



# Vietnam: More Potential for Business and Investment from Thailand

BY: Christopher Runckel,  
President of Runckel & Associates, Inc.  
and Senior Advisor to Becamex Group, Binh Duong, Vietnam



Government: Socialist Republic

Economy: Transition market economy

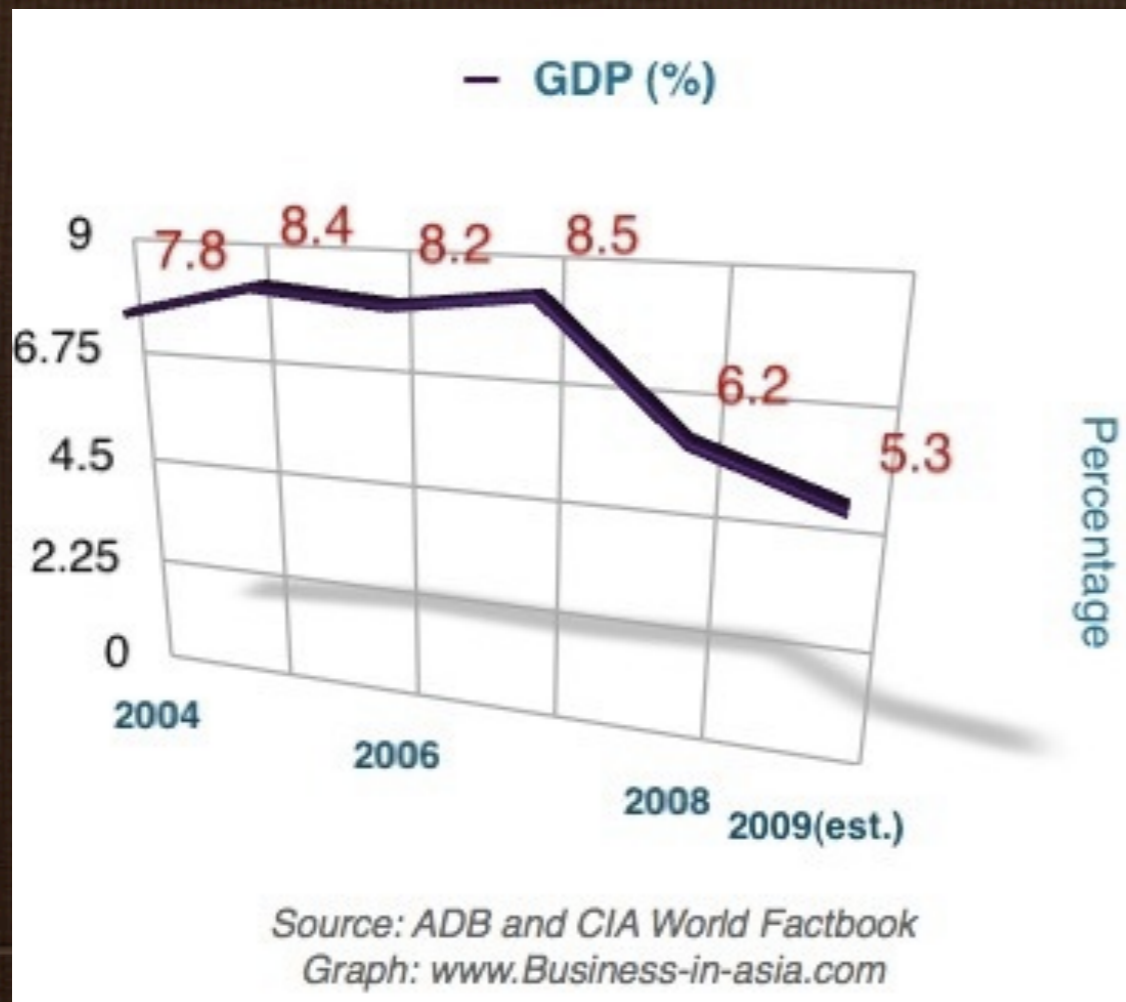
Total Area: 331,689 km<sup>2</sup> (128,065 sq mi)

Capital: Hanoi

Southern Key Economic Zone: Ho Chi Minh City, Binh Duong, Dong Nai, Ba Ria - Vung Tau

Languages: Vietnamese (official)

Total Population: 86,116,559





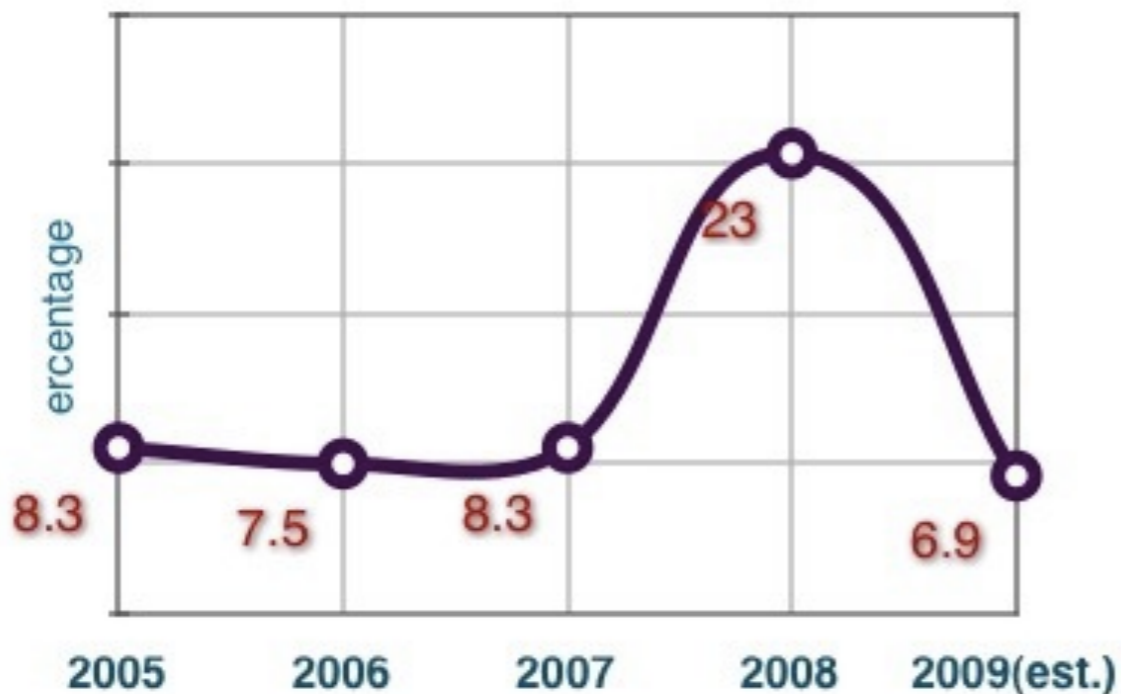
## GDP growth by sector (%)

	GDP	Agriculture	Industry	Services
2003	7.3	3.6	10.5	6.5
2004	7.8	4.4	10.2	7.3
2005	8.4	4.0	10.7	8.5
2006	8.2	3.7	10.4	8.3
2007	8.5	3.4	10.6	8.7
2008	6.2	3.8	6.3	7.2

Source: General Statistics Office of Viet Nam.

In the past 5 years, exports from the provinces and cities in the Southern Key Economic Zone (SKEZ) accounted for more than 70 % of the country's export revenue, growing 21.4 % per year.

## ○ Inflation (%)



Source: ADB and CIA World Factbook;  
Graph: [www.Business-in-asia.com](http://www.Business-in-asia.com)

Ho Chi Minh City, Binh Duong and Dong Nai provinces created the highest industrial production value in SKEZ



# Why Vietnam?

- Close to Bangkok: one hour flight, can come back in one day
- Large market - 86 million - young and consuming
- Long term consistent government - stable and peaceful
- Highly attractive government incentives and pro-business policies
- An improving legal and business environment
- Member of ASEAN - Access to full ASEAN markets
- Closer to China, North Asia and U.S. Market
- High work ethic of the people and highly value education
- Relatively low labor and other costs



# Advantages for Thais Investing in Vietnam:

- Have critical management, financial and quality control skills - more scarce in Vietnam at present but improving
- Long established knowledge with international market and practices
- Access to existing buyers and better understanding of world markets
- Cultural considerations more understandable
- Understand the region and have existing contacts
- Capable and experienced in skills that allow a new company to compete effectively in local market



## Government Incentives Comparison

Vietnam	China	Thailand
<p>3 year tax holiday + 7 years of 50% deduction from profitable year at 15% + 5 years loss carried forward</p> <p>(high-tech enterprises: 10% for 15 years (including 4 years tax holiday; &amp; 9 years tax reduction of 50%))</p>	<p>2 year tax holiday + 3 year at 50%</p> <p>(high-tech 15%, 4 years tax holiday; &amp; 9 years tax reduction of 50%)</p>	<p>3 year tax holiday + 7 years of 50%</p> <p>(Six Targeted Groups of Industry: Hi-tech/energy/ mega/environ/hi-tech agro: 8-year exemption tax +50% reduction of corporate income tax for 5 years+ Double deduction of transportation, electricity, and water supply costs for 10 years +25% deduction of infrastructure, installation, and construction costs in addition to normal capital depreciation)</p>

## Taxes Comparison

	Vietnam	China	Thailand
Corporate tax	25%	25%	25-30%
Personal Income tax	25% (exempt)	24%	20-37% (exempt)
VAT	10%	17%	7%

Source: Runckel & Associates, Inc. ([www.Business-in-Asia.com](http://www.Business-in-Asia.com))



## Labor Costs - Unskilled

Vietnam	China	Thailand
\$100/month Social & Health Insurance Paid by Company for employee: 17% (including 15% for social & 2% for health)	2nd Tier China locations:  <b>Shenzhen:</b> Delayed 20% rise previously scheduled - currently RMB 1,000 (approx. \$150), contributions to totaling 45% <b>Ningbo:</b> \$143/Month +benefit/pension	Bangkok and surrounding area: \$117 Other areas: \$109 +5% social security+1% compensation contribution, etc. totaled to 17%

## Labor Costs - Skilled

Position	Vietnam	China	Thailand
Skilled labor	\$170-200 per month Binh Duong: \$140	<b>Shenzhen:</b> \$200 - 300 per month <b>Ningbo:</b> \$194-300	\$175-200 per month
Plant Manager	\$1,000-2,000	\$1,500-3,000	\$1,300-2,200
Engineer	\$650-800 Binh Duong: \$350-600	\$1,000-1,500	\$800-950
Secretary	\$300-400 Binh Duong: \$200-250	\$600-1,000	\$500-700
Accountant	\$350-450 Binh Doung: \$300-400	\$600-1,000	\$520-700

Source: Runckel & Associates, Inc. ([www.Business-in-Asia.com](http://www.Business-in-Asia.com))



# Where in Vietnam to Invest?

**"Many property investors from HCM City are seeking opportunities in neighbouring provinces like Binh Duong and Dong Nai, where land prices are only 20 to 30 % of those in HCM City."** - *by Le Hung Vong, Vietnam News, May 4, 2009*

---

VNS: "According to the Ho Chi Minh City People's Committee, it has released new official land rates for 2009. Dong Khoi, Le Loi and Nguyen Hue streets in district 1 top the list at 81 million VND (4,760 USD) per sq. meter, or 20 % up from last year.

Newly-built residential zones with many high-rises, like Thao Dien and An Phu in district 2, have also seen rates rising sharply. The price of land on some streets in district 2, like Truc Duong or Thao Dien, has, in fact, risen by three times. Most other streets have seen their prices double.

In district 7 and Tan Binh, rates have increased 50-100 %. In districts 1, 3, 4, 5, 10, 11, and Phu Nhuan, they have gone up 30-50 %. Newer districts like Go Vap, Binh Thanh, Tan Phu, Binh Chanh, Cu Chi, and Nha Be have seen prices rise 10 %".





**Hanoi**



**HCMC**



**Binh Duong**

## Location in Vietnam for Investment

- **Many inexperienced Thai investors think Hanoi is a Capital & should be the best place - - it is not like Bangkok - the South generates the majority of the economic activity.**
- **Ho Chi Minh City and Hanoi are currently facing problems of high costs for rent of land and buildings - many even higher priced than those in Thailand.**



## COMPARISON COST: HO CHI MINH CITY AND BINH DUONG

	HCMC	Binh Duong
<b>Land</b>	200 USD/Sqm	45 USD/Sqm
<b>Factory Rent</b>	10 USD/Sqm/month	5 USD/Sqm/month
<b>Water</b>	0.55 USD/ton	0.43 USD/ton
<b>Power</b>	0.095 USD/kWH	0.069 USD/kWH

## LABOR COSTS

	HCMC	Binh Duong
<b>Un-skilled labor</b>	200 USD/month	<p>US\$65/month in Hanoi and HCMC, \$56.25 in other cities.</p> <p>15% add'l required to pay to Social Security+ allowance, etc. can come to \$85-100/month</p>
<b>Skilled labor</b>	300-400 USD/month	140 USD/month
<b>Product Manager</b>	650 USD/month or more	300 USD/month or more
<b>Engineer</b>	400-600 USD/month	300 - 350 USD/month
<b>Secretary</b>	400-500 USD/month	200 USD/month
<b>Accountant</b>	500-600 USD/month	300-400 USD/month



# BINH DUONG

- ❖ **GDP growth rate of 14.8 %**
- ❖ **Located at the heart of the Southern Key Economic Zone**
- ❖ **Situated only 30km from HCM City and rich in mineral resources, close to Thailand, same time-zone, many flights - can go and back in one day.**
- ❖ **The province has 27 operational industrial parks. Taiwan is the province's biggest investor followed by South Korea, Japan, Malaysia, Singapore and Thailand.**





# BINH DUONG

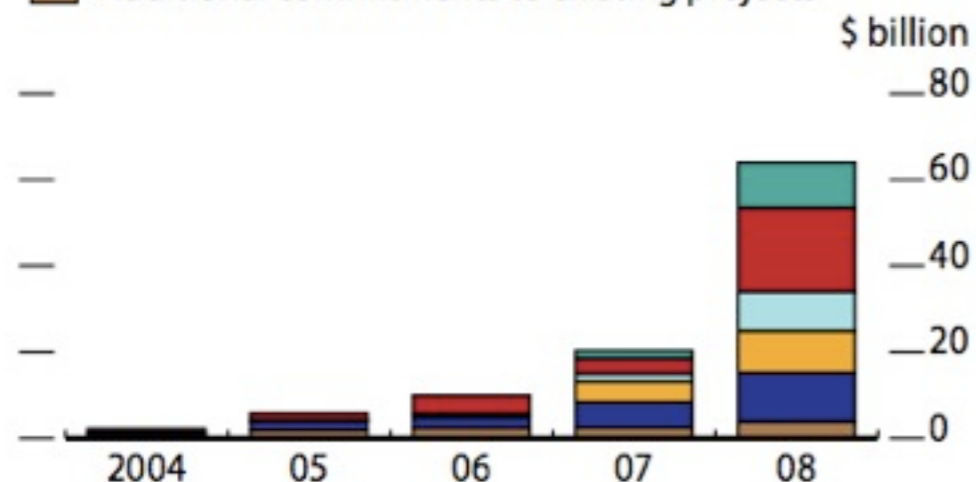


- ❖ **Much of Binh Duong's success is attributed to close proximity to major markets, experienced and consistent economic leadership, relatively well developed infrastructure, and localized incentive packages for investors.**
- ❖ **The province is becoming one of the country's premier destinations for foreigners wishing to invest in Viet Nam. Under a master development plan decided by the Prime Minister, Binh Duong Province is expected to have 31 industrial parks by 2020 with a combined area of 9,360 hectares, and 23 industrial clusters covering 2,704 hectares.**
- ❖ **Becamex IDC Corp is a Vietnamese state-owned company of Binh Duong Province including 30 subsidiaries, operating on various fields. It is the largest infrastructure company in Southern Vietnam and also the largest industrial park operator.**



## New foreign direct investment commitments

- New projects in the oil and gas sector
- New projects in heavy industry
- New hotel and tourism projects
- New office and apartment projects
- Other new projects
- Additional commitments to existing projects



Source: General Statistics Office of Viet Nam.

# What Industries to invest in Vietnam?

Oil & Gas, Light & Heavy Industries, Hotel & Tourism, High-Tech, Construction, Infrastructure Project, Education & Training, ...  
*(continued on next page)*

## NEW FOREIGN DIRECT INVESTMENT COMMITMENTS IN VIETNAM (\$ billion)

YEAR	New office and apartment projects	New hotel and tourism projects	New heavy industry projects	New projects in oil and gas sector
2004	0.12	0.21	0.77	0.01
2005	2.29	0.04	1.56	0.02
2006	0.48	0.48	4.1	0.11
2007	4.72	1.87	3.48	1.87
2008	9.59	9.13	19.44	10.57

Data Source: General Statistics Office of Vietnam  
 Table: Runckel & Associates ([www.Business-in-Asia.com](http://www.Business-in-Asia.com))



# What Industries to invest in Vietnam?

- **Agriculture:** FDI going into cultivation and agricultural product processing made up 37 % of committed capital. The Foreign Investment Agency of the Ministry of Planning and Investment announced April 30, 2009 that this year the ministry will focus on attracting foreign direct investment in agriculture (Binh Duong leads in capital attraction and number of projects in agriculture for the past years). Agriculture, including high technology, for example, create new plant varieties. Agricultural processing, those involved in biotechnology, animal breeding, processing technology and after-harvest protection.
- **Livestock:** the areas of livestock rearing and animal feed made 21 % of registered capital
- **Seafood:** Vietnam is planning to grow its aquaculture industry . The potential includes industry that support the aquaculture such as canning, packaging, etc.
- **Furniture and Forest Product processing:** made up 35 % of registered capital



- **Food, drink and grocery retail sectors:** The country's large population also means that there is the potential for a sizeable middle-class to emerge, which could see spending increase on premium goods and luxury items. Under its WTO commitments in 2007, Vietnam has opened its market to foreign retail and distribution firms at the start of 2009.
- **Pharmaceuticals and Healthcare:** the operating environment has been improved by the 2007 entry of Vietnam in the WTO. Government wants to do more here.
- Vietnam's Southern Key Economic Zone (SKEZ) products such as **software, electronic and telecommunication equipment, oil and gas, petrochemical products, steel, high-grade construction materials, mechanical engineering products, components and spare parts, foods, textiles, garments, leather, footwear,** ceramic & pottery products, agricultural and forest products, and processed food.
- With new city and plan, Binh Duong offers **much more variety for industries and services to go in to the new township.**



## Next Steps

- Request Meeting to Discuss Your Concerns and to get further answers - Contact Khun Penboon
- Schedule a visit - Will Meet at Airport in HCMC - book your hotel and schedule your meetings in Binh Duong, provide you transportation to Binh Duong and your transportation back to hotel in HCMC
- Can arrange to introduce legal, freight forwarding, banking, needed supporting industries and other specialized support
- Receive a quotation on rental/land purchase, construction, etc.



# Contacts

- **Penboon Aiew-Aksorn (Thailand)**, E-mail: penboonj@gmail.com, call 089-0171-2099
- **Steve Vo (Vo Son Dien) in Vietnam**, E-mail: VNDien@becamex.com.vn, call 84-90-3 903 804
- **Kim Xuyen in Vietnam**, E-mail: KimXuyen@becamex.com.vn, call 84-91- 8 000 493
- **Chris Runckel in the U.S.**, E-mail: CRunckel@Business-in-asia.net



**BUSINESS IN VIETNAM**

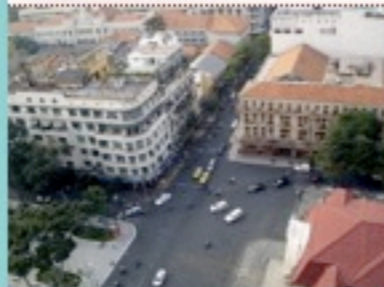
Our Services - RUNCKEL & ASSOCIATES

**More information on Business in Vietnam: visit [www.business-in-asia.com](http://www.business-in-asia.com)**

Offices in Vietnam and on the Block & more  
Selection > Factory Start-up > Starting up a Factory in Vietnam > Company Registration > Open offices > Licenses > Sourcing Products > Business Information Collection > Visit Facilitation > Feasibility Analysis > Costs Comparison > Product Information Research > Recommendations on Options for Sales > Due Diligence > Merger and Acquisition > Organize seminars and events overseas > Information and Asset Protection > Legal Consultation > Assisting Executive MBA (EMBA) Programs and business groups  
**More information:** [Profile](#) > [Our Team](#) > [Services](#) > [In the News](#) > [Assisting Business Group and EMBA Programs Worldwide for trips to Asia](#)

▶ [Vietnam At a Glance: Economic Review](#)

**Why Vietnam?**



Vietnam offers a talented and willing work force, numerous handicrafts, under-utilized tourist locations and many opportunities for companies interested in moving your factory or sourcing products.

**Special Report**



- [Infrastructure - Vietnam and ASEAN Comparison with other Asian Countries](#)
- [Competitiveness Ranking](#)
- [Procedures and Time in Setting up business and Factory](#)
- [Tax Comparison](#)
- [Cost Comparison](#)
- [Human Resource](#)
- [and more..](#)

**Business Guide**



- [Vietnam's Import-Export: Four Salient Points](#)
- [Vietnam is a sound alternative to China](#)
- [Impacts of Vietnam's new WTO membership](#)
- [Choice of Locations for a Foreign Factory Becoming Increasingly Complex - rises in land price, labor...](#)

**Our Exclusive VIETNAM GUIDELINES**

- [Industrial Output up 17% Year to Date in Vietnam](#)
- [Picking the Right Industrial Parks in Vietnam](#)
- [Binh Duong Province Delegation Attracts Much Interest and Plans for Investment](#)

**Insight INDUSTRIES**

- [Vietnam: Overview of Seven Biggest Currency Earners](#)
- [Plastics Industry: Rapid Growth and Much Future Promise](#)
- [Furniture Industry:](#)