



# MARKET OPPORTUNITIES IN VIETNAM, CAMBODIA AND LAOS

**11 APRIL 2016**

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## COUNTRY PROFILE

	Vietnam	Cambodia	Laos
Population million	93.4	15.7	7.0
Land Area sq km	331,051	181,035	236,800
GDP US\$ bn	191.4	18.5	12.7
GDP Growth %	6.7	6.9	7.6
GDP per capita US\$	2,049	1,178	1,840

## MARKET OPPORTUNITIES - VIETNAM

### CONSTRUCTION SECTOR

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
1.	INFRASTRUCTURE	<ul style="list-style-type: none"> <li>• Rapid growth and strong government commitment on infrastructure development</li> <li>• Transport infrastructure accounts for over 50% of the projects in the pre-tender stage</li> <li>• Energy demand is expected to grow 5.1% annually in 2015-20, and rising electricity prices should stimulate investment in the energy sector</li> <li>• The alternative-energy sector including wind, geothermal, solar and biofuels are expected to grow</li> <li>• Greater opportunities under public-private partnerships (PPP)</li> </ul>	<ul style="list-style-type: none"> <li>• The lack of project management and technical expertise from local contractors</li> <li>• Site clearance and compensation issues</li> <li>• Difficult geological conditions; uneven terrain and mountainous area</li> <li>• Reliance on foreign capital, public spending cuts and tighter credit conditions are likely to keep economic activity depressed.</li> </ul>

## MARKET OPPORTUNITIES - VIETNAM

### CONSTRUCTION SECTOR

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
2.	WATER SUPPLY AND WASTE WATER TREATMENT	<ul style="list-style-type: none"> <li>The lack of clean water is one of Vietnam's most pressing environmental concerns, only 70% of the population has access to potable water</li> <li>The total industry size of water treatment projects in Vietnam is estimated at USD 180 million with annual growth of 2%.</li> <li>Government strongly encourages private participation in the development of water supply facilities and has created favorable policies to entice investments.</li> </ul>	<ul style="list-style-type: none"> <li>Pricing mechanism need to be re-negotiated</li> </ul>

## MARKET OPPORTUNITIES - VIETNAM

### CONSTRUCTION SECTOR

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
3.	PROPERTY DEVELOPMENT	<ul style="list-style-type: none"> <li>Amended Law on Residential Housing (LRH) allowed foreigners to own property for a 50-year leasehold tenure, with possibility of renewal, sub-leased, inherited and collateralized</li> <li>With the strong recovery in the residential market, positive regulatory changes, robust economic growth and favourable funding, the construction sector expanded by 4.9% y-o-y in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Availability of strategically located land for development</li> </ul>

## MARKET OPPORTUNITIES - VIETNAM

### SUPPORTING INDUSTRY SECTOR

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
4.	SUPPORTING INDUSTRY	<ul style="list-style-type: none"> <li>Machinery, parts and equipment is the 5th largest export item from Malaysia to Vietnam with value of USD230 million.</li> <li>Both Government and private sectors are focusing to develop the supporting industries to cover the value chains, particularly to support foreign investments in Vietnam</li> <li>6 key sectors prioritised: Mechanical Engineering; Electronics &amp; Informatics; Automotive; Textiles and garments; Leather-footwear; and High-tech industry</li> </ul>	



## MARKET OPPORTUNITIES - VIETNAM

### SUPPORTING INDUSTRY SECTOR

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
4.	SUPPORTING INDUSTRY	<ul style="list-style-type: none"> <li>Intel \$1 bil investment – 18 VN companies to support</li> <li>Samsung \$4.5 bil investment – 5 VN companies out of 60 strong supply chain</li> <li>Automotive – Vietnam has 210 businesses making auto parts to support 18 automobiles manufacturers, representing only 25% of total parts used</li> </ul>	



## MARKET OPPORTUNITIES - VIETNAM

### ICT PRODUCTS & SERVICES

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
5.	Hardware	<ul style="list-style-type: none"> <li>Opportunity as local firms modernise and become integrated into global supply chains</li> </ul>	<ul style="list-style-type: none"> <li>IT spend per capita is much lower than in neighbouring countries</li> <li>Highly price-sensitive market</li> <li>High level of software piracy, with a stall in the reduction 2011 to 2013.</li> <li>Cybersecurity measures by the government have been pushed through with state security measures</li> </ul>
6.	Software & IT Services	<ul style="list-style-type: none"> <li>New decision in July 2014 to allow state agencies to use outsourced IT services providers</li> <li>E-government adoption deepening, with opportunities in government administration and sector-specific such as healthcare.</li> <li>Local SMEs have much interest on basic solutions, including customer relationship management and security.</li> </ul>	

## MARKET OPPORTUNITIES - VIETNAM

### HEALTHCARE PRODUCTS & SERVICES

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
7.	HEALTHCARE	<ul style="list-style-type: none"> <li>Improving public healthcare is part of Vietnam's Public Administration Reform Plan for 2011 – 2020 with more hospitals to develop, especially in new areas</li> <li>Opportunities to supply medical instrument and appliances, surgical glove, hospital beds and furniture and medical disposables</li> <li>The growing middle-income group are more concerned about quality of healthcare</li> <li>Higher mobility of patients</li> </ul>	

## MARKET OPPORTUNITIES – VIETNAM

### BEAUTY AND PERSONAL CARE PRODUCTS

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
8.	BEAUTY & PERSONAL CARE PRODUCTS	<ul style="list-style-type: none"> <li>The market is still under-developed, so opportunities are present in all segments.</li> <li>Strong growth of 21% pa over the last three years for cosmetics and skin care products</li> <li>More than half of Vietnam's 90 million people are aged 35 and below, and this demographic tends to favor more sophisticated products and brand names.</li> <li>ASEAN Cosmetics Directive has ease up the process for exporters to penetrate Vietnam's market</li> </ul>	<ul style="list-style-type: none"> <li>Market fragmentation (weather, culture and income difference)</li> </ul>



## MARKET OPPORTUNITIES - CAMBODIA

## MARKET OPPORTUNITIES - CAMBODIA

### CONSTRUCTION

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
1.	INFRASTRUCTURE	<ul style="list-style-type: none"> <li>The infrastructure, especially road are heavily deficit. The Government approved a strong development plan with 16 on-going projects and 12 committed projects to improve the quality of road infrastructure.</li> <li>Major projects committed by JICA are Southern Corridor, National Road No.5 and Phnom Penh Ring Road Expansion</li> <li>16 express ways projects are open for international investors</li> </ul>	<ul style="list-style-type: none"> <li>Underdeveloped financial and regulatory systems create problems for project financing</li> <li>Corruption and lack of transparency lead to delays in many projects.</li> </ul>

## MARKET OPPORTUNITIES - CAMBODIA

### CONSTRUCTION

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
1.	INFRASTRUCTURE	<ul style="list-style-type: none"> <li>Government's focus to tap the potential of hydro-power generation from Mekong River</li> <li>Rail sector is also a key focus area of development, with plans to develop 5 new rail lines: Batdeng-Loc Ninh, Preah Vihear-Sihanoukville, Sisophon-Siem Reap, Siem Reap-Skun, and the Snuol-Laos border lines</li> </ul>	

## MARKET OPPORTUNITIES - CAMBODIA

### CONSTRUCTION

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
2.	WATER SUPPLY & WASTE WATER TREATMENT	<ul style="list-style-type: none"> <li>12.4 million people not currently connected to state water utilities, public utilities, or private schemes</li> <li>USD176 million is the value of private water market in 2012</li> <li>23% is the average profit margins for private water operators.</li> <li>Urges from the Government to install waste water treatment plants, which is scarcely available in Cambodia</li> </ul>	<ul style="list-style-type: none"> <li>Rural and remote area</li> <li>Finance and pricing mechanism still need to be negotiated with respective authorities.</li> </ul>



## MARKET OPPORTUNITIES - CAMBODIA

### CONSTRUCTION

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
3.	CONSTRUCTION SERVICES	<ul style="list-style-type: none"> <li>Cambodia is undergoing rapid urbanization with construction sector growing at an average of 11% per annum.</li> <li>2015 registered more than 2,100 construction projects worth more than USD2.9 bil</li> <li>High return on investment for successful projects</li> <li>Robust tourist arrivals into Cambodia is driving demand for new hotels and better hospitality projects</li> <li>Rise in middle income population create demand for better residential and commercial facilities</li> </ul>	<ul style="list-style-type: none"> <li>Project funders and investors are mostly from China, Japan and Korea</li> </ul>

## MARKET OPPORTUNITIES - CAMBODIA

### AGROBUSINESS AND PROCESSING

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
4.	AGRICULTURE SUPPORTING PRODUCTS	<ul style="list-style-type: none"> <li>Demand in machinery, equipment and technology, such as water pumps, well-drilling machines, tractors, tilling equipment, rice milling, drying and packaging equipment, fertilizers, insecticides, and seed.</li> <li>The presence of an increasing number of plantations also creates growing opportunities for the establishment of processing plants to add value to basic products for export and domestic consumption</li> </ul>	<ul style="list-style-type: none"> <li>Relatively high operating costs, especially for electricity, limit opportunity for the establishment of processing plants.</li> </ul>



## MARKET OPPORTUNITIES - LAOS

## MARKET OPPORTUNITIES – LAO PDR

### MANUFACTURING SUPPORT MATERIALS

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
1.	MANUFACTURING/INDUSTRIAL SUPPORT MATERIALS	<ul style="list-style-type: none"> <li>The country is flocked with foreign investments including from Malaysia.</li> <li>FDI invested sector include industrial processing/manufacturing, power generation, tourism, agriculture and SEZs</li> <li>Opportunities to supply equipment and supporting materials for Malaysian investors</li> </ul>	<ul style="list-style-type: none"> <li>Tendency of investors sourcing from home country</li> <li>High logistics cost due to geographical distance and inconvenient route</li> </ul>

## MARKET OPPORTUNITIES – LAO PDR

### CONSUMER GOODS

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
2.	FMCG – FOOD & BEVERAGES	<ul style="list-style-type: none"> <li>• Growing demand for packaged and processed food. Average growth of 15%</li> <li>• Bakery, dairy, noodles and pasta were the largest categories together accounting for more than half of packaged food sales</li> <li>• Confectionery was one of the most dynamic categories with 18% growth</li> </ul>	<ul style="list-style-type: none"> <li>• Market is dominant by Vietnam and Thai products</li> <li>• Geographical distance and inconvenient route would be the main challenges for new exporters</li> </ul>

## MARKET OPPORTUNITIES – LAO PDR

### CONSUMER GOODS

NO	PRODUCTS/SERVICES	OPPORTUNITIES	CHALLENGES
3.	FMCG – NON FOOD	<ul style="list-style-type: none"> <li>Increasing purchasing power and a growing middle class, consumption of more sophisticated and non-essential products</li> <li>Beauty and personal care sales reached almost US\$90 million in 2013, with hair care and colour cosmetics accounting more than 50% of total sales</li> <li>Deodorants and fragrances were the most dynamic categories, registering more than 20% CAGRs in value terms over 2009-2013</li> <li>Beauty and personal care is expected to double in value by 2018.</li> </ul>	<ul style="list-style-type: none"> <li>Market is dominant by Vietnam and Thai products</li> <li>Geographical distance and inconvenient route would be the main challenges for new exporters</li> </ul>

## Trade Policy - Vietnam

### Trading activities regulations

- Foreigners are allowed to set up trading companies in Vietnam to do direct import – export activities. However, there are restriction and limitation on setting up a 2nd branch and trading certain sensitive products such as rice, pharmaceuticals, foods & foodstuffs, operations of foreign-owned restaurants, petroleum, magazines, newspapers, video tapes, etc.
- Trading rights: Import rights for a number of products are reserved for importation through state trading enterprises such as for petroleum, crude oil and mining goods
- Import License are required for goods such as plastic products, ceramic products, glass, iron, steel, aluminum, reactors, boiler, machinery, electronic appliances, vehicles, sport weaponry and furniture.



## Trade Policy

- Most goods can be freely imported, except items covered under the List of Restricted Goods
- Import of agriculture products, livestock, drug and food are subjected to registration and obtaining a permit from the relevant authority
- The packaging and labeling of consumer goods requires information of the products to be written in local language
- All imported goods are subject to 10% flat rate Value Added Tax (VAT) and related tax and duties depending on goods, which is the Customs Duty and Special Tax

## The strong points:

- The liberalisation of merchandise trade under the ASEAN Economic Community would give Malaysian companies a greater leverage compared with countries outside of ASEAN, in terms of duties structure and harmonisation of standards
- Geographic distance is the strongest advantage, along with quality products and comparative lower prices are the main competitive edges of Malaysian products.
- Consumers/importers are now looking for new sources for import, which was previously dependent on China. Malaysia is among the most favourable alternatives.

# Thank you



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