Why do investors shift production base from Thailand to *Vietnam ?*

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Outline.

- Why we interested in this topic?
- Literature Review
- Theoretical Framework
- Why Vietnam not others CLM countries?
- Indicators

  - Economic
  - Labor
  - Political
  - Legislation
  - Technology
- SWOT Analysis
- Case Study
- Recommendation

Why we interested in this topic?

"LG Electronics to shift TV production in Thailand to Vietnam"

Source:
https://www.reuters.com/article/uk-lg-elec-thailand-vietnam/lg-electronics-to-shift-tv-production-in-thailand-to-vietnam-idUKKBN0MD0JF20150317

"Samsung halts production in Thailand ahead of move to Vietnam"

Source:
https://www.malaymail.com/s/900717/samsung-halts-production-in-thailand-ahead-of-move-to-vietnam

Literature Review.

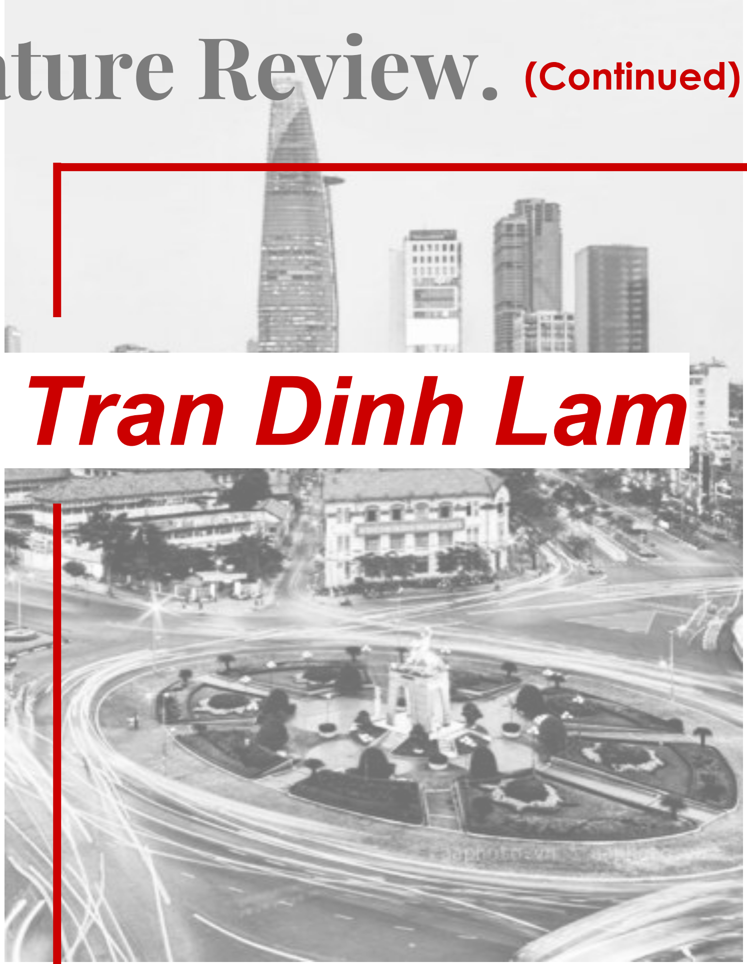
Source : Vietnam Briefing

Dezan Shira

FDI Opportunities in Vietnam fuelled by rapid growth and increased FDI, 2017 emerged as one of the strongest years for Vietnam. With the GDP growing at 6.81 percent, record high FDI, and trade figures reaching an all-time high of US$400 billion.

Vietnam will continue to remain a priority for investors in 2018. Opportunities not only exist in the traditional sectors such as garments, footwear, and electronics but also in renewable energy projects, high-tech agriculture, and etc.

Literature Review. (Continued)



Source : BOT research

Dr. Tran Dinh Lam

"FDI has made an important positive contribution to the transition of Vietnam both from a socialist to a market economy and from an agricultural to an industrial economy. Obviously most FDI projects are in industry thus contributing to the shift of resources from the (traditional) agriculture sector to the (modern) industry sector. Because many FDI projects are joint ventures with SOE there is an important channel for learning market-oriented behavior. As managers of state companies have to negotiate and cooperate with multinationals they are forced to adapt to their rules.

Theoretical Framework.

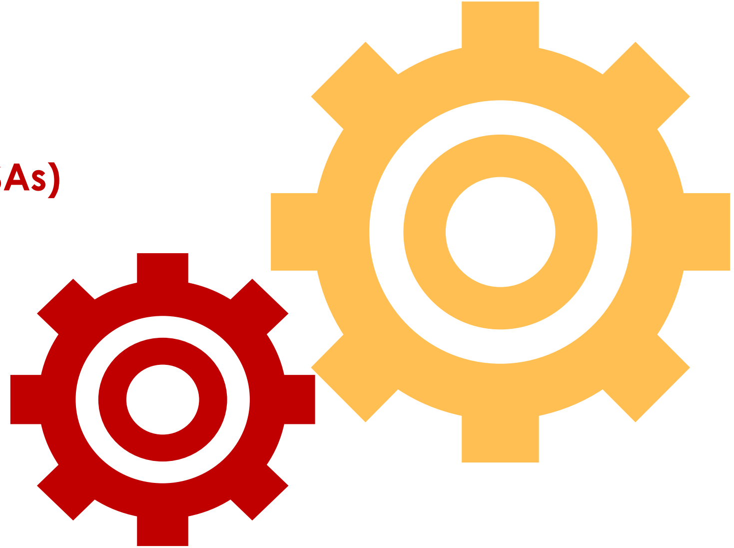
FSAs & CSAs Framework

Country-specific advantages (CSAs)

- natural market factor endowments
- factor prices
- government regulations
- market access

Firm-specific advantages (FSAs)

- Firm’s unique resources
- Heterogeneous capabilities



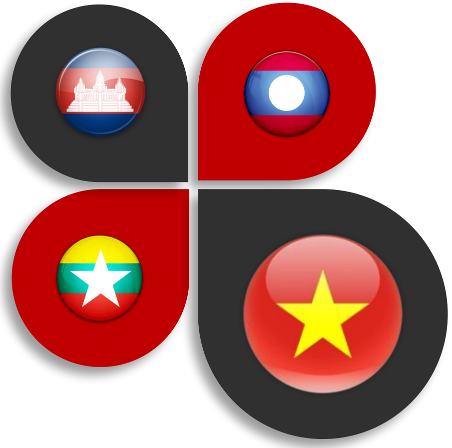
Theoretical Framework. (Continued)

Any kind of influencing factor that motivates a person to leave one's country or region they are forced because the individual risk something if they stay.

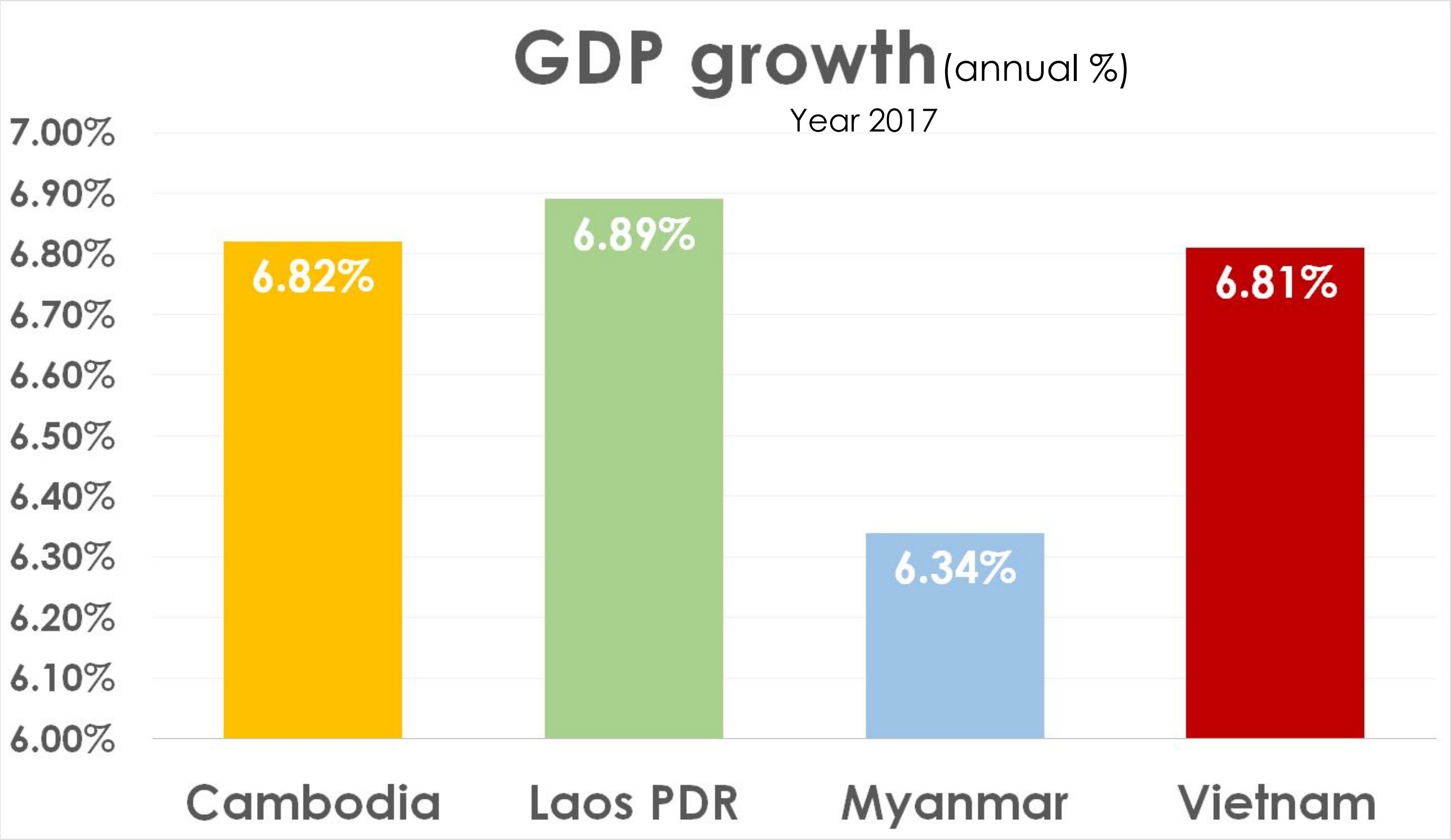
PUSH FACTOR

PULL FACTOR

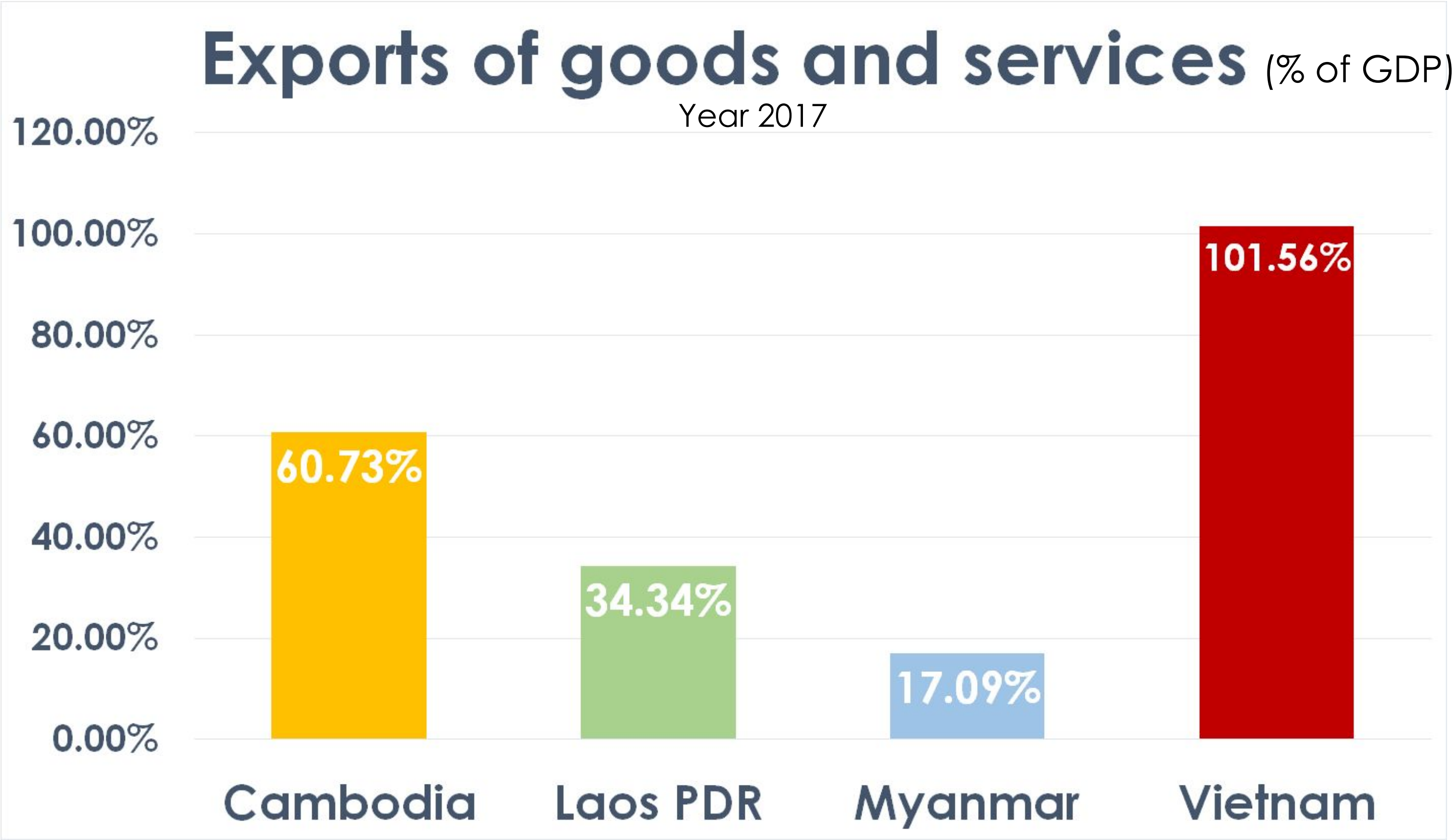
factors in the destination country that attract the individual to leave their home.
Those factors are known as *place utility*, which is the desirability of a place that attracts people.



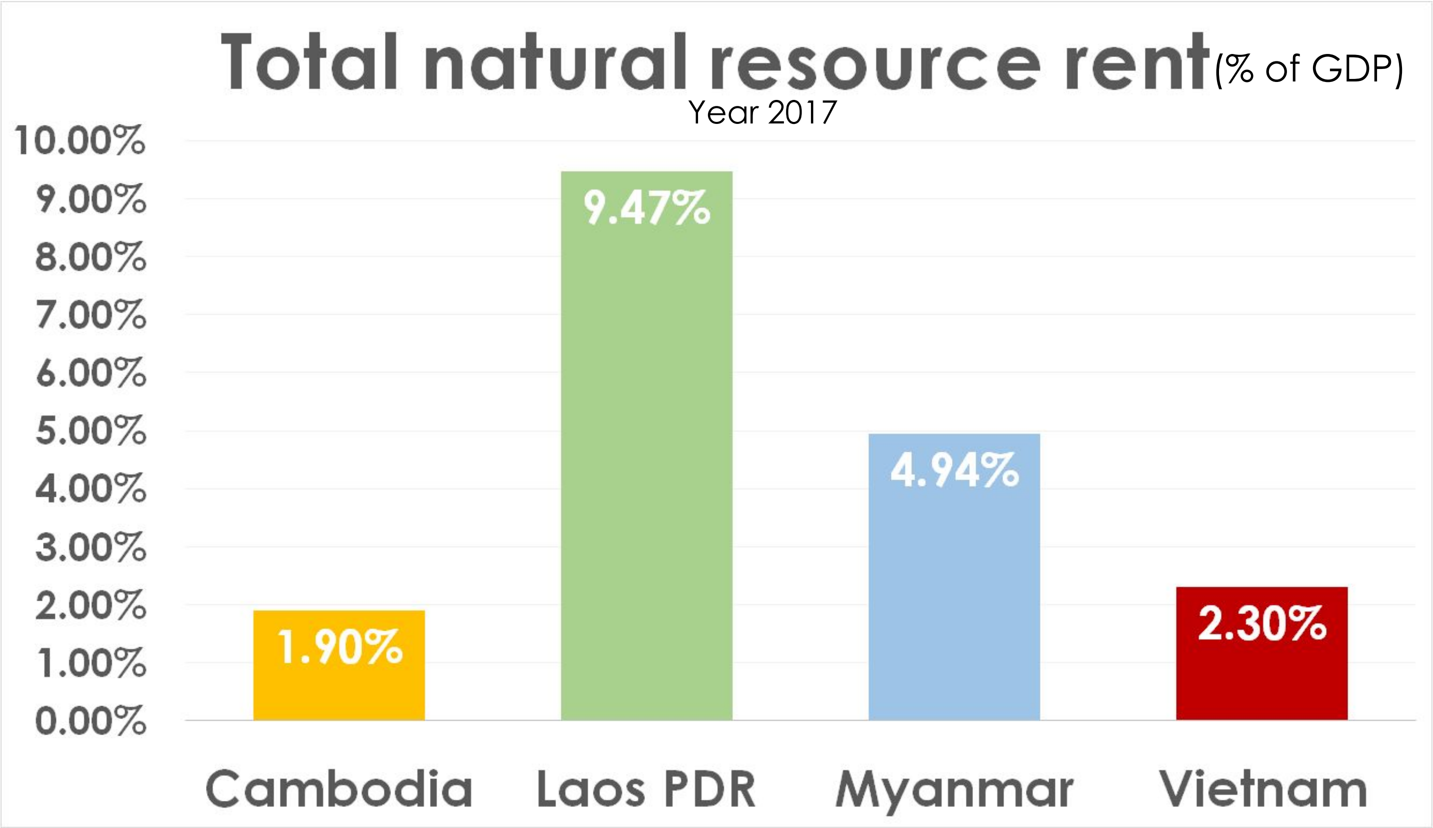
Why Vietnam not others CLM countries?



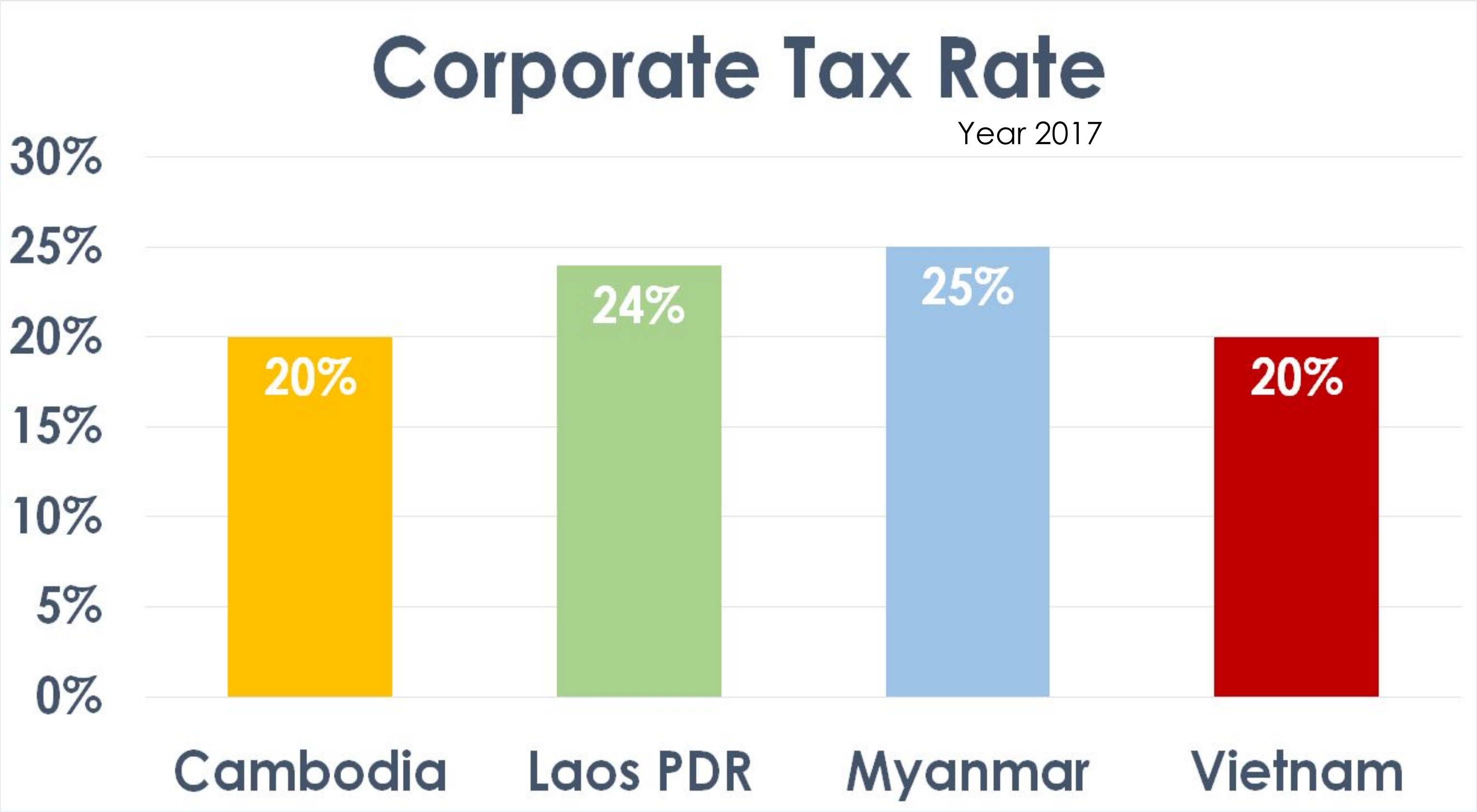
Source : World Bank



Source : World Bank

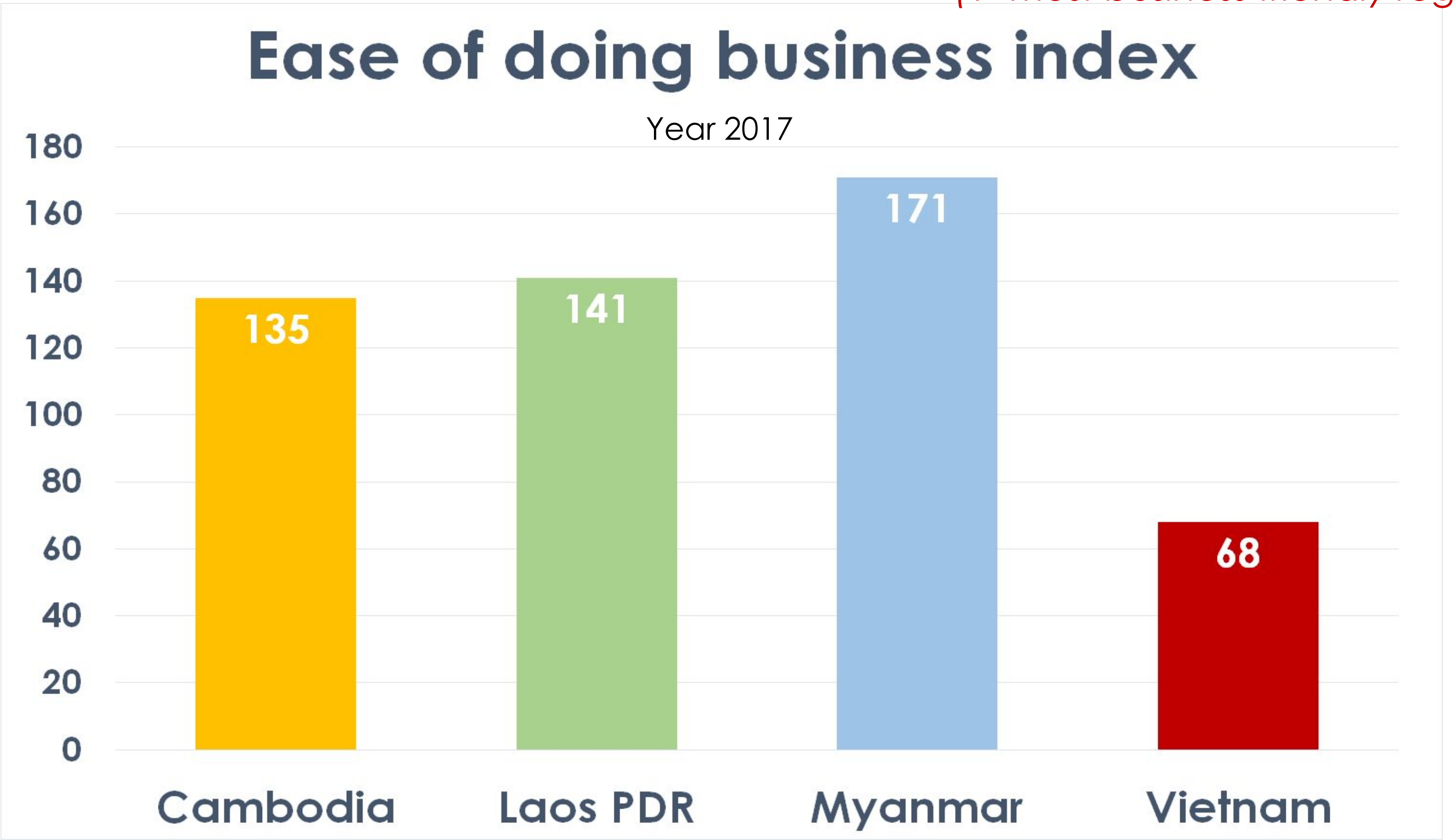


Source : World Bank



Source : General department of Taxation

(1=most business-friendly regulations)



Source : World Bank

INDICATORS

- ECONOMICS
- TRADE AGREEMENT
- TECHNOLOGY
- LABOR
- LEGISLATION
- POLITICS
- TARIFF AND QUOTA

ECONOMIC

GDP in 2017
(current US$)

$223.864 Billion

$455.221 Billion

GDP per capita growth in 2017
(Annual %)

5.726%

3.641%

Source : World Bank

20%

20%

Corporate Tax in 2017 (%)

Source : KPMG

(1=most business-friendly regulations)

Vietnam 68

Thailand 26

Ease of doing business in 2017

Source : World Bank

ECONOMIC (Continued)

Source : World Bank

Exports of goods and services in 2016 (current US$)

$280.45 Billion

$192.488 Billion

Exports of goods and services in 2016 (Annual % growth)

13.863%

2.068%

Imports of goods and services in 2016 (current US$)

$220.486 Billion

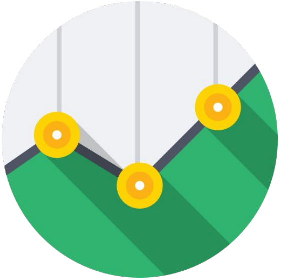
$186.929 Billion

Imports of goods and services in 2016 (Annual % growth)

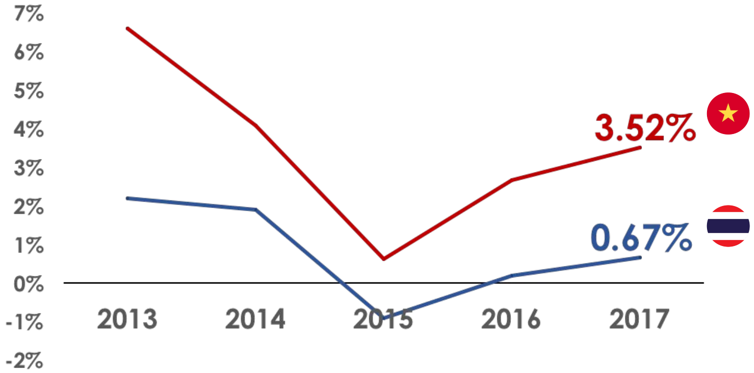
15.285%

-1.359%

ECONOMIC (Continued)

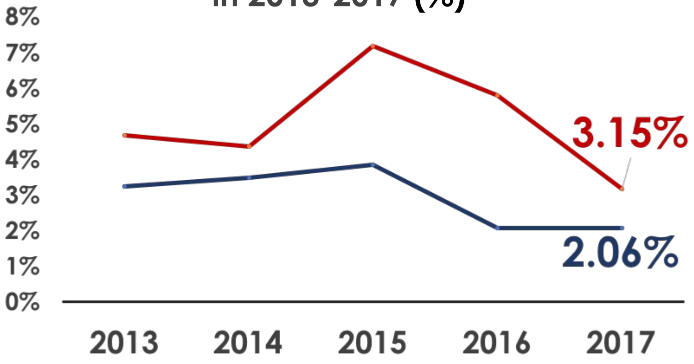


Inflation Rate in 2013-2017 (%)



Source : STATISTA

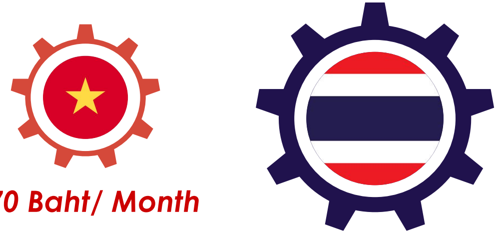
Real Interest Rate in 2013-2017 (%)



Source : World Bank

LABOR

Average Monthly Wage Rates in 2017
(current THB)

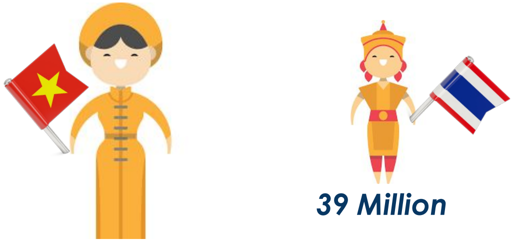


7,270 Baht/ Month

13,721 Baht/ Month

Source : General Statistics Office of Vietnam

Labor Force in 2017



39 Million

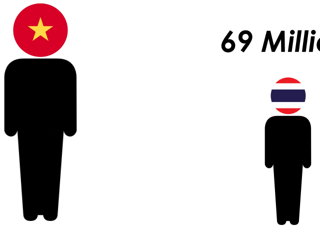
57 Million

Source : World Bank

Human Resource in 2017

96 Million

69 Million



Source : Worldometers.info

Working Hours in 2017

8 Hours

7 Hours

Source : export.gov
Source : justlanded.com

Political

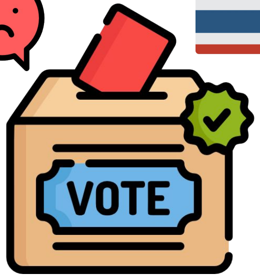
Political Regime

Allows effective administration, government can quickly and easily resolve crises or emergencies and achieve rapid goals. Cause economic and social regression. Due to the monopoly power and interests of the elite and the peasants.

Autocracy

The country has a steady growth. People observance of the rule that they set up. Accepted in the elected management board and the people did not resist. The country is peaceful, progressive and stable.

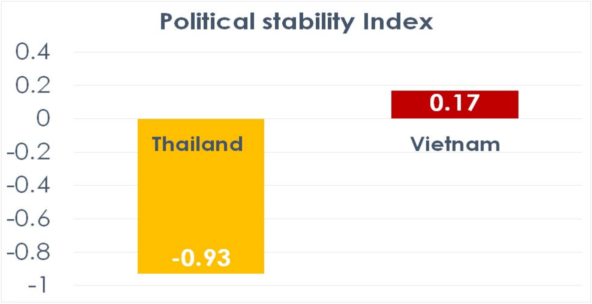
There are delays in making decisions, requiring many consultations and procedures.



Democracy

Source : http://megaclever.blogspot.com/2008/07/blog-post_18.html

Political Stability in 2016



(-2.5 : Weak, 2.5 : Strong)

Source : World Bank

Corruption Rank in 2017

Source : Transparency International

107 Least Corrupt Nation

96 Least Corrupt Nation

LEGISLATION (VIETNAM)

https://thelawreviews.co.uk/edition/the-foreign-investment-regulation-review-edition-5/1149297/vietnam

Local law on investment protection

- Law allows expropriation for **national defense**
- **compensating** the investors with market price for their investment, properties or assets

Bilateral investment or other multilateral treaties between countries

- 90 Bilateral Trade Agreement (BTA)
- 60 Bilateral investment promotion and protection agreements (IAs)
- World Trade Organization

Other strategic consideration

- If do not agree with expropriation, may file complaints
- Choice of law
- Few publicly accessible databases
- Investor cannot own the land

LEGISLATION (THAILAND)

SOURCE : http://www.sbcinterlaw.com/Foreign-Investment-Protection-Measures-Thailand

Local law – Investment Promotion Act

- Businesses granted investment promotion certificates can enjoy the protective measures

Bilateral investment treaties between countries

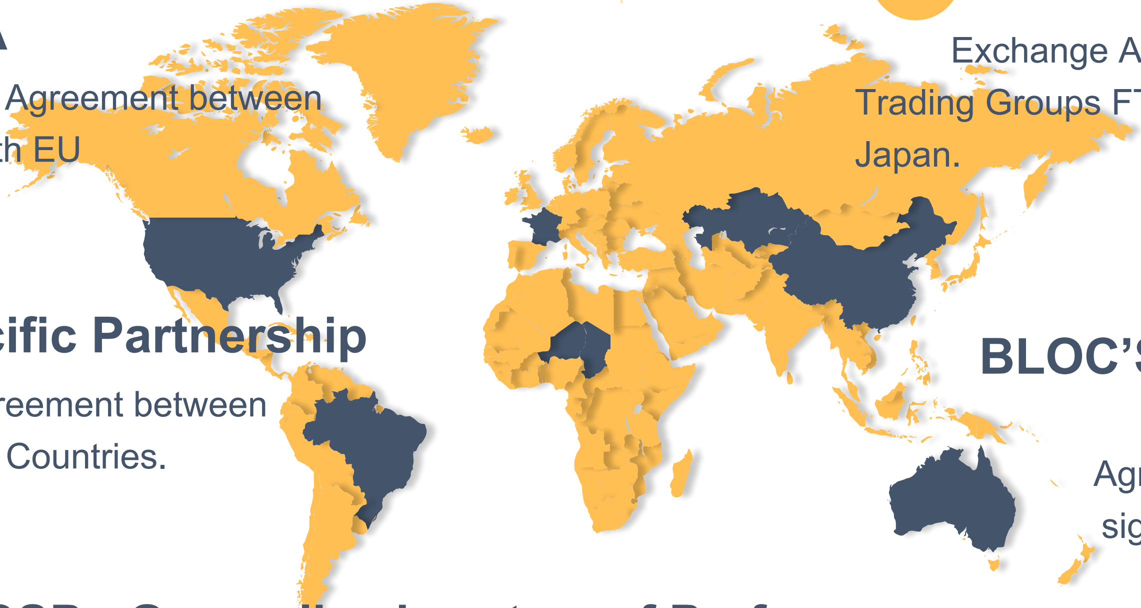
- Agreement: for example, China, Germany, Turkey

Investment agreements among countries

- ASEAN Framework Agreement
- Freedom of Establishment
- Acquisition of Holdings
- Obligation to Declare
- Requests For Specific Authorisations

Source : oxfordbusinessgroup.com

TRADE AGREEMENT



1 EVFTA

Free Trade Agreement between Vietnam with EU

2 Trans-Pacific Partnership

Trade Agreement between 12 Pacifics Rim Countries.

3 GSP : Generalized system of Preferences

Trade Agreement between WTO and Developing Country

4 BILATERAL DEALS

Exchange Agreement between Trading Groups FTAs with Chile and Japan.

5 BLOC'S AGREEMENT

Intergovernmental Agreement which Vietnam signed with China, korea, Australia and New Zealand

TARIFF AND QUOTA

SOURCE : WWW. export.gov

Tariffs have decreased steadily over the years.

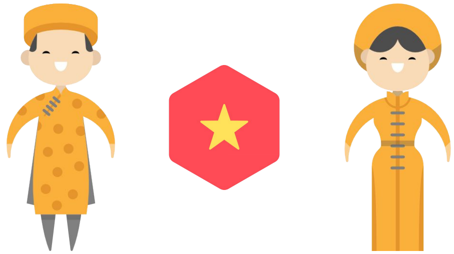
Thailand has bound all tariffs on agricultural products in the WTO.

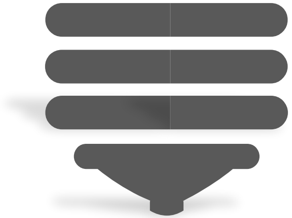
Most U.S. exports now face tariffs of 15 %or less.

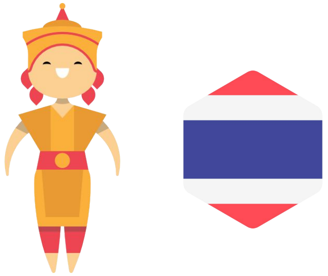
Limits the ability of U.S. exporters of some products

Vietnam has increased applied tariff rates on several products.

Thailand imposes high tariffs in some sectors





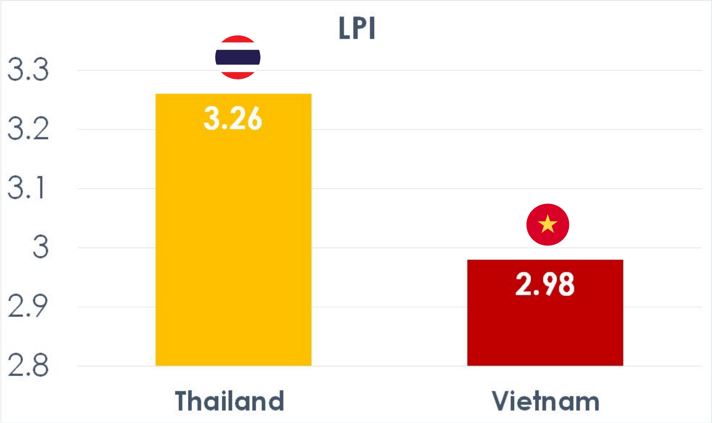


Source: world economic forum report 2017-2018)

Technology

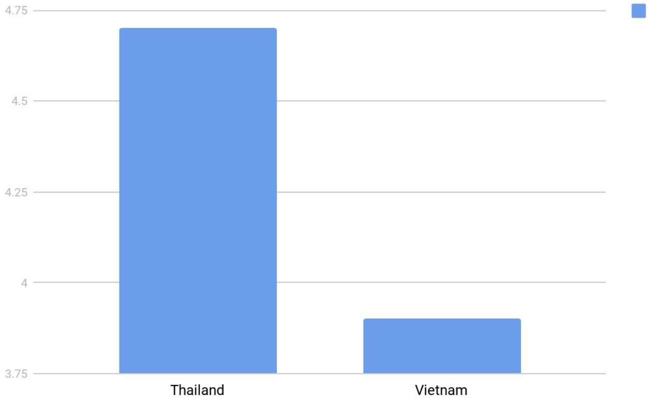
Logistic

in 2017 (**from 1 to 5**)



Infrastructure

in 2017



Source : World Bank

S W O T

S

- Large amount of labor
- Low wage rate
- High GDP per capita growth
- High growth of both export and import
- Agreement Benefits
- Effective Administration
- High Politics stability

W

- Low rate of ease of doing business
- Small number of Skilled labor

O

- Their location : Many deep sea ports
- Have logistic company
- High GDP, imports and exports can attract new investors to invest

T

- A lot of law limitation and need some qualification
- High corruption ranking
- High Inflation rate

KOREA

Positive
- Tax exemptions

Negative
- Natural disaster

PUSH FACTOR

PULL FACTOR

VIETNAM

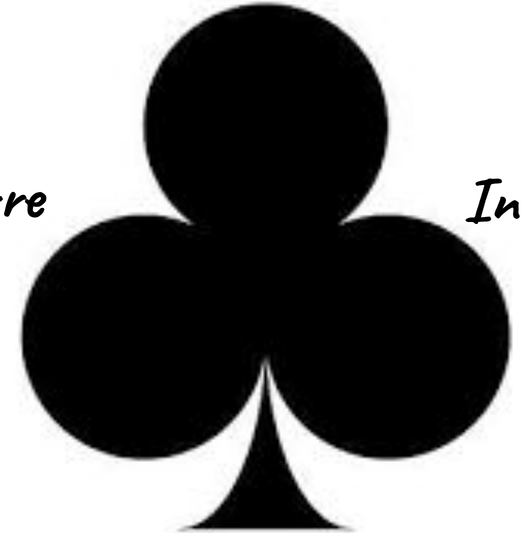
Positive
- Political stability
- High economic growth
- Low labor cost
- Small Market
- Large labor force

Negative
- Lack of technology and infrastructure
- Corruptions
- Land rights

Recommendation.

Increase productivity of skilled labor

Thailand should join more trade agreement



Increase quality of product

Thank You:)

Group C