

# Business Opportunities Arising from Vietnam's Global Integration Strategy



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# 15 Years of Change

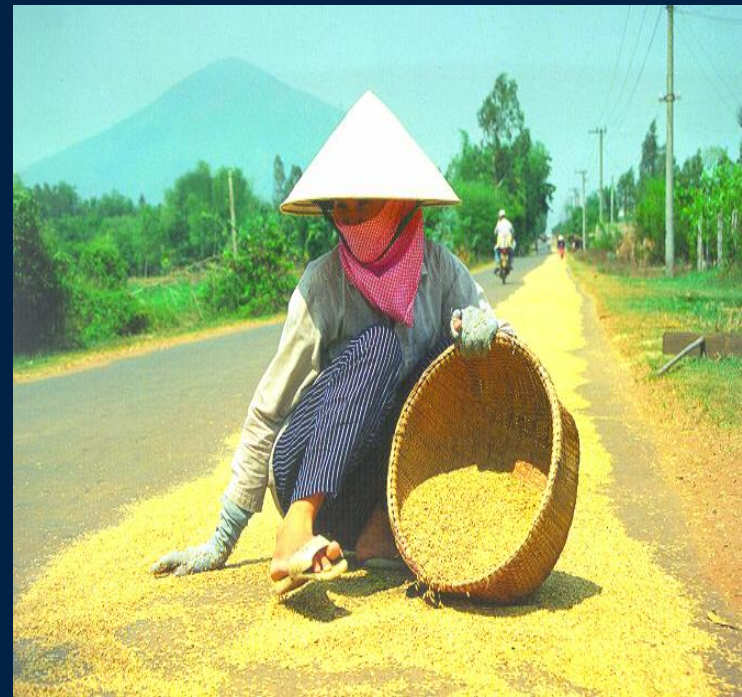
## Vietnam's Growth "Miracle"



## Summary of Presentation

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- The 1990s – Good & Bad
- New Millennium Growth
- Securities / Funds
- Land
- Infrastructure



## Historical Perspective: The 1990's

- Early 90's: Desperate Poverty
- Total Foreign Trade in 1991: US\$3 billion
- Mid-90's: Short-Lived "Boom" in FDI



## 1997-2000 : Moving Slowly...

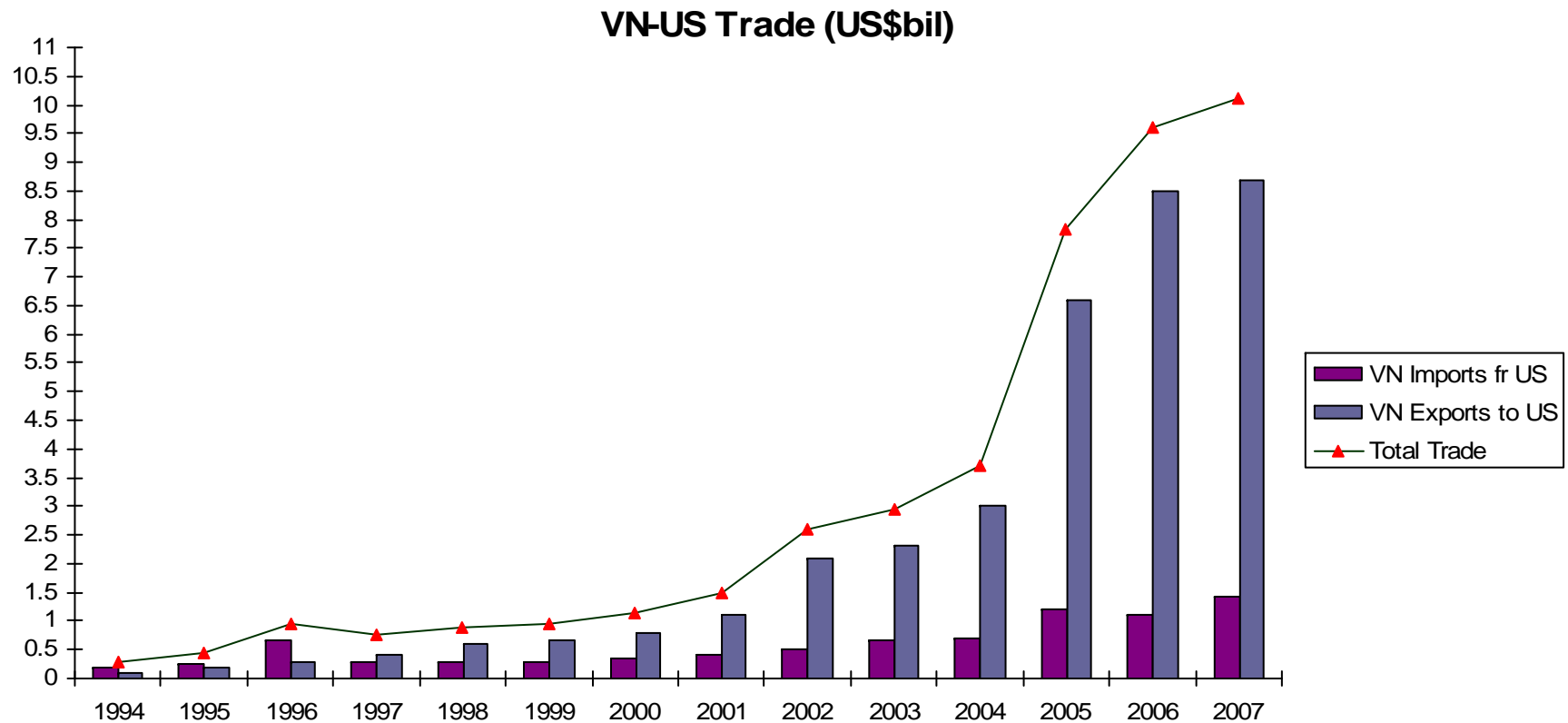
- 1997: Asia financial crisis
- Late-1990's: The crash created disillusionment in Vietnam and negative press reports abroad
- From Dec 2001, the US-Vietnam Bilateral Trade Agreement (BTA) begins to impact the business environment for all foreign companies. (NOTE: BTA is most comprehensive bilateral trade agreement the US has ever negotiated.)



## Sourcing Opportunities: Garments & Furniture

Export	Old Tariff	NTR Tariff	1999 Exports to US	2006 Exports to US	2007 Exports to US	2008 Exports to US
Garments & textiles	20-60%	0.9%-8.5%	\$483,000	\$173,721,700	\$4,4 Billion	Estimated \$5,5 Billion
Wooden furniture (potential)	33.33%	3.2%	\$1,656,000	\$250,976,500	\$930,000,000	Estimated \$1,1 Billion

# Growing US Trade Relations



Source: U.S. Department of Commerce

Note: 2002-2004 are projections

# Old Enterprise Law

- New Private Companies:
  - 1999: 3,601 (Old Law)
  - 2001: 45,000 (Interim Law)
  - 2004: 70,000
  - 2006: 130,000 (New Law)
  - 2007: 150,000+
- New opportunities for foreign investors to invest in local companies in many sectors (up to 30% in OTC; 49% in listed companies – MORE LATER)



# New enterprise law

## FDI by Form of Investment – 2007

(Source: Ministry of Planning and Investment)

Form of Investment	Projects	Total Capital (\$M)	Implemented Capital (\$M)
BOT, BT, BTO	7	1,662	727.0
BCC	221	4,574	5,661
Wholly foreign-invested	6,685	51,260	11,319
Joint Stock company	1,676	25,511	11,515
Parent-subsiary company	1	98.0	14.4
Total	8,590	83,104	29,236.5

## Domestic Economic Lift Off

- GDP up:
  - 2000-2002: 6-7%
  - 2003-2007: 8.17%+
- HCMC higher (10%+)
- Export Growth 20%+ (75%+ to the USA – mostly garments, footwear, furniture, seafood, and coffee/rice, but soon electronics)
- Tourism Arrivals up 20%/yr + (Ops for tourism and hospitality clients)



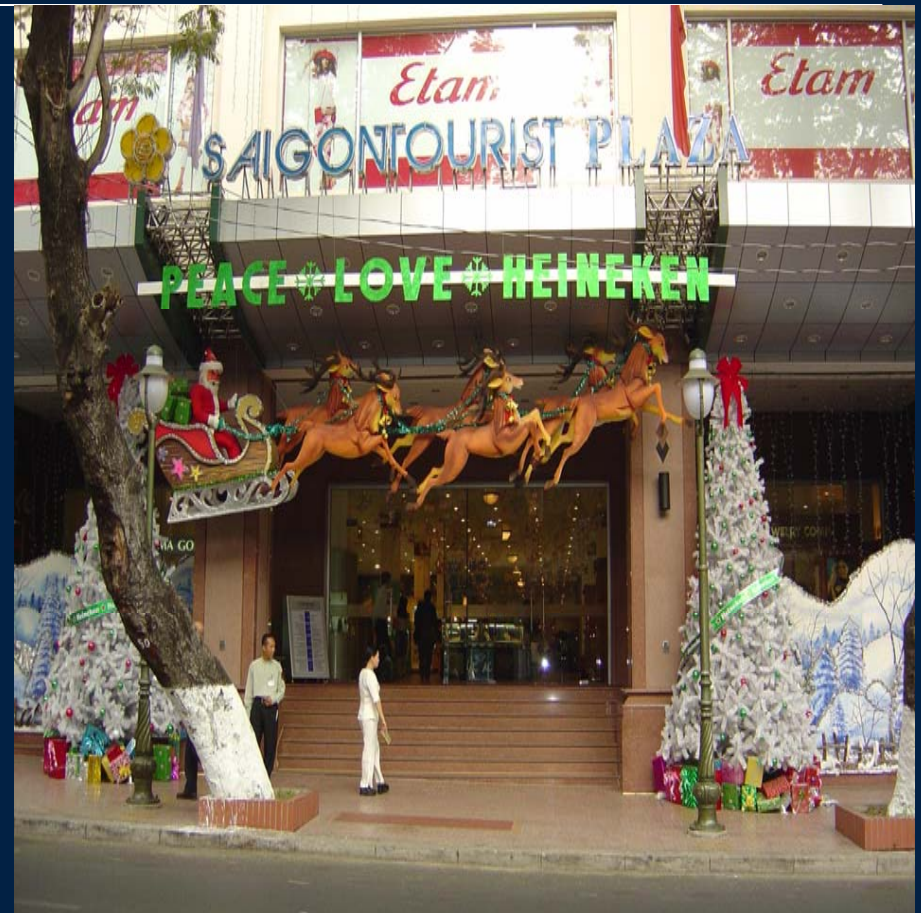
## Vietnam: rich in resources and opportunities

- Bauxite (\$8-10 billion investment capital needed to develop aluminum industry)
- Coal
- Tungsten
- Nickel, copper
- Gold and precious gems
- Surveying and exploration can be done without establishing a Vietnam legal entity
- Acquisition of VINACOMIN equitized entities



## New Commercialism

- “Peace, Love and Heineken”
- Greater disposable income has increased “thirst” for foreign goods and services, so client opportunities in fast-moving consumer goods and low-end services – incl. via franchising).
- Advertising / marketing services done via JVs



## Main Import & Export Partners (2007)

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### Imports (\$million)

- China: \$7,391
- Singapore : \$6,274
- Japan: \$4,701
- Taiwan: \$4,823
- Korea: \$3,871
- US: \$982

### Exports (\$ million)

- US: \$7,828.7
- EU: \$7,203
- Japan: \$5,232
- China: \$3,030
- Australia: \$3,651.3
- Singapore 1,630.6

# Main Exports/Imports – Client Opportunities

## Imports

Domestic sector: 44,410 (\$m)

FDI: 27,993 (\$m)

- Steel
- Fertilizer
- Petro
- Yarn
- Cotton
- Vehicles
- Chemicals
- Pharmaceuticals
- Plastic Raw Materials
- Insecticide
- Materials for clothing & shoe manufacture

## Exports

Domestic sector: 16,740 (\$m)

FDI: 22,865 (\$m)

- Rubber
- Coffee
- Crude Oil
- Coal
- Cashew nuts
- Pepper
- Vegetables
- Garments and textiles
- Seafood
- Rice
- Tea
- Footwear



# MARKETING THE VIETNAM MIRACLE THROUGH SINGAPORE

- Singapore cross marketing: Singapore is the second largest foreign investor in Vietnam (16.29% in 20 countries with largest FDI to Vietnam in the year 2007)
- The newest WTO member – new opportunities created in all sectors
- US-Vietnam Trade = US\$ 10,175 billion in 2007
- At least 23 of the 39 FORTUNE-100 companies in Singapore are also -- or soon will be -- in Vietnam, including: Exxon Mobil, Boeing, Chase, Cisco, Citigroup, ConocoPhillips, Dell, Delphi, DuPont, FedEx, Ford, GE, GM, Hewlett-Packard, Intel, JP Morgan, Lockheed Martin, Microsoft, Motorola, PepsiCo, Prudential, Time Warner, UPS, Wachovia and Wal-Mart.

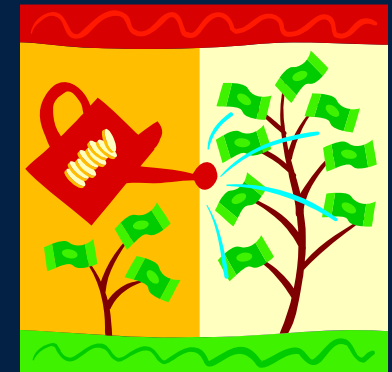
# SECURITIES – Two Exchanges

- **HCMC Exchange**
  - Established in July 2000
  - Grown from 32 listed stock at end of 2005 to well over 110 stocks now
  - VN-Index 2006: 242.89 point; estimated possibly over 2,000 point by 2010
- **Hanoi Exchange**
  - Total newly listed stocks in 2005: 9; 2006: 81
  - Highest HASTC-Index 2006: 242.89 point
- **IPO of big commercial banks in Vietnam**
- **Also strong OTC and Bond Trading**



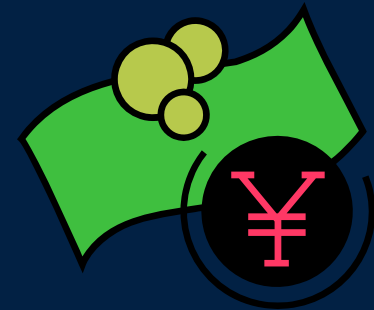
## VIETNAM FUNDS -- Securities Service Companies

- Allowed services and capital levels
  - Broking – \$1.5 Million (prev. \$100,000)
  - Trading on own account – \$6.25 Million (prev. \$750,000)
  - Underwriting – VND165 billion (prev. \$1.4 Million)
  - Investment consultancy – \$625,000 (prev. \$100,000)
  - “Catch-all” addition for financial consultancy services and other financial services



# FOREIGN FUNDS – Types of Funds

- Private Equity
  - Mekong Capital's [Mekong Enterprise Fund, Ltd.](#) (2002)
  - Mekong Capital's [Mekong Enterprise Fund II, Ltd.](#) (2006)
- Technology and Venture Capital
  - IDG Venture's IDG Vietnam Ventures Fund (2004)
  - VinaCapital's DFJ-VinaCapital LP (2006)
- Real Estate
  - Indochina Capital's **Indochina Land Holdings** (2005)
  - VinaCapital's **VinaLand** (2006)



## FOREIGN FUNDS – Types of Funds (Cont.)

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- Equitization of Vietnamese State-Owned Enterprise (SOEs)
  - Banking (Vietcombank, \* Incomabank, etc.)
  - Insurance (Bao Minh, Bao Viet)
  - Telecom (Mobifone, Viettel, Vinaphone, etc.)
  - Oil & Gas (Petro Vietnam Drilling)
  - Power (EVN)
  - Mining (Vincomin)
  - Shipping (Vinaship, Vinalines, etc.)
  - Aviation (Vietnam Airlines)
  - Manufacturing

# LAND USE

## 2 ways a foreign land user may acquire land



- Via a land lease from the State directly negotiate a lease on empty land; or
  - Pay current user compensation to give up land and then enter into a land lease with the State
  - Via a land auction (new) and then enter into a land lease with The State
- Project carried out as a WFOE



Via a contribution of land use right by local partner to form a JV or BCC

Project carried out via JV or BCC form

# INFRASTRUCTURE

- Increasing:
  - Tax revenues
  - Spending on Infrastructure

BUT...

- Asian Development Bank (ADB): Vietnam's power infrastructure alone must grow at 15-20% per year to continue 7.5%+ growth, and the VN Govt does not have the funds, so have BIG OPPORTUNITIES for foreign investors in energy (O&G and power) and other infrastructure sectors –ports, toll roads, railways, telecom, etc.



- Vietnam in the Greater Mekong Subregion (GMS)
- Road Network

1992



- GMS Road Network

2006



- GMS Road Network

2015



## Energy and Resources

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- Electricity Production in GWh (2005) by fuel:
  - Coal - 8941
  - Oil - 2482
  - Nat Gas - 20,586
  - Hydro - 21,454
  - Solar, nuclear, biomass, waste, wind, tide – 0

(Source IEA)
- Electric Production
  - 2004 – 9 Gigawatts
  - 2020 – 81GW (74 new plants projected)
- Gas Production
  - 3.5 X increase '00 to '05
  - NCSGP (gas to Phu My power complex)  
\$1.3 B project

## Regulation, Renewables and Demand Response

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- **Regulatory:** Duane Morris attorneys, in connection with Mercados Energy Markets International, are assisting the Energy Regulatory Authority of Vietnam with developing standard PPAs and dispute resolution procedures for its proposed single-buyer market. This is sponsored by the World Bank.
- **Renewables:** Significant growth opportunities for WTE, solar, wind and others
- **Distributed Generation:** Development potential exists for smaller local generators (including CHP) to provide efficient power.
- **Demand Response and RTP:** Expansion of demand response resources and real time pricing is needed and will take place.