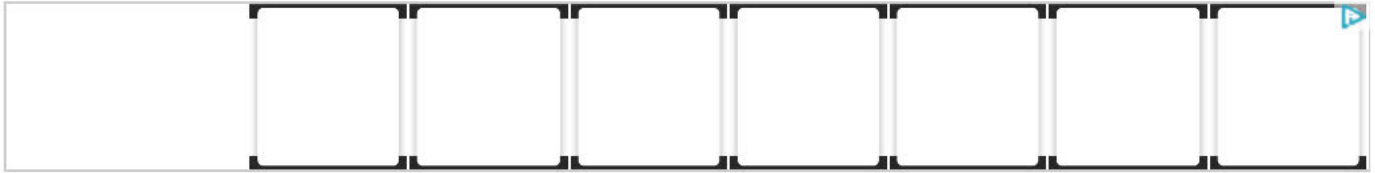


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Vietnam offers foreign-invested enterprises special favors

[GlobalPost](#)

November 12, 2014 · 2:21 PM UTC



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Credit: GlobalPost

VietNamNet — Analysts and economists, siding with domestic businesses, have voiced great concern over the generous incentives given to foreign invested enterprises (FIEs) and the undervalued role of Vietnamese businesses in the national economy.

Do Duy Thai, general director of Viet Steel Corporation,

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said he would like to have some of the incentives the government offers to Formosa, the Taiwanese steel manufacturer in Ha Tinh province.

“If Vietnamese manufacturers were also offered such incentives, they would also be able to make all kinds of steel products the market needs,” he commented.

However, it seems that the special treatment is only given to FIEs.

Like Thai, many Vietnamese businessmen said they are envious of the preferential treatment FIEs can enjoy – tax incentives, preferential land-use right fees and priority in working with state management agencies.

“Foreign investors tend to be more and more demanding, while the government tends to overindulge them,” commented Pham Chi Lan, a renowned independent economist.

Lan said that by competing with each other to lure foreign investors and offering such investment incentives, provincial authorities have been “tripping each other up” and “killing” Vietnamese enterprises.

When Vietnam offers big incentives to Samsung, it also offers incentives in land and tax to Samsung’s satellite businesses.

Meanwhile, Vietnamese enterprises in the same business fields cannot enjoy such preferences. They still have to lease land at normal prices and pay the normal corporate income tax rate of 22 percent.

As a result, they cannot churn out products with competitive prices, and they can be dislodged from the market.

Bui Kien Thanh, also a renowned economist, noted that it was unreasonable to give so many incentives to foreign investors and not to offer appropriate incentives to domestic ones.

Meanwhile, many foreign invested projects have not brought the designed effects.

A report released recently by the Central Institute of Economic Management (CIEM) and Copenhagen University showed that only 11 percent of Vietnamese enterprises have received technologies transferred from FIEs.

The conclusion was made after four years (2010-2013) of watching the operation of over 8,000 businesses in Vietnam.

The researchers noted that 66 percent of the technology transfer deals have been carried out among domestic enterprises.

An analyst, citing the report, commented that Vietnam should not entertain the illusion that it can encourage foreign technology transfer by luring more and more foreign investors to Vietnam.

Meanwhile, Lan pointed out that when offering big incentives to foreign investors, Vietnam is “taking the property of the poor to give to the rich”.

Vietnamese, as the poor, cannot get support from the state, while foreign investors, as the rich, can enjoy too many preferences.

The Investment and the Enterprise Laws both stipulate that businesses have the right to operate in leveling business environment.

However, Vietnamese enterprises, especially privately run ones, are facing significant disadvantages in accessing tax, and land and natural resources incentives.

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