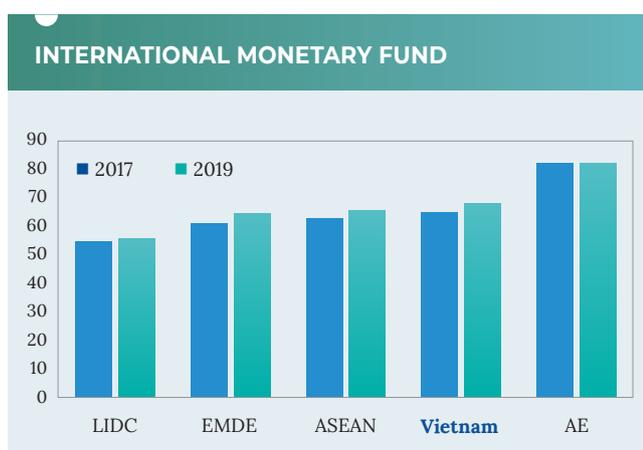


Source: Ease of doing business report 2019 by World Bank

Based on the “Ease of doing business” report by World Bank and its own analysis, IMF has recently stated that: “The ease of doing business in Vietnam continues to improve” as illustrated in the below table.

DOING BETTER

The ease of doing business in Vietnam continues to improve.



Source: Doing Business, World Bank.

Notes: The ease of doing business score measures the gap between a particular economy's performance and the best practice. 0 represents the lowest and 100 represents the best performance. LIDC = low-income developing countries. EMDE = emerging and developing economies. AE = advanced economies. ASEAN = Association of South Asian Nations.

2. Vietnam's Ease of Doing business in comparison: The Vietnam's investors friendly index in comparison with other regional countries is presented in the following table:

The latest Vietnam ranking of Ease of doing business index is presented in the below table.

WORLD BANK'S “EASE OF DOING” BUSINESS RANKINGS

(The Southeast Asian Countries)

World Bank	Country
2	Singapore
15	Malaysia
27	Thailand
55	Brunei
69	Vietnam
73	Indonesia
124	Philippines
138	Campodia
154	Laos
171	Myanmar
178	Timor-Leste

Source: World Bank 2019 Report

5. THE GLOBAL TALENT COMPETITIVENESS INDEX

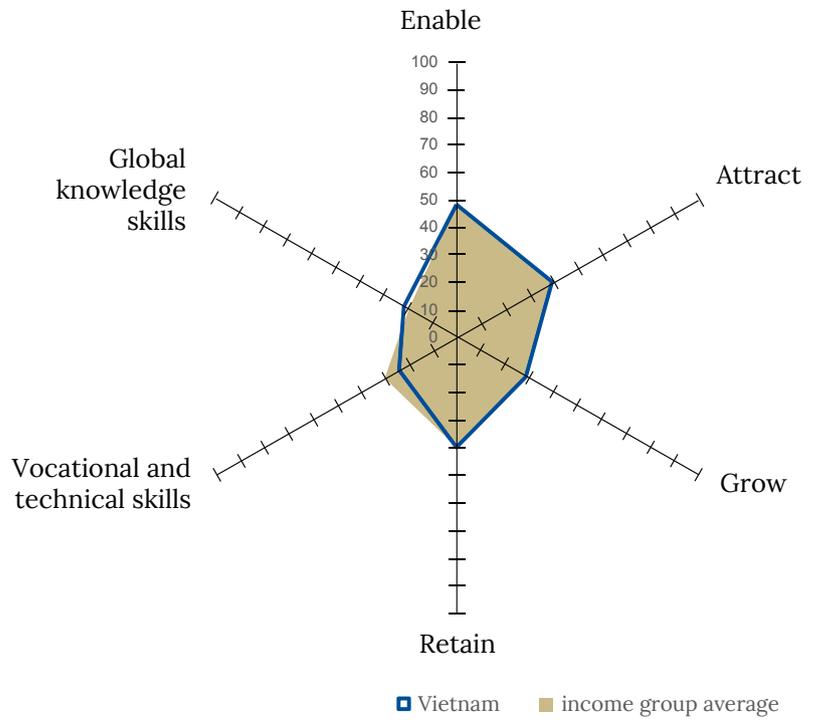
The latest Global Talent Competitiveness Index of Vietnam is presented in the below graph.

THE GLOBAL TALENT COMPETITIVENESS INDEX OF VIETNAM 2019 (Entrepreneurial Talent and Global Competitiveness)

VIETNAM 2019

Key indicators

Rank (out of 125)	92
Income group	Lower-middle income
Regional group	Eastern, Southeastern Asia and Oceania
Population (millions)	95.54



6. CREDIT RATING

On Standard & Poor's credit rating scale, Vietnam earned a BB score, indicating a stable outlook. On Moody's credit rating, Vietnam was last set at Ba3, indicating a positive outlook. Finally, on Fitch's credit rating, Vietnam was last reported with a score of BB indicating a positive outlook. A credit rating is generally used by sovereign wealth funds, pension funds and other investors to assess credit worthiness. It has a notable impact on the country's ability to borrow and the interests to be applied. Therefore, Vietnam's overall stable to positive credit rating signifies a relatively good credit worthiness. This page also includes the Vietnamese government debt credit rating as reported by major credit rating agencies.

VIETNAM CREDIT RATING, 2018

S&P RATING		MOODY'S RATING		MOODY'S RATING	
A+		A+		A+	
A	A-1	A	F-1	A	F-1
A-		A-		A-	
BBB+	A-2	BBB+	F-2	BBB+	F-2
BBB		BBB		BBB	
BBB-	A-3	BBB-	F-3	BBB-	F-3
BB+		BB+		BB+	
BB	Stable	Ba3	Positive	BB	Positive
BB-		B1		BB-	
B+		B+		B+	
B		B		B	
B-	B	B-		B-	B

III. LOOKING FORWARD

1. Prospects for Vietnamese economy in 2019 and beyond

Vietnam boasts a highly receptive economy with an interconnection to major international markets through global and regional supply chains. Therefore, in the event that uncertainty and fluctuation arise, the Vietnamese economy will inevitably be affected to certain extents. For example, when the IMF forecasted a slight decrease in the 2019 growth rate of major markets such as the US, the EU, and many other markets, domestic economic experts also predicted GDP, exports, and FDI to slightly decrease in 2019 through analysis of external economic conditions as well as the internal economic force.

1.1. Forecast of economic growth rate & inflation rate of Vietnamese economy in 2019 as well as the development prospect

The table below provides data of Vietnam's GDP growth and inflation forecasts for 2019 by world's leading financial institutions and banks as the IMF, World Bank, HSBC, etc.

	WB	IMF	ADB	HDB	ANZ
GDP	6.6%	6.5%	6.8%	6.5%	7.0%
Inflation	4.0%	4.0%	4.5%	3.4%	4.2%

1.3. New FDI attraction strategy

With the support of the International Finance Corporation (IFC), a member of the World Bank Group, The Ministry of Planning and Investment (MPI) released a report on 9 July 2018 delineating the 2020-2030 strategy and orientation for attracting a new generation of foreign direct investments (FDI). This initiative is key for socio-economic development in the upcoming decade.

This report was prepared with the support of the International Finance Corporation (IFC), a member of the World Bank Group.

The Draft of Strategy & Strategic Orientation to attract FDI of new generation, stage 2018 - 2030 has identified four major sectors in focus. The four major sectors in focus are:

- Manufacturing - It includes high-grade metals, minerals, chemicals, electronic components, plastics and high-tech;
- Services - Includes MRO (maintenance, repair, and overhaul) along with logistics;
- Agriculture - Includes innovative agricultural products i.e. high-value products such as rice, coffee, seafood and;
- Travel - High-value tourism services.

1.2. Targets set by the domestic macroeconomic authorities:

At the macro level, the National Assembly had just adopted the government's proposed economic targets for 2019, outlined as follows:



In the draft, the sectors identified as priority for development in short term and long term perspective as summarized in the following table:

SECTOR PRIORITIES TO PROMOTE AND SUPPORT INVESTMENT PROACTIVELY	
Immediate priorities - critical to value added as well as enhancing domestic competitiveness	Short-term priorities - Industries with limited opportunities for competition
<p>Manufacturing</p> <ol style="list-style-type: none"> High grade metals/ minerals/ chemicals/ plastics & electronics components/ high-tech Machinery & Industrial equipments <p>Services</p> <ol style="list-style-type: none"> Logistics & MRO (maintenance, repair & overhaul) <p>Agriculture</p> <ol style="list-style-type: none"> Innovative-high value agricultural products, (rice, specialty coffee, qua-products etc.) <p>Travel</p> <ol style="list-style-type: none"> High-value toristic services 	<p>Manufacturing</p> <ol style="list-style-type: none"> OEM as well as suppliers transport equipments & auto Environmental technology (water concervation equipments, solar & wind technology, etc.)
	Medium-term priority - parallel to opening and skill development
	<p>Manufacturing</p> <ol style="list-style-type: none"> Pharmaceuticals & Medical equipments <p>Service</p> <ol style="list-style-type: none"> Health & Education services Financial service/ financial technology (Fintech) Information technology & intellectual services [KPO (Knowledge Process Outsourcing) - accounting, designing, etc.]

Source: The Draft of Strategy & Strategic Orientation to attract FDI of new generation, stage 2018-2030. MPI

MOTIVATION TO EXPAND BUSINESS IN CHINA INCREASES, VIETNAM MAINTAINS 2ND PLACE

Regarding the countries and regions where firms aim to expand business overseas, China's ratio rose to 55.4%, compared with 49.4% the previous year, out of firms who answered "currently have an overseas base and planning to further expand operations". This is the first rise in China as an answer since data began being collected in FY2011. Vietnam saw a decrease from 37.5% to 35.5% compared to the previous year, but still maintained its ranking as 2nd place.

OVERSEAS EXPANSION BY COUNTRY AND REGION (top 20 countries and regions)

Country/region	FY 2018		FY 2017		FY 2016		FY 2015		FY 2014		FY 2013	FY 2012	FY 2011
	(n=1,050)	Rank	(n=938)	Rank	(n=992)	Rank	(n=895)	Rank	(n=1,001)	Rank	(n=1,119)	(n=1,149)	(n=1,602)
China	55.4	(1)	49.4	(1)	52.3	(1)	53.7	(1)	56.5	(1)	56.9	59.2	67.9
Vietnam	35.5	(2)	37.5	(2)	34.1	(3)	32.4	(4)	28.7	(5)	29.6	25.9	20.3
Thailand	34.8	(3)	36.7	(3)	38.6	(2)	41.7	(2)	44.0	(2)	47.0	41.2	27.9
US	32.3	(4)	29.0	(4)	33.5	(4)	33.7	(3)	31.3	(4)	25.4	26.0	21.1
Indonesia	23.4	(5)	24.8	(5)	26.8	(5)	31.8	(5)	34.4	(3)	35.0	32.0	24.7
Western Europe	21.9	(6)	21.5	(6)	19.7	(7)	20.6	(7)	18.1	(8)	15.7	15.9	15.7
Taiwan	21.3	(7)	20.0	(7)	20.6	(6)	21.6	(6)	21.0	(6)	20.0	21.8	18.5
India	20.9	(8)	18.2	(8)	18.5	(8)	20.1	(8)	16.1	(9)	19.2	19.4	21.8
Singapore	15.0	(9)	17.1	(9)	17.7	(9)	16.1	(10)	19.3	(7)	18.3	17.8	14.0
Malaysia	14.2	(10)	14.0	(10)	14.7	(11)	15.5	(11)	14.8	(12)	15.4	15.7	12.2
Korea	13.6	(11)	12.6	(13)	15.0	(10)	16.5	(9)	15.9	(11)	17.2	18.8	18.8
Hong Kong	13.5	(12)	13.6	(11)	14.1	(12)	14.2	(12)	16.1	(9)	15.4	15.8	14.2
Philippines	9.9	(13)	13.1	(12)	13.4	(13)	11.3	(14)	10.8	(13)	10.9	7.5	5.1
Myanmar	8.7	(14)	10.2	(14)	12.7	(14)	11.5	(13)	10.1	(14)	10.9	-	-
Australia	5.5	(15)	4.3	(18)	4.6	(19)	4.6	(19)	2.8	(21)	3.3	3.7	4.0
Mexico	4.6	(16)	6.9	(15)	8.5	(15)	10.9	(15)	10.1	(14)	7.6	5.6	3.1
Central-Eastern Europe	4.5	(17)	5.2	(16)	5.9	(16)	7.0	(16)	6.1	(18)	3.3	4.2	4.7
Russia & CIS	4.1	(18)	4.1	(19)	4.9	(18)	4.1	(20)	6.2	(17)	6.5	5.8	6.9
Cambodia	3.3	(19)	4.8	(17)	5.2	(17)	6.0	(17)	5.3	(19)	5.4	-	-
Canada	3.2	(20)	2.2	(23)	3.2	(22)	3.4	(21)	2.3	(24)	2.5	2.8	2.9
ASEAN6	67.3		69.2		70.5		73.2		73.5		74.8	69.0	56.3

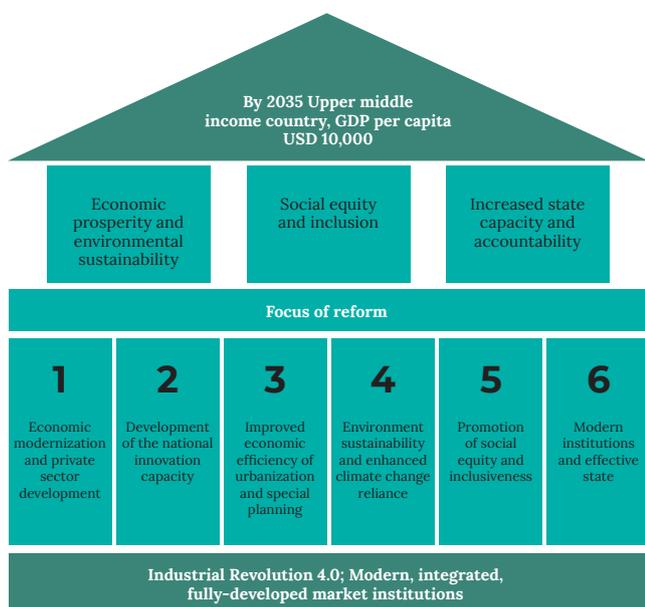
Source: JETRO

At the microeconomic level, how can businesses promptly identify the next tenable destination for a business venture? Results from the “Outlook for Japanese Foreign Direct Investment” survey created by JBIC in 2018 can provide a partial answer to the question above. Here, Vietnam’s ranking rose from the previous year to become the second most promising countries & regions for overseas business over the medium term.

According the result of JETRO Vietnam’s recent survey conducted amongst Japanese companies operating in Vietnam, the Chief Representative office of JETRO Vietnam, Mr. Hironomu Kitagawa, stated that “up to 70% of Japanese corporations plan to expand their operations and this indicates the fact that Vietnam continues to be the destination of interest for many Japanese investors”.

2. LOOKING FURTHER INTO THE FUTURE

LONG TERM DEVELOPMENT GOALS

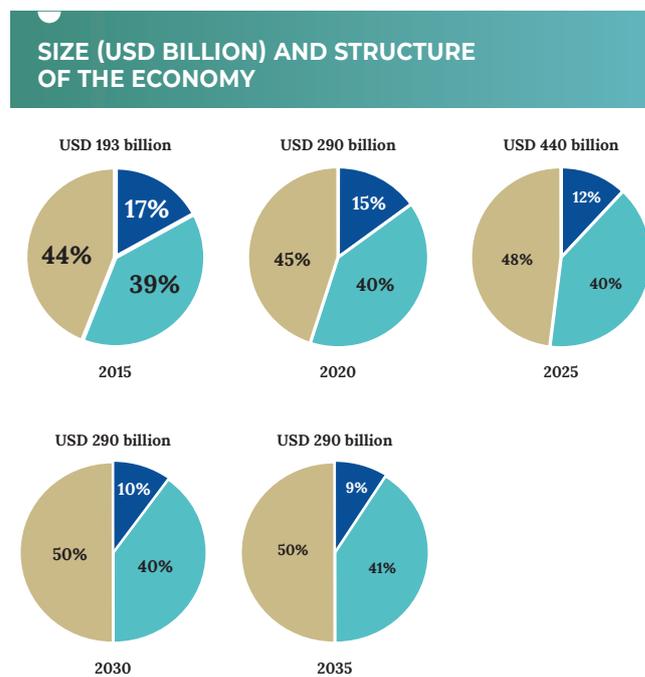


According to economic policy framework for 2035 constructed by the Ministry of Planning and Investment (MPI) on 5 December 2018, Vietnam has set a 6,500 USD target for per capita GDP by the year 2030; and that value is projected to increase to 10,000 USD after 5 years, 4 times higher than the current value. This estimated increase in income level will allow Vietnam to acquire the status of a high middle-income country. If Vietnam’s economy (measured in GDP) reaches 290 billion USD in 2020, this number will be more likely to reach 440 billion USD in the following 5 years, then 670 billion USD in 2030 and 1,050 billion USD in 2035.

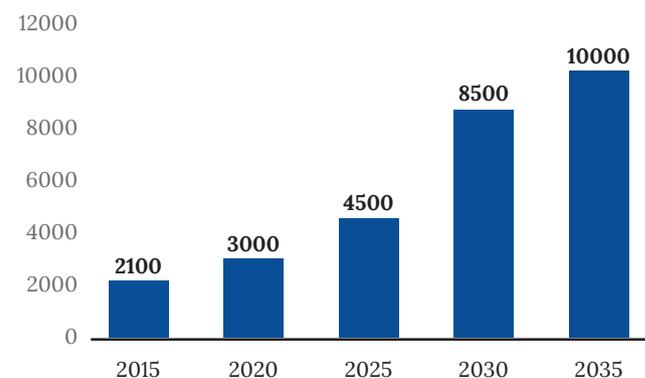
Private sector’s new growth model will capitalize on opportunities presented by the Industrial Revolution 4.0 through emphasis on two crucial aspects: strong development in both innovations and human resources. In the medium term up until 2020, Vietnam intends to have upward of 2 million operating private enterprises contributing 50% to the national GDP, the contribution rate is expected to increase to 60-65% after 10 years.

Size (USD billion) and structure of the economy

Average per capita GDP growth during 2016 - 2035:
6.8% (corresponding to an annual GDP Growth rate of 7.5%)



PER CAPITA GDP (USD)



Source: Ministry of Planning and Investment, World Bank



TOP TEN REASONS TO INVEST IN VIETNAM

Photographer: Duong Truong

01

STRATEGICALLY POSITIONED IN THE DYNAMIC ASIAN PACIFIC REGION

Vietnam is located in the center of the dynamic ASEAN region; it is also close to other major markets in Asia, the most notable neighbor being China.

Thanks to Vietnam's strategic location at the crossroads of regional supply chains, the country has become an ideal destination for investment and international event organization.

At the regional cooperative level, in 2017, Vietnam successfully hosted groups of political leaders from the US, China, Russia, Japan and other countries in ASEAN region at the APEC summit with the purpose of finding possible ways to promote regional cooperation and development.

At a business grassroots level, Samsung Corporation decided to establish its manufacturing bases in Bac Ninh, Thai Nguyen and Ho Chi Minh City. Here, more than 60 billion USD worth of products have been assembled and exported in 2018.

02

BRIGHT & POSITIVE OUTLOOK AS WELL AS FDI FRIENDLY ENVIRONMENT

The latest assessment of the World Bank states, "Vietnam now is one of the most dynamic emerging countries in East Asia region". "In the medium-term, Vietnam's economic outlook is positive, despite signs of cyclical moderation in growth". (World Bank Overview (Oct 18, 2019).

The Vietnam Country Forecast compiled by EIU (The Economic Intelligence Unit) forecasted, "In 2020-24 the business environment will improve, owing to better access to financing, more favorable policies for foreign investors and lower barriers to trade". In terms of policies directed towards foreign investment during 2020-2021, "Tax incentives for foreign investment in strategic sectors remain generous".

03

A GOLDEN POPULATION STRUCTURE WITH YOUNG LABOR FORCE AND COST COMPETITIVE

Vietnam is experiencing rapid demographic and social change. Its population reached to about 97 million in 2018 (up from about 60 million in 1986) and is expected to expand to 120 million before moderating around 2050. Currently, 70% of the population is under 35 years of age and enjoys an average life expectancy of 73 years.



Vietnam has a population approaching 100 million inhabitants, more than 60% of who are under the age of 35. Therefore, Vietnam is capable of providing a young, abundant and quality work force at competitive cost. (Source: Vietnam Briefing June 2018)

The labour costs in Vietnam are competitive compared not only to China, but also to other manufacturing hubs in South East Asia. Vietnam’s minimum wage was recorded at 114.29 USD/month in 2017, being one-third the figure for China and one of the lowest in the region. In 2018m, this figure rose slightly to 122.27 USD/month, while those of Thailand and China are 293 USD/month and 348.88 USD/month respectively. (Source: by Koushan Das - Vietnam Briefing. June 2018)

04

HUMAN RESOURCE POTENTIALITY

A recent assessment by the World Bank finds that “Vietnam is today a significantly more educated and healthy society than 20 years ago, and these qualities are equitably distributed. Coverage and learning outcomes are high and equitably achieved in primary school-evidenced by remarkably high scores in the Program for International Student Assessment (PISA), where the performance of Vietnamese students exceeds that of many OECD countries”.



05

SOUND INFRASTRUCTURE IN THE SERVICE OF INVESTORS

According to a report of the Department of Economic Zone Management, MPI, nationwide, by the end of 2018, 326 industrial parks have been established. Cumulatively, to the end of 2018, industrial parks and economic zones attracted about 7,500 domestic investment projects with a total registered capital of nearly 970 trillion VND (about 42 billion USD) and about 8,000 foreign invested projects with a total registered capital estimated at over 195 billion USD. The occupancy rate of industrial parks that have been put into operation is over 73%.

06

STRONGLY ADVOCATES FOR TRADE LIBERALIZATION AND FREE TRADE AGREEMENTS OF THE NEW GENERATION

The CPTPP Comprehensive Progressive Trans-Pacific Partnership has been signed, ratified, and implemented. The EU-Vietnam Free Trade Agreement (EVFTA) has passed through the legal review process and is awaiting ratification.

07

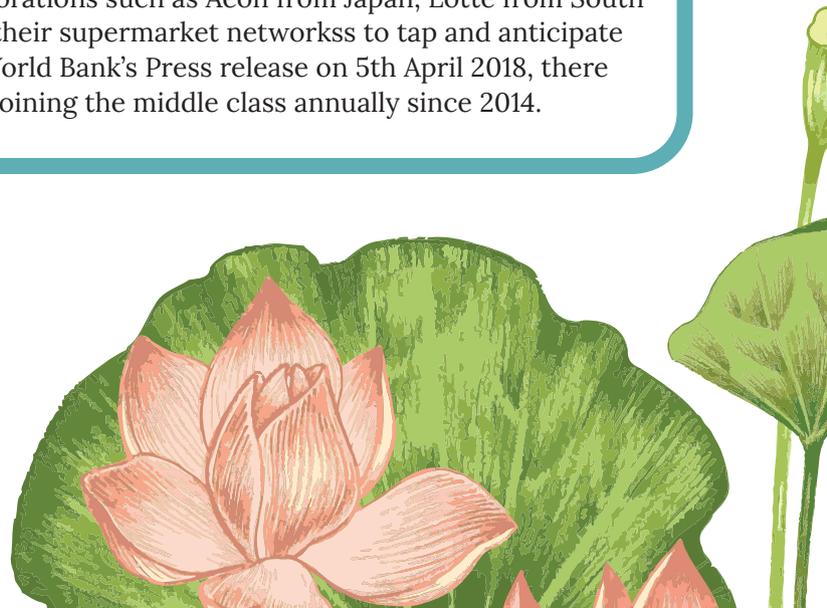
HIGHER TREND OF FDI INFLOWS INTO THE COUNTRY THAN REGIONAL PEERS

"Vietnam is a FDI success story. Through time, FDI has become a major driver in Vietnam's economic development. Competitive wages, stable political and economic environments, sound infrastructure, a favorable geographic location as well as a robust investment and trade policy framework have led to dramatic increases in FDI inflows. By any measure, the country's FDI attraction achievements have been exceptional" quoting Kyle Kelhofer, International Finance Corporation (IFC) country manager for Cambodia, Lao PDR and Vietnam.

08

ONGOING URBANIZATION & A GROWING MIDDLE CLASS ENSURE AN ACTIVE DEMAND FORCE

Leading international wholesale and retail corporations such as Aeon from Japan, Lotte from South Korea and others have been rapidly expanding their supermarket networks to tap and anticipate the growing consumer power. According to a World Bank's Press release on 5th April 2018, there has been a steady increase of 1.5 million people joining the middle class annually since 2014.



09

ON-GOING EQUITIZATION OF STATE-OWNED ENTERPRISES AS WELL AS M&A OPPORTUNITIES FOR ACQUIRING STRATEGIC ASSETS

On-going equalization of state-owned enterprises as well as lifting foreign-ownership cap in major sectors and industries enable foreign investors to acquire strategic assets.

10

PLENTY OF INVESTMENT OPPORTUNITIES IN INFRASTRUCTURAL PROJECTS (roads, airports, power plants etc.)

FORECAST ON VIETNAM'S INFRASTRUCTURE INVESTMENT DEMAND

According to a report from the Global Infrastructure Outlook, Vietnam will meet 83 percent of its infrastructure investment needs by 2040 if the current investment trend is maintained. Road sector is said to face largest gap to fulfill targeted investment needs.

TOTAL INFRASTRUCTURE INVESTMENT FORECAST IN 2016-2040



INFRASTRUCTURE INVESTMENT FORECAST THROUGH YEARS - BILLION USD



IV. INVESTMENT OPPORTUNITIES IN INDUSTRIES & SECTORS

1. INFRASTRUCTURE INVESTMENT OPPORTUNITIES IN VIETNAM

a) The role of infrastructure development & local context

a. The role and significance of infrastructural development: the lifeline of the national economy. Infrastructure is often likened to a lifeline as it acts as the lifeline of the national economy. Infrastructure is defined as “the physical framework of facilities through which goods and services are provided to the public”

“Highway infrastructure can affect the economy in numerous ways, whereby most appertain to increasing mobility. It enables producers to reach markets at a lower cost, increases the size of their market area, and grants them a broader choice of input suppliers. It can increase the speed with which producers can reach markets or inputs, allowing them to hold fewer inventories and carry out timely production. Highway infrastructure can also enable workers to choose among a wider array of employment opportunities and to live farther from their workplace. Similarly, it can enable consumers to access a greater variety of goods

and services at competitive prices”. (Highways infrastructure and the economy – Howards J. Shatz at al. RAND Corporation).

At the macro level, the Vietnamese government set great store by the contribution of infrastructure to the growth development. According to Vu Dai Thang, Deputy Minister of the Ministry of Planning and Investment (MPI), developing the infrastructure system has been identified as one of three breakthroughs in Vietnam’s socio-economic development strategy, beside from institutional reforms and human resource development.

b. Sketch of natural conditions

Natural conditions such as geographical and climate factors help shape the development potentialities of Vietnam’s infrastructure configuration.

+ Long coastline: ports & maritime transport

RESORTS & RECREATION COMPLEXES ALONG THE COASTAL TOWNS AND ISLANDS



Sun Grand City Palace - Resort & recreation complex Quang Ninh province. Total area: 2,500 ha. Total capital: 2 billions USD. Designer: Dark Horse Architecture



JW Marriott Phu Quoc Emerald Bay resort & spa ranks 6th out of TOP 100 hotels with score 98,56 by Travel and Leisure (T+L) magazine



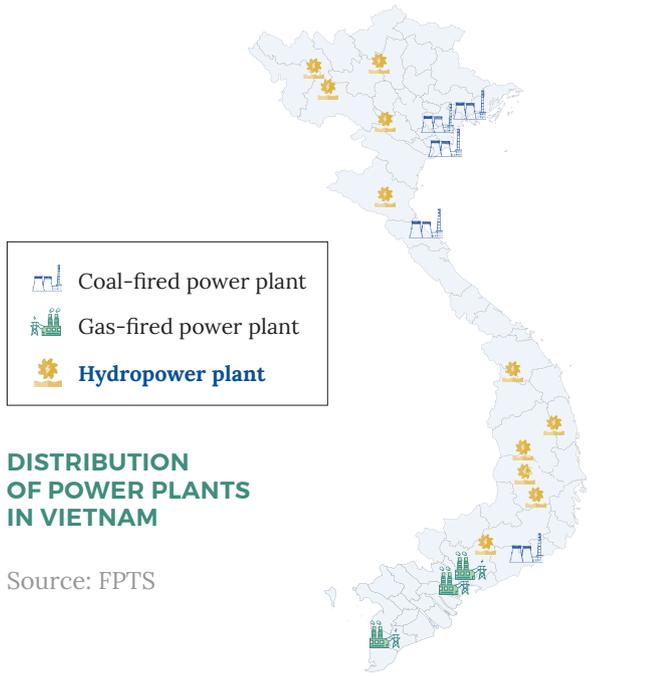
Shophouse Mediterranean Project - Phu Quoc Investment owner: Sun Group



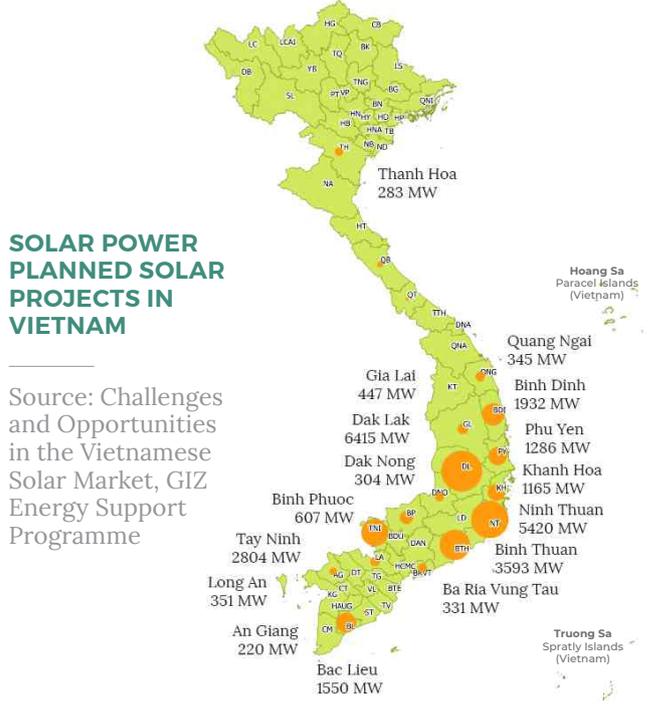
Inter Continental Danang Sun Peninsula resort ranks 77th out of top 100 hotels with 95.66 score by Travel and Leisure (T+L) magazine

+ Tropical sunshine zone: potential for renewable wind and solar energy

NATURAL RESOURCES POTENTIALITIES - HYDRO POWER



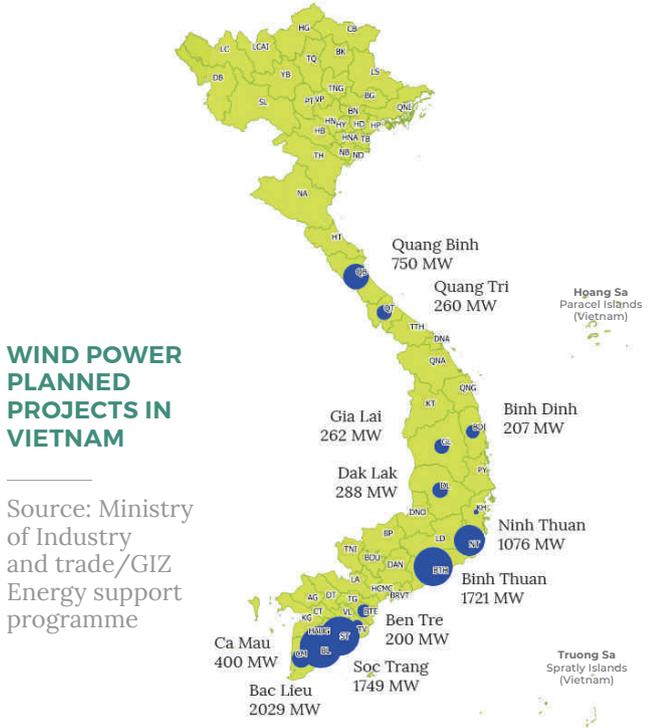
NATURAL RESOURCES POTENTIALITIES - SOLAR POWER



+ Slope terrain: suitable for hydropower plant construction

+ Crisscross dissected topography of the Mekong delta: inland waterway; bridges construction.

NATURAL RESOURCES POTENTIALITIES - WIND POWER



BRIDGES HELP MEKONG DELTA INTERCONNECTED AND REMOVE FERRYBOATS

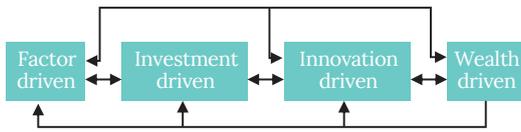


Graphic: Tan Dat

As exhibited in the picture above, there exists a natural terrain of crisscross rivers in the Mekong delta, which demands an equally intelligent interconnection of bridges to expedite transportation. This also brings forth the potential for developing an inland-water way both domestically and to Cambodia.

b) Positioning of Vietnam's economy: transition from factor-driven to efficiency driven economy that calls for investment in infrastructure

VIETNAM'S STAGE OF ECONOMIC DEVELOPMENT AND THE NECESSITY OF INVESTMENT



Stage of development



Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rank	75/144	70/148	68/144	56/140	60/138	55/137
Score	4.1	4.2	4.2	4.3	4.3	4.4



Source: World Economic Forum: 2017-2018 Edition

Based on the classification of the World Economic Forum (WEF), the Vietnamese economy has positioned itself at the transitional stage from a factor-driven economy to an efficiency-driven economy. The “Global Competitiveness Report” of WEF states: “As economies move from low-to-middle-income status, global competitiveness becomes Investment-driven, as economic growth is increasingly achieved by harnessing global technologies to local production”.

“As development proceeds, government priorities need to focus increasingly on improvements in physical infrastructure (ports, telecommunications, roads) and regulatory arrangements (customs, taxation, company law) to allow the economy to integrate more fully with global markets”. (Source: Executive Summary: Competitiveness and Stages of Economic Development).

- Infrastructure sector, in fact, shows that any country with a synchronous and modern infrastructure system will promote economic growth, productivity and efficiency of the economy and contribute to solving bottomneck problems. Therefore, Vietnam attaches great

importance to the development of infrastructure, especially economic infrastructure such as seaports, roads, bridges, bridges, energy, hospitals, schools, houses ... To meet development needs, in the coming years the level of capital investment in infrastructure requires an increase of 11-12% of GDP. To ensure sufficient capital, the Government of Vietnam always encourages and facilitates the mobilization of all sources of capital, including foreign capital, to participate in infrastructural development.

Infrastructural adequacy is the top concern of investors and businesses before making investment decisions. A country with adequate communication systems, transport networks, energy, water supply and drainage systems, and financial and banking service facilities will further facilitate the development of FDI projects. In addition, reducing the cost of transportation and information will increase investment efficiency. Therefore, in order to promote FDI and economic growth, infrastructure development is a key task at present.

The following graphs show the overall picture of Vietnam's infrastructural landscape.

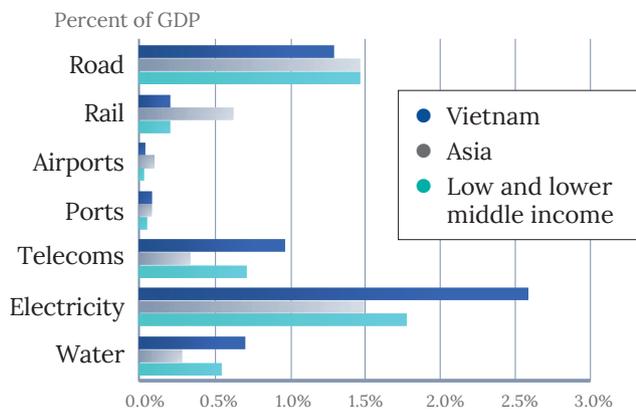


Key assumptions

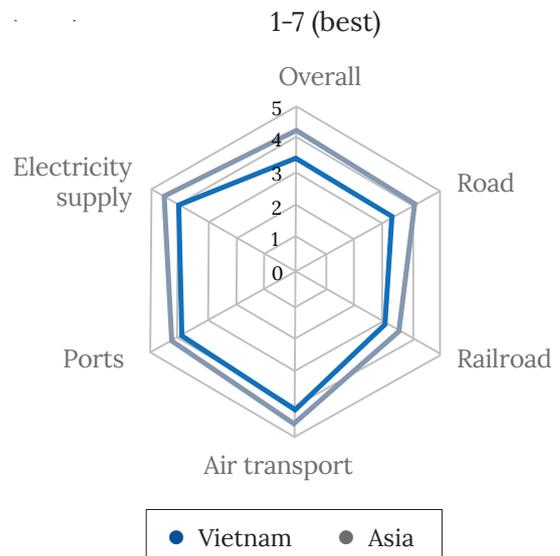
	2015	2040	Av. Annual growth
GDP (Billion \$US)*	191	679	5.2%
GDP per head (\$US)*	2,048	6,179	4.5%
Population (000s)	93,448	109,925	0.7%
Urban population (% of total)**	33.6%	49.3%	1.5%
Population density (persons per km ²)	301	355	0.7%

* 2015 prices and exchange rates
 ** Av. Annual growth shows average annual change in urban share of population

INFRASTRUCTURE INVESTMENT NEED, 2016-2040



INFRASTRUCTURE QUALITY



Source: Oxford Economics & Global Competitiveness Index, World Economic Forum

2nd pillar: Infrastructure 0-100	-	65.9 ▲	77	Singapore
Transport infrastructure 0-100	-	52.2 ▲	66	Singapore
2.01 Road connectivity 0-100 (best)	63.3	63.3 ▲	104	Multiple (3)
2.02 Road of road infrastructure 1-7 (best)	3.4	40.1 ▲	103	Singapore
2.03 Railroad density km/1,000km ²	7.6	19.1 ▲	58	Multiple (24)
2.04 Efficiency of train services 1-7 (best)	3.6	43.3 ▲	54	Japan
2.05 Airport connectivity score	364,184.2	86.0 =	22	Multiple (8)
2.06 Efficiency of air transport services 1-7 (best)	4.0	49.7 ▲	103	Singapore
2.07 Liner shipping connectivity 0-100 (best)	68.8	68.8 ▲	19	Multiple (5)
2.08 Efficiency of seaport services 1-7 (best)	3.8	47.3 ▲	83	Singapore
Utility infrastructure 0-100	-	79.6 ▼	87	Iceland
2.09 Electricity access % of population	98.8	98.8 ▲	84	Multiple (67)
2.10 Electricity supply quality % of output	10.2	93.5 ▼	62	Multiple (10)
2.11 Exposure to unsafe drinking water % of population	34.3	67.0 ▼	95	Multiple (28)
2.12 Reliability of water supply 1-7 (best)	4.6	59.2 ▲	81	Iceland

c) Regional connectivity: ASEAN, China and the world

The arrows pointing toward Japan and India indicate the aim to strengthen connectivity not only within ASEAN, but also with Japan, India and other countries outside the region.

ROAD NETWORK

QL1A

- Part of **Eastern Economic Corridor**. Though it runs the entire length of the country, only parts around Hanoi and Ho Chi Minh City are used heavily for trade.
- From Hanoi, the road leading to Lao Cai border is an important entry point to China.

QL9

- Part of **East-West Economic Corridor**. Used for transport of Lao-Vietnam trade as well as Transit goods from Thailand's Mukdahan through Laos. Provides Laos and Thailand access to Danang Port.

QL80

- Part of **Southern Coastal Economic Corridor** that runs from Bangkok through Cambodia's biggest deep sea ports and industrial zones: Sihanoukville and Koh Kong.

QL19, 22, 51

- Parts of the **Southern Economic Corridor**.
- The southern arm serves as a key link between Bangkok, Phnom Penh and Ho Chi Minh City. Traffic congestion is often a problem, especially around Ho Chi Minh city.
- The other significant portion is from Ho Chi Minh City to Vang Tao and Cai Mep port.
- QL19, the northern arm to Quy Nhon, is not often used since the Quy Nhon is not currently a major trade hub.



Other Key Roads

QL5B

- Major road linking Hanoi to Hai Phong, where Hai Phong port is one of Vietnam's major ports which sees the highest cargo traffic. Hai Phong is also home to a number of industrial zones.
- The route is used extensively for Vietnam's international trade.

Source: Kasikorn bank

Vietnam has actively participated in many bilateral and multilateral cooperation frameworks including the Greater Mekong Sub region (GMS) cooperation framework. This is a cooperation framework sponsored by the Asian Development Bank (ADB) and has 6 participating countries including: Vietnam, China, Laos, Cambodia, Thailand and Myanmar. Transport connectivity is a top priority in the GMS Program. The next transport strategy

recommends expanding the scope of the hardware infrastructure program - connecting traffic in GMS including road and rail.

Within this cooperation, Vietnam, with the support of donors, including ADB and internal resources, has been completing a series of important external corridors.

On the corridor connecting to China, Vietnam has fully utilized the Kunming - Lao Cai - Hanoi - Hai Phong Expressway (from December 2015). Before 2020, the Nanning - Lang Son - Hanoi - Hai Phong expressway will be set into motion, and the Hanoi - Hai Phong - Ha Long - Van Don - Mong Cai - Bang Tuong expressway will be the next to commence operation. To elaborate, the Hai Phong - Ha Long segment will be completed in the second quarter of 2018 and the Ha Long - Van Don - Mong Cai segment is being invested by the Quang Ninh People's Committee.

In respect to Laos, there is the Da Nang - Dong Ha port route along National Highway 1- Lao Bao according to National Highway NH9- QL9 of Laos - Thailand - Dawei port of Myanmar (the section on Myanmar territory is under construction) has a length about 1,450 km. This important corridor shortens the distance transported by road from the Pacific to the Indian Ocean and vice versa, traveling only takes 3 days by road; meanwhile, if the goods must go by sea through the Strait of Malaca they will have to travel 6,000 km for 10 days.

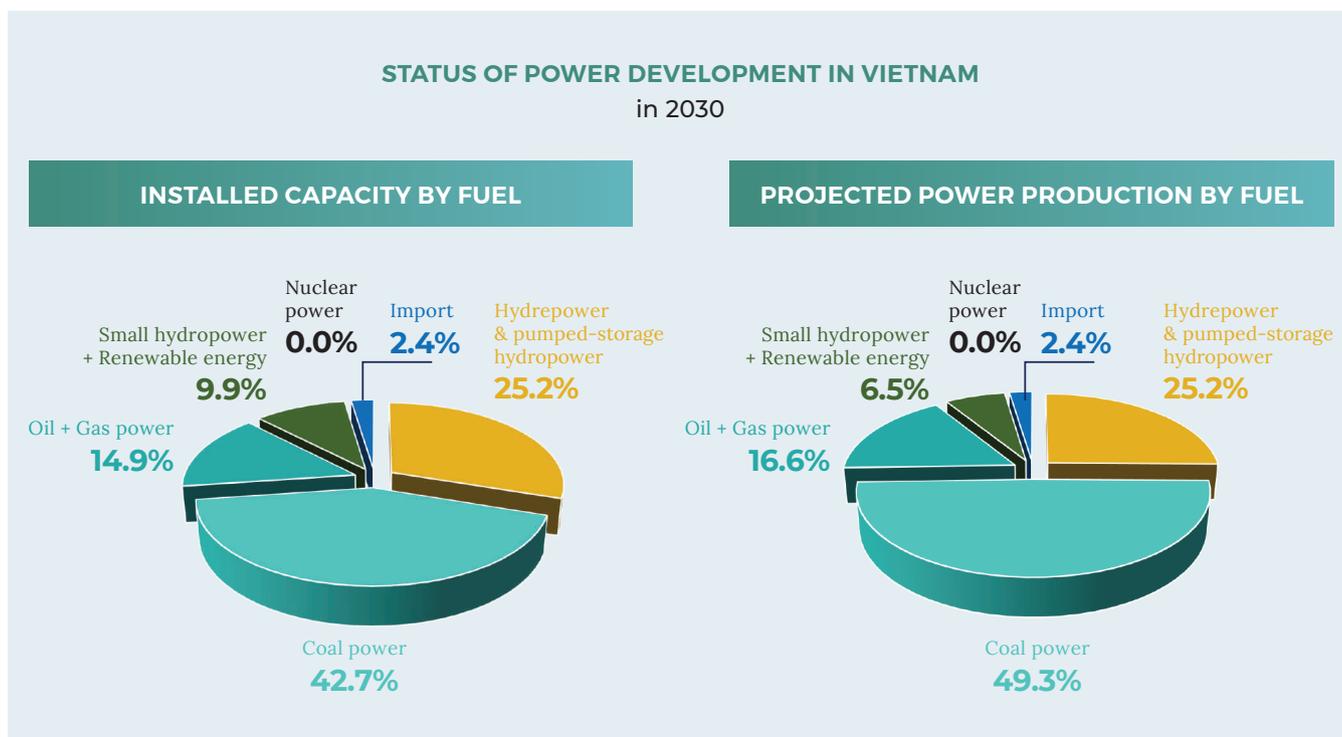
The second East-West Corridor running through National highway 217 is being prepared for assistance by ADB. In the coming time, on the basis of the East-West alignment being exploited connecting the Pacific and Indian Oceans, Vietnam and Laos have researched and proposed a corridor route from Myanmar to Thailand to Laos (via Huu Nghi Bridge No. 5 (between Laos and Thailand) and follow the section of Po San - Thanh Thuy - Vinh to Vung Ang port. This is a session in Hanoi - Vientiane highway is a strategic highway that the Governments of Vietnam and Laos are determined to build.

Lastly, Cambodia's connecting southern corridor and southern coastal corridor have been supported by ADB. Additionally, Vietnam and Cambodia had recently signed an agreement to promote investments for the construction of the Ho Chi Minh - Phnom Penh 180 km highway. From Ho Chi Minh City, this corridor will allow connection to Cai Mep - Thi Vai port, and from Phnom Penh, it will allow connection to Thailand and the southern corridor.

d) The status of infrastructure development & supply-demand balance

d1. Energy sector

The present status and projected configuration of the Vietnamese energy industry can be illustrated in the following graphs.

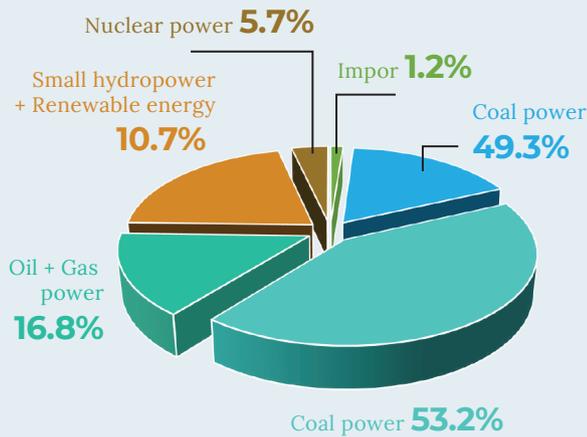


Source: PDP VII Revised

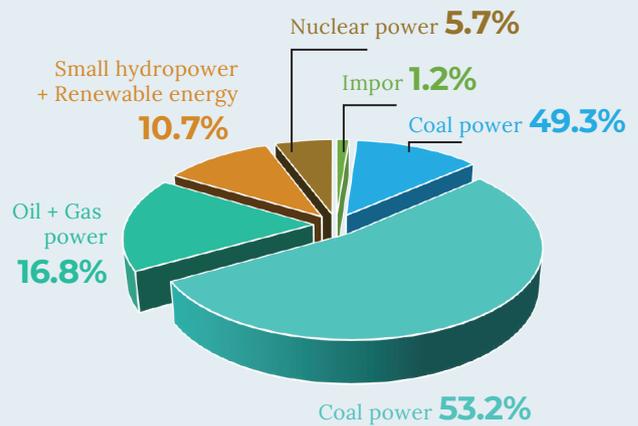
STATUS OF POWER DEVELOPMENT IN VIETNAM

in 2030

INSTALLED CAPACITY BY FUEL



PROJECTED POWER PRODUCTION BY FUEL



Source: PDP VII Revised

With an average growth rate of 8.6% per year according to the VII electricity plan (adjusted), the electricity output needs to supplement an average of 26.5 billion kWh annually. According to calculations by the Department of Electricity and Renewable Energy (Ministry of Industry and Trade), the output shortage in 2021 estimates 6.6 billion kWh; in 2022 it will increase to about 11.8 billion kWh; and in 2023 it can potentially reach 15 billion kWh (equivalent to 5% of demand).

Electricity market

Vietnam's energy sector is dominated by big state-owned-enterprises (SOE). Therefore, it is mainly controlled by the government through the Ministry of Industry and Trade. The integrated state-owned utility Electricity of Viet Nam (EVN) dominates the Vietnamese generation market. Furthermore, it holds a monopolistic responsibility for transmission, distribution and system operation. The remaining shares of the generation capacities are held by other big SOEs (e.g. PetroVietnam (gas-fired power plants) or Vinacomin (coal-fired power plants)). Foreign investors often use a "Build-Own-Transfer" (BOT) model and other domestic investors incline towards an independent power plant (IPP)-model. Nonetheless, generated electricity from IPPs is sold to EVN under long-term contracts.

Vietnam plans to develop a competition based electricity market. A prime minister decision in 2013 underlined and confirmed the deregulation processes that started in 2005. The deregulation process should proceed in three phases and will be completed in 2023:

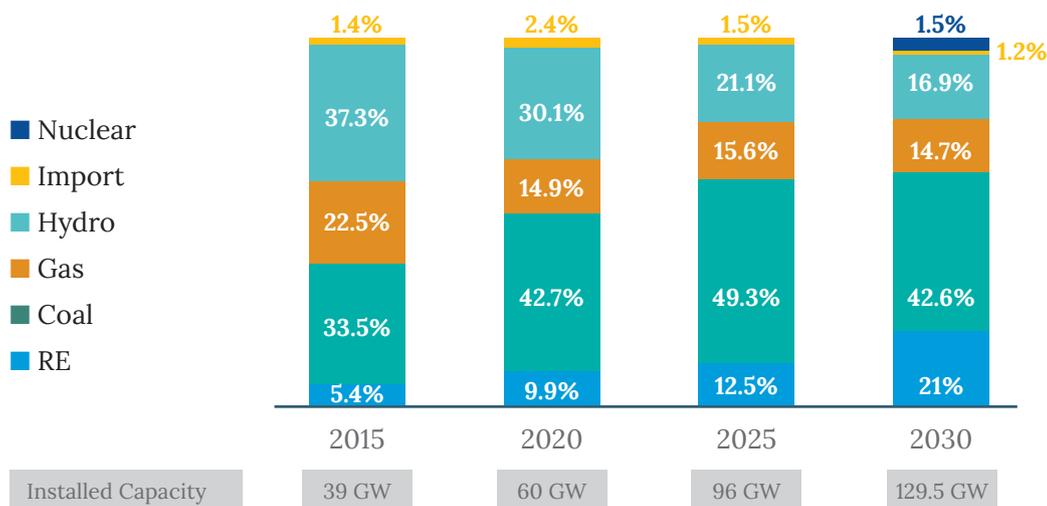
ELECTRICITY MARKET



Source: EVN

In the revised National Development Plan VII (the revised PDP 7), which was approved by the Prime Minister on March 18 2016, the average GDP growth rate is predicted to be at 7% during the period of 2016-2030. In order to satisfy the domestic electricity demand, the revised PDP 7 sets a target for commercial electricity to reach 235-245 billion kWh in 2020; 352-379 billion kWh in 2025; 506-559 billion kWh in 2030. The targets for electricity production and import are 265-278 billion kWh in 2020; 400-431 billion kWh in 2025; and 572-632 billion kWh in 2030.

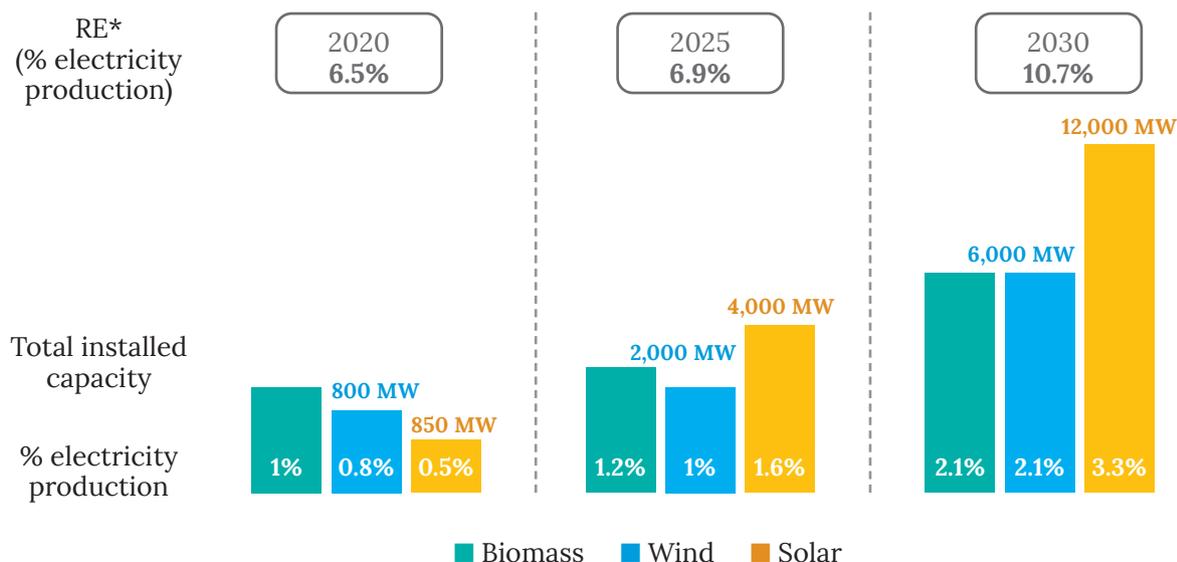
According to the revised PDP7, coal will be the most significant source of power for the period 2020-2030, providing 42.7% of total generation in 2020; 49.3% in 2025 and 42.6% in 2030. The structure of power source is illustrated in figure below.



+ Renewable energy

(Source: Data provided by the Institute of Energy)

In the revised PDP 7, renewable energy (wind energy, solar energy, and bioenergy) will be prioritized. Renewables targets for 2020, 2025 and 2030 are set to have a share of electricity production equals 6.5% in 2020; 6.9% in 2025 and 10.7% in 2030 (figure below).



Source: Revised National Power Development Plan VII

d2) Transport sector

According to the Minister of Transport of Vietnam, Nguyen Van The, when he delivered the speech at the 6th GMS cooperation summit (2018), the transport- infrastructure system in Vietnam is still small in scale, not synchronized and has not created a continuous connection; the ability to meet traffic demand and traffic safety is limited. Compared to other advanced countries in the region, Vietnam’s transport infrastructure system is relatively average. Currently, there are 765 km of built and operating high-speed roads. The main railway system of 1m is very backward and has a very low transport market share (<2%). For aviation, there are 21 airports operating nationwide, of which include 8 international airports. However, most airports currently have limited passenger capacity, none of which meets regional focal standards so it is the chance for foreign investors and contractors to participate in the future biddings

Minister Nguyen Van The states, the total demand for investment capital in order to develop Vietnam’s transport infrastructure in the period of 2018–2023 is estimated at VND 1,015,000 billion, equivalent to about USD 48 billion. To accomplish this goal, proposed solutions have been grouped improve the efficiency of investment capital and promote the connection integrity of the transport infrastructure system. Solutions include a focused and key investment, creating a significant change in the allocation of investment capital among transport fields, focusing capital on constructive works, and creating connections between modes of transport between works in the same system and in key economic regions and international gateways.

Land routes development plan: the goal is to continue perfecting and constructing the highway system. From now unto 2020, 654 km out of 1,300 km North - South Expressway will be completed in the form of public - private partnership, in which the State contributes to 40% of the total investment. Other objectives include studying the plan to build a new high-speed railway, doubling track gauge of 1435 mm on the North-South axis, completing the system of roads and railways of Vietnam synchronously with technical standards, establishing convenient connection with the ASEAN road system, the Greater Mekong Subregion and the trans-Asia railway; seaport system to meet the needs of customs clearance for import and export goods; researching and investing in construction of Long Thanh international airport with the role and scale on par with major international airports in the region.

CAPITAL STRUCTURE 2017 - 2021

Total Investment	\$5.09 Billion
State Budget	\$2.36 Billion (\$0.61 Billion for site clearance and resettlement)
BOT Investors	\$2.73 Billion
Total Distance (km)	654 km

Source: Resolution 52/2017/QH14 dated 22/11/2017; PPP Department of MOT Vietnam Database



RAILWAY DEVELOPMENT PLAN

Based on Decision No.1468/QĐ-TTg by the Prime Minister:

Until 2020

- Operate some urban railway lines in Hanoi and Ho Chi Minh City.
- Complete national high-speed railway study.

Until 2030

- Basically complete urban railways in Hanoi and HCMC.
- Basically complete high-speed railway in Hanoi - Vinh and HCMC - Nha Trang.

Until 2050

Operate the Whole national high-speed railway network.



AIRPORTS

The major airports allocation can be viewed in the following picture:

Aviation infrastructure is an urgent problem crucial to long-term growth. Many airports in big cities have to operate beyond capacity, like airports in Ho Chi Minh City at the rate 130% and Nha Trang is 320%. Noi Bai International Airport have also detected deterioration in some runways. (Source: Hoang Linh, 2018)

Mr. Pham Nguyen Tung, Project Director of Vietjet Air Joint Stock Company, said that Vietnam currently has an average of only 1.9 aircraft/million people, while Thailand has 4.7 aircraft/million people and this figure in Malaysia is 9.5. This proves that the market surplus remains very large. Aside from potential, the competition of this market is also considered extremely fierce.



Background information about the Long Thanh International airport project

1. Scale, capacity: 100 million passengers/year, 5 million tons of cargo/year.

- Phase 1: Invest in 1 runway and 1 passenger terminal with a capacity of 25 million passengers/year and 1.2 million tons of cargo/year.

- Phase 2: Invest in an additional runway and passenger terminal, increasing the capacity to 50 million passengers/year and 1.5 million tons of cargo/year.

- Phase 3: Completion.

2. Total investment: US\$5.4bn for Phase 1 with funding from enterprises, state budget and ODA.

3. Implementation status: Finished the architecture, currently bidding for FS consultants.

4. Expectation: In 2019–2020: bidding to select investors for PPP components and start the technical design by state budget. In 2021: attract investment.



Investment direction approved by the National Assembly in Decree No. 94/2015/QH13 dated 25/6/2015



WATER

Inland waterways

Vietnam has 41,000 km of inland waterways, of which only 8,000 km are used commercially despite huge potential for freight transport. Despite limited investments, waterway transport capacity and usage have recently increased for high-weight, low-value goods (e.g. coal, rice, sand, stone, gravel), and personal transport (World Bank, 2014).

Transport in the Mekong Delta benefits from an extensive waterway network including rivers and channels, many of which can cater to large vessels. However investment in the development of waterways accounts for only 1.7% of transport infrastructure spending in the Mekong.

VIETNAM PORT MAP

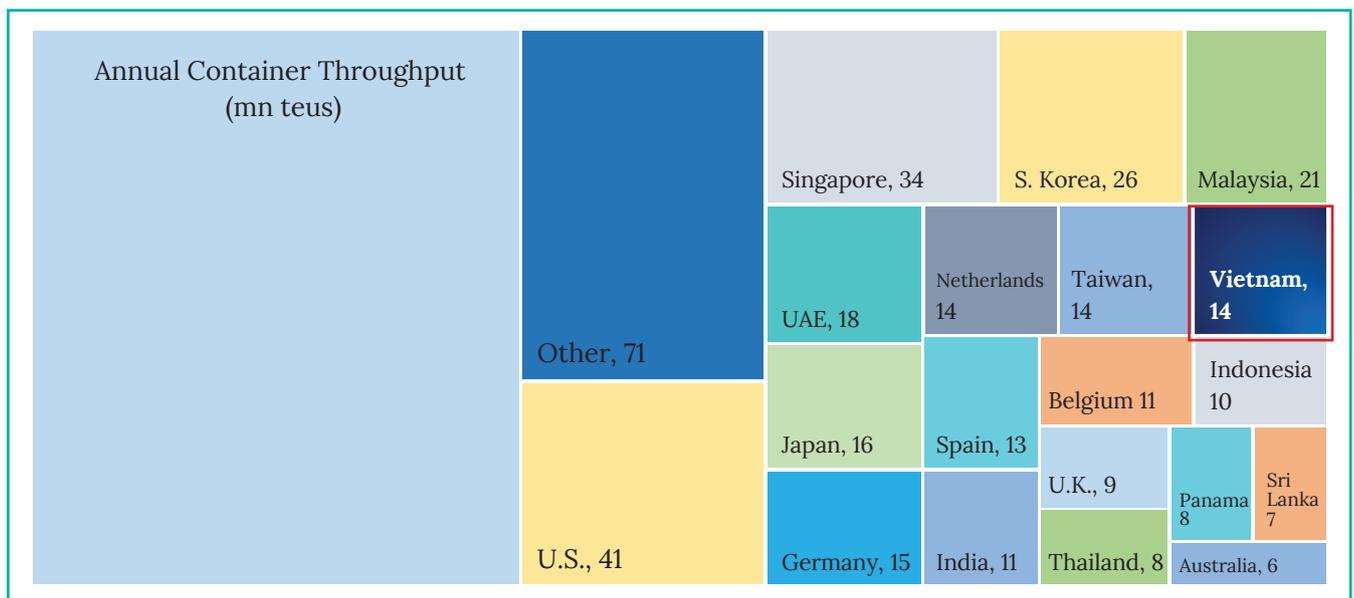
Source: Sea Rates 2017

- Sea Port
- Container terminal

Maritime

Vietnam's 3,400 km long coastline hosts over 80 seaports along one of the world's busiest sea cargo lanes. The larger ones have traditionally been developed by government, and handed over to the country's state-owned port and shipping company operator, Vinalines, for operation (World Bank, 2014).

Infrastructure is a big challenge for Vietnam, especially in relation to its ports. China places 6th overall of the top 10 global ports by container traffic -- Shanghai at No. 1 - while Vietnam's two biggest ports, Ho Chi Minh Seaport and Cai Mep, rank No. 25 and No. 50 according to data compiled by Bloomberg Intelligence. Congestion at the ports often mean rising inventory costs and less diverse production lines that are limited to non-time-sensitive goods, according to the BI analysis. "President Donald Trump tweeting Vietnam as a candidate for a manufacturing shift from China would require a long, drawn-out process. Vietnam lacks maritime infrastructure, large container ports and a shipping network needed for rapid export-capacity growth. It's unlikely to match China's deeply entrenched trade apparatus for several years." (Lee Klaskow, Bloomberg Intelligence Senior Industry Analyst & Chris Muckensturm, Bloomberg Intelligence Associate Analyst). The government estimates it would cost about 80-100 trillion dong (\$3.44-\$4.31 billion) to develop its ports. Big-figure deals -- around new ports or revamping of old ones -- have yet to come to fruition. (Source: Vietnam Becomes a Victim of Its Own Success in Trade War by Michelle Jamrisko and Xuan Quynh Nguyen).



Source: Bloomberg, Michelle Jamrisko and Xuan Quy Nguyen

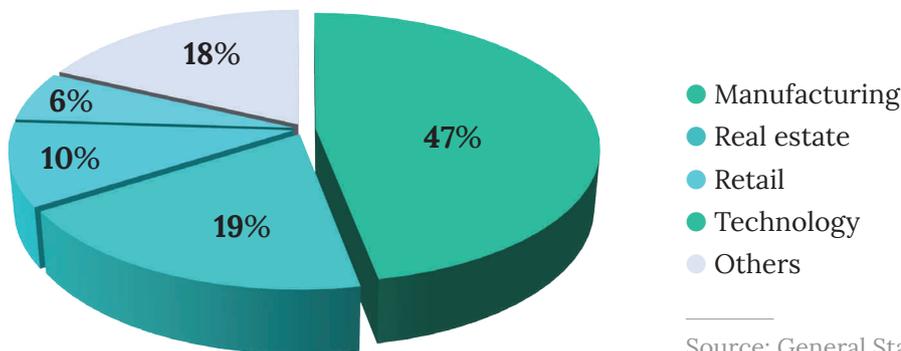
d3) Construction sector

The construction sector frequently witnesses strong correlation with economic growth and is subject to cyclical fluctuation. The following graph shows the trend of movement of Vietnam's construction industry over the years.



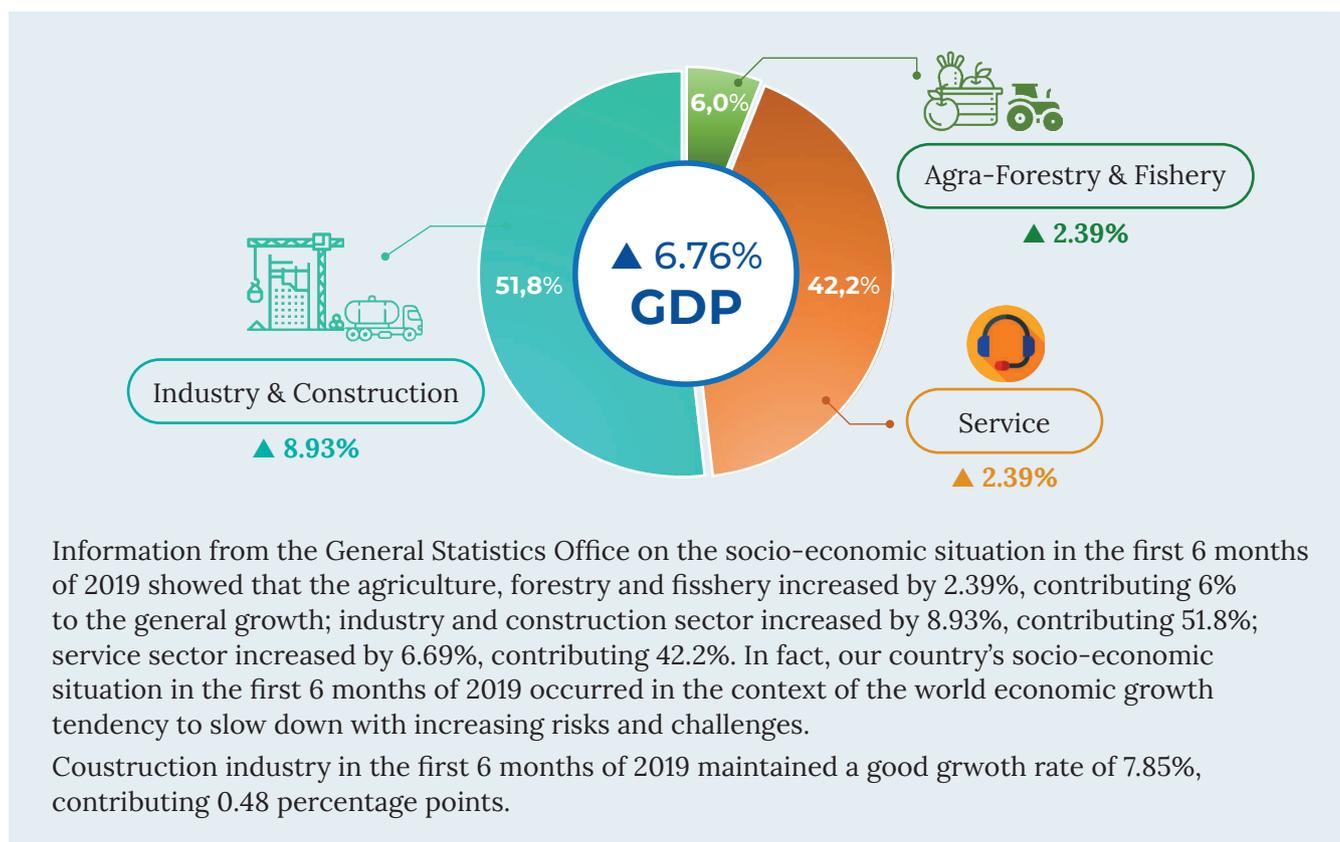
In 2018, foreign direct investment (FDI) in Vietnam's real estate industry reached 6.6 billion USD, accounting for 18.6% of total FDI, ranking second to industry and manufacturing. FDI inflows into the real estate industry increased sharply, stable construction material prices along with stable macroeconomic background are considered favorable factors for the construction industry next year. These figures demonstrate a positive trend of prospective opportunities in the construction industry.

PROPORTION OF FDI BY SECTORS IN 2018, VIETNAM



Source: General Statistics Office

In 2018, the output value of the entire construction industry reached a growth rate of 9.2%. Up until now, the total number of urban centers nationwide is 828. The rate of urbanization achieved 38.4% (an increase of 0.9% compared to 2017).



Information from the General Statistics Office on the socio-economic situation in the first 6 months of 2019 showed that the agriculture, forestry and fishery increased by 2.39%, contributing 6% to the general growth; industry and construction sector increased by 8.93%, contributing 51.8%; service sector increased by 6.69%, contributing 42.2%. In fact, our country's socio-economic situation in the first 6 months of 2019 occurred in the context of the world economic growth tendency to slow down with increasing risks and challenges.

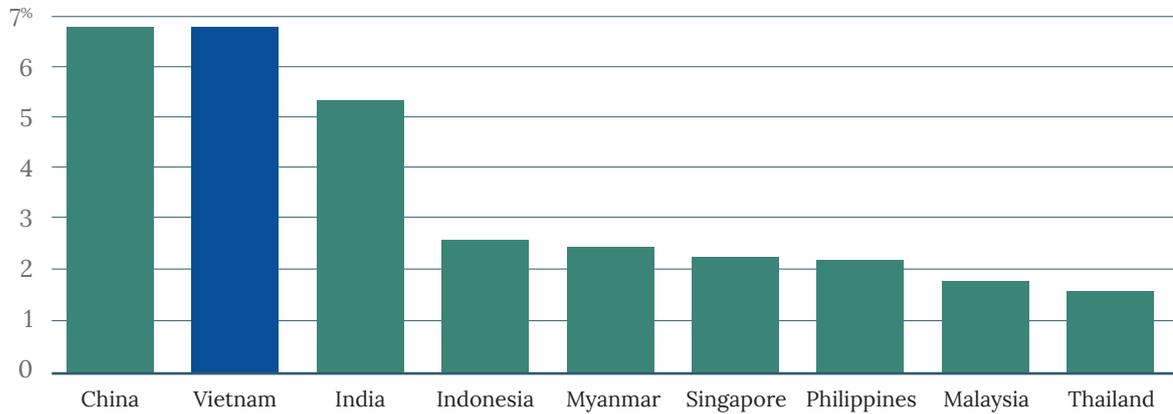
Construction industry in the first 6 months of 2019 maintained a good growth rate of 7.85%, contributing 0.48 percentage points.

Looking ahead, the Fitch Group Company predicted that Vietnam's construction and infrastructure industry will experience an average growth rate of 7.2% per year in the period 2017-2026. This forecast is based on potential population growth in big cities like Hanoi and Ho Chi Minh City, which will boost demand for infrastructural development such as transportation, energy, utilities and civil constructions. Meanwhile, the Government has directed to equitize a series of state-owned enterprises to supplement capital towards urgent infrastructure works.

e) Demand forecast & orientation of infrastructure development

■ Status of present infrastructure spending

VIETNAM AMONG ASIA'S BIGGEST INFRASTRUCTURE SPENDERS
Spending as a percent of GDP



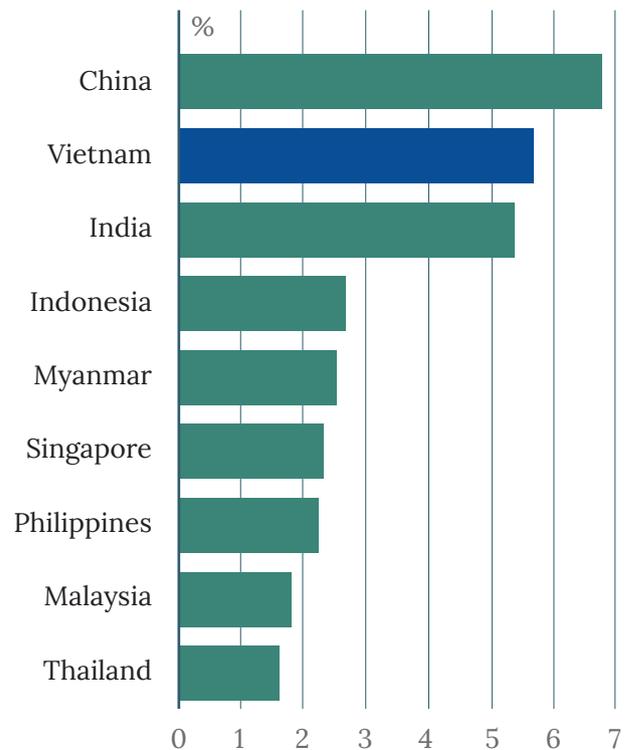
Source: Asian Development Bank
Data includes public and private sector investment

According to Bloomberg (2017), Vietnam has spent on average, 5.7% of GDP on infrastructure each year in the past few years, establishing its status as the highest spender of this category in Southeast Asia, behind China (6.8%). However, Vietnam still needs US \$ 480 billion in order for infrastructure to meet development needs. According to Bloomberg, if Vietnam wants to become the next Asian tiger, alongside low labor cost, Vietnam needs to have satisfactory infrastructure to meet the conditions of foreign companies.

With the current annual spending of 5.7% of GDP on infrastructure, Vietnam's infrastructure has achieved certain achievements such as an extensive transportation system comprising of airports, highways and expressways built across the country. However, if Vietnam wants to attract more FDI capital then it will need a total of USD 480 billion from now to 2020 directed towards investment in infrastructure, including 11 power plants with a total capacity of 13,200 MW and 1,380 km of highways.

According to the Asian Development Bank (ADB), Vietnam's investment on infrastructural development alone accounts for 5.7% of national GDP and outperforms the remaining countries in Southeast Asia. Investments in Indonesia and the Philippines account for less than 3% of GDP, and Malaysia and Thailand are below 2% of GDP.

BIGGEST INFRASTRUCTURE SPENDERS IN ASIA
Spending as a percentage of gross domestic product



Note: Data includes public and private-sector investment
Source: Asian Development Bank, Bloomberg Straits times Graphics

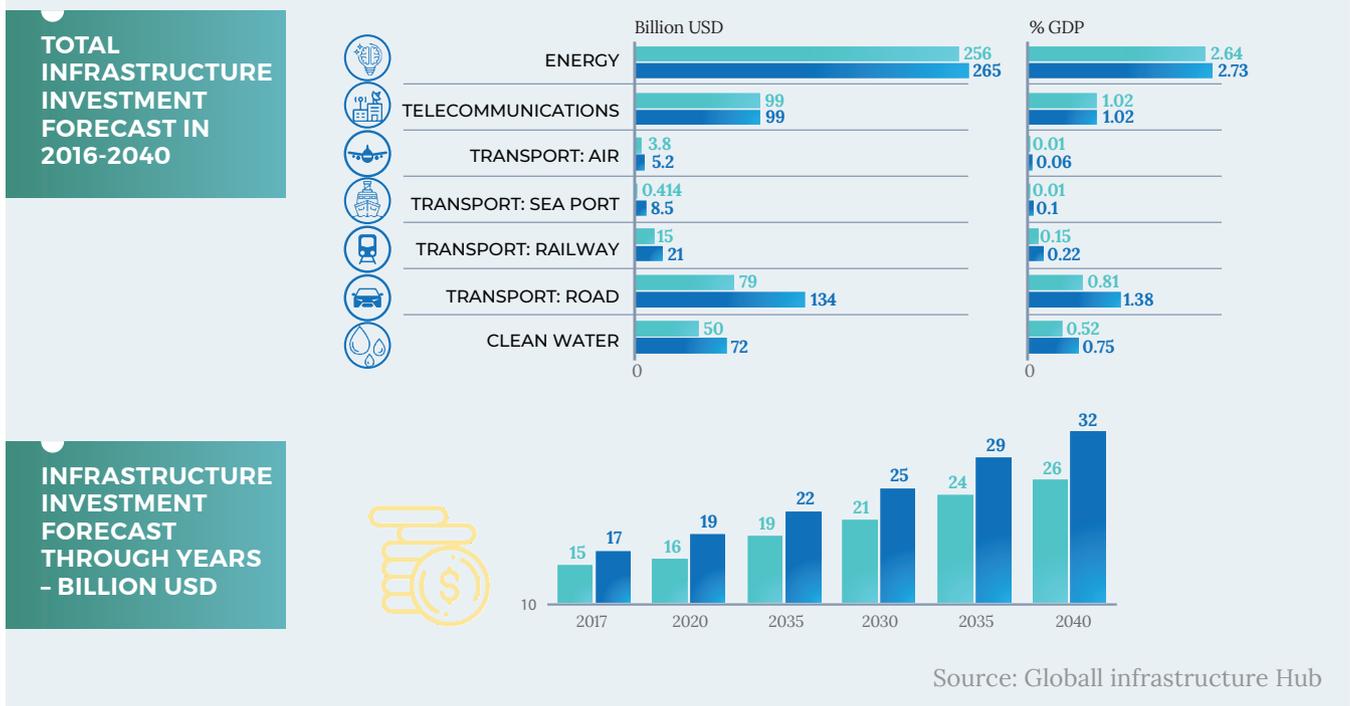
+ Demand forecast

The Global Infrastructure Hub (GI Hub), which is under the management of the G20 Big Economies Group, has just partnered with Oxford Economics, a leader in global forecasting and quantitative analysis to implement and publish the Global Infrastructure Perspective report. According to this report, Vietnam's infrastructure investment demands US \$ 605 billion between 2016 and 2040.

The biggest gap lies in the road sector with an increase in investment demand of up to 70% to meet the anticipated needs.

FORECAST ON VIETNAM'S INFRASTRUCTURE INVESTMENT DEMAND

According to a report from the Global Infrastructure Outlook, Vietnam will meet 83 percent of its infrastructure investment needs by 2040 if the current investment trend is maintained. Road sector is said to face largest gap to fulfill targeted investment needs.



World Bank forecast:

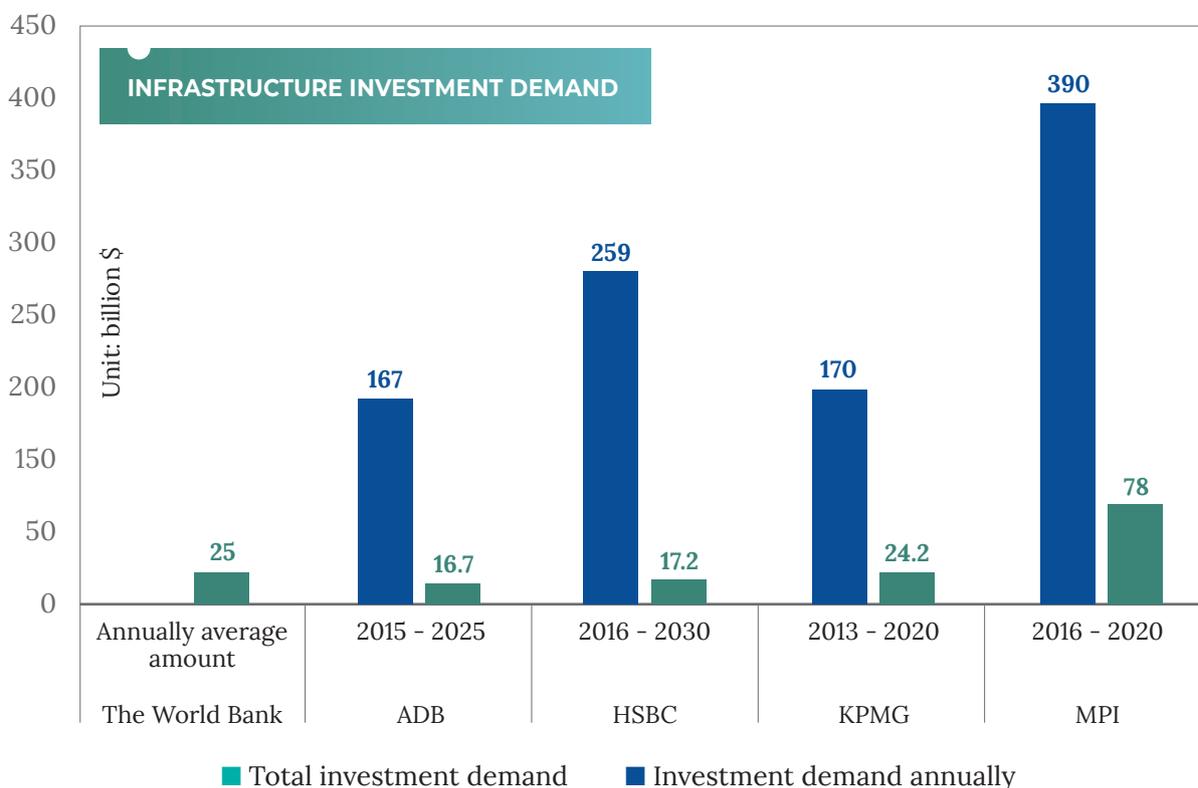
According to Vice President of the World Bank (WB), Makhtar Diop, Vietnam's rapid economic growth rate demands more investment in infrastructure.

According to WB estimation, Vietnam's demand for sustainable infrastructure investment will reach 25 billion USD per year. At present, the state budget accounts for about two-thirds of infrastructural investment, but Mr. Diop emphasizes that such drastic financial needs cannot solely rely on the public sector. Improving the efficiency of public investments while implementing beneficial conditions to attract private investment in infrastructure development are keys to address infrastructure development challenges.

As Diop shared, large, quality investments in infrastructure will play a key role in sustaining Vietnam's economic growth in both medium and long term. He appreciates Vietnam's efforts in planning and prioritizing the nation's backbone infrastructural projects, including highways, railways and inland waterways.

Vietnam's forecast: According to the Ministry of Finance's Deputy Minister, Tran Xuan Ha, the investment capital for Vietnam's infrastructure in the near future is substantial. According to a report by the Ministry of Planning and Investment, Vietnam's infrastructural investment demand in the period of 2017 - 2020 is approximately USD 195 billion. In particular, energy, roads, bridges, aviation, clean water supply, waste treatment... are important necessities

The forecast of Vietnam’s infrastructure investment demand in the future can be summarized as follows:



Source: The Ministry of Planning and Investment

f) Orientation of development:

Green, energy saving, inclusive, smart cities, sustainability, urbanization, worth-living cities

Building a quality, green, sustainable and intelligent infrastructure is one of the most important orders at the 25th ASEAN Transport Ministers Meeting (ATM 25, taking place in two days 14th - 15th November 2019, in Hanoi). Speaking at the conference, Vietnam’s Deputy Prime Minister, Trinh Dinh Dung, suggested other Ministers to consider and discuss proposing new directions and mechanisms for cooperation in the fields, that is: Further strengthening digital connectivity, data sharing in transport activities; make use of scientific and technical achievements of the industrial revolution 4.0 to improve the efficiency of transportation connection. At the same time, developing infrastructure, promoting regional connectivity, ensuring smoothness in the ASEAN region and between ASEAN and the outside areas.

“In particular, building infrastructure” quality, green, sustainable and smart “- using advanced materials and environmentally friendly technologies, attaching environmental factors, climate change into design and construction; ensure financial sustainability, apply scientific advances in operation and management”, Deputy Prime Minister, Trinh Dinh Dung, emphasized.

g) Market access

+ WTO & FTAs commitment & public procurement

As with all countries, Vietnam reserves its sovereign rights to restrict investment in sensitive fields by setting conditions for conditional sectors that investment projects must satisfy for the purpose of national defense and security, social order and safety. Foreign investors are also subject to conditions in relation to foreign ownership limitation; forms of investment and requirements of Vietnamese partners; operational contents and other conditions as stipulated in the international treaties to which Vietnam is a party. The basic conditions are found in the Schedule of Specific Commitments in Services contained in Vietnam’s World Trade Organization (WTO) accession package (The WTO Commitments). More favorable conditions

for Foreign Investments from ASEAN countries may be found within the ASEAN Economic Community framework.

In term of public procurement, Vietnam remains an observer at WTO. Vietnam so far has signed only the agreement on government procurement in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Vietnam-European Union (EU) FTA. Therefore, Vietnam only needs to ensure competition in government procurement with businesses from the countries participating in the two agreements.

+ Market access through the legal framework of Public-Private Partnership

Mobilizing private investment

In the context that the state budget can only meet about 50% of the total demand, diversify forms of investment, encourage and create conditions for all economic sectors, including foreign investment, to participate in development. Infrastructure is essential.

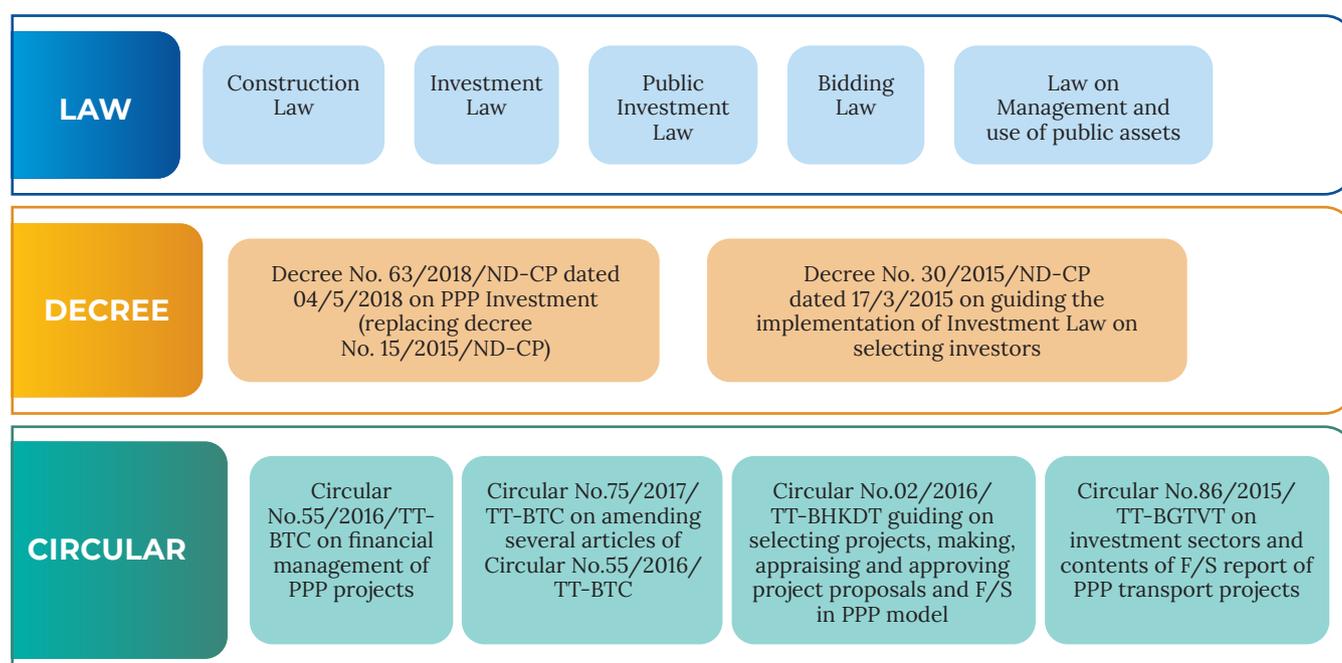
In a report by the Asian Development Bank (ADB), only 10% of Vietnam’s infrastructure is financed by the private sector. “PPP-related government risk sharing is critical for Vietnam to attract private sector capital. The PPP law should allow comprehensiveness (termination, foreign exchange, minimum revenue, and others) and flexibility in risk-sharing to suit project, sector, and market situations,” said Sanjay Grover the expert from Asian Development Bank.

Vietnam has so far attracted 336 PPP projects in transport, technical infrastructure, energy, water supply and drainage, and environment, culture and sports, education and training, and other fields.

The Public-Private Partnership Investment Bill was submitted to the National Assembly for consideration at the 8th Session 2019 expected to be approved at the first meeting of 2020 in May.

According to the Drafting Board of the PPP Bill, in Vietnam, the Public-Private Partnership (PPP) investment model began to be implemented in 1997 when the Government issued Decree 77/ND-CP on the investment regulation according to the BOT contract (build - operate - transfer) applies to domestic investment.

The framework of PPP legal corridor can be summarized as follows:

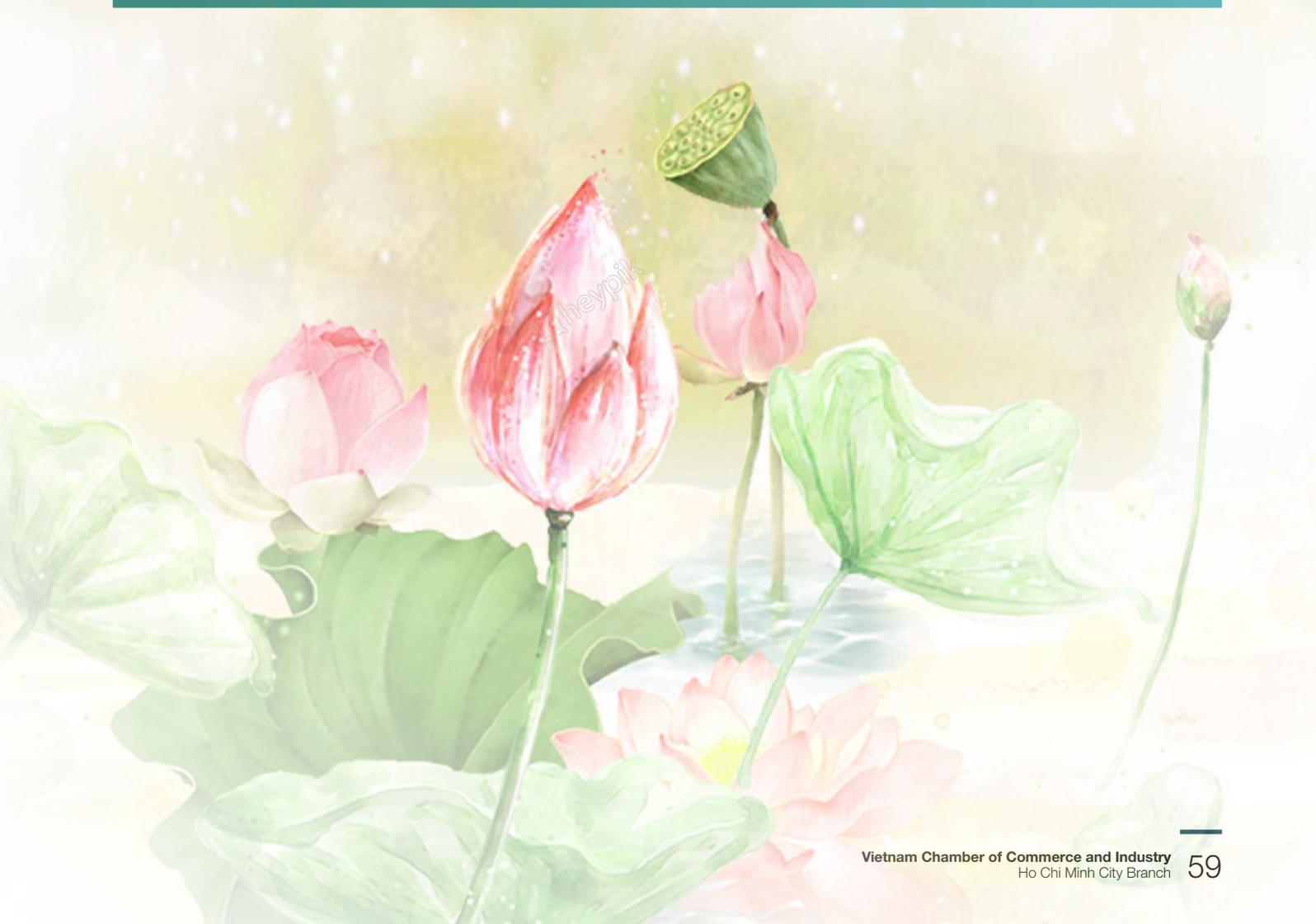


Source: Ministry of Transport

- **The proposal is intended to allow PPP investment in the following areas:** Road infrastructure, railways, inland waterways, maritime, aviation, seaports; Power plants, public lighting works; Infrastructure system: clean water supply; Drainage and waste water treatment; waste treatment; Infrastructure of urban area; Park; Head offices of state agencies; official residences; Medical infrastructure works; education, training, vocational training; cultural; sport; travel; Telecommunication infrastructure works; information technology applications; Infrastructure works in service of scientific and technological development according to the provisions of law on science and technology; Commercial infrastructure works; Infrastructure of economic zones and industrial parks; Agricultural and rural infrastructure works; Other sectors involve private attraction to invest in infrastructure and provide public services.

- In addition, the Draft PPP Law excludes projects that can greatly affect the environment, such as nuclear power plants and land use projects in national parks, protected areas, and protective forests, watershed or likely to invade the sand or sea.

- Under the draft, tourism; culture and sports; telecommunications infrastructure; infrastructure for science and technology development; infrastructure at industrial parks, economic zones, industrial clusters, and high-tech parks; and infrastructure for rural areas and agriculture are the sectors where PPP development would not be available.







CHAPTER III

HO CHI MINH CITY - A LAND WHERE BIRDS WILL COME TO BUILD THEIR NEST

Graphic designer: Nguyen Quang Tu

1. HO CHI MINH CITY STAYS TRUE TO ITSELF

Ho Chi Minh City is to Vietnam what New York is to American or Shanghai is to China: a global trading city with an international outlook. It is a hub of economic and cultural dynamism with an outward looking entrepreneurial population. Generations of outsiders have come to trade and many settled down among the local people creating a cosmopolitan and broad minded mix.

Ho Chi Minh City always stays true to itself. On his visit to Vietnam, US president Obama did not only make a stop at the capital but also chose to make a stop in Ho Chi Minh City for a dialogue with a start-up entrepreneurs. Numerous multinational corporations like Intel and Samsung have decided to establish manufacturing bases here. In the past, Ho Chi Minh City leaders and natives were often promoted to important roles in the central government. For instance, Mr. Vo Van Kiet was elected prime minister and Mr. Nguyen Minh Triet, the President of State after their initial term in the government. Currently, Ho Chi Minh City is a centrally-run city along with the capital, Hanoi.

HO CHI MINH CITY 2018 AT A GLANCE

 AREA	2,095.5 km ² 24 districts
 POPULATION	8.136 million
 GRDP GROWTH RATE	7.5 million
 GRDP VALUE	... 5 million
 GRDP PER CAPITA	8.05%
 GRDP SHARE TO GDP	8.05%
 CPI	US\$5,428
 FOREIGN TRADE	Export: US\$11,76 billion Import: US\$12,48 billion FDI: US\$7.07 billion
 LABOUR FORCE	US\$5,428

2. THE COSMOPOLITAN CITY

In 1698, Nguyen Huu Canh established the Gia Dinh government, marking the birth of a city. During French colonization, this city was named the Pearl of the Orient, possessing a legacy of distinctively beautiful architectural buildings that still exists today. Ho Chi Minh City is a melting pot, which embraces the diverse and distinct from all corners of the world. For instance, District 5 is home to traditional Chinese groups who have brought with them rare herbs and specialty cuisine whereas the lively Western Quarter such as Bui Vien or Pham Ngu Lao streets host a stream of backpackers that continually offer a stimulating local and tourist dynamic.

The diversity of people and cultures present here can accommodate to all interests. For example, those in search of a clean and tranquil environment amid a bustling city can find their preferences satisfied by visiting little Japan located on Le Thanh Ton and Thai Van Lung streets. The settlement of the Japanese expatriate community here has created an intimate atmosphere of small restaurants and spas helping to neutralize the feeling of a city chaos. Similarly, the concentration

of Korean expatriates in the District 7, Phu My Hung area has instituted a strong Korean presence through the establishment of traditional restaurants, Taekwondo, and Korean church. Other notable mentions allude to the newly developed cosmopolitan area in District 2, Thao Dien and the dispersion of Russian and Cambodian markets throughout the city.

To qualify as a cosmopolitan as well as metropolitan city in the 4.0 revolution, many developments still need to be made to provide complete infrastructural modernity and convenience. Ho Chi Minh City's first two metro lines are undergoing construction and Long Thanh International airport will commence construction in the near future. Over the years, more internationally accredited universities (Vietnam-German University and RMIT) and hospitals (Vietnam-France hospital) have also made establishments here. Essentially, these changes mark Ho Chi Minh City's evolution towards a developed smart-city platform and improved quality of life.

3. SMART CITY DEVELOPMENT PLAN

In the short term, HCMC will focus on 5 main components: Building a shared data warehouse and developing an open data ecosystem; Building a forecast simulation center to support the city's socio-economic development strategy; Building an operating center; Establishing Information Security Safety Center; and Proposing an overview technology framework as a foundation for the implementation of smart urban construction.

There are also 7 priority areas for development including: Administrative reforms associated with the construction of an e-government; Traffic;

Flood resistant; Environment; Health, Community health services, Food safety; Social security and order; and Urban embellishment.

The Thu Thiem Eco-Smart City project located in the historic Thu Thiem Ward is one of the most important developments of the smart city drive. The private-public partnership, funded \$1.9 billion USD by South Korea's Lotte Group, brings together smart planning and advanced IT infrastructure to build a modern, high-tech area with various convenient services in banking, shopping, and entertainment.

4. HCMC INVESTMENT AUTONOMY

Since 1 January 2018, the local government in Ho Chi Minh City (HCMC) have been granted with the authority to decide on the majority of policies relating to investment, land management and public spending without securing prior approval from the country's Prime Minister. This enhanced autonomy furthers the city's status as the country's economic powerhouse and it is set to be in effect for a minimum period of five years.

These changes will allow HCMC to retain a greater proportion of local tax revenues, while entitling the city authorities to impose additional consumption taxes and environmental protection levies as they see fit.

Ho Chi Minh City's implementation of special mechanisms and policies for development grants greater autonomy to city authorities in land management, investment, finance and state budget management, as well as incomes of cadres and civil servants under the city's management.

For example, the Municipal People's Council is allowed to impose certain charges and fees not present on the list regulated by the Government, and certain raise charges and fees that have been decided by competent authorities.

The council can ask the Government to submit to the National Assembly Standing Committee for approval to increase taxes or tax rates for some products regulated by the Government.

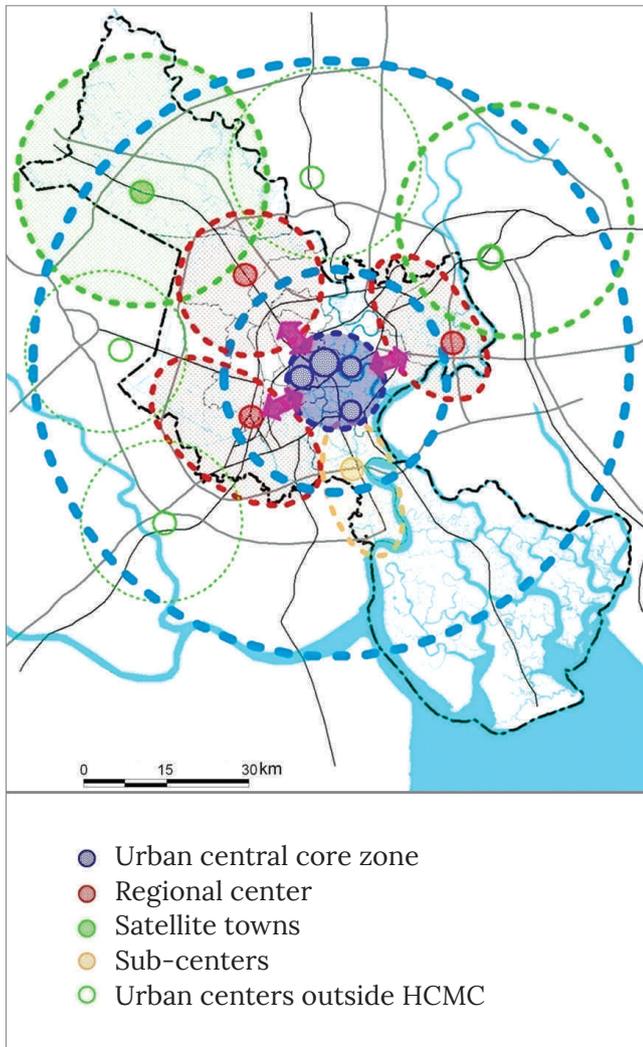
The city can also use 100% of additional budget revenues from policy adjustments and 50% of earnings from selling state property and land-attached assets to invest further in socio-economic infrastructure.

Lastly, the city will enjoy revenues from privatizing SOEs under its management and divestment of state capital from economic entities in which the Municipal People's Committee acts as representative of the state owner.

The resolution came into effect on January 15, 2018 and will be effective for five years.



5. THE DRIVING GROWTH FORCE & ECONOMIC HUB OF THE COUNTRY

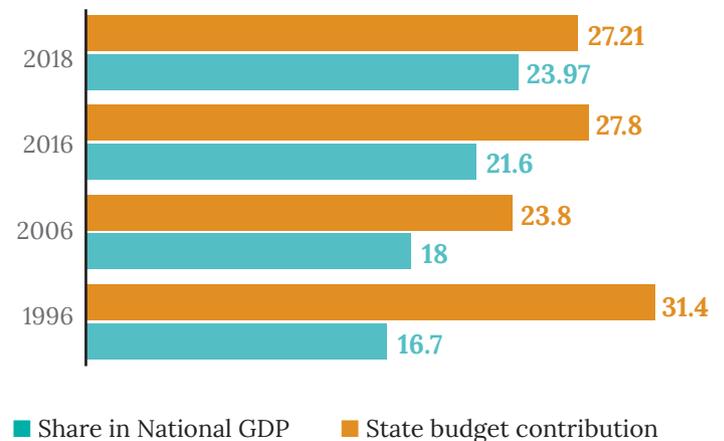


Source: Department of Planning and Architecture of Ho Chi Minh City

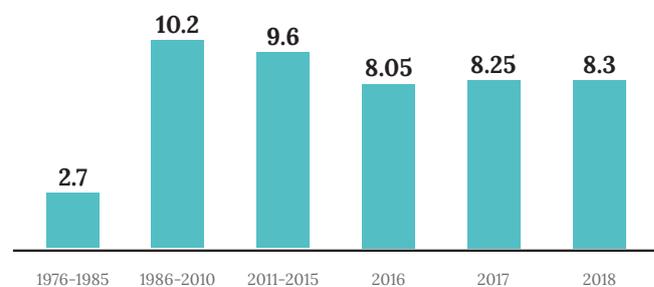
Ho Chi Minh City contributes to one third of industrial production value, one fifth of export turnover, and approximately 27.8% of total state budget revenue in 2018. Ho Chi Minh City's greater area will develop in a concentrated multipolar model with an integrated center is the old inner city area, the nucleus are a and city-level centers in four development direction including Binh Duong northern dynamic urban area; Bien Hoa - Long Thanh - Nha Be Eastern dynamic urban area; Cu Chi - Hau Nghia - Duc Hoa north-west urban area; Ben Luc - Can Giuoc - Hiep Phuoc South-west ecological urban area.

Gross Regional Domestic Product (GRDP) growth rate of Ho Chi Minh City over the years.

Share of Ho Chi Minh City in National GDP and state budget contribution in 2018 as compared with previous years



GRDP GROWTH RATE OF HO CHI MINH CITY IN 2018 COMPARED TO PREVIOUS YEARS



Source: Fitch Solutions

Situated in the center of South Vietnam – Ho Chi Minh City is the “hinge” connecting the Southeast and the Southwest. The city acts as the focal point for road, waterway and air transports, connecting the country's two biggest economic areas (the key industrial region - the Southeast and the key agricultural region - the Southwest). Ho Chi Minh City's prime location has underpinned the development of a modern and synchronous infrastructure system, including transport systems, communication systems, domestic banking system and modern international system... etc. This international traffic hub, houses major infrastructural accomplishments such as the Xuyen A road, Tan Son Nhat International airport and Saigon, Soai Rap and Cat Lai seaports.

The central urban sub-region is divided into five parts, each its own function whereby Ho Chi Minh City is at the heart or epicenter. Binh Duong is the city at the North of the region and a driving force. Bien Hoa-Long Thanh-Nhon Trach is the urban area on the Eastern border. Cu Chi-Hau Nghia-Duc Hoa urban is the urban area in the Northwest; and Ben Luc-Can Giuoc-Hiep Phuoc urban areas are ecological cities in the Southwest.

6. KEY INFRASTRUCTURE

6.1. Seaports

Currently, Ho Chi Minh City has 41 operating cargo ports with a total length of 14,679m. By 2020, there will be a projected 46 ports with a total length of 16,295m. Moreover, by 2030, there will be a projected 48 ports with a total length of 18,330m. From 1997-2017, there were more than 170,000 international import and export ships docked in Ho Chi Minh City with more than 1.1 billion tons of goods. In 2017, Ho Chi Minh City actively transported a total of over 82 million tons of imported and exported goods.

6.2. Airport

In 2017, Tan Son Nhat International Airport served 36 million passengers, exceeding the designed capacity of 28 million passengers per year. Currently, the project is undergoing expansion to increase annual capacity to 50 million passengers.



Tan Son Nhat International Airport

Long Thanh International Airport will be implemented in three phases and apportioning a total investment of 16 billion USD accordingly.

The first phase has a capacity of 25 million passengers and 1.2 million tons of goods per year. It will commence operations in 2025 and utilize 5.45 billion USD of the total budget. Phase 2 will increase capacity to 50 million passengers and 1.5 million tons of goods per year, and phase 3 will increase capacity to 100 million passengers and 5 million tons of goods per year.

6.3. Export processing zone & Industrial parks

At present, Ho Chi Minh City is home to 3 export- processing zones and 14 operating industrial parks in operation with the total area of 2,509 hectare and tenant occupancy rate of 68.4% (last measured in 2018). As of the end of 2017, there were 564 foreign investment projects operating domestically with the total registered capital reaching 5.68 billion USD.

7. THE CITY OF PIONEERS

7.1. The first export-processing zone

Tan Thuan Export Processing Zone extends over an area of 300 ha and is located in District 7, Ho Chi Minh City. Tan Thuan Export Processing Zone – the nation's first export-processing zone (EPZ), was established under Decision No. 394/CT of the Chairman of the Council of Ministers on November 25, 1991. This event triggered the first wave of foreign investors, largely Taiwanese, coming to invest in Vietnam, especially in Ho Chi Minh City and its surrounding areas.

Enterprises operating in Tan Thuan Export Processing Zone mainly produce to export. Goods and raw materials coming in and out of this export-processing zone will be handled as exported and imported goods; thus, enjoying preferential import and export tax rates. This was also the first export-processing zone of Vietnam to achieve International standards for it was ranked as the Best Export Processing Zone in Asia - Pacific region one year.

7.2. Ho Chi Minh City Stock Exchange (HOSE)

HOSE, otherwise known as Ho Chi Minh City Stock Exchange, was established in 2001 as Vietnam's first stock exchange. Now there are 71 securities corporations registered as members. In 2018, the total value of listed securities approximated 33.8 billion USD.



7.3. Quang Trung Software Park

First of its kind, Quang Trung Software Park was the first software park to have been established in Vietnam. This software park is located in District 12, approximately 15 km (9 m) from downtown Ho Chi Minh City. It houses software enterprises, dot.com companies and a software training school. Here, Dot.com investors are supplied with other facilities and services such as residency, high-speed access to the internet as well as favorable taxation. Together with the establishment of the Hi-Tech Park in District 9 and the software park inside Tan Thuan Export Processing Zone in District 7, Ho Chi Minh City aims to become an important hi-tech city in both the country and South-East Asian region



7.4. The Saigon Hi-Tech Park (SHTP) - Saigon Silicon City

The Saigon Hi-Tech Park is a park for high technology enterprises located 15 km from downtown Ho Chi Minh City. The park covers an area of 326 ha (with 95% being utilized) and is currently expanding to 913 ha. High-tech investors are granted priority access to land leases and taxation, as well as additional support for customs services.

Several world leading high-tech companies have chosen SHTP, notably:

- Japanese Nidec, (TSE:65940, NYSE:NJ, hard disk drive motors) with multiple factories under Nidec, Nidec Copal and Nidec Sankyo flagships and a total investment of 500 million USD for a workforce of 20,000 employees;
- US Intel (NASDAQ:INTC) with a 1 billion USD registered investment to build the largest chip assembly & test plant in the world;

- French Air Liquide (EPA: AI), world leader in gases for industry, health and the environment;
- Danish Sonion, leader in miniature and hearing components employing a workforce of more than 2,000 people;
- US Jabil (NYSE:JBL) a major electronic supplier;
- Italian Datalogic (STAR: DAL.MI) global leader in bar codes readers.



This park was constructed to promote Ho Chi Minh City and Vietnam as a hi-tech, investor friendly destination. The new phase of development is focusing on education, biotechnology, start-up incubators, training centers, software, R&D, and telecom. This park is one of two hi-tech parks in Vietnam, the other being Hoa Lac Hi-tech Park situated in the western outskirts of Hanoi near the University of Sciences and Technologies of Hanoi.

The SHTP now owns technologies that can create major impact during Industry 4.0 such as 3D printers, biotechnology, new material technology, and automation technology.

The SHTP has granted investment licenses to 148 projects, including 93 domestic projects worth 6 billion USD and 55 FDI projects worth 5.4 billion

USD. Several major investors come from global leading hi-tech firms like Intel, Sanofi, Samsung, Schneider, Datalogic and Jabil. So far, the park has accumulated nearly 45 billion USD in high technology production value. This figure is expected to grow over 20 billion USD by 2020.

The SHTP has established 5 laboratories and published more than 40 research articles on ISI journals and domestic magazines. It has also had 4 intellectual property products announced and 7 products commercialized. Its business incubator has successfully supported 25 projects in product commercialization.

Incentives and supports when investing in Saigon High-tech Park

Investment projects in HCMC Hi-tech Park are supported by high incentives under laws:

1. Enterprise income tax rate.
2. Import tax exemption and VAT on imported goods for direct use in scientific research and technological development.
3. 0% export tax and VAT on high-tech products.
4. Import tax exemption for imported goods to create fixed assets of the project.
5. Soft incentives:
 - Prioritizing cooperation, ordering, using machines and equipment and research human resources of the Research and Development Center of the CNC Zone;
 - Training courses on technical English, soft skills, and technical skills at a preferential cost at the Training Center of the CNC Zone;
 - Supporting access to preferential loans for science and technology development of Ho Chi Minh City;
 - Support for multiple entry visa for foreign experts

8. BUSINESS INVESTMENT LANDSCAPE

8.1. Always highest on the list of FDI-attracting localities

According to the Foreign Investment Agency (Ministry of Planning and Investment), Ho Chi Minh City have continually remained the leading locality in FDI attraction with 45 billion USD (accounting for 13.2% of the nation's total investment capital). In 2018 alone, Ho Chi Minh City ranked second with a total registered capital

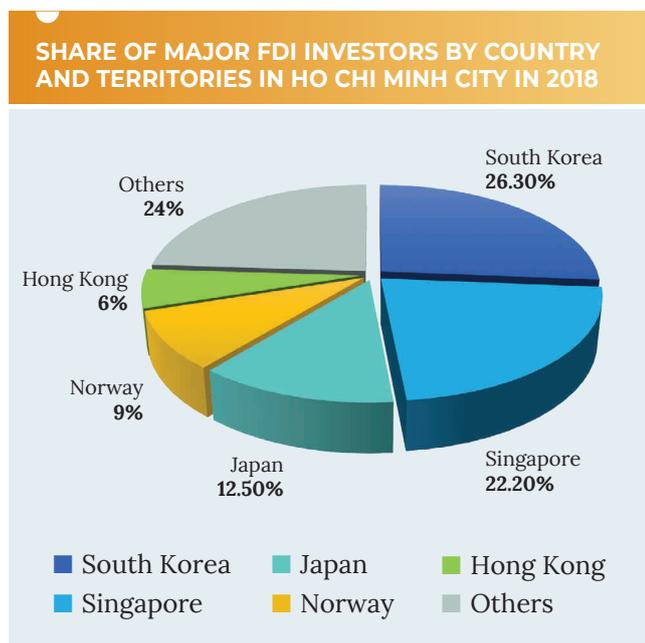
of 5.9 billion USD, accounting for 16.7% of the nation's total investment capital.

8.2. Granted with investment certificate

In 2018, there were 1,029 newly granted FDI projects with a total investment of 784.81 million USD (up by 21.8% in new projects and 33% in investment capital over the same period from the previous year).

a. In terms of investment by countries and territories:

Korea has the largest share of investment capital in Vietnam with 26.3%; followed by Singapore with 22.2%; then Japan with 12.5%; Norway with 9%; and Hong Kong (China) with 6%.



Source: Report of the People Committee of Ho Chi Minh City in 2018

b. FDI inflow in HCMC in 2018 by sector

In terms of investment by sector and industry, Real Estate accounted for the highest percentage with 41.7% in 2018; followed by professional, scientific and technological activities with 20.2%; Wholesale & retail with 10%; Manufacturing with 9.5%; And finally, Construction with 5.2%



Source: Report of the People Committee of Ho Chi Minh City in 2018

8.3. Business opportunities

According Mr. Nguyen Thanh Phong, Chairman of the Ho Chi Minh City People’s Committee; during the 2016 - 2020 period, Ho Chi Minh City needs an investment capital of 78 billion USD, of which the state budget can only satisfy 20% of the total.

Ho Chi Minh City is calling forth investors for 210 projects and a total investment capital of 1.18 quadrillion VND (51.5 billion USD) in the fields of transportation, infrastructure, agriculture, trade and services, urban development, education, healthcare, sports, tourism, and entertainment (See appendix 8.5)

The transportation sector offers the most opportunities for investments (85 projects) with a total investment capital of 923 trillion VND (40.1 billion USD), including 55 bridge and road linkage projects, 7 waterway projects, 8 urban railway projects, and 15 inner city road projects. Pertaining to infrastructural improvement, the city is offering 36 projects with the total investment capital of 108 trillion VND (4.7 billion USD), including 4 car park projects, 28 on building technical infrastructure systems, and 4 flood prevention projects.

The city also offers 9 trade and services projects, 2 agricultural projects, 29 urban development projects, 14 education projects, 6 healthcare projects, 15 sports and cultural projects, and 14 tourism and entertainment projects.

According to Tran Vinh Tuyen, Deputy Chairman of the Ho Chi Minh City People’s Committee, the city authorities are improving land clearance and handover procedures, highlighting to VIR the in-principle commitment with the government to shorten the -duration of these procedures from 420 to around 100 days

Based on the general scheme of the HCMC Institute of Economics, the municipal government has assigned leaders of departments and relevant State agencies to prepare detailed plans for implementing programs and projects proposed in the scheme.

TOP TEN REASONS TO INVEST IN HCMC

01

THE TRADE & INVESTMENT CAPITAL OF VIETNAM

The largest contributor to state budget revenue, export, FDI inflow, and GDP per capita.

02

STRATEGIC LOCATION

Within a 4 – 5-hour flight time to most Asian key markets. It is at the heart of the key Southern economic region and is the junction point in the Southern Economic Corridor linking HCMC with Phnom Penh (Cambodia), Bangkok (Thailand) and Dawei (Myanmar).

03

MODERN INFRASTRUCTURE

The nation's largest international airport and seaport are located here.

Export processing zones, industrial parks and high-tech parks are constructed and provided with high incentives for investors.

04

HIGH-STANDARD AMENITIES

Good availability of international universities, hospital, schools, supermarkets, and office buildings.

05

COSMOPOLITAN CITY

The English-language is prevalent and daily cultural presence from other countries (China, Japan, Thailand, South Korea, and France) is strong (Number of tourism...).

06

DYNAMIC ENTREPRENEURSHIP

HCMC has always been known as one of the most dynamic cities of Vietnam. It is where the first stock exchange, the first software park and the first business incubator of the country has been established. As an attractive destination to establish business, in 2018, there are approximately 372,000 domestic enterprises operating in Ho Chi Minh City. By 2020, Ho Chi Minh City projects an increase to 500,000 operating enterprises.

07

HIGH CONCENTRATION OF SKILLED HUMAN RESOURCES

Ho Chi Minh City has the largest number of universities, colleges, vocational schools in Vietnam. There are over 60 universities, nearly 50 colleges and 35 vocational colleges and training schools located here. One of the principal reasons for big corporations such as Samsung or Intel to establish their base in Ho Chi Minh City can be attributed to a wide and skilled labor forces.

08

ALWAYS TOPS THE LIST IN FDI ATTRACTING LOCALITIES

According to the Foreign Investment Agency (Ministry of Planning and Investment), Ho Chi Minh City is the leading locality in FDI attraction having accumulated 45 billion USD (accounting for 13.2% of total investment capital of the whole country). In 2018, Ho Chi Minh City ranked second with total registered capital of 5.9 billion USD, accounting for 16.7% of total investment capital.

09

HIGHEST PURCHASING POWER OF THE COUNTRY

Ho Chi Minh City ranks top in comparison other domestic areas in terms of highest population income per capita. The population in Ho Chi Minh City as of January 2019 have reached 8.8 million and income per capita estimated 6.4 thousand USD.

10

ADVANTAGE OF THE HUB

In 2018, Ho Chi Minh City welcomed 7.5 million international and 29 million domestic incoming visitors.



APPENDIX

A. LIST OF KEY PROJECTS AND PROGRAMS IN HCM CITY

Service sphere	Projects, programs	Responsible agencies
1. Finance	<ul style="list-style-type: none"> ● Setting up HCM City Financial Center ● Setting up HCM City Finance Investment Corporation 	Department of Finance
2. Trade	<ul style="list-style-type: none"> ● Identifying key export products, developing distribution, retail and e-commerce networks ● Forming the International Trade Center in Thu Thiem Peninsula ● Building the Goods Transaction Center 	Service of Trade
3. Transport, logistics and forwarding	<ul style="list-style-type: none"> ● Hiep Phuoc Port New Town ● Moving inner-city ports to outlying areas 	Department of Communication and Public Works, Hepza
4. Telecoms and information technology	<ul style="list-style-type: none"> ● Completing Quang Trung Software City project ● Encouraging development of new e-towns ● Developing e-transaction services 	Department of Post and Telematics
5. Real estate	<ul style="list-style-type: none"> ● Thu Thiem New Urban Town ● Saigon South New Urban Town ● Stepping up construction of residential areas ● Housing program 	Department of Natural Resources and Environment
6. Consulting, science-technology, research and application	<ul style="list-style-type: none"> ● IT business incubator ● Upgrading HCM City Scientific and Technological Information Center into a regional center ● Building key laboratories ● Setting up venture investment funds to encourage application of technical studies ● Building Economic Information Center 	Departments of Construction, Department of Science and Technology
7. Tourism	<ul style="list-style-type: none"> ● Promoting the city's tourism in and out Vietnam ● Linking with cities and provinces for tourism development 	Economic Institute, Department of Tourism
8. Healthcare	<ul style="list-style-type: none"> ● Building one hi-tech treatment area in downtown area and four at the city's gateways ● Building a 100-ha, US\$85-million medical training center, hospital in Cu Chi District ● Setting up a pharmaceutical holding company ● Building a hi-tech diagnosis center in Saigon South ● Building a traditional medicine center 	Department of Health
9. Education and training	<ul style="list-style-type: none"> ● Zoning land for the International University ● Training technical workers 	The city's Council of Universities

APPENDIX

B. TWENTY LARGE-SCALE PROJECTS CALLING FOR INVESTMENT IN HO CHI MINH CITY

No	Name of project	Sector	Investment form	Investment Capital
1	Constructing elevated Road No.5	Transport	BOT, BOT combined with BT (BOT priority)	\$4.439 billion
2	Constructing the north-western radial road (from Long An dike to Vinh Loc Industrial Zone)	Transport	BT (mainly exploiting land)	\$227 million
3	Constructing Tam Tan road	Transport	ppp (BT contract)	\$278 million
4	Constructing Metro Line No.2 (Ben Thanh-Thu Thiem section and Tham Luong-Tay Ninh Station-Tay Bac Cu Chi urban area section)	Transport	ppp (BOT, BOT combined with BT)	\$833 million
5	Constructing Metro Line No.4 (Thanh Xuan-Hiep Phuong urban area)	Transport	ppp (BOT, BOT combined with BT)	\$3.532 billion
6	Constructing Tram Line No.1	Transport	n.a.	\$568 million
7	Constructing bus passenger terminal at Cho Lon Bus station	Infrastructure	n.a.	\$50 million
8	South Saigon wastewater treatment plant (Basin No.4)	Infrastructure	n.a.	\$205 million
9	Dredging, improving the environment, building infrastructure, and exploiting land along Xuyen Tam canal	Infrastructure	n.a.	\$232 million
10	Water environment improvement project in the City, Phase 3	Infrastructure	ODA, ppp	\$855 million
11	Investment in the city's fisheries centre in Can Gio district	Agriculture	ppp	\$55 million
12	The complex located at 621 Phan Van Chi, Ward 7, District 6	Trade-services	Auction of land use rights	\$745 million
13	Implementing gentrification, building high-rise condominiums in the remaining area of Ward 11, District 8	Urban gentrification	FDI and other investment forms	\$648 million

14	Implementing gentrification, building residential houses, high-rise condominiums in the investment area near Y-shaped bridge of Ward 8, District 8	Urban gentrification	FDI and other investment forms	\$274 million
15	Relocation of a school located in District 8 to create land for developing apartment buildings.	Education	FDI and other investment forms	\$137 million
16	Constructing hospitals in the medical cluster of Tan Kien commune of Binh Chanh district	Healthcare	ppp	\$428 million
17	Constructing high-quality examination and treatment area in Zone 2 of Nguyễn Tri Phương hospital	Healthcare	ppp	\$50 million
18	Planning the construction of Rach Chiec National Sports Complex	Culture, sports	FDI and other investment forms	\$922 million
19	Constructing an amusement and public Service area (Zone I - Cultural activities area of Historical Park - Ethnic Culture)	Tourism, entertainment	BOT, BCC, and other investment forms	\$17 million
20	Constructing an adventure park and peace square (Zone IV - Cultural activities area of Historical Park - Ethnic Culture)	Tourism, entertainment	BOT, BCC, and other investment forms	\$20 million







CHAPTER IV

BUSINESS GUIDE



1. INTRODUCTION TO NEW INVESTMENT LAW AND LAW ON ENTERPRISE 2014 (NEGATIVE LIST)

Vietnam's regulatory framework is constantly revised to incorporate more favorable regulations for businesses to invest and operate in Vietnam. The Law on Investment 2014 (LOI) and Law on Enterprises (LOE) 2014 governing investments and the establishment, operation and dissolution of an enterprise, took effect from 1 July 2015. The laws liberalise business and investment activities in Vietnam, especially inbound foreign investment. Aside from certain economic sectors and industries (national defense, public health, publishing, culture and exploitation of natural resources), foreign investors can comfortably do business in Vietnam by setting up a company(ies) or acquiring existing businesses.

The LOI and LOE clearly specify the economic sectors that are restricted or not open to foreign investors.

Prohibited sectors	243 conditional sectors (specific investment certificate is required)	Equity restricted sectors under WTO commitment
<ul style="list-style-type: none">• Trade in narcotics• Trade in hazardous chemicals and minerals• Trade in endangered flora and fauna• Prostitution• Human trafficking, trade in human tissue and body parts• Human cloning• Trade in firecrackers	<ul style="list-style-type: none">• Including financial and professional services, exploitation and trading for energy and minerals, certain types of educations, ports operation, railroads and airports, construction, medical services, trading and land surveying services, real estate service, and environmental services	<ul style="list-style-type: none">• Advertising• Services incidental to agriculture, hunting and forestry• Travel agencies and tour operation• Film production, distribution and screening• Services incidental to mining and manufacturing• Telecom services• Entertainment services• Environmental services• Electronic games• Transport services



2. INVESTMENT SCREENING AND LICENSING AUTHORITY

An investment project should be registered and/or approved by the licensing authority before it can be granted an Investment Registration Certification (IRC) and/or a Enterprise Registration Certificate (ERC).

For non-conditional investment sectors, the issuance of IRC is a straight forward process with minimal review by investment authority in the province or city where the project is located. A foreign invested project subject to conditions is required to go through a screening process before being approved and issued with an IRC. Screening criteria may include the following:

- Legal and capability status of investors, including financial capability
- Compliance to Vietnam’s Master Plan (WTO commitments, International Treaties)

- Legality of the project’s location (lease agreement)
- Feasibility of the project

Vietnam has a decentralized licensing authority at provincial and municipal people’s committees. Certain projects with significant environmental impacts and important national projects in certain designated sectors must first obtain approval from the National Assembly or the Prime Minister of Vietnam.

The LOI provides a list of approval authorities for particular projects. For example, foreign invested projects seeking to be located in special zones like the Economics Zone, High Tech Zone, or Industrial Zone will be liable to the zone’s management board, who holds full licensing authority to assess and upon approval, issue the IRC.

Type of projects	Approval required
<ul style="list-style-type: none"> • Large environmental impact • Change purposes of land for rice cultivation of 500 hectares or larger; and • Require the relocation of 20,000 or more people in remote areas such as mountainous regions 	National Assembly
<ul style="list-style-type: none"> • Require relocation of 10,000 people or more in remote areas such as mountainous regions; • Building airports, sea ports and golf courses; opening casinos; exploring, producing and processing oil and gas, producing tobacco; developing infrastructure of industrial parks, export-processing zones, and specialized sectors in economic zone; • Project having investment capital more than 5,000 billion VND (around 232 million USD); • Projects invested by foreign investors in sea transportation, telecommunication with network infrastructure, forest plantation, publishing, press; and • 100% foreign-owned scientific and technology companies or organisations. 	Prime Minister
<ul style="list-style-type: none"> • Other 	Provincial People’s Committee / Zone’s Management Board

Foreign investors can invest in Vietnam in the following legal forms:

1. Investment with establishment of legal entity
 - a. Limited liability company (LLC)
 - b. Joint Stock Company (JSC)
 - c. Partnership Company (PC)

2. Investment into existing legal entity
 - a. Purchasing of shares, capital contribution, M&A;
 - b. Buy stock through exchange or intermediaries
3. Investment without establishment of legal entity
 - a. Through Public-Private partnership Contract (PPC) – BOT, BTO, BT, BOO, BLT, BLT; O&M
 - b. Through Business Cooperation Contract (BCC)



3. COMPANY INCORPORATION PROCESS

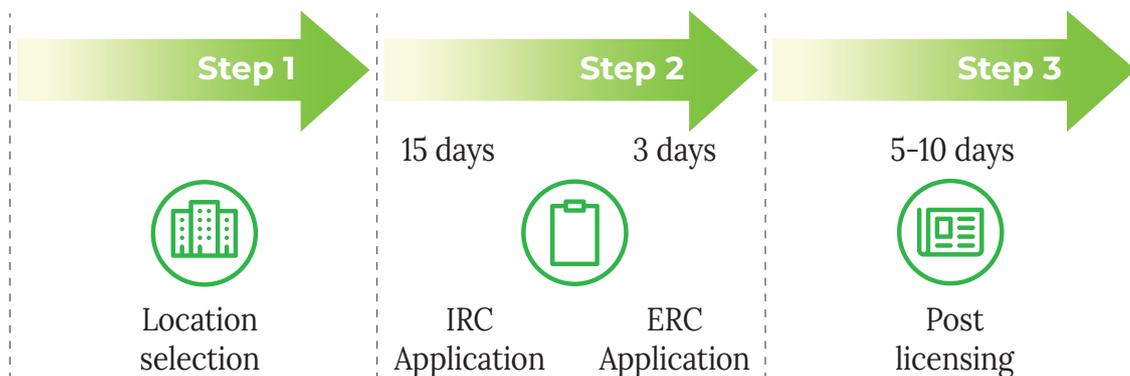
To legally carry out business activities in Vietnam, foreign investors must register their investment with the appropriate licensing authorities. Under the LOI and LOE, foreign investors need to go through two steps:

i: Obtaining Investment Registration Certificate (IRC)

ii: Obtaining Enterprise Registration Certificate (ERC)

From a practical licensing perspective, foreign investors should consider the followings before applying to the licensing authorities: (1) business activities, (2) proposed location, capital and scales of operation, (3) governance structure.

PROCEDURES FOR NEW COMPANY SET-UP



(*) The timeline for setting-up projects prioritized by national or provincial Government shall be shortened.

(**) Please note that IRC is required only for investments by foreign investors or deemed-to-be foreign investors (i.e. companies with more than 51% of charter capital held by foreign ownership).

The set-up procedures require various types of documents which will largely depend on the type of company/business activities that is being set up. All legal documents issued by overseas authorities must be translated into Vietnamese and validated by the Vietnamese Embassy in the home country of the investor.



PAID UP CAPITAL / CHARTER CAPITAL

Generally, there is no minimum paid-up (charter) capital requirement. However, licensing authorities may request that evidence of sufficient capital is provided to regulate businesses.

The committed paid-up (charter) capital must be remitted into Vietnam within 90 days from the issuance date of the ERC.



POST LICENSING PROCEDURES

After the issuance of IRC and ERC, there are certain statutory post-licensing procedures to be completed before commencing operation (i.e. making and notification of the company's seal, labor and tax registration, opening a bank account).



4. INVESTMENT INCENTIVES



In Vietnam, investment incentives are granted to projects invested in incentivized business sectors and/or in locations with social-economic difficulty. The investment projects with large investment capital or engaging in the manufacture of support industry product would also be considered to apply investment incentives. The incentive can be in forms of a preferential tax rate, CIT holiday and reduction, import duty exemption for goods imported to create fixed assets and exemption/reduction of land rental, or taxes on land use right for qualified investment projects. The criteria for incentives are set out in the Investment Law, CIT law and Law on Import – Export Tax.

The Vietnam's standard Corporation Income Tax (CIT) rate is 20%, qualified projects can expect to receive the following benefits:



PREFERENTIAL TAX RATE

A preferential tax rate is applicable from the first revenue-generation year (except high-tech enterprises or projects). The preferential tax rate can range from 10% to 15%;



TAX HOLIDAY

A tax holiday is available from the first profit-making year or the fourth revenue-generation year when applicable (except high-tech enterprises).

- Reduced CIT rate of 10% or 15%
- Tax holidays (from first profitable tax year) for certain number of years followed by 50% reduction for the remaining incentivized period

Detailed criteria for eligibility for tax incentives and tax incentive scheme are provided in the CIT regulations. A summary of criteria are as follows:

- Investment sectors that are encouraged by the Government of Vietnam
- Investment projects located in areas with difficult social-economic conditions, or certain industrial zones, export processing zones, and economic or high-tech zones
- Large manufacturing projects



5. TAXATION REGIME

In addition to the tax incentives for preferential projects, Vietnam is one of the countries that has lowest CIT rates in ASEAN.

Vietnam is on its way to implement an electronic tax administration across the country to become more business friendly.

Below are taxes applicable to businesses and individuals:

- Corporate Income Tax
- Value Added Tax
- Withholding Taxes
- Capital Transfer Taxes
- Import tax
- Personal Income Tax

The types of taxes mentioned above are imposed at the national level. There are no provincial or city level taxes. Vietnam applies a self-assessment tax system.

In line with Vietnamese government continuing efforts in enhancing efficiency and transparency, increasingly, most aspects of Vietnam tax administration for corporate taxpayers are transacted online through the e-government system.



TAX ON BUSINESS

- Standard corporate income tax rate: 20% from 2016
- Value Added Tax (VAT):
VAT is imposed on goods and services used for production, trading and consumption in Vietnam (including those purchased from overseas organizations and individuals).

There are three types of VAT: non-taxable items, items not required to declare VAT and taxable items. VAT rates include 0%, 5% and 10%.

- Foreign Contractor Withholding Tax (FCWT): FCWT is applicable to foreign organizations/individuals who conduct business or earn income in Vietnam on the basis of a contract/agreement with (i) a Vietnamese party (as a main foreign contractor) or (ii) another foreign contractor to implement part of the contractual scope of works (as a foreign sub-contractor). FCWT is a tax collection mechanism that normally comprises of both CIT and VAT, but may also include PIT for payments to foreign individuals.

Activities	VAT Rate	CIT Rate
Supply of goods in Vietnam or associated with services rendered in Vietnam (including in-country export-import, distribution of goods in Vietnam or delivery of goods where the seller bears risk relating to the goods in Vietnam)	Exempt	1%
Services	5%	5%
Supply of goods attached to services where the value is separated:		
• Goods portion	Exempt (for goods)	1% (for goods)
• Services portion	5% (for services)	5% for services)
Supply of goods and some services where value is not separated (*)	3%	2%
Construction	3% or 5%	2%
Loan interest	Exempt	5%
Income from royalties	Risk of being taxed at 5%	10%
Other cases where value is not separated	Highest rate applicable	Highest rate applicable



TAXES ON INDIVIDUALS

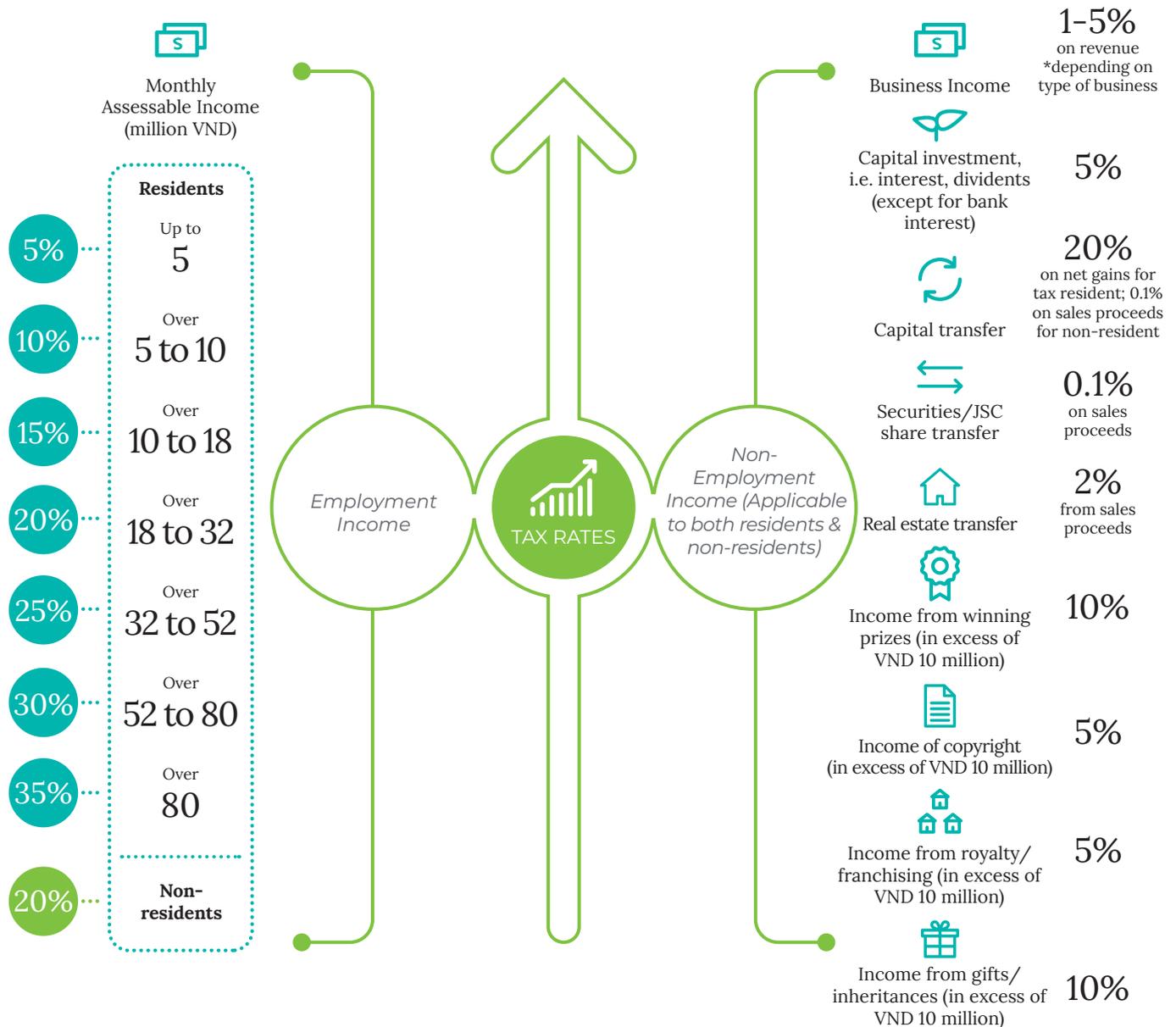
TAX RESIDENCY

An individual is a tax resident if he/she meets one of the following conditions:

- Residing in Vietnam for 183 days or more in 12 consecutive months from the first arrival date or in a calendar year
- Having a registered permanent residence in Vietnam as recorded by a temporary/permanent residence card
- Having rented a house in Vietnam with a term of 183 days or more within a tax year

Note: An individual having registered address or rented house over 183 days but residing less than 183 days in Vietnam may still be a tax resident if unable to prove residency of another country.

Tax residents are subject to Vietnam's Personal Income Tax (PIT) on their worldwide income regardless of where such income is paid, earned or charged. Worldwide employment income is subject to tax at progressive tax rates ranging from 5 percent to 35 percent depending on income level. Individuals who do not satisfy any of the conditions above are classified as non-residents and are subject to tax only on Vietnam-sourced income. The rate applicable to tax non-residents' Vietnam-sourced employment income is fixed at 20 per cent. Both residents and non-residents are also subject to PIT in Vietnam on incomes of non-employment nature, which are taxed at different flat rates.





6. PROFIT REMITTANCE/REPATRIATION OF CONTRIBUTED CAPITAL AND LOANS



After declaring, paying taxes, notifying the repatriation to the tax authority and having no outstanding tax debt, dividend can be repatriated freely.

Investors can repatriate their contributed capital (charter capital) only upon liquidation.

No remittance tax will be imposed on the repatriation of profit to corporate shareholders. PIT of 5% will be imposed on income from investment when repatriating profits to individual shareholders except one member limited liability company owned by one individual.

An increase and decrease of the contributed capital is subject to additional registration and approval from the licensing authority.

Medium and long-term loans (more than 12 months) are required to be registered with the State Bank of Vietnam. Those not registered with the State Bank of Vietnam cannot be repatriated.



7. LABOR REGULATIONS

It is essential for investors doing businesses in Vietnam to comply with labor regulations. The Labor Code of Vietnam governs labor contracts, minimum wage, working hours, overtime, statutory insurance, labor disputes, and termination of labor contract. All labor-related matters should be properly documented.

Employers with more than 10 employees are required to register internal labor rules with Department of Labor. Employers are not allow to prevent union formation when requested by at least five employees.

The Vietnamese compulsory Social Insurance, Health Insurance and Unemployment Insurance (SIHIUI) scheme is applicable to Vietnamese national employees with a definite term under a Vietnamese labor contract of 3 months or more.

Foreign employees, however, shall only be subject to the mandatory Vietnamese HI scheme in the same manner as Vietnamese employees. Currently, the SIHIUI contributions rates for eligible employees are as below:

Type of Insurance	Employee Contribution	Employer Contribution	Total
SI	8%	17.50%	25.50%
HI	1.50%	3%	4.50%
UI	1%	1%	2%
Total	10.50%	21.50%	32%

The trade union fee includes a 1% contribution from the employee and 2% contribution from the employer. This is payable when the internal labor union is registered.

The base to calculate statutory insurance and union fees are subject to maximum caps, which can be revised.

Foreigners must obtain a valid work permit from the local Labor Department before working in Vietnam. Exception applied for those hold the positions of experts, managers, chief executive officers or technicians for a period of under 30 days and an accumulated working period of under 90 days per year. Normally the term of a work permit is 2 years. Renewal of a work permit is required prior to its expiry if the foreign employee is still under the assignment term.

In addition, a business visa is statutorily required prior to a foreigner's entry into Vietnam. Upon the expiry of the initial business visa (normally 3 months), applying for either a visa extension or a Temporary Residency Card (TRC) is required. Since the duration for visa extension is less than 12 months, the TRC with a current limited period of up to 3 years should be considered in the case of long-term assignments.



8. MARKET ACCESS RESTRICTION RELATED TO WTO COMMITMENT AND FREE TRADE AGREEMENT

To promote free trade flow, transparency and fair competition, Vietnam joined the WTO in 2005. Under the WTO commitment, Vietnam commits to (1) schedule tariff reduction for goods and (2) open its markets for certain business sectors to foreign service providers.

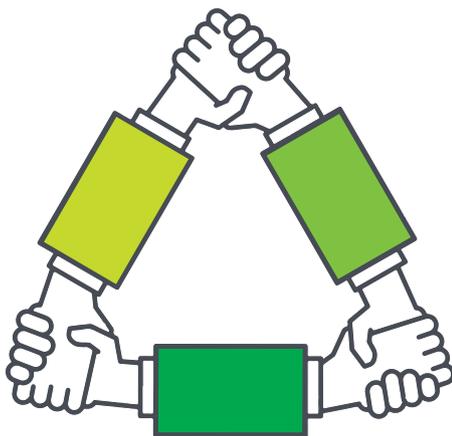
Except certain restricted sectors mentioned in Section I that are subject to specific conditions, in which foreign investors can only invest in Vietnam in the form of a joint-venture with local investor, other committed business sectors can be invested in the form of 100% foreign owned company. Business sectors that are not committed under WTO commitments may not be allowed to invest in Vietnam.

In recent years, Vietnam has actively engaged in several Free Trade Agreements (FTA) to help accelerate the country's integration into the global economy. FTAs that Vietnam have signed represent around 80% of global trading partners. These FTAs fundamentally aim to obtain preferential treatment for goods and services and eliminate non-tariff barriers encountered by the party country of the agreement. They also set up a clear and transparent legal framework to govern trade and investment relations between agreement parties. Essentially, FTAs allow products manufactured in Vietnam to comfortably access party countries at preferential duty rates based on its origin and vice versa.



Bilateral agreements

- Vietnam - Chile
- Vietnam - South Korea
- Vietnam - Japan
- Vietnam - Israel (in negotiation)
- Vietnam - EU FTA (to be rectified in 2020)
- Vietnam - Eurasian Economic Union FTA (concluded negotiation)
- Vietnam - European Free Trade Association



Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

(signed on March 8th, 2018)

Regional Comprehensive Economic Partnership (RCEP)

(on-going negotiation)

Free trade agreements signed as an ASEAN member country

- ASEAN - Japan
- ASEAN - South Korea
- ASEAN - India
- ASEAN - China
- ASEAN - Hong Kong
- ASEAN - Australia - New Zealand



9. FOREIGN INVESTMENT CAP OWNERSHIP



Foreign investors have no capital contribution restriction except those restrictions under WTO commitments as mentioned in Section I above and public companies.

For public companies, except for conditional business sectors where there is a cap on capital investment of foreign investors, foreign investors can own up to 100% of the charter capital if this had been agreed in a shareholder meeting and recorded in the charter of the company.

For banks, foreign investors can own up to 30% charter capital; and other conditional sectors which the regulations does not specify the foreign ownership cap, the cap is 49%.



10. REFERENCE COST OF LIVING, UTILITIES CHARGES, MINIMUM WAGE RATES

In Vietnam, including the 2 largest cities, Ho Chi Minh City and Hanoi City, the cost of living is quite reasonable. Serviced apartments' rental rates range from 500 USD to 1,500 USD per month, depending on their location, level of luxury and facilities. Serviced apartments are often the best choice for expats looking for an accommodation in Vietnam.

Office rental for urban areas ranges from 15 USD to 65 USD per square meter per month, depending on the location and level of luxury. In addition, a management service fee may be charged at the rate of 3 USD to 8 USD per square meter per month.

For travel, taxi and Grab can easily be used in cities like Ho Chi Minh City, Da Nang and Hanoi. The taxi fare is around 0.5 USD per kilometer.

The electricity price in Vietnam ranges from 0.07 USD to 0.13 USD per Kwh for individual/household consumption and from 0.04 USD to 0.21 USD per Kwh for business purpose. The mentioned fees do not include VAT.

(Source: www.evn.com.vn)

Non-domestic water price varies depending on the Company's location and business line, (VAT not included):

	2020	2021	2022
For manufacturing	10,800 VND (0.47 USD)	11,400 VND (0.49 USD)	12,100 VND (0.52 USD)
For service and trading	19,000 VND (0.83 USD)	20,100 VND (0.87 USD)	21,300 VND (0.93 USD)

(Source: <http://capnuoctrungan.vn>)

From 1 January 2020, the compulsory minimum salary rates of workers will range from 3.07 million VND (around 134 USD) to 4.42 million VND (around 192 USD) per month, depending on the area knowing that wages are higher in urban areas. Salary rates offered to office workers, especially in big cities is quite higher than the required minimum salary rates, taking into account personnel qualification and capability.

REFERENCE LITERATURE

(2019 - 2020 VERSION)

- **Globalization & regionalization, strategies, policies and economic environments**, Jean-Louis Mucchielli, PhD, Peter J. Buckley, PhD, Victor V. Cordell, PhD editors
- **The encyclopedia of the Vietnam war, a political, social and military history**, second edition, Spencer C. Tucker editor
- **Transformation to an open market system**, William T. Alpert, editor
Publisher: Routledge; 1 edition (November 30, 2001)
- **Vietnam a guide for business and investment**. Foreign Investment Agency. MPI. January 2007
- **Vietnam's investment potential & opportunities**. APEC Vietnam 2017. VCCI
- **FDI Opportunities in Vietnam in 2018** January 25, 2018. Posted by Vietnam Briefing. Reading by: Dezan Shira & Associates. Editor: Koushan Das
- **Five Charts Explain Vietnam's Economic Outlook; IMF COUNTRY FOCUS** July 16, 2019
- **The World Bank in Vietnam**
Last Updated: Oct 18, 2019
Vientam overview by World Bank
Last Updated: Apr 24, 2019
- **Viet Nam Quarterly Macroeconomic Report** Quarter 1 – 2019. Konrad Adenauer Stiftung
- **World Economic Forum Global Competitiveness Reports 2018 - 2019**
Source: www.weforum.org
Viet Nam Global Competitiveness Index 4.0 2018 edition
- **Vietnam 2035, Toward Prosperity, Creativity, Equity, and Democracy**
The World Bank, Ministry of Planning and Investment of Vietnam (MPI)
- **PISA Worldwide Ranking – average score of math, science and reading**
Source: Organization for Economic Cooperation and Development (OECD), 2015-2016
- **Why is Vietnam able to beat OECD countries in PISA scores despite being poor?**
Adam Jang-Jones, Updated Nov 14, 2018
- **Vietnam's manufacturing miracle: Lessons for developing countries**
Sebastian Eckardt, Deepak Mishra, and Viet Tuan Dinh, April 17, 2018
- **Brief on foreign direct investment of the first five months of 2019**
Ministry of Planning and Investment
Brief on foreign direct investment of 2018 (MPI)
Brief on foreign direct investment of the first five months of 2019 (MPI)
- **Global Innovation Index 2018**
By WIPO, (World Intellectual Property Organization); INSEAD, Cornell, SC Johnson College of Business
- **2016 Global Manufacturing Competitiveness Index** by Deloitte
- **Nikkei Vietnam Manufacturing PMI**, May 2nd 2019 by HIS Markit
- **TAKING STOCK An Update on Vietnam's Recent Economic Developments** by Word Bank, December 2018
- **Ho Chi Minh City calls for investors in 210 projects**, by Van Ngoc 15/05/2019 (Vietnam Investment Review)
- **Saigon becomes a top expat destination**, By Nguyen Quy November 29, 2018
- **Vietnam 19th best country in the world for expats**: HSBC survey - By Dat Nguyen, November 8, 2018
- **How to invest in QTSC by Quang Trung Software City**

ABBREVIATIONS

VCCI	Vietnam Chamber of Commerce and Industry
VCCI HCMC	Vietnam Chamber of Commerce and Industry, Ho Chi Minh City Branch.
MPI	Ministry of Planning and Investment
ASEAN	Association of Southeast Asian Nations
FTA	Free Trade Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EVFTA	European-Vietnam Free Trade Agreement
RCEP	Regional Comprehensive Economic Partnership
EAEU FTA	Eurasian Economic Union Free Trade Agreement
ATIGA	ASEAN Trade in Goods Agreement
ACFTA	ASEAN-China Free Trade Agreement
AKFTA	ASEAN-Korea Free Trade Agreement
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AANZ FTA	ASEAN-Australia-NewZealand Free Trade Agreement
VCFTA	Vietnam-Chile Free Trade Agreement
VKFTA	Vietnam Korea Free Trade Agreement
GII	Global Innovation Index
HCI	Human Capital Index
OECD	Organization for Economic Cooperation and Development
PISA	Program for International Student Assessment
JETRO	Japan Export Trade Research Organization
WEF	World Economic Forum
EVN	Vietnam Electricity

