

MAIN CHANGES AND DEVELOPMENTS IN INVESTMENT POLICY AND REGULATORY FRAMEWORK IN THE PAST YEAR (2016-2017)

I/ FDI – KEY POINTS

1. Accumulation as of October 2017

- Up to 20th October 2017, the country has 24,397 valid projects with a total registered capital accumulated by \$ 312.91 billion. Accumulated disbursements of foreign direct investment projects is estimated at USD 167.35 billion (September 2017), equivalent to 54% of the total registered capital.

- Foreign investors have invested in 19 out of 21 sectors in the national economic classification system, of which the processing and manufacturing sector has the highest proportion with 184.4 billion USD, accounting for 58.9% of the total. followed by real estate businesses with USD 52.4 billion (16.7% of total investment), production and distribution of water, electricity and air with US \$ 18.1 billion (5.8% of total investment capital).

- Up to 20th October 2017, 128 countries and territories have invested in Vietnam, of which South Korea is the biggest investor with a total registered capital of USD 57.1 billion (accounting for approximately 18.2% of total investment). Japan ranks second with USD 46.3 billion (14.8% of total investment), followed by Singapore and Taiwan, British Virgin Islands, Hong Kong.

- FDI has spread all 63 provinces and cities in the whole country, of which Ho Chi Minh City remains the leading FDI attraction with USD 43.4 billion (accounting for 13.9% of total investment capital), followed by Binh Duong with 29.5 billion USD (9.4% of total investment capital), Hanoi with USD 27.2 billion (accounting for 8.7% of total investment capital), Dong Nai and Ba Ria - Vung Tau with USD 26.9 billion (8.6% of total investment).

- In the first ten month of 2017, the total registered capital of foreign investors was USD 28.84 billion, an increase of 40.3% over the same period of 2016.

2. FDI by sectors:

In the first ten months of 2017, foreign investors invested in 19 sectors, of which the processing and manufacturing sector attracted a lot of attention from foreign investors with a total capital of USD 14,35 billion, accounting for 49.8% of total registered capital. Electricity production and distribution ranked the second with total investment capital of USD 5.63 billion, accounting for 19.5% of total registered capital. The third largest sector was real estate businesses with total registered capital of USD 2.04 billion, accounting for 7.1% of total registered capital.

3. FDI by partners:

In the first ten months of 2017, there are 112 countries and territories that have investment projects in Vietnam. South Korea took the lead in total investment capital of USD 7.62 billion, accounting for 26.4% of total investment; Japan ranked the second with total registered capital of USD 6.07 billion, accounting for 21.1% of total investment in Vietnam; Singapore ranked the third with a total registered capital of USD 4.59 billion, accounting for 15.9% of total investment.

4. FDI by provinces:

In the first ten months of 2017, foreign investors invested in 59 provinces and cities, of which Ho Chi Minh City was the most attracted foreign investment capital province with total registered capital of USD 5.03 billion, accounting for 17,4% of total investment. Bac Ninh ranked the second with total registered capital of USD 3.19 billion, accounting for 11.1% of total investment. Thanh Hoa ranked the third with a total registered capital of USD 3.16 billion, accounting for 11% of total investment.

II. MAIN CHANGES IN THE PAST YEAR

1. Summary:

With 12 new free trade agreements (FTA) so far [6 FTAs signed as ASEAN members (including AFTA, 5 FTAs between ASEAN and its partners China, South Korea, India, Japan Australia and New Zealand), 4 FTAs signed as an independent party (Chile, Japan, Korea, Eurasian Economic Union). Two FTAs that have concluded with the European Union, and the Trans-Pacific Partnership Agreement (TPP)], and Vietnam's participation into the ASEAN Economic Community (AEC), is a good opportunity to connect Vietnam to the market of more than 600 million people in the region and the world market. Institution, legislation and transparency of Vietnam are gradually being fitted with integration, not only enabling investors to be reassured for long-term operation/investment, but also supporting enterprises joining supplying and global value chains favourably.

In addition, in the context of more flexible changes of international and regional foreign direct investment (FDI) for integration tendency, Vietnam must strongly innovate its thought to exploit effectively this capital resource in order to meet the purpose of innovating the growth model and restructure of the economy. Particularly, the tendency of the fourth industrial revolution (4.0) which is taking place at a high speed requires more careful selection in attracting FDI of Vietnam.

However, it seems that Vietnam has not fully utilized the benefits of FDI inflows. This year, 2017, witnesses the 30th anniversary of the first Law on Foreign Investment (1987-2017), but there is a situation that the business connection activities between domestic and foreign investors are still faint. Spillover effects on technology and labor productivity from foreign partners to domestic enterprises are limited, especially in the field of high technology.

2. Main changes:

2.1. Law on amendment and supplement of a number of articles of Law on investment

On 22nd November 2016, The National Assembly issued the Law on amendment and supplement to article 6 and annex 4 on the list of conditional business lines stipulated in the law on Investment No. 67/2014/QH13 (reduced the number of conditional business lines from 267 to 243; 24 business lines are removed from the list; 16 business lines become new conditional business lines). The changes were made with the view to create a more favourable investment climate as follows:

- In order to not only remove barriers in investment and business activities and to create favourable conditions for entering business market of enterprises and Vietnamese people, but also meet the State management requirements.

- The law on investment has large scale and level of reform related to many sectors and fields of state management and came into force in the context of a number of other laws promulgated with different approaches. Therefore, the implementation of the law on investment faced to many difficulties and issues arising from the lack of uniformity between this law and other related laws. In fact, a number of legal documents relating to investment and business activities have not been finalized in time to ensure the consistency and uniformity with the reforms of the law on investment.

- Procedures of investment, land, construction, environment, etc.: Although there have been many reforms, but there are not comprehensively and uniformly regulations that lead to conflict, create difficulties for investors and investment registration agencies. In particular, investment, land and construction procedures are the most difficult procedures for enterprises and one of the "knots" that must be removed to create a favorable climate for the investment and business activities.

2.2. Other laws and legal documents

From 2016 to present, apart from the amendment and supplement of the law as mentioned in point 2.1 above, Vietnam has been improving its legal policy in specific areas, such as the Law on investment, the Law on enterprise and the Law on public investment (in general), the Decrees on PPP (public-private partnership), the Decree on bidding, etc... These amended and supplemented draft Laws and Decrees are currently being prepared by the Ministry of Planning and Investment and will be submitted to the National Assembly and the Government, will come into force in the near future.

2.3. Regulations on investment and business conditions

- On 20/9/2017, Minister of Industry and Trade signed the Decision No. 3610a / QD-BCT promulgating the plan of reducing and simplifying the investment and business conditions in the field of state management of the Ministry of Industry and Trade for the period 2017 – 2018.

According to this decision, 675 investment and business conditions were reduced. This figure was announced by the Ministry of Industry and Trade after more than two weeks that the units undertook a review of the reduction and simplification of investment conditions in the Ministry of Industry and Trade.

Accordingly, after the cut, the number of remaining conditions was reduced to 541 instead of the initial estimate of 752 conditions (63 additional conditions to be removed, which is higher than the expected number of conditions). This is the cut of unprecedented business conditions in the history of industry and trade with the largest number of business investment conditions ever cut, equivalent to 55.5 percent of the total amount of such procedures.

The reduction of business conditions and the removal of difficulties for enterprises will be the key point throughout the process of administrative reform, completion of the State mechanism and institution, improve the investment and business climate in term of a tectonic Government, and was highly appreciated by the Government and the business community.

- On 03rd October 2017, the Government issued Resolution 98/NQ-CP promulgating the Government's action plan, which includes the following tasks: abolishing barriers, unnecessary and unreasonable business conditions; expanding the ability to participate in the market; promoting fair competition. Accordingly, ministries, ministerial-level agencies, government agencies, provincial and municipal People's Committees and other relevant agencies shall continue, review, evaluate and propose the abolition of a number of conditions, at least from 1/3 to half of the current business conditions in the management and administrative procedures, which are obstructing and creating difficulties for the business and investment activities of enterprises.

CONCLUSION

The above-mentioned issues are main changes and developments in the past year. The State and Government of Vietnam have been continuously improving their investment policy and mechanism as well as legal system to create the most favourable conditions and effects for investment and business activities in Vietnam, contributing to socio-economic development and international integration.