

**VIETNAM: TRADE &
INVESTMENT BULLETIN No.35**

JUNE

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**VIETNAM INDUSTRIAL PARKS
INVESTMENT PROMOTION
(VIIPIP.COM)**

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Dear all,

*Vietnam Trade & Investment Bulletin is published by monthly 15th.
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in Vietnam.*

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DEVELOPER'S INTRODUCTION

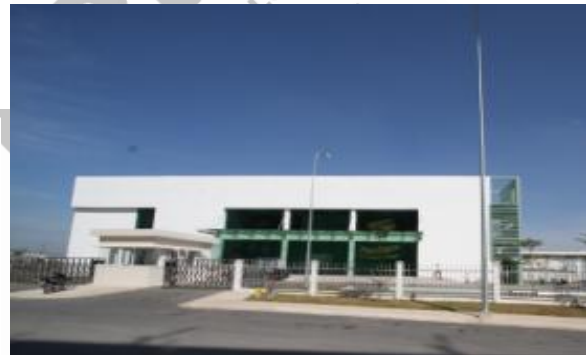


VIETNAM: Mapletree Business City @ Binh Duong (MBC@BD) is a 75-ha industrial and business park development strategically located within the new City Centre of Binh Duong Province, Vietnam. It is the only industrial park located at the fringe of Binh Duong New City.

The development offers wide-ranging solutions including various ready-built facilities such as industrial and business park spaces which come with efficient layouts and ample amenities. It further provides build-to-suit space solution which gives companies the flexibility of customising space to their requirements.

Currently, MBC@BD has completed its development of five units of ready-built factories (1,000sqm each) and a 4,000sqm Built-to-Suit (BTS) facility for a data centre. All these had been fully committed.

With the next development phase completed in June 2012, there are another seven units of ready built-factories (2,000sqm each) and 39 units of business park offices (200 – 250 sqm each) available for lease now.



(Right – top to bottom): Ready-built factories of sizes 1,000sqm and 2,000sqm respectively. All of the 1,000sqm units had been fully committed, while the 2,000sqm ones are expected to be available by May 2012. Built-to-suit (BTS) facility for a data centre.

(Left): Location of MBC@BD, which is located 31 km away from the city centre of Ho Chi Minh and conveniently linked by Highway 13.



MBC@BD: Bringing Added Value to Investors

With its relatively lower costs and long term growth potential, Vietnam will continue to attract investments in the processing and manufacturing sectors.

In view of the current economic situation, many investors are keen in customized real estate solutions which are built to their needs. Therefore moving forward, MBC@BD will be steered towards being more customer-centric and offer greater flexibility in our masterplan for more BTS projects.

Moreover, with Vietnam's economy poised to progress onto higher economic value activities, there is also significant interest in high-technology FDI in the recent times, with commitments from blue-chip multinational companies such as Intel, Samsung, Nokia and First Solar.

MBC@BD's suite of ready-built and BTS business space options, comprehensive amenities and good location within the Binh Duong New City is suitably positioned to cater to these higher value service operations.

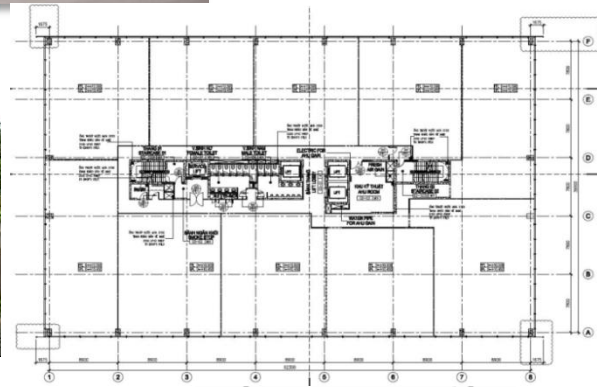
Specifications: Business Park Office Space



(Far left): Artistic impression of the business park building.

(Left): Actual construction status, expected availability for lease by June 2012.

(Below): Typical floor plate showing high efficiency in office units' layout.



Foundation

Piled Foundation

Super-Structure

Cast in-situ concrete structure with reinforced concrete & column free

Floor area

Level	Sqm
Ground Floor	1,800
Upper Floors	2,100
Typical Office Units	200 - 250

Floor Loading Capacities

Level	Loading Capacity
Ground Floor	5 KN/m ²
Upper Floors	5 KN/m ²
RC Flat Roof	1.5 KN/m ²
Toilets	2.0 KN/m ²
Switch room, Transformer room, Substation	16 KN/m ²
AHU / M&E rooms	7.5 KN/m ²

Floor-to-Floor Height

Level	Height
Ground Floor	6 m
Upper Floors	4.5 m

Roof

Reinforced concrete flat roof

Parking

Ground floor parking with motorcycle lots

Unloading & Loading Bay

At ground floor with rear access to cargo lift

Facade

Glass and aluminum fixed cladding system

Main Lift Lobby

Stone-finished lobby reception and covered drop-off with direct lift access to office space above

Walls & Partitions

Bricked wall with cement plaster/skim coat and emulsion paint finish, where applicable; Office units insulated partitions with cement plaster/skim coat and emulsion paint finish, where applicable; Ceramic wall tiles to toilets

Doors, Windows & Openings

Automatic sliding door at drop-off lobby; Timber door with lockset to toilets; Electrically operated sliding gate at main entrance (non fire rated); Timber doors (fire-rated where applicable) with locksets to all M&E rooms and other areas

Architectural Finishes

Power float to office units; Homogenous ceramic floor tiles to toilets and upper floor lift lobbies and corridor; Tarmac type to external driveways

Ceilings

Skim coat
Suspended false ceiling with emulsion paint to toilets only

Air-conditioning

Centralised air-conditioning for all office units

Sanitary Installations

Sanitary wares and fittings

External Fencing

1.8 m (max) height galvanized steel fence and tree landscaping where applicable

Guardhouse

24-hr security at main entrance gate

Electrical Installation

One Distribution Board is provided for each floor

Telecoms/Lighting Points

Telecom cabling terminated into terminal box in each floor; Lighting points provided to staircases and toilets, common corridor, office lift lobby and building facade

Mechanical Ventilation

Provision for fire-escape staircases and toilets

Fire Protection

Provision in accordance with local codes of practice

Refuse Disposal

Common bin centre

ELV System

CCTV at main lobby, data and telecommunication system provided

Other Provisions

Lightning protection system provided in accordance with local codes of practice

Duc Hoa III – Resco Industrial Park – A Launching Base for Success of Investors



The project of Duc Hoa III - RESCO is officially under construction from December 2010, with a total area of 300ha, total investment capital of VND 850 billion. The industrial park (IP) has attracted 10 investors with lease area more than 60 ha, is currently completing the leveling and infrastructure construction of the first phase with more than 70ha land available to investors.

The IP has advantages on location such as: away 26 km from Tan Son Nhat airport; 29 km from the center of Ho Chi Minh City; 30 km from Sai Gon port; away from Hiep Phuoc Port: 43 km; Ben Luc port: 43 km; Moc Bai International Border Gate: 48 km; away 20 km from the center of Binh Duong Province.

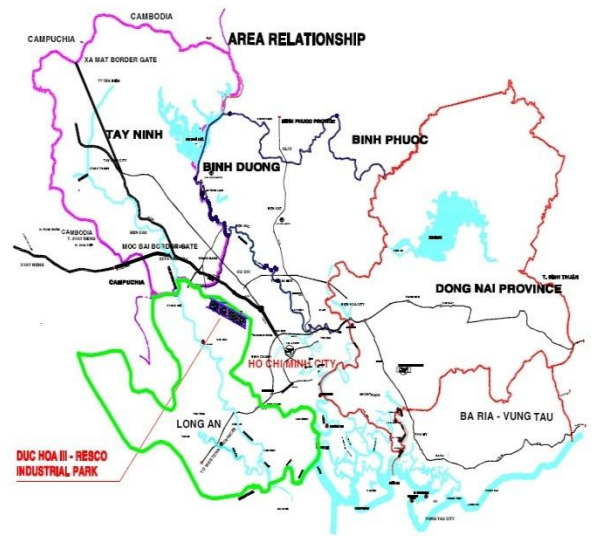
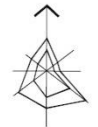
Duc Hoa III- Daresco Industrial park

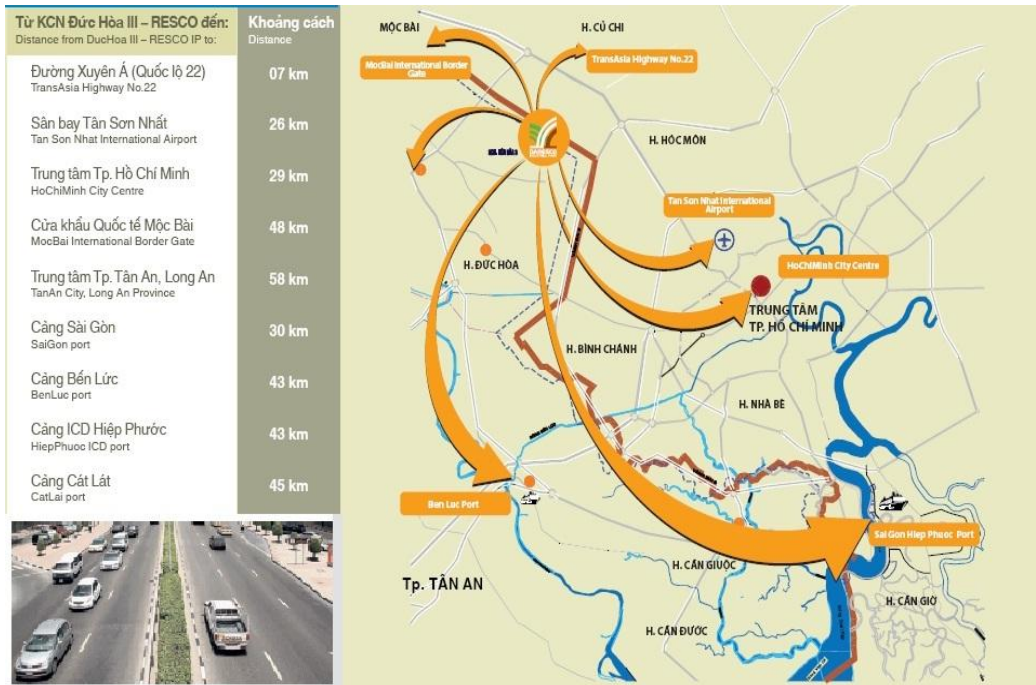
Investor finds access to infrastructure conveniently to Cu Chi North West Urban Township (6,082ha); Urban Zone of Berjaya International University (925ha). 3rd Outer Road is connecting Long An - Ho Chi Minh City and the southeastern provinces under the traffic master planning of the region as well as the Trans-Asia Road is connecting Ho Chi Minh City and Cambodia.

In addition, investors can approach markets such as Ho Chi Minh City; Binh Duong; the southeastern, southwestern provinces and Cambodia. Highlight of the IP is that infrastructure inside and outside of the IP invested completely and synchronously, with FOC and professional supporting services to investors.



LONG AN PROVINCE
DUC HOA III- RESCO INDUSTRIAL PARK
LOCATION MAP AND AREA RELATIONSHIP
INVESTOR: DUC HOA III - RESCO COOPERATION





Besides, there are other advantages from DARESCO to investors such as: to make corporate income tax incentives within 10-15 years; the most competitive leasing fee and transfer price in the region; in addition, investors get all the rights under the Law land with flexible payment methods to meet the financial conditions of the investment; enthusiastic team of consultants; consulting and legal assistance free of charge, make daily visit tour...

Regarding labor issues, DARESCO has implemented in parallel residential area building Duc Hoa III – RESCO. In 03/2012, DARESCO will assign land background for tenants leasing land in the first phase. Investors feel okay about the labor and housing when selecting Duc Hoa III - RESCO IP for setting up their plant.

In addition to the competitive advantage of own DARESCO on price and the professional support services; the next time, DARESCO will link with other IPs and accompany with Provincial Investment Promotion Center and Economic Zone Management Board to create a strong attraction to investors, promote the provincial economy in stable and solid development.

DARESCO will go on promoting and attracting domestic and foreign investment, particularly countries in the Asian region. Investment priorities focus on mechanical industry, electronics and industries of consumer, textile, plastics, high-class ceramics, agro-forestry processing industry... not causing to environmental pollution.

Not only focusing on improving infrastructure for the IP, but also making an orientation for the promotion of local economic development and environmental protection, DARESCO will bring benefits to its shareholders.

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GENERAL REVIEW

Positive changes in Vietnam's economy: Financial Times

The UK's Financial Times (FT) has published an article on positive signals in the Vietnamese economy, such as a better consumer price index, falling inflation, and a more consistent monetary policy.

The newspaper said that May 24 data on inflation showed the first single digit increase in almost two years and year-on-year price rises dropped from 10.5 % in April to 8.5 % in May. "Prices have now been flat month-on-month for two months in a row," said the article.

The FT reported that HSBC thinks cuts in interest rates could come in the next two weeks, which helped prompt a 1.6 % rally in Vietnamese shares on May 25. It also mentioned an apparently shrinking trade deficit as exports surged by 22 % in April, but imports grew just 4.4 %.

Dragon Capital, a Vietnam-focused investment company, said in a note that Vietnam's recent economic success is not merely a 'flash in the pan', but heralds an economy successfully transforming from a 'frontier market' into an 'emerging' one.

Vietnam has shone this year on the equity front, up nearly 25 %. Meanwhile, the Vietnamese dong has risen by nearly one %.

The paper cited Min-Hwa Hu Kupfer, chair of Vietnam Holding, as saying that the prospects for investors look better as the State Bank of Vietnam is developing a more consistent monetary policy under its new governor, Nguyen Van Binh.

(Source VOV)

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USD4.51 billion in FDI capital disbursed in five months

The Foreign Investment Department said that foreign direct investment (FDI) projects had disbursed USD4.51 billion in the first five months of this year accounting for 99.8 % of what was in the same months last year.

In these months Vietnam granted investment certificates to 283 FDI projects with total registered capital of USD4.12 billion making up 74.7 % of the figure for the same period last year.

In addition, 82 FDI projects applied for supplementary investment capital of USD1.2 billion (52.5 % of the figure a year ago). Including new and supplementary investment capital Vietnam attracted USD5.32 billion in FDI capital in these months reaching 68.2 % of the figure for the same time last year.

The processing industry took the lead attracting USD3.3 billion from 127 new projects and 66 ongoing projects and accounting for 62.3 % of all FDI capital in these months. Real estate took second place with USD1.57 billion and 29.6 %, followed by the transport and warehouse sector with USD182 million and 3.4 %, respectively. With new and supplementary capital of USD3.68 billion Japan contributed 69.1 % of all FDI and led 39 countries and territories investing in Vietnam in the first five months of this year.

Foreign investors poured their capital into 39 provinces and cities in Vietnam, of which Binh Duong Province attracted USD1.6 billion or 30.1 %, Hai Phong USD928.8 million and 17.4 %, and Dong Nai USD698 million and 13.1 %, respectively.

(Source: VEN)

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M&A values reach USD1.5 billion in Q1

The total value of merger and acquisition (M&A) deals in Vietnam reached USD1.5 billion in the first quarter of this year, a conference in Ha Noi heard in the end of May.

Nguyen Anh Tuan, head of the M&A Vietnam Forum 2012 organizing board, said the country now ranked 8th among nations which witnessed the busiest M&A activities in the Asia-Pacific region, adding that the total M&A transaction value of the region, excluding Japan, reached USD92.4 billion.

Quoting data from researchers including Thomson Reuters, IMAA and AVM, Tuan said M&A activities in Vietnam grew on average 30 % per year in recent years, having become a remarkable investment channel for both local and foreign enterprises. "This has become the main motive of M&A transactions," he said.

According to the researchers, the country had 345 M&A deals worth a combined USD1.7 billion in 2010. M&A values increased sharply by 135 % last year, totaling a record USD4.7 billion, with over USD2.6 billion involving foreign investors.

In terms of quantity, 77 % of last year's transactions involved local firms, proving the activities were busy among domestic players despite their small values. In terms of deal values, foreign investors represented 66 %, a ratio showing that they tended to buy quality companies in Vietnam. Tuan said M&A was expected to grow at over 30 % per year in the coming time, with consumer goods, banking and finance and real estate forecast to continue to be the most attractive sectors. Last year, while M&A values in the consumer goods area amounted to USD1 billion, M&A in banking and finance was highlighted with cases such as IFC-Vietinbank and PVI-Talant, struggling property also making activities popular in this area last year, he said.

Japan was leading foreign countries whose enterprises had carried out M&A activities in Vietnam, he noted, with highlighted deals including Mizuho becoming a strategic partner of Vietcombank and Unicham buying a 95-per-cent stake of Diana.

Bao Viet Securities Co was the advisor for the mergers of confectioners North Kinh Do and then Kido with their parent Kinh Do Corporation. Another merger it advised was between property firm Vinpearl and its parent Vincom, whose charter capital has risen to VND5.5 trillion (USD300 million). Bao Viet Securities General Director Nhu Dinh Hoa said an incomplete legal framework remained the biggest obstacle for M&A in Vietnam.

The M&A Vietnam Forum 2012 is co-organized by Vietnam Investment Review and AVM Vietnam, with sponsorship from the Ministry of Planning and Investment. Taking place in HCM City on June 7th, the forum will focus on the restructuring of banks and State-run enterprises and Japanese enterprises' M&A waves in Vietnam.

(Source: VNS)

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TRADE

Agro/forestry/seafood exports hit 11 billion USD

Vietnam earned 2.3 billion USD from agro-forestry and aquatic exports in May, raising the sector's total export revenue for the first five months of the year to nearly 10.9 billion USD, up 10.1 % against the corresponding period last year.

According to the Ministry of Agriculture and Rural Development, during January to May, the export of agricultural products earned 6.1 billion USD, a year-on-year rise of 2 %. Rice exports alone were worth 1.4 billion USD alone.

China has become the largest importer of Vietnamese while Malaysia overtook Indonesia to rank second with a year-on-year rise of 30 %.

Several African countries such as the Ivory Coast, Ghana and Senegal also consumed a large volume of Vietnamese rice during the last five months.

Vietnamese rice exporters are making all-out efforts to seek out new markets for their products.

In the reviewed period, a total of 860,000 tonnes of coffee worth nearly 1.8 billion USD was exported, year-on-year increases of 7.8 % in volume and 3 % in value. Vietnam's biggest coffee importers are Germany and the US. Coffee exports to Indonesia also enjoyed a sudden jump of nearly eight times as much when compared to the same period last year.

The country earned over 69 million USD from exporting 49,000 tonnes of tea, a year-on-year increase of 17.2 % in volume and 14.8 % in value. Apart from Russia and Germany, tea exports to other major markets significantly rose, with Pakistan remaining Vietnam's largest consumer.

Vietnam pocketed 952 million USD from exporting 317,000 tonnes of rubber, up 35.2 % in volume but down 7.2 % in value. The contraction was attributed to a drop in the average price of rubber exports, now only 3,000 USD per tonne, down 1,365 USD per tonne over the same period last year. Despite the difficult circumstances, rubber exports still rose to major markets such as China, Malaysia, Taiwan and India.

(Source: VNA)

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Trade deficit reaches USD700 million in May

Trade deficit in May in Vietnam is estimated to reach about USD700 million, with the first five months of the year reporting a deficit of USD622 million, accounting from 1.45 % of total export turnover in the country.

In May alone, export turnover reached USD9.1 billion, of which USD3.72 billion came from the domestic sector and the remaining from foreign invested sector.

The month's import turnover touched USD9.8 billion, an increase of USD841 million over April. Of this figure, import turnover of both domestic and foreign invested sectors hit USD4.9 billion each.

According to analysts, trade deficit in May increased from an import turnover of the country's main exports like garments and shoes, which increased from USD277 million in April to USD315 million in May.

Increase in import turnover also showed in commodities like agriculture and industrial products like fertilizers, pesticides, petrol, iron, steel and electronic items. Meanwhile, export turnover of some main export commodities including rice and coffee saw a reduction of USD40 million in May, with a drop in exports of automobile and motorcycle parts by USD34 million.

According to the Ministry of Agriculture and Rural Development, seafood exports reached USD2.3 billion in the first five months of the year, 9.8 % up over the same period last year. Despite an increase, several businesses faced difficulties with a fall in purchasing power in the European market due to the eurozone crisis.

Seafood exports to the Netherlands reduced by 11 %, Germany by 26 % and Italy by 16 %. Several Vietnamese businesses have thus lowered the export price of pangasius fillet for the European market from USD2.9-3.6 to only USD2.6 a kilogram, aimed to maintain market consumption and recover back capital. On Sunday afternoon (27 May), pangasius fish price dropped to VND23,000 a kilogram, yielding a loss of VND500-1,000 per kilogram for fish breeders in the Mekong Delta.

(Source: VBN)

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Shrimps: A key export for Vietnam

The turnover from Vietnamese fisheries exports in May hit USD500 million, raising the sector's total export revenue for the first five months of this year to USD2.3 billion, up by 9.8 % over the same period last year.

The key products are still shrimp, fish and shellfish.

Japan remains the largest market for Vietnamese shrimp, making up 26.9 % of the country's total shrimp export revenue, followed by the US, which imported USD150 million worth of shrimp, a four % year-on-year increase.

Asia proved to be a promising market for Vietnamese shrimp, while the Australian market saw an impressive rise of 70 % in shrimp imports, passing Canada and has become Vietnam's 6 th largest shrimp market. Meanwhile, several experts pointed out that there are still no positive signals coming from the EU market due to impacts of public debt and the recession in Europe, compounded by tariff barriers. A significant drop could be seen in all three of Vietnam's main EU markets, namely Germany, the UK and France.

Nguyen Thi Thu Sac, Vice President of the Vietnam Association of Seafood Exporters and Producers (VASEP), said that few of its members can meet the high standards demanded by the EU on imported shrimp.

After falling in price for quite a while, the cost of prawns for processing has now recovered to reach from between VND140.000 to VND195.000 per kilo, an increase of VND3.000 to VND5.000 per kilo over the end of May.

(Source: VIR/VNA)

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Textile producers struggle as orders get scarce

The domestic textile and garment industry has entered the peak export season but producers have secured fewer export orders than in previous years, according to the Ministry of Industry and Trade.

In a report on the January-May performance of the industry and trade sector, the ministry said orders had been falling as major markets such as the U.S. and the EU had seen slowing winter-spring clothing sales and distributors had suspended new imports. Moreover, local textile and garment firms are facing other problems, such as difficult access to bank loans, material shortage, rising input costs, and environmental tax on plastic bags used for export products.

In the first five months of the year, the textile-garment sector gained total export turnover of USD5.3 billion, up 7.7% year-on-year. Import of materials and accessories declined in both volume and value, in which the value of cotton import dipped 33.7%, fiber slid 29.3% and fabrics dropped 1.8% year-on-year.

Dang Thi Phuong Dung, vice chairwoman of the Vietnam Textile and Apparel Association (VITAS), told the Daily that inventories of apparel producers for domestic consumption are surging. Some enterprises that supply products for the local market like Viet Tien, Garment 10 and Phuong Dong are grappling with increasingly high volumes of unsold products, said Dung.

To deal with inventories, apart from discounts, enterprises should boost trade promotion in new export markets such as Japan, South Korea, Cuba, Russia and West Asia in the second half of the year, she suggested. However, enterprises need to restrict processing and enhance FOB production modality so that their products can penetrate new markets.

(Source: *The Saigon Times Daily*)

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Manufacturers blame weak supporting industries on small market scale

The supporting industries in Vietnam have not made any considerable progress over the last tens of years, since the day it realized the importance of the supporting industries and vowed to develop them, despite a lot of investment incentive policies.

Takanori Yamashita, General Director of Fujitsu Computer Company Vietnam, which has been making electronic circuits in Vietnam for the last 16 years, said Fujitsu has been looking for domestic accessory suppliers for the last 16 years, but it has not found yet.

“We want to buy materials in Vietnam and develop our production in Vietnam. However, to date, we still have to import everything. This shows that Vietnamese supporting industries in the electronics sector in Vietnam have not developed,” he said.

Dong Nai is considered the leading locality in Vietnam in terms of the number of supporting industries enterprises with 588 enterprises. However, the products of the enterprises are mostly half-finished products, paper-made and wood-made packages, stationary and raw materials, while high quality accessories, parts and materials are all the imports.

Tran Van Tuan Anh, Production Director of Vikyno & Vinapro, an agriculture machine manufacturer, said that the State needs to define the priority fields for development, in which Vietnam would make heavy investment to create key industrial products and join the global value chain. He said Vietnam should not disperse its resources by investing in all industrial sectors

Anh said that Vietnam is now a lucrative market for foreign producers, especially China, to exploit. If Vietnam neglects the control over the imports, low quality products would penetrate the market, which means that Vietnam would never be able to develop the supporting industries in the mechanical engineering sector.

Policies or markets to blame?

In July 2007, the then Ministry of Industry, now the Ministry of Industry and Trade, released the Decision No. 34, approving the supporting industries development plan by 2010 with the vision until 2020.

In February 2011, the Prime Minister released the Decision No. 12 on some policies to develop supporting industries. However, Truong Thi Chi Binh, a senior official of the Ministry of Industry and Trade, said that in

2012 the ministry would have to issue a new plan on supporting industry development, because the 2007 plan has become out of date. Meanwhile, commenting about the Prime Minister's Decision No. 12, Bo Ngoc Thu, Director of the Dong Nai provincial Planning and Investment Department, said as the regulations are vague, it has not helped much.

Binh said the decision in 2011 discouraged enterprises in the supporting industries because they could not find any new support policies, except the policies applied to small and medium enterprises.

According to Binh, Vietnam has succeeded only in developing supporting industries for the motorbike sector. And this has been explained not by the good policies, but by the big Vietnamese market capacity.

Honda, which saw the high demand of the market, has lured many accessory manufacturers to Vietnam when it decided to set up a production base in Vietnam. This has allowed the motorbike manufacturer to use domestically made parts and accessories and gradually increase the locally made content ratios in its products.

It's clear that the big market capacity would help develop supporting industries. In this case, the supporting industries for motorbike manufacturing had begun developing before the State set up support policies. 95 % of motorbike parts are made in Vietnam, while there are 500 enterprises, both foreign invested and Vietnamese, are providing parts to Japanese motorbike manufacturers.

(Source: TBKTSG/VietNamNet Bridge)

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INVESTMENT

Vietnam needs to develop its green economy

A green economy is the best option for sustainable development, especially for developing countries like Vietnam. This opinion was shared by many of the participants at a seminar on 'green economy and sustainable development', which was held in Ha Long City in the northern province of Quang Ninh on June 4.

The experiences of other countries show that nurturing a green economy brought enormous benefits in most areas, including agriculture, forestry, energy, environmental management and job creation.

Vietnam has drawn up and is carrying out a number of policies to make existing industries greener. The country has amended the Law on Environment Protection, introduced a law on using energy effectively and economically and implemented a development programme for the environment industry until 2015 with a vision to 2025.

Vietnam has recorded a high economic growth in recent years, however, the growth does not take into account the loss of natural resources and damage to the environment.

A representative from the Ministry of Planning and Investment said it is necessary to change current models of production and consumption and follow a more friendly environmental direction. It is also essential to use energy more effectively and efficiently and spare no effort when reducing poverty levels to ensure social progress and equality.

To achieve a green and sustainable economy, the government needs to introduce green growth targets, develop the science and technology sectors and promote green consumption, said a representative from Ho Chi Minh City's Natural Resources and Environment University.

Other participants recommended that the government needs adopt policies for attracting investment from the private and foreign-invested sectors in green industries.

(Source: VIR/VNA)

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New checks soon on all FDI projects

State management agencies would inspect foreign-invested projects periodically or unexpectedly in a bid to guarantee the effects of legal regulations under a draft circular newly released by the Ministry of Planning and Investment.

The circular was composed to provide guidelines for the implementation of Decree No 113/2009/ND-CP, issued in late 2009, on investment assessment and supervision. The move would make sure that every phase of each project complied with the law and that project goals and their social effects were performed, the ministry specified.

According to the draft, authorities would check that foreign-invested enterprises/projects conform to investment licenses, development plans, investment incentives as well as regulations related to capital attraction, land use, ground clearance and compensation. They would also inspect such matters as capital contribution, project progress, tax duty performance, wage mechanisms, labor treatment and environmental protection.

The ministry said authorities would classify foreign-invested projects into different groups to take appropriate actions, from giving firms more preferential policies, helping them solve difficulties, to revoking land use rights or investment licenses. Meanwhile, the State Bank of Vietnam (SBV) said it was building a scheme to enhance the country's foreign direct investment influx management efficiency.

(Source: VNS)

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M&A deals aimed at long-term investment

Merger and acquisition (M&A) used to be a channel for financial investment, but now many foreign companies use this channel as a shortcut to jumpstart their business in Vietnam, said an expert.

Nguyen Cong Ai, deputy general director of KPMG Co. Ltd., said that many foreign investors want to make long-term investments in Vietnam through M&A deals rather than through the traditional foreign direct investment form. According to data of KPMG, the total value of M&A transactions in Vietnam reached USD4.4 billion in 2011, versus USD3.2 billion in 2010.

The number of transactions also increased significantly, with 262 successful deals last year compared to 236 in 2010. Such a figure shows that the total M&A value last year did not pick up sharply, Ai told in 28 May. Notably, apart from the financial investments of private funds, there are investments of strategic investors. Among the investors in Vietnam via M&A activity last year, there are many large and well-known enterprises. Many of them, especially those from Japan, are seeking investment opportunities to do long-term business in Vietnam.

M&A deals with involvement of Japanese investors used to take 2-3 years, but such transactions only took nearly a year to complete in 2011. These positive signs are predicted to carry on into 2012, said the representative of the experienced company in M&A consultancy.

Giving explanation for the higher number of M&A deals last year, Ai said local business owners have felt the need of cooperation for mutual development. M&A transactions are not simply selling businesses but actual cooperation between related parties, he stated. “In addition, in 2011, due to the general economic woes and the troubled stock market, Vietnamese enterprises did not demand unreasonably high prices as before, but compromise to find a common voice with investors. To foreign investors, the retail market with 90 million people in Vietnam is really attractive, given their long-term strategies for risk allocation,” said Ai.

He informed Japanese investors show interest in acquiring real estate projects, such as the operational office buildings. In 2011, 29 takeover deals were successfully conducted, compared to 18 in 2010. Ai said he did not know how many of these transactions had involvement of Japanese investors, but it must be quite a few. He noted Japanese are not speculators, but long-term investors. They only invest in the sectors whose potentials are considerable to them. Ai predicted Japanese investors would boost investment in the property sector, especially the office building projects at reasonable prices.

(Source: The Saigon Times Daily)

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City to recall slow-moving industrial parks

The HCMC government has asked the HCMC Export Processing and Industrial Zones Authority (Hepza) to take tough sanctions against inefficient industrial parks causing a waste of land and polluting the environment.

According to the city's instruction issued on Friday (25 May), Hepza needs to recall the investment licenses and redeem land from investors who are incapable of or intentionally delay implementing industrial parks projects. This move was made in response to Directive 07/CT-TTg of the Government issued in March on improving the management and operation efficiency of economic zones and industrial parks.

HCMC currently has 14 industrial parks and export processing zones covering a total area of 3,620 hectares with the average occupancy rate of over 60%. Under the city's planning until 2020, the city will have 22 such zones with a total area of around 5,900 hectares. Some industrial parks which will be developed in the next few years include Vinh Loc III, Phuoc Hiep, Bau Dung, and Xuan Thoi Thuong with over 2,200 hectares in total.

The city's government has also asked Hepza to review projects in industrial parks and export processing zones by August 15. Hepza is asked to make a list of slow-moving and inactive projects as well as those having almost gone bankrupt or violating the laws on investment, labor and environment. The authorities of every district will also have to check the planning and operations of all projects in industrial parks, recall slow-moving and inefficient ones and do not develop industrial zones on rice farming land.

(Source: The Saigon Times Daily)

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FDI in Hai Phong Economic Zone increases 17 folds

The Hai Phong Economic Zone Authority said that the Hai Phong Economic Zone had attracted almost USD909.91 million in foreign direct investment (FDI) in the first five months of this year, increasing 17 times from a year ago.

The scale of FDI projects in the Hai Phong Economic Zone has increased. Specifically, Bridgestone's tire production factory project with investment capital of USD574.8 million in the first phase and USD1.5 billion

in all three phases has become the largest FDI industrial production project in Hai Phong so far. Nipro Pharma Vietnam's new factory in the zone has investment capital of USD250 million.

By the end of this May revenue of FDI businesses in the Hai Phong Economic Zone had reached USD575 million, a 55 % increase from the same period last year. Of this, export earnings had hit USD480 million making up 83 % of total revenue and 151 % of what was a year ago.

(Source: VEN)

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Binh Dinh to get cable car system

The central province of Binh Dinh has allowed two local enterprises to do a detailed planning for terminals and related works for a cable car system.

Vingroup will join forces with H.B.C Investment and Service Joint Stock Company to implement the cable car project. This system will be one kilometer long and connect Tan Cape in Quy Nhon City with Phuong Mai Peninsula.

According to a source from H.B.C, the construction of the cable car system would begin late this year if all procedures are completed. However, the investment cost has not been revealed as the project is still being studied. The provincial government has asked the investors to consult scientists to evaluate environmental impacts, ensure the passage of ships to and from Quy Nhon Port and leave neighboring areas unaffected.

At an international conference on development of the Tan Cape tourist site in 2010, over 200 participants shared views on the project. Participants at the conference said the planning of the Tan Cape tourist site should not only serve as a destination for local and foreign tourists but also tap tourism potentials on Phuong Mai Peninsula. According to the authority of the Nhon Hoi Economic Zone, Vingroup has got approval to replace Hai Giang Co. to construct the Hai Giang tourist site covering over 656 hectares in Nhon Hai Commune, Quy Nhon City. Having an estimated investment of over VND3 trillion, this project will be developed into an international standard resort like Vingroup's Vinpearl in Khanh Hoa Province's Nha Trang City.

(Source: SGT)

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Dong Nai 's FDI in four months of 2012

In April 2012, Dong Nai Industrial Zones Authority (DIZA) granted 05 FDI projects and adjusted 31 times of projects.

In April 2012, DIZA granted 05 FDI projects with the registered capital of USD 449.3 million; especially, the investment capital of Global Manufacturing Vietnam LIXIL project in Long Duc IZ is around USD 441 million to manufacture the type of door frames, windows, doors, accessories, parts of aluminum and plastic housing, offices and the civil engineering and industrial manufacturing garage roofs, fences, gates and other outside furniture by aluminum and plastic for house, office and residential buildings and industry. Also in 4/2012, DIZA adjusted 31 times of projects, including 24 times raising the investment capital, with the total is USD 304.5 million.

In the end of April 2012, Dong Nai Industrial Zones have attracted foreign direct investment (FDI) capital of USD 817,774 million and VND 710,278 billion of domestic investment capital; reach 346,88% total FDI of the same period last year (USD 235,750 million) and 96,2% the year plan.

(Source: DIZA + Viipip)

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Second Quang Trung software hub to be revealed

Potential locations for the second Quang Trung Software City will be submitted to the Ho Chi Minh City People's Committee next month.

This move was revealed in the end of May by Chu Tien Dung, chairman of Quang Trung Software City (QTSC), adding that QTSC was considering three possible locations.

“Currently, 102 IT companies and 32 investors have set up their operations in QTSC and they occupy over 80 % of the QTSC. Ho Chi Minh City planners said that the city's growth model would be more quality-based, rather than just quantity. This second QTSC is a great way for the city to approach IT investors over the next two years,” said Dung. While the potential locations have not yet been made public, Dung did let one cat out of the bag by telling VIR that Thu Thiem Software Park was a possibility. “Thu Thiem Software Park in Thu Thiem New Urban City would be a good place for the second QTSC because it has good infrastructure and its less than 20 kilometers from the city center,” said Dung.

Ho Chi Minh City People's Committee revoked the investment license for the USD 1.2 billion Thu Thiem Software Park development in District 2, that was issued to a joint venture consisting of SaigonTel and Singaporean TA Associates International.

A new investor for the park is now being sought.

Previously, Thu Thiem New Urban Area Construction Authority deputy head Trang Bao Son told VIR that the authority had received inquiries from two local and one foreign investor regarding the project.

Ho Chi Minh City People's Committee deputy chairman Le Manh Ha, who signed the decision to withdraw the license, said that a second QTSC is the “next development stage of QTSC.” Ha said: “QTSC needs to find a good place to set up a second QTSC this year. When a second QTSC is built and the dream of a chain of QTSCs comes true, we will then see quantity. Of course, quantity and quality must come together. If they do, we will have a strong software industry.”

QTSC is also looking to build more software parks in Lam Dong and Quang Ngai provinces, and Can Tho city. “We are considering building a QTSC in Lam Dong province. It is possibly located in Dalat city where we feel that we'll be able to take advantage of the labor situation,” said Dung. He said other municipal authorities could offer a good labor pool and IT infrastructure. According to Ministry of Information and Communications, the city's information and communications technology industry last year generated USD2.5 billion.

(Source: VIR)

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Kien Giang needs USD411 million to develop tourism

The Southern province of Kien Giang will need some USD411 million from various sources to develop its tourism sector through 2020.

According to the provincial tourism development plan, Kien Giang will focus on developing tourism in 4 regions, namely Phu Quoc, Ha Tien - Kien Luong, Rach Gia City and surrounding areas, and U Minh Thuong.

The province is creating favorable conditions for investors to soon implement tourism projects in Phu Quoc, Kien Hai, Ha Tien, U Minh Thuong...; and diversifying modes of tourism such as eco-tourism and culture tourism. The island of Phu Quoc will become an international sea tourism center. In 2020, Kien Giang is expected to lure 4.7 million domestic tourists and 648,000 foreign visitors, and make tourism revenues of USD290 million.

(Source: VGP)

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FINANCE – BANKING

Vietnam SOEs big on bank loans, losses: finance ministry

State-owned enterprises borrowed more than VND415 trillion (USD20 billion) from banks as of September last year, accounting for 17 % of Vietnam's total outstanding loans, according to the Finance Ministry.

Loans to 12 economic groups, including oil and gas giant PetroVietnam, state utility Electricity of Vietnam and coal miner Vinacomin, made up more than half of the figure, a newspaper reported, citing a new Finance Ministry plan to restructure the SOE sector.

The ministry said many state enterprises have operated inefficiently and have been facing serious losses for long periods of time. Out of 85 major SOEs, 30 had a debt-to-equity ratio higher than 3.0, with seven companies recording extremely high debt ratios above 10.0.

Despite the large debts, the performance of most SOEs has been questionable as even the largest ones have posted huge losses. According to the ministry, losses at SOEs amounted to VND26.1 trillion last year and, on average, their losses were 12 times higher than those of the non-state sector. Electricity of Vietnam, shipbuilder Vinashin and Vietnam Post Corporations had the largest losses of the group.

(Source: Thanh Nien News)

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Gold traders get more time to apply for license

The State Bank of Vietnam has extended its deadline for gold traders to apply for new business licenses to February, a move that analysts say will not mean much to traders who are unable to meet a strict new criteria.

Under a decree, which took effect on Friday (25 May), gold bar traders are required to show a registered capital of at least VND100 billion (USD4.8 million), a minimum tax payment of VND500 million, and a presence in at least three provinces or major cities.

Previously, the central bank gave all existing gold traders six months to continue buying and selling gold bars while applying for a new license. But according to new guidelines announced on Friday, the deadline has been extended to February 10.

Nguyen Van Dung, chairman of the Saigon Jewelry Association in Ho Chi Minh City, said most of the city's 2,000 gold shops have a capital base of less than VND10 billion with a monthly tax payment of several million dong.

Very few of these traders are able to meet the new requirements, Dung said, adding that commercial banks are more likely to become the nation's gold traders.

The new decree will give the State Bank of Vietnam complete control over gold bar production as well as the exportation and importation of materials for casting bullion. The central bank has announced plans to release further guidelines concerning these issues.

While the market continues to await further information, speculation that the central bank will take over Saigon Jewelry Company, the country's largest gold trader and producer, has caused many people to shun gold products from other manufacturers. Even though the State Bank has assured the public that all brands will be allowed to be traded, gold bars from other producers are fetching lower prices than SJC bullion.

An SJC official who asked not to be named said that the the company has halted production of gold bars. As a result, it cannot buy gold from other companies and recast them.

Nguyen Thi Cuc, deputy director of Phu Nhuan Jewelry, said customers who have bought PNJ gold bars can sell them back to the company at the same price as SJC products.

(Source: TN News)

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Vietnam to lift foreign ownership ratio limit in Vietnamese banks

Foreign investors have got excited in the news that the State Bank of Vietnam is considering raising the maximum proportions of stakes foreign investors can hold in a Vietnamese bank. However, there has been no information about the new cap.

Sumit Dutta, Chief Executive Officer of HSBC Vietnam, said that the higher foreign ownership ratio would not only allow foreign bankers to more quickly penetrate the Vietnamese market, but also help Vietnam ease the financial pressure in the banking system reshuffle. However, foreign investors are eager to know how high the new limitation would be. The thing that they are most interested in now is the maximum foreign ownership ratio is high enough for them to obtain the right to manage the credit institutions. Only when having the right to control bank operation, will the investors be able to drive the banks on the way they want.

Louis Taylor, CEO of Standard Chartered Vietnam, said at the Vietnam Business Forum some days ago that though the State Bank turns the green light on foreign bankers, allowing them to join the banking restructure process in Vietnam, it has not showed the ways foreign bankers can follow, especially the regulations on the maximum foreign ownership ratio.

CEO of a foreign bank in Vietnam has revealed that his bank would only consider making investment in a domestic bank, if foreign banks are allowed to hold the controlling stake ratio. However, some foreign investors have said they do not care about the limit on the foreign ownership ratio. The State Bank may keep the current foreign ownership ratio limitation unchanged at 20 percent, but it needs to give foreign bankers the dominant right in operating banks.

The most important thing that foreign investors want to have when making investment in Vietnamese banks is not the percentages of stakes they can hold, but the right to rule the banks. They may hold only 20-30 percent of stakes, but they need to have the right to operate the banks.

Andy Ho, Managing Director of VinaCapital, an investment fund management company, which has invested in Eximbank, has revealed that VinaCapital would invest in other banks if there are more opportunities. Meanwhile, analysts believe that it's now the right time for Vietnam to remove the ceiling foreign ownership ratio in Vietnamese banks. In the past, the limitations were set up with an aim to protect domestic banks from foreign banks, which were believed to have big power and may take over domestic banks. However, foreign banks have turned out to not be a threat to domestic banks.

Chu Viet Cuong, Advisor to HD Bank's Board of Directors, said that the limitation was helpful for domestic banks prior to 2009, because the regulation helped domestic banks approach foreign banking technologies and take full advantage of foreign governance skills and capital, while this allowed to protect domestic banks and give them the opportunities to develop. However, in the current context of international integration, lifting the ceiling proves to be unavoidable.

Cuong went on to say that there's no need to worry about the fates of domestic banks in the competition with foreign banks, since domestic banks have become powerful with huge capital and modern technologies.

Five years ago, experts predicted that a lot of domestic banks would be taken over by foreigners when they flock to Vietnam. However, no such a case has taken place so far. In fact, a lot of domestic banks have got big benefits from the cooperation deals with foreign banks.

(Source: VietNamNet Bridge)

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ANALYSIS – OPINION

150 SOEs must be equitized every year

In the first four months of 2012, only four State-owned enterprises (SOEs) were equitized, said a report of the Steering Committee for Enterprise Reform and Development. This is a slow progress given an urgent need for SOEs equitization. The Saigon Times Daily talked to Pham Viet Muon, deputy chief of the steering committee, who also serves as vice chairman of the Government Office, on this issue. Excerpts:

Could you comment on the progress of the SOEs equitization process so far?

SOEs equitization began in 1992, and since 2001 has been accelerated. By the end of 2011, we have equitized nearly 4,000 enterprises. The number of SOEs dropped from the original 12,000 to 5,655 in 2001. Now, there are only 1,309 enterprises wholly owned by the State nationwide.

Basically, most SOEs are turning into joint stock companies, attracting more resources from the society. More importantly, the management of these enterprises has been publicized.

Some data show that in 2011 and the first quarter of 2012, the number of equitized SOEs is very modest. Why does the process slow down?

In 2011, the number of equitized SOEs was very small, only 60 enterprises. In the first four months of 2012, only four enterprises were equitized. These are the enterprises whose equitization processes are carried over from 2011.

The slowdown this year is because ministerial and local agencies, as well as the State groups and corporations, only focus on the initial stage of equitization in the beginning of the year. The first quarter is often the time for preparation. Corporate values are announced in the second quarter and not until the third and fourth quarter do results show up. This is one of the reasons.

Another reason is that policies, typically Decree 59/2011/ND-CP, only address some issues, while others are arising such as corporate value assessment, which requires making land management schemes that meet the prevalent regulations in order to reorganize and handle properties in accordance with the Government's decision, and then submitting to the local authorities before carrying out corporate value assessment. This is yet to mention review of liabilities, audit of value assessment results, and financial processing as for enterprises with capital scale of over VND500 billion active in the fields the insurance, banking, post and

telecommunications, aviation and exploitation of coal, oil, gas and rare minerals. Administering agencies of the State economic groups and corporations spend much time and run into many problems when trying to meet such requirements.

There are other reasons such as the equity market yet to recover. Sluggish demand discourages enterprises to offer stakes for sale. In 2011, for example, an enterprise offered a 20% stake but only 3-10% was acquired.

Apart from the aforesaid reasons, the decisive factor is the guidance of ministerial and local agencies, State groups and corporations is not drastic enough.

What is the target of equitization in the coming time?

The Government has approved most of the reorganization schemes. Only the Ministry of National Defense, HCMC and Dak Nong have yet to submit their schemes for SOEs reorganization and reform.

According to the reorganization schemes, there are only 1,309 wholly SOEs left. In the period from now to 2015, 692 enterprises will remain their State wholly-owned status, and 573 will be equitized.

Of these 573 SOEs, the State will hold dominant stakes of over 75% in 30 enterprises, over 65% in 45 enterprises, over 50% in 108 enterprises and below 50% or no stake in 391 enterprises, while 44 enterprises will be dissolved or restructured.

In order to equitize 573 SOEs by 2015, some 150 enterprises must be equitized every year from now. It is necessary to timely revise Decree 59 on land, audit, statistics, inventory, financial processing, and handling redundant laborers.

Of the 573 SOEs to be equitized, only a few are under management of local authorities. Most of them belong to the six ministries, together with the two cities HCMC and Hanoi. These ministries and cities are milestones in SOEs reorganization and equitization. If they failed to give proper guidelines, the goal of equitization in the coming times would be hard to achieve. For instance, there are as many as 91 wholly SOEs in HCMC. From now to 2015, 22 enterprises will remain unchanged and 69 enterprises will be equitized. To equitize all of them is far from simple. It requires strong determination. Equitization of SOEs in HCMC is processing at slow pace.

(Source: SGT)

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Transfer pricing to be reduced by improved data system, tighter laws

Penalties must be imposed on firms that commit acts of transfer pricing to evade taxes, deputy director of the Industry and Information Centre Dr Le Quoc Phuong had a talk about this.

Ministry surveys reveal that over 70 % of foreign-invested firms have declared losses. How do you comment on that?

I can't deny that. Quite a lot of firms have declared that their businesses were operating at a loss for several years. And yet their production lines have kept expanding. This is a big question for which we must find an answer. But many have found a loophole in our laws to conduct transfer pricing in order to evade taxes.

Are they small- or medium-sized enterprises?

Strictly speaking, tax fraud does not depend on the enterprise's scope or the type of business they are engaged in. However, in reality, such practices have been reported against a number of manufacturers, who have been accused of falsifying their raw material inputs. For major corporations, prestige is a more valuable

commodity for them, so only a few have been detected engaging in transfer pricing. But trade frauds are rampant with small companies, particularly those don't have trademarks to protect.

Are there measures in place to penalise firms that engage in transfer pricing?

There are five groups of measures that might help solve the problem of transfer pricing. First, it is imperative to have technical measures to help determine correct prices, comparable transaction methods and advance pricing agreements. Second, we need a complete legal framework. Third, we need to increase the capacity of tax officers. Fourth, we need stronger mechanisms in place to penalise any firms that engage in transfer pricing while improving the quality of monitoring and evaluation. And finally, we need to encourage foreign investment in areas with high added-value, not in areas that can be outsourced or subcontracted. In addition to these measures, it is important to have good co-ordination between relevant agencies, including tax and customs offices.

How does the situation here differ from that in other countries?

Transfer pricing has become a universal problem. However, the problem in our country is more serious than in other countries. There are some factors attributing to the problem, including a weak legal system, immature subcontracting industries and poor data systems. I hope that, once the anti-transfer pricing project is approved, the situation will be under control.

Is your centre involved in developing a data system?

I have to concede that data relating to taxes is the weakest link in our system at present. Our centre is willing to co-operate with relevant agencies, particularly the General Department of Taxation, to develop a strong data system to curb the problem of transfer pricing.

(Source: VNS)

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Slowed rate of inflation raises fears of possible recession

Inflation rose by 0.18 % in May compared to the previous month, reaching a rate of 8.34 % since a year earlier, a rate lower than had been predicted. Experts said their opinions about the trend in consumer prices.

Phung Quoc Hien, chairman, National Assembly Committee for Finance and Budget:

I do not think there will be a recession with the low inflation figures in May. We need to be careful when talking about recession or deflation or else we can discourage growth. Growth in the first quarter was just 4 %, the lowest level in the last five years, excluding 2009 in the wake of the global economic downturn. Contrary to the situation in 2009, in which we faced negative growth for seven consecutive months, now we still have positive growth of 4 %. If, in the second and third quarters, we have lower growth, then we could be facing recession. At the moment, I think, we still lack evidence of a recession or decline in the economy.

Growth in the first quarter was still higher than the inflation rate. This is an achievement we have never gained before. It shows that we have been successful in our initial targets of controlling inflation, with the CPI increasing by just 2.6 % in the first three months of the year against December.

The current situation suggests that the purchasing power of the people is declining due to stagnant earnings and income. Enterprises are in a special hardship. In the past, only small enterprises faced problems, but now even large enterprises with capital of trillions of dong are facing problems.

Vu Dinh Anh, Ministry of Finance's Academy of Finance:

The target of low inflation in 2012 is within our reach. By May, inflation had been 8.34 % compared to the same period a year earlier. In the coming months, I think the average increase in CPI will return to single-digit levels. However, there are problems facing aggregate demand as it is still increasing at a slow pace. By the end of the first quarter, sales of retail goods and services had risen by just 5 %. Meanwhile, the Ministry of Planning and Investment has predicted a 4.2-per-cent increase in GDP in the second quarter, comparable to the same period in 2009.

As a result, there is a threat of deflation in the future if we do not take appropriate measures to address the recession in production and inventory and improve consumer confidence.

We have not experienced deflation in recent years. In principle, deflation has negative impacts like inflation, but it's much more dangerous. It goes along with a decline in the economy and very low growth, and a lack of stimulation which can help lift up the economy. As Viet Nam's economic scale is still small, deflation would have a very negative impact on growth. I hope the Government will take timely and proper measures to resolve the situation to avoid a possible deflation.

Deepak Mishra, lead economist, World Bank Poverty Reduction and Economic Management Unit:

Inflation has been falling rapidly in the past few months. From a peak of 23 % in August 2011, it has fallen to 8.3 % as of May 2012. The speed of the decline has been much faster than anyone expected. There are many factors responsible for this rapid deceleration of prices. Relatively successful implementation of Resolution No 11, especially on the monetary policy front, has helped. Global factors which contributed to higher inflation in 2011 have been less unfavorable this year. Food prices, which are the main driver of inflation because of their higher weight in the basket of goods used to calculate inflation in this country, have been especially low this year because of the falling price of rice and the very high price increases last year.

It is also important to note that the inflation rate is highly seasonal in Viet Nam. Inflation increases early in the year because of the Tet (Lunar New Year) shopping season. It then stays low during the months of May, June, July and August and starts to increase again in September. So one should not be terribly surprised that inflation has come down rapidly in May, especially because last year we had fuel price and electricity rate hikes during this period.

Are we in a deflationary period? We don't think so. If you look at neighboring countries – China, Thailand, Malaysia, Indonesia and the Philippines – all these countries have much lower inflation rates than Viet Nam and nobody is talking about deflation in there. Many Vietnamese experts and policymakers mostly look at month-to-month changes in inflation. In month-to-month changes, you could have a month with negative inflation or very small inflation. But that's not same as being in a deflationary period. Deflation means a continuous decline in prices for months. In fact, at the World Bank, we still feel inflation will be as high as 8 % by the end of the year.

We think the immediate concern for Viet Nam is the growth slowdown and not deflation. Some parts of the economy have slowed down faster than others such as construction, real estate and some areas of manufacturing. The Government has already started to act on this by announcing a mini-stimulus package in the form of Resolution No 13. At the same time, the State Bank of Viet Nam has reduced interest rates by 300 basis points in a span of eight weeks. We think these are the right policy response in the current circumstances, though it is important to avoid premature and rapid loosening. The Government has a better track record of stimulating the economy during slowdowns than slowing down the economy during periods of overheating. So we don't believe that the Government will sit and watch if the economy slows down too rapidly. If things go from bad to worse, we will see proactive policies from the Government to lift the

economy. And we also expect some progress on the restructuring agenda in the next few months. Therefore we expect growth to rebound during the second half of the year.

(Source: VN News)

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NEWS IN BRIEF

The total export turnover for the past five months hit nearly USD42.9 billion, representing a year-on-year increase of 24.1%, according to the Ministry of Industry and Trade (MoIT). In May alone, export value reached USD9.1 billion, up 1.5% compared to the previous month and 25.8% against the same period last year, with foreign-invested businesses contributing USD4.78 billion (excluding crude oil). The MoIT said that the average export prices have also risen, including pepper (up 24%), crude oil (10.3%), petrol (12.4%) and minerals (230. 2%). However, cashew nut, coffee and tea prices fell during the period. Vietnam's key markets in May were Japan (up 41.6%), the US (up 19.8%), EU (21.6%), ASEAN (19.5%) and China (33.3%).

Vietnam's economy is expected to expand 4.5-4.6% in Q2/2012 from one year earlier, making it hard to achieve an annual target of 6.0-6.5% this year, the Ministry of Planning and Investment (MoPI) said at the Consultative Group (CG)'s meeting. Earlier, World Bank (WB) forecast that Vietnam can enlarge its economy by only 5.7% this year. In the second half of the year, the country seeks to gradually remove difficulties for domestic firms; increase employment and income of local people. The pace of price hike in H2/2012 will likely be higher than H1; yet, full-year inflation will stay within single digit territory and may even ease to 7-8%, the MoPI said. The government will implement support measures to boost industrial production, especially processing industry; bolster agricultural production and develop service sector; striving to attain GDP growth of 6% this year.

Vietnam Securities Depository Centre (VSD) has announced that up to May 31, 2012, the local authority has issued transaction codes for 15,757 foreign investors, of which 1,831 were institutions and 13,926 of individuals. In May only, VSD has issued transaction codes for 39 foreign investors, including 26 institutions and 13 individuals. In comparison with early 2012, there were additional 107 institutions and 81 individuals getting approval for receiving transaction codes, up 1.21%. However, when being compared to the same period last year, the number of foreign investors getting approval for receiving transaction codes reduced by 53.35 percent year-on-year. It usually takes up to six months to open the new stock accounts in Vietnam, while in most of other countries, which procedure may take only one week.

Agricultural products from Cambodia would enjoy zero % import tax, pursuant to Circular No 82/2012/TT-BTC signed recently by Vietnamese Deputy Minister of Finance Vu Thi Mai. The products included cashew nuts, bananas, pineapples, coffee and rice, among others. The circular is effective from February 17, 2012 to December 31, 2013.

Vietnam Bank for Agriculture and Rural Development (Agribank) in 4 June announced a credit package worth VND10 trillion for exporters with a lending rate of 12% per year. The loans will have a six-month term, focusing on clients with demand for Vietnam dong to produce, purchase, process and export agro-products and other items, according to a statement of Agribank. Customers are required to sell the foreign currency they gain from export to Agribank, at least equivalent to the amount of dong they borrow. According to a report of Agribank, as of May 25, the outstanding loans for the agriculture and rural sector at the bank had reached nearly VND304 trillion, accounting for 70% of the bank's total outstanding loans.

SilkAir, the regional wing of Singapore Airlines, has launched its first flight to Ha Noi, bringing its route network to 41 destinations in 12 countries. Ha Noi is SilkAir's second destination in Vietnam, after Da Nang. The thrice-weekly flights depart Singapore on Tuesdays, Thursdays and Sundays with a same-day return flights from Ha Noi on Airbus A319 and A320 aircraft, both with business and economy class cabins. This new service will complement Singapore Airlines' daily flights to Ha Noi. Together, SilkAir and Singapore Airlines will offer a total of 10 round-trip services a week.

Soft Industry Corporation (SIC) in 4 June officially started its construction of a new detergent production plant in Hai Phong City's Dinh Vu Industrial Zone. Established by Japanese Toyota Tsusho, Toyota Tsusho Vietnam and Taiwanese Formosan Union Chemicals, the plant will cover 1.5ha in the zone's petrochemical area. When completed, the USD6.6 million project will produce 24,000 tons to service the detergent industry. The plant was the 7th Japanese-invested project in the zone. The zone was expected to have two more Japanese investors by end of this year.

AEON Vietnam Ltd Co has received an approval from the Binh Duong Department of Planning and Investment to develop a USD95 million trade centre and entertainment complex in the province. The center will span 62,000sq m in Thuan An Commune.

Industrial zones in Dong Nai province have drawn a total investment capital of USD936 million during the first five months of this year, exceeding the target set for the whole year. In May alone, the zones attracted 27 projects, including 22 foreign-invested ones worth a combined USD594 million, said the zone's management board. The province is now home to 32 zones, attracting 1,170 projects to date with capital totaling USD14.43 billion.

The Vietnam-Laos-Thailand international trade fair is scheduled to take place in central Quang Binh Province's Dong Hoi City from June 15-20. The fair would be a good opportunity for domestic and foreign enterprises to showcase their products and seek opportunities for business co-operation and market expansion, local authorities said. The event would also offer the province the chance to introduce its potential for cave tourism.

How to successfully penetrate the demanding German market and meet its tough requirements for exports was shared at a forum held in Berlin on May 30. Deputy Minister of Industry and Trade Ho Thi Kim Thoa said the forum created the chance for Vietnamese businesses to increase trade exchanges and seek ways to gain a firm foothold in the German market. Germany is a potential market for Vietnamese businesses, as Vietnamese exports to Germany accounts for just 0.2 % of the total imports of this European Union member country. With bilateral growing trade ties and the signing of trade agreements between Vietnam and Germany and other EU member countries, Vietnamese businesses will have a window of opportunity to expand operations and increase exports to Germany. The forum was jointly held by the Vietnamese Ministry of Industry and Trade, the Joint Stock Commercial Bank for Industry and Trade of Vietnam (Vietinbank), and the Vietnamese Embassy in Germany.

Hundreds of Mexican businesses have attended a seminar on investment and business opportunities held in Merida City by the Vietnamese Embassy and the Mexican Business Council for Foreign Trade, Investment, and Technology (COMCE). Vietnam's trade counselor to Mexico Hoang Anh Dung briefed participants on the country's history, and socio-economic achievements in the renewal process. He also dwelled on issues related to the Foreign Investment Law as well as challenges and opportunities for businesses operating in Vietnam. He emphasized that two-way trade turnover between Vietnam and Mexico in 2011 reached more than USD1 billion and kept rising in the first quarter of this year. Many Mexican small-and-medium-sized businesses expressed their keen interest in import-export procedures, investment policies and areas that are Vietnam's strengths.

More than 200 domestic and foreign automakers are showcasing their latest products and technology at an international automobile and accessories industry exhibition that opened in Ho Chi Minh City on May 31. Among foreign exhibitors are automakers from Singapore, India, China and Thailand, displaying new sedans, assembling equipment, interior decorations, lubricants, additives, and clean fuels. The four-day exhibition is being co-hosted by the Asia Trade Fair and Business Promotion Holdings (ATFA) and Taiwan's Chan Chao International Co. Ltd. Organizers will arrange exchanges with exhibitors from the US, the Republic of Korea, Thailand, Taiwan, Singapore, India, Arab Saudi and China to offer opportunity for Vietnamese businesses to expand business operations. The exhibition is expected to attract more than 100,000 visitors.

Metro Friedrichshain Berlin and Metro Cash & Carry on May 31 launched a nationwide promotion program called "the Vietnamese product week in Metro Cash & Carry Germany". The program aims to further introduce Vietnamese products to Metro's customers in Germany and foster Vietnam's exports to Germany and Europe. As many as 117 Metro Cash & Carry wholesale centers across Germany are taking part in the promotion while 1.4 million business customers in Germany received a promotion advertising Vietnamese products as the heart of the campaign.

The national flag carrier has borrowed USD100 million from Eximbank with a 10-year term to buy four Airbus A321s in 2012. These four planes are the first among the seven A321s that Vietnam Airlines will receive this year under a contract it has signed with the aircraft manufacturing firm Airbus. According to the contract, Vietnam Airlines will buy another 19 planes from this firm. The project to purchase the A321s is the first credit contract signed between the national airline and Eximbank. The Chief Executive Officer (CEO) of Eximbank, Truong Van Phuoc, said the event has opened a new opportunity for long-term cooperation between the two businesses. At the signing ceremony on May 31, Vietnam Airlines CEO Pham Ngoc Minh said that his company is totally confident in its financial capacity and ability to meet future commitments.

A seminar on successful business conduct in the Hong Kong market was held in HCM City on Wednesday (30 May) to enhance investment and trade relations as well as create opportunities for Vietnamese firms. At the seminar, participants provided information about brand building and product design trends for small and medium-size businesses. Some experts talked about solutions in design and brand management to help companies enhance their market share and affirm their position and image in the Hong Kong market. In recent years, bilateral trade relations between Hong Kong and Vietnam saw good growth with total import-export turnover reaching USD8.4 billion last year. In the first two months alone, import-export value hit more than USD526 million or a year-on-year increase of 103.48 %.

Sun Life Financial Inc said Thursday (1 June) it would form a joint venture with Vietnam's PVI Holdings that will allow Sun Life to sell insurance products in the South Asian country. Sun Life, Canada's No. 3 life insurer, said it will own 49 % of the new entity, PVI Sun Life. Financial details of the transaction were not disclosed. "The company aims to become a market leader in the sector," Sun Life said in a statement. It expects the joint venture to commence operations before the end of the year, subject to regulatory approval. PVI Holdings is a Hanoi-listed subsidiary of state oil and gas group PetroVietnam, and is the leading non-life insurer in Vietnam. Toronto-based Sun Life is active in at least five Asian countries and has targeted growth in the region under new Chief Executive Dean Connor.

The Commercial Joint Stock Bank for Investment and Development of Vietnam (BIDV) and Viet Electronic Payment Joint stock Company (VIETPAY) have formally joined a partnership to expand the "Automatic VIETPAY top-up at BIDV" online and mobile banking service to all BIDV's outlets nationwide.

Vietnam consumer price index (CPI) in June is foreseen to rise between 0.1% and 0.2% from that of May, the local newspaper Thoi Bao Ngan Hang (Banking Times), citing the domestic market regulation group's forecast. The group sees that prices of essential goods have been stable and the demand was not high in the context that global commodity prices have been fairly stable. Factors that help to slow down CPI including lower local petrol prices which were adjusted down late May, 10% lower LPG prices seen in May, lower interest rate and steady forex exchange rate. The group forecast the local rice prices will edge down due to slow down export and global supply excess. Prices of food, steel, cement, medicines are seen to be stable.

The World Bank and Vietnamese Ministry of Planning and Investment on May 31 announced the WB's Country Partnership Strategy (CPS) with Vietnam during 2012-2016 whereby the new strategy will support reforms and key investments for Vietnam's successful transition process into a middle-income country. In the new CPS period, the expected allocation from the preferential capital sources of the WB and International Development Association for Vietnam would be about 2.8 billion Special Drawing Rights (equaling to USD4.2 billion). This will be the biggest amount of capital allocated by IDA for Vietnam ever, reflecting Vietnam's performance as well as increasing the overall IDA resources. Vietnam will also be able to access capital sources from International Bank for Reconstruction and Development with an expected amount of about USD770 million till the middle of 2014.

Meat processor Vissan will cut VND10,000 on the price of pork from June 4 to 12 in an effort to lift the current low pork consumption demand which has been severely affected by the widespread use of toxic additives. Vissan will offer a VND 10,000 discount on ham and shoulder meat. In particular, the price of ham will be cut from VND92,000 to VND82,800 a kilo while the price of shoulder meat will go down from VND74,000 to VND66,000 a kilo. All Vissan food stores and supermarket chains such as Saigon Co.op Mart, Maximark and Mela An Dong will run the promotion. This is the second time that Vissan has launched promotions on pork which is also under the price

stabilization scheme initiated by city authorities. Pork consumption at traditional markets remains weak, while the supply of pigs in household farms and barns is abundant.

Locally-produced drugs only satisfy half of domestic demand and most specialize in major types, ensuring doctors and patients have little choice, according to the Drug Administration of Vietnam. As of last year, the country had 25,415 registered pharmaceutical products with 13,268 out of that locally produced. India became the country's biggest drug exporters with 4,847 drug types, Tuoi Tre reports.

The price of coffee in the Central Highlands province of Dak Lak hit the highest level of VND43,000 a kilo since the beginning of this crop, according to the local Department of Industry and Trade. The province currently grows coffee on 200,193 hectares. Last year it harvested 484,750 tons of coffee, according to Vietnam News Agency.

Nike opens biggest store in Vietnam. The global sport brand Nike and its local sole distributor ACFC, a division of Imex Pan Pacific (IPP) Group, on Thursday evening (1 June) opened the biggest Nike store in Vietnam at the Crescent Mall in HCMC's District 7. The new Nike store covering 600 square meters on the first floor of the Crescent Mall is also the first store to sell basketball items and the second one to offer sports apparel and equipment for kids of the brand Young Athletes. Nike now has 14 stores in Vietnam.

The Ministry of Finance is preparing a draft decree to implement provisions of the Law on Customs regarding electronic customs procedures. The decree would succeed regulations applied in the electronic customs pilot program, including Decision No 149/2005/QĐ-TTg, Decision No 103/2009/QĐ-TTg and Circular No 222/2009/TT-BTC. Under the provisions of the draft decree, electronic customs declarations would take priority over paper declarations in cases in which customs authorities inspect declarations or examine goods. Customs declarations will also be able to be filed electronically 24 hours per day, seven days per week. The draft decree would require electronic customs declarants to archive records under the Law on Electronic Transactions and its implementing regulations and present them to customs authorities upon request to examine them. The electronic customs declarant must use a digital signature that has been registered with the customs authorities.

Vietnam's coal inventory is estimated to hit 8.5 million tons (including 6.5 million tons of clean coal and 2 million tons of dust coal), the highest level so far, Bui Van Kich, Secretary Party of Vinacomin said. Consumption index of coal is low due to difficulties in production of other sectors such as cement, electricity, metallurgical and low export of dust coal, the Secretary of Vinacomin said, adding that Vinacomin is facing finance difficulties due high debt worth 4.5 trillion dong by domestic coal consumers such as electricity, cement, metallurgical enterprises. Vinacomin's members plan to exploit a total of 44.5 million tons of coal this year, including 31 million tons for domestic consumption and the rest for export. However, coal consumption is predicted to fall by 2-3 million tons from earlier target due to current difficulties.

The Philippines' National Food Authority (NFA) is seeking government approval to award a 100,000-ton rice import deal to Vietnam which offered the best price for the volume, the head of the agency said on Wednesday (30 May). The world's second biggest rice seller offered a "much lower" price than top exporter Thailand, NFA administrator Angelito Banayo told Reuters. Banayo said the deal with Vietnam still requires approval from the NFA Council chaired by Agriculture Secretary Proceso Alcala. The volume should arrive before the start of the lean harvest season in July.

Since the beginning of this year, nearly three million foreign visitors have arrived in Vietnam, up 17.5 % compared to the same period last year. According to the Vietnam National Administration of Tourism (VNAT), 1,750,000 people came to the country as tourists, 510,000 for work, 520,000 to visit relatives and 166,000 for other purposes. However, only 460,000 foreigners came to Vietnam in May, down 25.8 % from April and 4.4 % from a year ago. The majority of visitors came from Russia, the Republic of Korea, Thailand and Malaysia, while fewer tourists came from Australia and Cambodia.

The Ha Noi Electronics Corporation (Hanel) has completed procedures to acquire a 70 % stake in Daewoo, a Ha Noi-based five-star hotel, from South Korea's Daewoo Engineering and Construction Co Ltd (Daewoo E&C). Over the last two months, while no official deal value has been revealed, there were rumors that Hanel was going to acquire the 70-per-cent stake at a price of USD100 million. Some media reports said the company had successfully implemented

the acquisition. Hanel's office staff Nguyen Tuyet Mai, who is in charge of the press, confirmed with Vietnam News in the end of May that the deal was still underway and its developments hadn't been in the state for publicity.

Enterprise revenues in Ha Noi in the first four months decreased 5-15 % against the same period last year, said the city's Department of Industry and Trade, which met with about 100 business representatives. The business performance of the firms was down due to lower consumption caused by the global economic crisis, the department was told. The total turnover from agricultural products went down 31.4 % over the same time last year, owing to lower prices of the products. The combined turnover of other goods such as plastic products, steel and iron, minerals, construction materials, fertilizer, chemicals, pulp, wood and wooden furniture, toys and construction glasses was down 8.7 %. A series of small and medium enterprises had to close doors or reduce scale, the department said. Some large trade centers had to reduce the space they were renting by 10-30 %.

Austria wants to establish a trade center in Hanoi to support its businesses in exploring investment opportunities and increasing trade promotion in the Vietnamese capital. The proposal was made by Anton Heinzl, Chairman of the Austrian Parliament Committee on Transport and Infrastructure, at a meeting in Hanoi on May 29 hosted by Hanoi Vice Mayor Nguyen Van Khoi. Heinzl said he was impressed by the rapid growth of Vietnam and Hanoi in particular, and expressed his hope that the new Austria Trade Centre will help facilitate trade ties between the two sides. For his part, Khoi welcomed Heinzl's proposal and confirmed that the Hanoi municipal administration will create the best possible conditions for the building of the center aiming to receive Austrian investments in the capital city.

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COMING EVENTS

International Industrial Machinery Exhibition

Venue: Saigon Exhibition & Convention Center (SECC)

Country: Ho Chi Minh City, Vietnam

Start Date: 19 June 2012

End date: 21 June 2012

Event profile

International Industrial Machinery Exhibition (IIME) is an integrated exhibition showcasing machinery and equipment, products, systems, technology and services in the field of plastics, metal working, print and pack, food pack, automation. The fair has had an enthusiastic response since its debut in 1993.

IIME VIETNAM 2012 will be an unparalleled platform for you to make contacts and keep abreast of the latest industry trends and new technologies in industries of machinery, plastics, metal, printing, packaging and automation.

Exhibitors' Profile

Profile for exhibit includes Turning Machines, Milling Machines, Boring Machines, Grilling and Tapping Machines, Grinding Machines, Gear cutting machines, Modular machines & modular units, Metal Forming Machine, Non-traditional machining and special purpose machines, FMC/FMS & automatic devices, Machine tool components and auxiliary equipments such as Numerical control systems, machine tool apparatus, Abrasive, cutting tools, tooling, Inspection, measuring equipments.

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Food Pack

Venue: Saigon Exhibition & Convention Center (SECC)

Country: **Ho Chi Minh City, Vietnam**

Start Date: **19 June 2012**

End date: **21 June 2012**

Event profile

Food Pack is an exhibition related to the food processing industry in Vietnam. Food processing industry in Vietnam is largely dominated by small and medium industries, catering, mainly for the domestic market.

Exhibitors' Profile

Profile for exhibit include Food packaging machinery & materials, Pharmaceutical packaging machine & materials, Filling & sealing equipment, Printing, labeling, bar coding machine, Counting, weighing & capping machine, Feeding machine, Soft drink bottling & packaging equipment, Refrigerating equipment, Canning machine & equipment, Vacuum packaging machine & equipment.

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Vietnam AutoExpo

Venue: **GiangVo Exhibition Centre & Fairground**

Country: **Ha Noi, Vietnam**

Start Date: **21 June 2012**

End date: **24 June 2012**

Event profile

Vietnam AutoExpo will be concerned with automobile and motorcycle industry. It will focus upon the national and regional manufacturing. The various segments which will be covered are buses, trucks, vans and specialty vehicles, motorcycles, parts and engine components, fuel and lubricants, machinery and technology. The manufacturing; software design; operations and management; diagnostic systems and quality control; etc. of the automobile industry will be highlighted upon resulting into various solutions. The event will attract around 80,000 visitors in four days of exhibition. Vietnam AutoExpo will be supported by various Government institutions such as Ministry of trade and industry, Ministry of Transport and Ministry of Science and Technology.

Exhibitors' Profile

Vietnam AutoExpo will include participation of a large number of exhibitors including suppliers & OEMs from all around the world. The exhibitors will include professionals from Transport Vehicles; and Supporting Industries like those associated with businesses of components, automobile interior, maintenance and repairing equipment; fuel & filling equipment; automobile design, operation and management software; positioning systems, mechanic processing, welding, thermal processing, plating, painting, etc.

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MTA Vietnam

Venue: **Saigon Exhibition & Convention Center (SECC)**

Country: **Ho Chi Minh City, Vietnam**

Start Date: 03 July 2012

End date: 06 July 2012

Event profile

MTA Vietnam is organized at Saigon Exhibition & Convention Center, Ho Chi Minh City for exploring various avenues of manufacturing industry. Around 440 companies display their products to more than 7000 visitors. The event proves to a linking chain in connecting various manufacturers, suppliers, buyers with Vietnam's industrial sector. There are various exhibitors from different industrial units are indulge in swapping industrial key points to the present people.

Exhibitors' Profile

Exhibitor profile includes Manufacturers of Angle Measuring Devices, Balancing Systems, Bending Machines, Blowers & Dryers, Boring Machines, Broaching & Shaping Machines, Cleaning Devices & Clean Air Systems, Color Testing Equipment, Coordinated Measuring Equipment, Cutting Tools & Tooling Systems, Dimensional Measuring Devices, Drilling & Tapping Machines, Fatigue & Strength Testing Equipment, Gear Cutting, Forming & Finishing Machines, Grinding Machines.

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