

NEWSLETTER FROM VIETNAM

April- May 2016



A Hanoi's coner in May

A warm welcome to all our readers

Information in this newsletter is presented on a synthetic basis with a reference number. On request, our offices will be pleased to assist any Brussels company who wishes to receive further information on any of the topics exposed hereunder. Please return by e-mail the topic with its official heading, mentioning the issue and the reference number.

You may also find our newsletters on the website of: <http://www.invest-export.irisnet.be>

BRUSSELS INVEST AND EXPORT IN VIETNAM

UPCOMING EVENTS:

Contact Days: Mrs. Tran Thi Hien, Economic and Commercial Attache in charge of Vietnam will be in Brussels from 27 to 30 June 2016 for Contact Days and would be pleased to meet Brussels companies for updates of Vietnamese market and tailored support of your business in the country. To reserve your meeting, please register via:

https://efficyexport.irisnet.be/EFFICY.DLL/guest?app=export&page=bridge/AEC_start.htm&lang=FR

Multi-sector Economic Mission: Brussels Invest & Export Vietnam- BIE in cooperation with Flanders Investment & Trade- FIT will organize a multi-sector Economic Mission to Vietnam from 05 to 09 December 2016. FIT will focus on agro industry and BIE will target to infrastructure development. There will be seminar on these respective subjects in Hochiminh City and Hanoi. Brussels companies should not miss the chance to set up contact with local decision makers, authorities and partners for potential projects.

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- ✓ Vietnam plans \$5.5 bln expansion to double Hanoi airport capacity

Fairs and exhibitions in June-July 2016

- ✓ Vietnam Industrial Automation FIESTA (IAF) 2016
- ✓ Vietnam International Retail + Franchise show 2016
- ✓ Vietnam International Automobile Supporting Industries Exhibition & Conference
- ✓ Vietnam International Construction & Building Exhibition
- ✓ Int'l Precision Engineering, Machine Tools and Metalworking Exhibition and Conference
- ✓ Shoes and Leather Exhibition Vietnam

- ✓ Int'l Exhibition on Electrical Technology & Equipment/ Products, Technology of Energy Saving & Green Power
 - ✓ Vietnam Int'l Advertising equipment and Technology Exhibition (Vietad)
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Vietnamese Gov't eyes FDI in farming sector

The Ministry of Agriculture and Rural Development has submitted to the government a draft of a strategy to attract FDI in Vietnam's farming, forestry and fishery sectors by 2030. Under the draft, the ministry has forecast that the FDI to the industry would reach US\$ 5 bil in 2020 and US\$8 bil by 2030. The draft included incentives for foreign investors, such as reduction in corporate income tax, import and export tax, and exemption of land rent for several years from the time the projects come into operation. (*Vietnam News, 06/04/2016*)

Vietnam toy market valued at US\$5bil

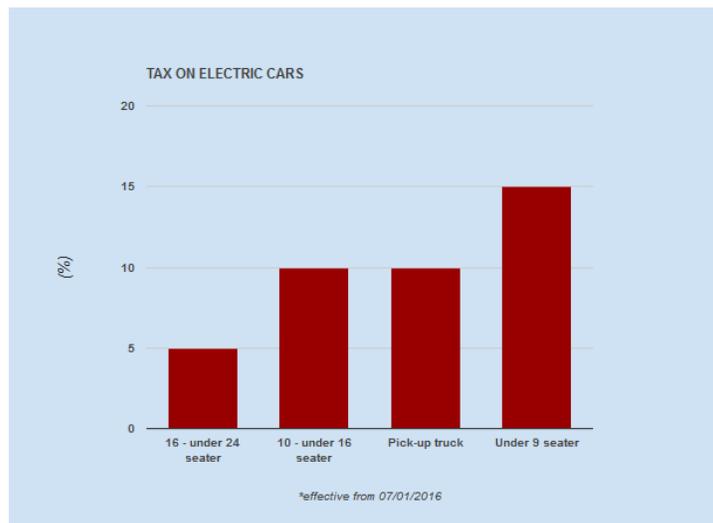
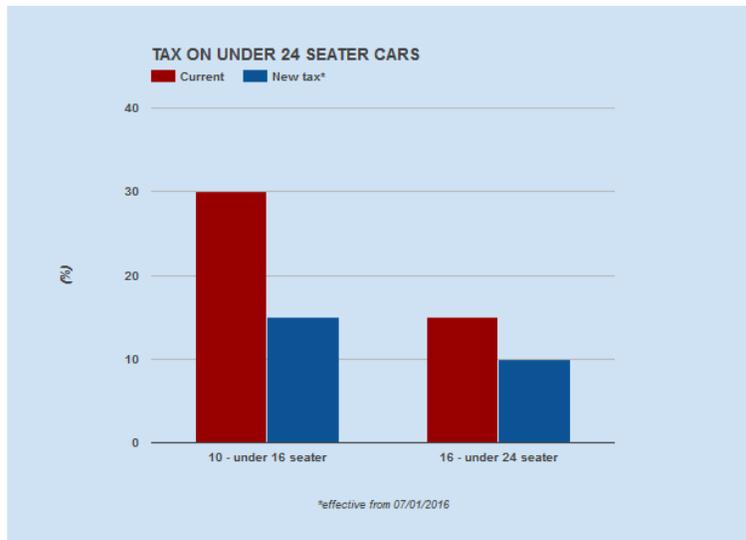
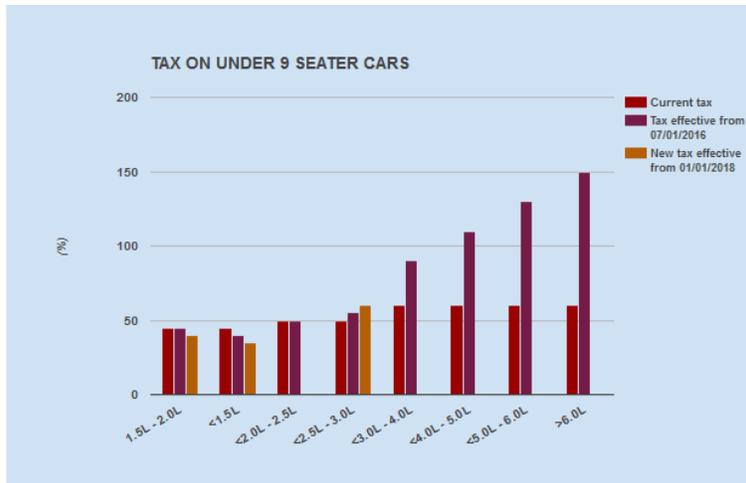
With the number of children aged 0-14 accounting for 40% of the population of 90 mil and improved living standards, Vietnam has seen an increase in the world's famous brands. An analyst said that Vietnamese parents, especially those in urban areas, are willing to pay for foreign made toys, because foreign products are just 20-30 percent more expensive than Chinese products, which are believed to contain toxicity and have low quality. Some foreign manufacturers, which can see the great potential of the Vietnamese toy market, have decided to set up factories in Vietnam to make products for domestic consumption. They have been encouraged by the large market, cheap labor costs which are 1/3 of China's, and low input material prices. (*Vietnamnet, 06/04/2016*)

Vietnam's mobile shopping growth among fastest Asia

Shopping on mobile devices is becoming increasingly popular in Vietnam and growing at the third-fastest rate in the Asia-Pacific, according to a recent survey by MasterCard. The survey found nearly 52% of Vietnamese had shopped on mobile devices in 2015, up 16.8 percentage points from 2013, making the growth only slower than in Indonesia and Singapore. (*ThanhNien, 08/04/2016*)

Special consumption tax on luxury cars to rise sharply this July

For the under nine seater, special consumption tax on small engine cars is expected to decrease whereas that on large engines will experience a surge. Meanwhile, tax imposed on other car types will decrease. (*Vnexpress, 15/04/2016*)



Vietnam's top telcos among most valuable brands in Southeast Asia

Vietnam's three telecom giants Viettel, MobiFone and Vinaphone have been named in the top 20 most valuable telecom brands in Southeast Asia with a combined value of nearly US\$1.8 billion. Viettel, which owns the biggest share in Vietnam's telecom market, is ranked seventh with a brand value of \$973 mil, up 10 places from a year ago, according to new data released by UK-based intangible asset valuation consultancy Brand Finance. State-owned MobiFone is at number 15 in ASEAN with a brand value of \$539 mil, up 76% from last year. Vinaphone, another state-owned company, is ranked 20th, as its brand value rose 47% to \$282 mil. *(Thanhnieen, 15/04/2016)*

Vietnam firms expand online, target 41 million Internet users

More than 10,000 e-commerce websites were registered in Vietnam at the end of last year, twice the number of 2014. Their combined sales grew 37% to US\$4.07 billion, accounting for around 2.8% of country's total retail sales. The sales were forecast to hit \$10 billion in the next five years. *(Thanhnieen, 19/04/2016)*

Foreign brands control domestic natural foods market

Vietnam, an agricultural country which has great advantages to produce natural foods, still has to import products of this kind for domestic consumption. More organic foods shops are in large cities, especially in Hanoi and Hochiminh City. Many modern retail chains such as supermarkets, hypermarkets and groceries tend to prioritize the distribution of organic foods. Organic food, or 'green', 'safe' food, have become more and more favored by urbanites, especially because many dirty food cases have been discovered in recent years. It is difficult for domestically made organic food to conquer consumers' hearts. Since the cultivation of organic farm produce can only bring low yield, their selling prices are high and not accepted by the majority of consumers. *(Doanhnhhan Saigon, 25/04/2016)*

Economists welcome plan to open oil retail market to foreign businesses

With the government set to license foreign companies to distribute oil products for the first time, economists are hopeful it will herald the elimination of what is virtually a state monopoly. Vietnam's retail fuel market, more than 75 percent of which is controlled by state businesses Petrolimex, PV Oil and Saigon Petro, would become "more competitive" and "transparent" with the entry of Japan's Idemitsu Kosan and Kuwait Petroleum International. Pham Chi Lan, one of the economists, said foreign businesses' entry could only be a change for the better since the fuel retail market has been monopolized by a group of businesses for too long. The government has often made interventions in an effort to improve the market's transparency, but without much success, and so competition from foreign rivals would help. *(Thanhnieen, 27/04/2016)*

Vietnam increases seafood exports to EU.

Twenty-four Vietnamese enterprises are participating in the 2016 Global Seafood Expo in Brussels, Belgium, from April 26-28. They brought familiar Vietnamese products including tra and basa fish and shrimp to the event, hoping to increase seafood exports to the EU. (*Vnplus, 27/04/2016*)

Historic drought costs Vietnam \$400 mil

The most severe drought in almost a century has cost Vietnam an estimated \$400 mil, according to the Central Steering Committee for Disaster Prevention. It is estimated that more than 400,000 families are lacking clean water, and about 250,000 hectares of rice, 130,000 hectares of industrial crops and 30,000 hectares of fruit have been destroyed by the drought. The prolonged drought, accompanied by falling groundwater levels, has resulted in the most extensive saltwater intrusion in 90 years in the Mekong Delta. For the first time the country has called on the international community to support a \$48.5 mil emergency response plan to address the worsening drought. (*Vnexpress, 11/05/2016*)

New pricing rules in Law on Pharmacy

The new Law on Pharmacy will take effect from 01/01/2017. The major changes in the new law centre on providing increased consumer protection, strengthening pricing rules, better access to medicines- especially over the counter products, and strengthening registration requirements. Example: under the previous law, foreign medicines must have been in circulation for at least 5 years in their country of origin. The new law removes this 5-year requirement, meaning that patients in Vietnam will be able to have more access to foreign medicines, especially new ones. (*Vietnam Investment Review, 6-15/05/2016*)

City to spend US\$437 mil on flood control

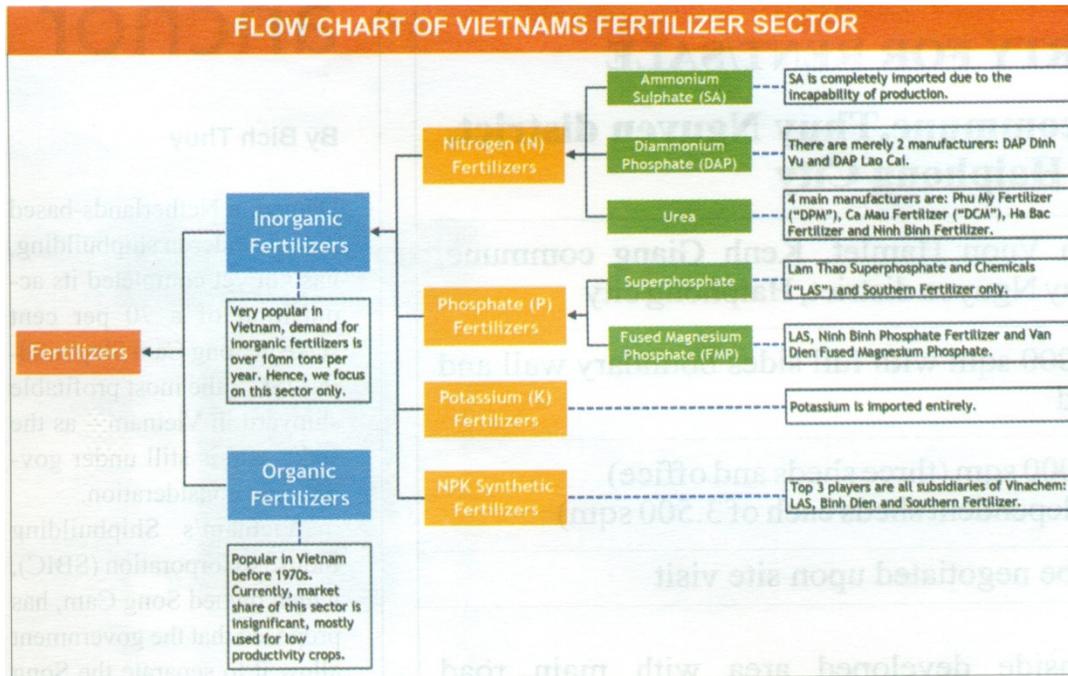
The Hochiminh City Government has approved a project on flood risk management with a total investment of US\$437 mil. US\$ 400 mil of the total sum will come from the IBRD of the World Bank Group and US\$37 mil from the State budget. The Steering Center for Flood Control of HCMC will implement the project from this year to 2021. Flood control works will be constructed in several districts to improve sanitation, flood control and water drainage. Some flood gates, embarkment and the main sewer in Go Vap Distr. Will be built while other drainage systems will be upgraded. (*Saigon Times Daily, 16/05/2016*)

Transport infrastructure upgrade needs US\$45 bil

Vietnam is in need of over US\$44.6 bil to upgrade the national transport infrastructure in the next 5 years. The first major tasks include building more than 1,500 km of express way throughout the country and upgrading the north-south railway in an effort to raise the average speed of passenger trains from 80kmph to 90kmph, and freight trains from 50kmph to 60kmph by 2020. The second task will be to target infrastructure around a range of international airports including Noi Bai, Tan Son Nhat, Da Nang,

Can Tho and Cam Ranh and mobilize capital to construct the Long Thanh International Airport. Upgrades were also planned for main inland waterways connecting the Mekong Delta with Hochiminh City and other routes in the rivers of Tien, Hau, Hong and Thai Binh. (*Vietnam News, 20/05/2016*)

Vietnam’s fertilizer sector



(*Vietnam Investment Review, 16-22/05/2016*)

US completely lifts arms embargo on Việt Nam

The US completely lifts arms embargo on sales of lethal weapons to Việt Nam, announced President Barack Obama who is on the first day of three-day official visit to the country. The information was released at a press conference in Hà Nội following his talks with President Trần Đại Quang, according to Việt Nam News reporter. (*Vietnam News, 23/05/2016*)

Vietnam’s exports and imports lean on foreign enterprises

Foreign enterprises accounted for about 65% and contributed nearly \$70 bil to Vietnam’s total export and import value in the first four months. This marks an increase of 2.5% compared to the same period last year, including a 6.5% rise in exports from the initial value of \$53.1 bil and a 1.3% decrease in imports from the initial value of \$51.34 bil. Foreign Direct Investment (FDI) companies have seen a 4.4% increase year on year with total trading turnover of \$67.78 bil. This owes to strong export growth of 10.3%, which reached \$37.23 bil in the first four months of 2016. Domestic companies in contrast lagged behind as marked by a one percent slump in trade turnover to reach \$36.67 bil, making up only 35.1% of

total trade turnover. Domestic exports fell by 1.5% to be worth \$15.88 bil, due primarily to sharp decline of crude oil export value by 51.7%. (*Vnexpress, 23/05/2016*)

Vinamilk removes foreign ownership cap, rejects branding concerns

Vietnam's dairy giant Vinamilk removed its 49% limit for foreign ownership, amid plans to divest its huge government stake. The scrapping was backed by the two biggest shareholders – the State Capital Investment Corporation (SCIC), a sovereign fund which is holding a 45% stake, and F&N Dairy Investment, which is controlled by Thai beer tycoon Charoen Sirivadhanabhakdi, with an 11% stake. A specific roadmap on the expansion of foreign ownership has not been revealed. SCIC has not given a timeframe for the sale of the government stake either. Questioned about the risk of losing the Vietnamese brand, one of the most valuable in the country, Vinamilk's CEO Mai Kieu Lien said she does not think it should be a concern. (*Thanhnie, 23/05/2016*)

Renewable energy may power Vietnam by 2050

Vietnam's power needs could be fully met by renewable energy by 2050, according to a new report by World Wide Fund for Nature (WWF) – Vietnam and Vietnam Sustainable Energy Alliance. The “Sustainable Scenario for the Vietnamese power sector until 2050” report offers an overview of the country's power sector within the global energy framework and suggests various scenarios from which the country could choose its energy sector development strategy. There are numerous renewable energy sources available in Vietnam like solar, wind, water, geothermal, bio-mass and ocean waves, but the country's 2010-2020 power sector strategy is based on often unsustainable hydropower plants, highly polluting fossil fuel-based projects, and even costly and risky nuclear power. (*Vietnam News, 24/05/2016*)

Vietnam Airlines plans to reduce state ownership to 65%

National carrier Vietnam Airlines is expected to ink a deal to sell a stake of 8.77% for more than US\$100.6 mil to Japan's ANA Holdings Inc at the end of this month, news website Dau Tu (Investment) reported on May 24. Following the deal, the government will own 87.73% of the airline that controls nearly half of the domestic passenger air market. Vietnam Airlines will continue to sell more chunks of shares to reduce the state ownership to 75%, and then 65%, according to the website. (*Thanhnie, 25/05/2016*)

Franchisers flock to Vietnam to establish foreign brands

The Vietnamese franchising market is expected to maintain its upward trajectory of 25% growth per year for the next few years. Aside from food and drink industry, which has enjoyed the hottest growth in franchising so far, the field of education has also proven to be fertile ground for franchising business in Vietnam. As of January 2016, the country had welcomed 144 global brands. (*Vietnam Investment Review, 23-29/05/2016*)

Monthly minimum wage in Asia in 2015



(Saigon Times Weekly, 28/05/2016)

IT firms could drive transport sector

Vietnam would need to invest some US\$ 40-50 bil to develop nation's transport infrastructure, including investments in intelligent transportation systems, and this is a golden opportunity for IT business to take part in the development of the transportation sector. The boom in the number of transport infrastructure projects, coupled with governmental support in promoting the means of electronic toll collection (ETC) and intelligent transportation systems (ITS), have created a great work pool for many IT companies. The Ministry of Transport has completed a draft of national standards on ITS architecture, which will be applied into the planning and construction of transport networks across the country. Hanoi aims at upgrading its traffic light control system and enhancing an IT-based system in transport, as a basis to form an ITS system for the city before 01/07/2017. Meanwhile, Hochiminh City's Department of Planning and Investment has also completed its appraisal report on an investment project in smart electronic ticketing systems, to be utilized in the public transport field. (Vietnam News, 30/05-05/06/2016)

Vietnam plans \$5.5 bln expansion to double Hanoi airport capacity

Vietnam is planning a \$5.5 bil expansion of Hanoi's airport to double its capacity by 2030. Noi Bai International Airport likely will be over-stretched by 2019 due to strong passenger growth, the director general of the Civil Aviation Administration of Vietnam told the government news website. Vietnam is among the world's 10 fastest growing aviation markets in percentage terms, and is expected to double in size each decade over the next 20 years, according to a report by the International Air Transport Association late last year. (Tuoitre, 31/05/2016)

EXCHANGE RATE

1US\$ = 22,145.00 VND

1EUR = 24,632.3 VND (*Oanda on 31/05/2016*)

FAIRS AND EXHIBITIONS

Vietnam Industrial Automation FIESTA (IAF) 2016

Time: 08-10 June 2016

Venue: Binh Duong Convention & Exhibition Center (BCEC)

Website: www.industrialroadshow.com

Vietnam International Retail + Franchise show 2016

Time: 08-10 June 2016

Venue: Saigon Exhibition & Convention Center, 799 Nguyen Van Linh, D.7, HCMC

Website: www.vietrf.com

Vietnam International Automobile Supporting Industries Exhibition & Conference

Time: 08-11 June 2016

Venue: International Center For Exhibition, 91 Tran Hung Dao, Hanoi

Website: www.vietnam-autoexpo.com

Vietnam International Construction & Building Exhibition

Time: 14-16 June 2016

Venue: Saigon Exhibition & Convention Center, 799 Nguyen Van Linh, D.7, HCMC

Website: www.construction-vietnam.com

Int'l Precision Engineering, Machine Tools and Metalworking Exhibition and Conference

Time: 05-08 July 2016

Venue: Saigon Exhibition & Convention Center, 799 Nguyen Van Linh, D.7, HCMC

Website: www.mtavietnam.com

Shoes and Leather Exhibition Vietnam

Time: 13-15 July 2016

Venue: Saigon Exhibition & Convention Center, 799 Nguyen Van Linh, D.7, HCMC

Website: www.shoeleather-vietnam.com

Int'l Exhibition on Electrical Technology & Equipment/ Products, Technology of Energy Saving & Green Power

Time: 20-23 July 2016

Venue: Saigon Exhibition & Convention Center, 799 Nguyen Van Linh, D.7, HCMC

Website: www.vietnam-ete.com

Vietnam Int'l Advertising equipment and Technology Exhibition (Vietad)

Time: 28-30 July 2016

Venue: Saigon Exhibition & Convention Center, 799 Nguyen Van Linh, D.7, HCMC

Website: www.vietad.com.vn

Cover photo: by Tuan Tran

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THANK YOU AND SEE YOU IN VIETNAM !