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Highlight News / January 07/2020

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China trade tension diverts foreign investments to Kingdom's benefit

Cambodia News I 07 January, 2020

Cambodia and other Southeast Asian nations have been receiving an increase in diverted investments because of the ongoing trade dispute between China and the United States, stated the National Bank of Cambodia in its latest report. The National Bank said the prolonged trade war has driven major challenges, which has seen a slowdown in international trade activities and investments. However, this tension has actually diverted investments to some countries in the Southeast Asia region, such as Cambodia and Vietnam. US-based bicycle maker Kent International Inc announced that it will be shifting production from China to Cambodia. The company's factory, located approximately 10 miles from downtown Phnom Penh, is expected to begin operations this year. Shanghai General Sports, one of China's largest bicycle exporters and producers announced last year that it is opening a factory in Cambodia to avoid tariffs imposed by the United States. Furthermore, US shoe giant Steve Madden and Baowu Group, China's leading steelmaker, are also planning to increase production in the Kingdom. Lim Menghour, Deputy Director of the Mekong Centre for Strategic Studies of the Asian Vision Institute, said the trade war has resulted in several short-term and long-term impacts for the country. In the short-term, he said Cambodia will benefit in terms of trade because some Chinese companies are finding difficulties in exporting their products to the US market because of high tariffs the US are imposing. Hence, many companies will be looking somewhere else for their new production base like Cambodia. "Cambodia will be an alternative destination for Chinese investors, thanks to a good relationship between the two nations. In this moment, more Chinese investments will be flowing into the Kingdom, raising the competitive advantage and economic growth of Cambodia," he said. Cambodia and other exporting countries, however, will experience negative impacts from the trade war in the long run; explaining that it will reduce investment from China to the Kingdom and vice-versa if there is a global economic crisis resulting from a trade war. Aun Pornmoniroth, the Minister of Economy and Finance, recently said that Cambodia has yet to feel the negative effects of the US-China trade tensions, but warned that a protracted trade war could hurt the Kingdom. "Trade tension could create opportunities for developing countries such as Cambodia, expanding our export markets and attracting more foreign direct investment," he said. In the long-term, however, the trade war will damage the Kingdom's economy. "A protracted trade war will lead to a global economic slowdown, which, in turn, will lead to fewer tourist arrivals and less foreign investment in Cambodia." The Nikkei Asian Review recently reported that 16 companies are seeking to alternate production bases from China to Southeast Asia to circumvent US import tariffs resulting from the trade dispute. Vietnam, Thailand, and Indonesia are reportedly to absorb the bulk of the new production. With 11 of the 16 companies stating they are planning to start manufacturing in Vietnam or Thailand. Cambodia was not included in the list of countries they are considering for the shift. Lim Heng, vice president of the Cambodia Chamber of Commerce, said Cambodia's less attractive to companies wishing to relocate out of China must be chalked up to Vietnam and Thailand's superior capacity and infrastructure. Vietnam's geographical proximity is also a factor that relocated businesses have gravitated towards. "Compared with neighboring peers, Cambodia lacks infrastructure and skilled labour," he said, adding that these are weaknesses that must be urgently addressed. "Cambodia must prioritise investments in road infrastructure, electricity, and its labour force," he pointed out.

Source: https://www.khmertimeskh.com/50677276/us-china-trade-tension-diverts-foreign-investments-to-kingdoms-benefit

Nation close to inking double taxation pact with Philippines

Cambodia News I 7 January, 2020

Cambodia and the Philippines are close to signing a double taxation agreement (DTA) with Cambodia, which is expected to boost two-way trade and employment between the two countries. According to a report in the Philippine Daily Inquirer, Cambodia has agreed to the majority of the proposals submitted by the Philippine's side, indicating that the signing of such an agreement is coming soon. The proposals were submitted to the Cambodian side for their approval during a meeting between the two sides last month in Siem Reap. The latest meeting was a follow up from an earlier meeting held last year. In June last year, the two sides held preliminary negotiations on the issue. Such an agreement would be good news, especially for Filipinos working in Cambodia. There are more than 5,000 Filipinos living and working in the Kingdom. Most of them are employed as managers, teachers, engineers, journalists, doctors, architects, accountants and other high-level positions. Filipino companies with investments in Cambodia are also bound to benefit from such agreement. There are more than 50 Filipino companies with a presence in Cambodia, including San Miguel Corporation, Davies Paints, El Conde, Liwayway Marketing Corporation, United Laboratories, Royal Cargo Combined Logistics and Penshoppe. The report states that a DTA will allow residents or citizens of both countries who are working in the other country to only pay taxes in their home country. According to the Bureau of Internal Revenue, a nonresident in another country with which the Philippines has a double taxation treaty may be able to claim exemption or partial relief from the Philippines' tax on certain types of income from Philippine sources.

Source:https://www.khmertimeskh.com/50677163/nation-close-to-inking-double-taxation-pact-with-philippines

Govt to facilitate imports, exports

Laos News I 7 December, 2019

The government has renewed efforts to reduce administrative barriers in the import and export of goods, hoping to improve the business climate, under to a new prime minister's order. The order, which was uploaded on the Official Gazette website last week, also aims to make it easier for local and international traders to transport their goods via Laos to third countries as Laos transforms itself from a land-locked nation to a land link within the Mekong region. Under Prime Minister's Order No. 12, which the premier signed on October 16, 2019, the government has assigned the Ministry of Industry and Commerce to coordinate with the relevant ministries to discuss the reduction of import and export authorisation fees as well as the number of authorisation documents. The government is calling for a reduction of at least 50 percent in the current import and export authorisation fees as well as a 30 percent cut in import and export authorisation documents. The timeframe for project implementation is 2022. However, a reduction in non-tariff barriers should not mean loosening control of quality checks on imported and exported goods. In this connection, the authorities must have a proper mechanism in place to ensure that imports and exports are safe for consumption and the environment. To provide better services for traders in need of import and export permits, the authorities must publicly inform traders which documents they must submit in order to obtain permission to import or export goods. If traders do not provide all the required documents, the authorities must immediately inform them so they can submit all of the documents, according to the prime minister's order. This means the authorities have no right to delay the granting of import and export permits if traders provide correct and sufficient documents. To facilitate the payment of fees for import and export authorisation, the government assigned the Ministry of Finance to coordinate with other ministries to create an electronic payment system. In relation to the transport of goods within Laos, the government assigned the Ministry of Agriculture and Forestry to coordinate with local authorities and relevant sectors to discuss how to facilitate the flow of agricultural produce in the country. Many pig farmers have told Vientiane Times that they faced difficulties and sometimes heavy fines from authorities while transporting animals from the provinces to Vientiane, where the demand for pork is highest. They said it was unreasonable to be burdened with so many restrictions. In response to these complaints from farmers, agriculture officials said farmers needed permission to move live animals in order to prevent the spread of disease.

Source:http://www.vientianetimes.org.la/freeContent/FreeConten_Govt.php

Gem buyers exempted from tax

Myanmar News I 6 January, 2020

Foreigners who purchase jewellery and gems at the Yangon International Gems and Jewellery Fair 2020 will exempted from paying a 5 percent commercial tax, according to Daw Nyunt Nyunt Khine, joint-treasurer at the Gems and Jewellery Entrepreneurs Association (GJEA). Foreigners entering the country to participate at the fair will also be given easy access to visas. The move is aimed at encouraging more buyers and interest in Myanmar-produced jewellery. Last year, over 700 merchants from 27 countries visited the fair. This year will be the third year the fair is held in Yangon. It will take place at the Lotte Hotel on January 10 to 13.

Source: https://www.mmtimes.com/news/gem-buyers-exempted-tax.html

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Govt officials allowed to import vehicles on favourable terms

Myanmar News I 6 January, 2019

The Ministry of Commerce (MOC) announced on January 2 that it will grant car importing permits to government officials and public service personnel, said U Aung Htoo, deputy commerce minister. The car models available for import will be defined by the ministry on a yearly basis and can be imported directly without going through a showroom or car dealership. Senior officials such as director generals will be among the first to qualify for the import permits, followed by deputy director generals and officials with a minimum of 25 years of experience who have been given a 'Good Civil Service Award'. Interested buyers must get a recommendation letter from their respective ministries before applying for an import permit from the MOC. There is so far no limit to the number of vehicles buyers are permitted to import. However, higher level officials will be able to import more expensive cars. Furthermore, only left-hand drive cars manufactured between 2018 and 2020 will be allowed. Buying can begin after the list of officials who qualify for an import permit is complete and the imported vehicles can be sold after a year, said U Aung Htoo. The imported vehicles will be exempted from custom duties, income tax and road tax but buyers will still have to pay a special goods and commercial tax. The import price is inclusive of Cost, Insurance and Freight (CIF). U Aung Htoo said the government will connect with local car showrooms to discuss details on whether buyers will import directly from abroad or buy from local showrooms. No information was given on whether the cars are restricted to official use. The government has also approached local banks to arrange payment options for buyers. "Those who cannot pay upfront with cash can ask the banks for hire purchase and other payment arrangements. The Myanma Economic Bank will charge a 9 percent interest for such options and other banks have been asked to offer attractive rates too," he said. U Min Min Maung, managing director of MMM, a car servicing company, said the move could impact the car sales market. "According to public opinion, half of the officials will sell their tax-exempt import permits, leading to a separate market for the permits and driving demand away from local car showrooms. It shows that the government has no regard for businesses that import cars," he said. U Soe Tun, chair of the Myanmar Automobile Manufacturers and Distributors Association, said the program is being implemented as a staff benefit for government officials. No information has been given on how many import permits the government plans to issue. Industry watchers said the government should not have included the tax exemption for the import permits at a time when the Road Transport Administration Department will start collecting fees from vehicle owners for change of ownership this month. The MOC will meet with car showrooms, sales centers and banks to explain the import permit on January 9. "The government has already made its decision and they just want inform to us about it. Nothing will change," said U Soe Tun.

Source: https://www.mmtimes.com/news/govt-officials-allowed-import-vehicles-favourable-terms.html

Motorcycle makers running out of gas in face of increased competition

Vietnam News I 6 January, 2020

HA NOI — The Vietnam Association of Motorcycle Manufacturers (VAMM) reported gloomy figures for the last months of 2019, a time when the industry typically expects a boom in sales revenue. Instead, VAMM members, comprising Honda, Yamaha, Suzuki, Piaggio and SYM, sold just over 227,000 units in October and 230,000 units in November, a drop of 6.5 per cent and 2.2 per cent, respectively, compared to the same periods in 2018. Business has been poor during the first three quarters of 2019 as VAMM members struggled to boost sales, according to the association. A report by VAMM said sales by its members dropped 6.13 per cent in Q1, 4.39 per cent in Q2 and 3.8 per cent in Q3 compared to the previous year. Total sales for 2019 by VAMM members were estimated at around 3.2 million units compared to nearly 3.4 million units sold in 2018. Of which, Honda, the country's largest motorcycle manufacturer, alone sold 2.6 million units followed by another Japanese brand Yamaha, which sold over 400,000 units. Industry experts have long forecast the decline of the motorcycle industry. As Vietnamese families' income increases, more and more consumers have been switching to buying cars. In addition, a rise in demand for electric bikes and the nation's direction to reduce the number of motorcycles, especially in large cities, have all contributed to a sharp fall in demand for motorcycles. Rise of e-bikes 2019 saw a rise in the popularity of electric motorcycles, with major brands including Vietnamese Vinfast consolidating their hold on the domestic market with aggressive sales promotions including heavy discounts and offering free charging for their vehicles. Vinfast, a subsidiary of VinGroup, have sold thousands of Klara e-motorcycles since their debut in late 2018. The electric vehicles have proven to be wildly popular among city dwellers, especially young students, for their lightweight and modern design. As of now, owners of e-motorcycles are not required to hold a driving licence, which counts as another advantage for e-motorcycle makers over their traditional counterparts. Foreign e-motorcycle firms also wasted no time entering the fray with South Korean brand Mbigo rolling out several models with prices ranging from US$1,700 to $2,600. Chinese brand YADEA joined the market in October 2019 with their latest offering the YADEA G5, priced at $1,700. The firm also opened a factory in the northern province of Bac Giang. Sales of combustion engine motorcycles will likely continue to fall to just under 2.5 million units by 2024, according to industry experts, as competition from e-motorcycles is set to further intensify in the years to come. – VNS

Source:https://vietnamnews.vn/economy/570719/motorcycle-makers-running-out-of-gas-in-face-of-increased-competition.html

Average Tet bonus is $288 this year

Vietnam News I 6 January, 2020

Companies in Vietnam will pay employees an average Tet bonus of VND6.71 million ($288) this year, a 7.1 percent increase from last year. The average bonus to be paid by wholly state-owned companies is VND6.12 million ($264), the same as last year, according to a report by the Ministry of Labor, Invalids and Social Affairs following a survey of 25,000 companies and 3.15 million workers in 40 provinces and cities. Domestic private enterprises will pay VND6.27 million ($270), up 0.5 percent, while foreign businesses will pay VND6.91 million ($298), up 11.1 percent. Around 85.6 percent of companies also reported they paid a bonus to their employees for the Gregorian New Year. The average was VND930,000 ($40), or equivalent to only 73.2 percent of last year’s figure. In Vietnam, bonuses are agreed between employers and workers, but the government encourages rewards based on performance. Tet, the Lunar New Year festival, falls on January 25 this year.

Source:https://e.vnexpress.net/news/business/companies/average-tet-bonus-is-288-this-year-4037642.html