



Dear all,

*Vietnam Trade & Investment Bulletin is published by monthly 15<sup>th</sup>. VIIP.COM would like to collect info and reflect an overview of Vietnam economic climate. Through this, readers would find useful information for research and investment in Vietnam.*

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## DEVELOPER'S INTRODUCTION

### QUE VO III INDUSTRIAL ZONE

#### \* Geographic location

- Bac Ninh is adjacent to from Hanoi capital, contiguously Bac Giang province - gateway of the North, and locating in economic growth triangle Hanoi - Hai Phong - Quang Ninh.  
 - The position of Que Vo III Industrial zone is belong to communes Viet Hung, Que Tan and Phu Luong, in Que Vo district of Bac Ninh Province; next to high way 18 to Quang Ninh, near Hanoi - Quang Ninh railway; close to Cau River port, Pha Lai port; 35km distant from Noi Bai international airport, 40km to Hanoi, 105km to Ha Long City- Quang Ninh province, 80km to Hai Phong and 90km to Lang Son.

#### \* Regional traffic relation

**Road:** Industrial park adjacently located the old Highway 18 - the arterial road to Quang Ninh and close to the new planning Highway 18 is going to be built in the near future, which is a modern highway

linking Noi Bai International Airport to Cai Lan port - Quang Ninh.

**Railway:** 12km distant to Hanoi - Lang Son Railway, near Yen Vien - Cai Lan high- speed railway.

**Sea-port :** Conviniently travel to big sea - ports of the South such as Hai Phong Port, Cai Lan Port.

**River port:** Contiguous to Cau River Port, Pha Lai Port they are main river ports of Bac Ninh. It is convinient for trading goods.

**Airport :** To the North, 35km far from Noi Bai international airport.

In general, Que Vo III Industrial Zone has such a strategic location that it is very convenient for economic development.

#### \* Scale of investment:

Total area **598ha** divided into 2 phases:

+ First phase: 303.8ha.

+ Second phase: 217.9ha.

- Urban & services project 68ha:  
 Implement in one phrase.

**Operational time:** Starting from 2012 to 2059

#### \* Main sectors in Industrial Zone:

- Agricultural products manufacturing area will be laid out Southern East of the Industrial zone.
- Industrial textiles will be laid out Southern West of Industrial zone.
- Consumer goods production will be located in the North of Industrial zone.
- Construction materials and electronic devices manufacturing will be arranged in Northern East of Industrial zone.
- Mechanical appliance assembly arranged in the Northern West of Industrial zone.
- Storage and parking area will be located near the main road No.1, categories depending on the requirements of investors.



**Ban quản lý Khu công nghiệp Quế võ III**

**Que vo III industrial zone management board**

**DABACO GROUP**

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## LONG HAU – HOA BINH INDUSTRIAL PARK - READY TO WELCOME INVESTORS.

Located in a convenient location for trade, infrastructure has been invested in sync, complete with attractive incentives, Long Hau – Hoa Binh Industrial Park has become an ideal destination, attractive for foreign and domestic investors. Long Hau – Hoa Binh Industrial Park is built and operated by Hoa Binh Construction and Real Estate Trading JSC, Long

Hau Corporation and Jesco Holdings Corporation (Japan) - three strategic shareholders, variety of experience and capability in investment, infrastructure development of industrial parks in Vietnam.

Long Hau – Hoa Binh Industrial Park covers about 125 hectares which located in Binh Anh junction, Highway 1A, Thu Thua district, Long An province, 22km from Ho Chi Minh (Nguyen Van Linh crossroads - highway 1A), is the trading gate between the Southern Key Economic Zone and the provinces in the Mekong Delta and Cambodia; convenient transportation, close to abundant labor forces and wide market. Long Hau – Hoa Binh combines factors to contribute to success of investors.

In addition to its favorable geographical location, infrastructure systems of Long Hau – Hoa Binh IP are also invested and constructed completely and synchronously, including: internal road system, power supply system for production, communication system, drainage system with water supply plant capacity 15.000m<sup>3</sup>/day, wastewater treatment plant capacity 4.000m<sup>3</sup>/day; housing workers, health centers, security guards 24/24, sanitation team, tree care,... All are available to serve investors. There are many social infrastructure and utility services around Long Hau – hoa Binh IP such as: bank, post office, medical, vocational schools,...



In the second quarter 2013, Long Hau – Hoa Binh Industrial Park welcomes two new investors are Tan Tan Mai Co., Ltd and Viet Long Co., Ltd. “In the next time, Long Hau – Hoa Binh will boost the promotion to invite investment from ASEAN



countries, priority approach to the foreign investors such as Japan, Korea, Singapore, Taiwan, China, Malaysia ...”- CEO of Hoa Binh Construction & Investment JSC said.

With the motto "Commitment to provide the most reliable infrastructure and services for the sustainable development of enterprises", investors are quite safe when choosing Long Hau – Hoa Binh Industrial Park.

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## GENERAL REVIEW

### EU to recognize Vietnam's market economy next year

*It is likely that the European Union (EU) will recognize Vietnam as a market economy when negotiations of the Vietnam-EU free trade agreement (FTA) end.*

This will help Vietnamese enterprises face less unfavorable conditions in anti-dumping and anti-subsidy cases in this market. Speaking to the Daily on the sidelines of a seminar last week sponsored by the EU-funded Multilateral Trade Assistance Project (EU-MUTRAP), Deputy Prime Minister of Foreign Affairs Bui Thanh Son said that technically the EU had five criteria to recognize an economy as a market one. Currently, Vietnam has met one of the five and the EU is considering two to three other criteria for Vietnam, he added.

Therefore, there is a high likelihood that Vietnam's market economy will be recognized by the EU after FTA negotiations end as at that time the two economies are basically equal, according to Son. Under the commitments to the World Trade Organization (WTO), Vietnam agreed to have its economy considered as a non-market economy until 2018. As a result, with anti-dumping investigations, Vietnamese enterprises will be at a disadvantage as their actual costs will not count to calculate dumping margins and statistics of another country will be used.

Selecting a surrogate country will greatly affect the final taxes Vietnamese enterprises will have to pay. It is because new anti-dumping margins may be higher than normal ones, and anti-dumping taxes may be pushed up high.

According to the Trade Remedies Council under the Vietnam Chamber of Commerce and Industry (VCCI), since Vietnam's first anti-dumping case lasting from 1998 until last May, Vietnam has faced 12 cases of this kind in the EU market.

Vietnam-EU FTA negotiations are estimated to finish later next year. With the EU's ratification, the FTA may take effect in late 2016. The fourth FTA negotiation round ended last week in Belgium as both sides discussed detailed tax reductions.

*(Source: SGT)*

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### Vietnam opens first integrated resort

*Vietnam's first integrated casino resort has opened its doors on the country's southeast coast. The Grand Ho Tram Strip features a 541-room hotel, plus a casino with 90 table games and more than 600 slot machines, meeting and convention space, 13 F&B outlets, a spa, three swimming pools and retail outlets.*

Work on a second tower is ongoing, and will eventually add another 559 hotel rooms along with additional entertainment facilities.

“This has been a monumental effort, and we stand here today not just launching a hotel, not just launching a casino – we stand here today launching a new era of tourism for Vietnam,” said Colin Pine, general director of the Ho Tram Project Company.

“I owe a huge debt of thanks to all of the team at the Ho Tram Project Company and all of our partners around the nation, all of the authorities that have been so supportive of this amazing property that we are opening today,” he added.

Eventually, the Ho Tram Strip will include a second integrated resort, to be operated by Pinnacle Entertainment Group, along with three other five-star resorts, set along a 2.2km stretch of beach front in Ba Ria-Vung Tau province, around 2.5 hours' drive from Ho Chi Minh City. It also includes a Greg Norman-designed golf course, called The Bluffs.

While gambling is illegal in Vietnam, the country does allow international tourists to bet in casinos.

*Source: TravelDailyMedia*

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### **Vietnam calls for more aid from World Bank**

*The Ministry of Finance (MoF) has asked the World Bank (WB) to assist to Vietnam in macroeconomic management, policy development, business reform, and public debt management.*

At the August 6 meeting, MoF leaders proposed a host of effective and practical measures to enhance cooperation with the WB in the future.

They asked the bank to maintain official development assistance (ODA) loans for Vietnam to promote poverty reduction, ensure social welfare and upgrade infrastructure.

They wished to get more financial support from the WB to complete the framework for the implementation of business restructuring projects.

Participants in the meeting focused on issues related to the shift of International Development Association (IDA) loans and WB funding for the Poorest to the International Bank for Reconstruction and Development (IBRD) loans, which aims to reduce poverty and promote sustainable growth in middle-income countries and creditworthy poorer countries.

*Source: VOV*

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### **Quang Ninh plans tourism offices in Japan, S.Korea**

*Quang Ninh is working with Japanese and South Korean partners over a plan to open its representative offices in these two major visitor-generating markets late this year.*

Ha Quang Long, director of the northern province's Department of Culture, Sports and Tourism, said cultural associations and investors of Japan and South Korea were actively helping the province set up tourism offices in these countries.

In addition to promoting tourism and deploying marketing programs, the offices will connect domestic and foreign enterprises and provide them with investment advice. "Everything is going smoothly. We expect to open the offices late this year," said Long.

These tourism offices will be funded by the State money and businesses. Quang Ninh is calling for support from tour operators and hospitality service providers to bring these offices into life.

Japanese and South Korean tourists account for 40-45% of the total number of international visitors to Quang Ninh. Tourists coming from these two markets to Hanoi often visit Halong Bay, noted the Quang Ninh tourism department.

The Vietnam Tourism Association is calling for financial support from members and non-members to open a tourism representative office of Vietnam in Japan. The office would need about US\$300,000 a year, said the association. Last year, Japanese tourist arrivals in Vietnam reached 500,000, while more than 700,000 South Korean tourists came to Vietnam.

In the first half of 2013, Quang Ninh welcomed more than 4.67 million tourists, an increase of 9% over the same period last year, reported the provincial tourism department.

International arrivals in the northern province reached 1.3 million, down 2% year-on-year. Tourism revenue totaled over VND2.5 trillion, up 14% compared to the same period last year.

*Source: SGT*

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### **Viedam opens mold R&D center at SHTP**

Vietnamese-Danish joint venture Viedam received the investment certificate to set up Viedam Mold R&D Center at Saigon Hi-tech Park (SHTP) in HCMC's District 9.

Center worth US\$7.5 million is expected to be kicked off in the fourth quarter and be operational after one year of construction with an area of 7,500 square meters. The project will apply new materials in molding, and Viedam will train 50 engineers for the center.

In addition to opening the research and development center, Viedam will also build a high precision molding plant producing complicated molds for the electronics and healthcare sectors. Most of products produced will be exported to European countries.

Viedam has studied and produced such products for years. However, due to an increasing global demand, the joint venture has decided to build a new plant together with the research and development center at SHTP to meet the demand of customers.

According to the management board of SHTP, products of Viedam belong to the supporting industries and thus can enjoy investment attraction incentives. This is also the project which SHTP is calling for. The new project has increased the total number of valid projects at SHTP to 56 with total registered capital of over US\$2 billion.

*Source: SHTP & ITPC*

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### **Major port put up for 30 year lease**

*The Ministry of Transport has approved a bid to lease the Cai Mep-Thi Vai international port in the southern coastal province of Ba Ria-Vung Tau for 30 years, the first bid of its kind.*

The Vietnam Maritime Administration said it is looking for qualified operators for both the international terminal and the Thi Vai general cargo terminal.

Two bidding packages for the two ports will take place in the third or fourth quarter this year. The fixed annual package price is 219.5 million USD for the Cai Mep container port and 130.5 million USD for the Thi Vai general cargo terminal.

The investors would make another payment besides the fixed one, according to the administration. This would change every year, depending on the pre-tax profits of the investors. This is the minimum price that the investors would have to pay to win the bid.

Nguyen Nhat, chief of the Vietnam Maritime Administration, said the bid is being held to ensure that the ports would be operated by investors with strong financial and professional capacity.

The bid is expected to reduce monopolies, increase competitiveness and improve services. It would create a breakthrough for many seaports in Vietnam, he added. Nhat said that FDI businesses could also take part in the bid.

Leasing the seaports would help the state recover capital quickly and ease the burden on the State budget, according to Nhat. The Cai Mep-Thi Vai port complex opened in late January after four years of construction. The project, worth 13 trillion VND (613.8 million USD), was financed by Japan's Official Development Assistance loans and Vietnam's reciprocal capital.

The Cai Mep terminal consists of two piers of 600 metres in length. It can handle vessels of up to 100,000 DWT and has an annual capacity of around 700,000 TEUs. The Thi Vai terminal also has two piers, and can handle ships of 50,000 tonnes. It has a capacity of 1.6-2 million tonnes per year.

Source: Vietnam+

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## TRADE

### Stronger trade with Denmark targeted

*Two-way trade between Vietnam and Denmark is forecast to reach 500 million USD this year, with 305 million USD coming from Vietnam's exports, according to the Ministry of Industry and Trade's European Market Management Department.*

However, bilateral trade had decreased by 10 percent year-on-year to 222 million USD for the first half of this year, mainly due to slumping import demands in Denmark.

During the period, Vietnam exported only 134 million USD worth of products to Denmark, down 6 percent year-on-year. Export turnover of clothing and seafood, the country's key items, dropped by 26 percent and 20 percent respectively to reach 42 million USD and 11.4 million USD, while the export value of wood and wooden products reached 6.7 million USD, equivalent to the same period last year.

The debt crisis in the eurozone has yet to show signs of recovery and the Danish consumers tend to tighten their spending, the department said. The situation has a negative influence on Vietnam's exports to the market, plus stiff competition from products of other countries.



In the reviewed period, Vietnam's imports from Denmark also dropped by 16 percent to 88.3 million USD. The Danish Government aimed to double export of essential goods to Vietnam over the 2011-2016 period.

According to statistics from the General Department of Customs, two-way trade turnover hit 468 million USD last year, up 11 percent on the previous year. Of this figure, Vietnam's exports to Denmark hit more than 276 million USD up 2 percent on 2011, while imports reached roughly 192 million USD, up 28 percent. Local experts predicted that the Vietnam-EU Free Trade Agreement would open up a new page for the bilateral trade ties between the two countries.

Source: Vietnam+

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### **VN dairy producers deny usage of Fonterra material**

Amid the global scare over an ingredient used in baby formula produced by the giant New Zealand dairy cooperative Fonterra that could contain bacteria, Vietnamese dairy manufacturers all assert that this ingredient has never existed in their production.

All of the suspected infections are from the imported baby formula products, the companies said, referring to the ongoing recall campaigns of Abbott and Dumex products, due to the presence of Fonterra's whey protein concentrate in their contents.

The whey protein is suspected of containing Clostridium botulinum, a bacteria linked to botulism.

"No Vinamilk products contain this type of whey protein," Bui Thi Huong, director of public relations of the country's largest dairy producer, told. All of the company's ingredients are imported from the US and EU, Huong asserted.

Similarly, Nutifood media director Tran Huu Duc confirmed that his company does not source whey protein from the New Zealand-based company. Another major dairy producer, FrieslandCampina Vietnam, too asserted that none of the import lots it bought from Fonterra are infected.

### **Recall campaigns ongoing**

When contacted by Tuoi Tre on Tuesday, many milk dealers say they have still been asked to check if they are selling infected products, by comparing their lot numbers with those of the infected as announced by Abbott and Dumex.

"The companies asked me to contact them if any infected products are found, so that they will come and recall the products," said Hanh, who runs a milk store in Tan Binh District. Danone Vietnam Co Ltd has been asked to stop circulation and immediately launch a recall campaign on its Dumex Gold Step 2 product.

The infected products are those for babies from six to 12 months, stored in 800g, manufactured on May 30, 2013, and were in the import lot numbered 300513R1 from the Malaysia-based Danone Dumex, according to the Vietnam Food Administration.

Traders said they have obeyed the directive, while keep selling the same products whose lot numbers are not 300513R1. "But customers are still hesitant to buy," a trader said.

The Vietnamese representative of Abbott meanwhile said they have recalled nearly 90 percent of the infected products.

Source: *TuoiTreNews*

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### **Vinatex increases investments to spur localization**

Vietnam National Textile and Garment Group (Vinatex) and its member units are investing in many material supply projects to increase the localization rate and the added value of exported products.

Le Tien Truong, deputy general director of Vinatex, said that to achieve this target, the group implemented 46 projects worth a combined VND6.144 trillion in the year's first half. Among these, there are 14 yarn projects, four textile projects, 20 garment projects and 20 other ones.

According to Truong, three yarn projects which have been put into operation are Vinatex-Hong Linh plant, Phu Bai plant and Dong Van plant. The total capacity of these three plants is 1,270 tons of yarn a year. Similarly, Vinatex has also started operating Yen My textile plant having a capacity of 180,000 meters of cloth.

Other knitting and yarn projects are being carried out such as Phu Hung, PVTEX Nam Dinh, PVTEX Phu Bai 3, Dong Phu and Wash Tam Quan of Phong Phu Corporation with a total of 4.5 million products per year. According to Truong, the ultimate goal is to establish the full-fledged supply chain among units of the group, securing materials for all production processes from yarn, knitting, dyeing to sewing.

Truong said that such investment increase has helped raise the localization of products of member companies in the past time as well as reduce the import of materials. According to statistics of Vinatex, its export turnover amounted to some US\$1.28 billion in the six-month period, up 13% year-on-year. However, the import of materials in the period rose by only 7% to US\$581 million. Vinatex's localization rate was over 50%.

Enterprises forecast that the global garment trade would continue rising in the coming time and thus garment would still be Vietnam's major exports. However, Vietnam's garment still depends much on imported materials and its added value is low.

Besides, the Trans-Pacific Partnership (TPP) agreement if approved is expected to boost the export of garments, especially to the U.S. thanks to the import tariff cut to 0% compared to the current rates of 16-32%.

However, according to the Vietnam Textile and Apparel Association (Vitas), among over 3,000 textile and garment enterprises nationwide, the number of foreign-invested enterprises accounts for only 25% but their export turnover always account for over 60% of the country's total.

In the year's first half, Vietnam's total import turnover of textile-garment materials reached US\$6.58 billion. Such import, according to Vitas, inched up by roughly 20% from last year's same period while the import of materials for export rose by 21.1% to US\$5.378 billion.

Source: *Saigontimes*

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## EU pledges \$2.5 million to Vietnam in support for seafood industry

*The Europe Union will provide Vietnam 1.9 million euros, or US\$2.5 million, for a project to establish a sustainable Pangasius supply chain project.*

The \$2.4-million project, set to be completed in four years from now, aims to boost production and quality of pangasius (tra fish), and reduce production costs. The EU, Vietnam's largest export market of pangasius, will support the whole supply chain comprised of hatching, fish feed production, fish breeding and processing, and exporting.

VnExpress quoted Berenice Muraille, head of the Cooperation at the EU Delegation in Vietnam, as saying the project would help improve the competitiveness of Vietnamese pangasius in international markets. By 2017, at least 70 percent of domestic pangasius producers and processors will operate in medium and large-scale businesses, and 30 percent of fish feed producers will adopt the Resources Efficiency and Cleaner Production measure.

In the first five months of the year, exports of pangasius dropped 6.7 percent year-on-year with \$670 million. Shipments of the fish to the EU decreased sharply by 17.6 percent compared to the same period last year.

EU member countries now prefer importing pangasius meeting Aquaculture Stewardship Council (ASC) standards. About ten percent of Vietnam's pangasius exports meet the standards.

*Source: ThanhNienNews*

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## TPP agreement facilitates Vietnamese goods

*The Trans-Pacific Partnership (TPP) agreement, once realized, will help push forward Vietnam's market reform, modernization and integration, said participants at a July seminar on the TPP's impacts.*

Addressing the seminar, Ray Nayler from the US Consulate General in Ho Chi Minh City said the TPP would create many favorable conditions for Vietnamese exports to penetrate the markets of the US, Australia and other TPP members. At the same time, it will help increase the flow of foreign investment into Vietnam.

According to Nayler, besides the increase of export staples such as garment and textiles, seafood, and wood products, Vietnam will also access more markets for its new products such as auto parts and processed seafood, as well as expand trade partnership.

At the same time, participants noted that each TPP member can benefit from the agreement only when they also allow other members to access their domestic markets, as TPP is a reciprocal arrangement.

Ho Chi Minh City Department of Customs said it has adopted electronic customs procedures, which is a practical tool in helping businesses improve competitiveness when Vietnam joins the free trade markets.

The seminar was held by Ho Chi Minh City Business Association, in partnership with Vietnam Union of Friendship Organization and the American Chamber of Commerce in Vietnam (AmCham Vietnam).

The 18th round of TPP negotiations is taking place in Malaysia from July 15–25.

Negotiations have ended on five of the 29 planned chapters including trade facilitation, telecommunications, small and medium-sized enterprises and have effectively been completed on nine others

Source: Vietnam+

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## **Footwear, handbag production jumps on strong Japanese orders**

*The leather and footwear sector expects to surpass its target of 9.7 billion USD in turnover this year, as many Japanese importers have shifted their orders from China to Vietnam.*

Turnover is expected to increase even more if the Trans-Pacific Partnership (TPP) and the Free Trade Agreement (FTA) between Vietnam and the EU are signed. Many importers, including those from Japan, have shifted orders from China to Vietnam. Exporters already have had orders through the first quarter of next year, according to the Vietnam Leather and Footwear Association.

Luu Van Thanh, director of Hoang Kim Handbag Ltd Co in Ho Chi Minh City's Binh Tan District, said the company has been meeting with visiting Japanese groups nearly every day. He said he has never seen this many Japanese businesses coming to Vietnam.

Thanh's company, which employs 100 people, exports all of its products, to Switzerland, Germany, France, and Japan. Many importers viewed Vietnamese standards for handbag production as higher than those of other ASEAN countries such as Indonesia, Cambodia and Myanmar, he said.

Truong Thi Thuy Lien, director of Lien Phat Footwear Ltd Co in Binh Duong province, said that after two months of surveying the market and sending samples, her company has received its first orders from a Japanese partner. The company's export orders are full until the end of the year, according to Lien.

The leather and footwear association said the TPP and FTA would cut tariffs to zero percent, which would make Vietnamese exports more competitive with China and India. In the first six months of the year, the footwear sector earned more than 3.99 billion USD in turnover, an increase of nearly 14 percent compared to the same period last year.

The US accounts for 32 percent of export turnover (1.27 billion USD). Bag and suitcase products also saw an export growth rate of 22 percent in the first six months, with a turnover of 911 million USD.

Exports to the US accounted for 44 percent of total export turnover (391 million USD), an increase of nearly 30 percent over the same period last year.

Source: Vietnam+

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## **Vietnam, Haiti sign economic framework agreement**

*Minister of Industry and Trade Vu Huy Hoang and his Haitian counterpart Wilson Laleau inked a framework agreement on trade and investment in Hanoi in July 2013.*

The agreement aims to create a legal scope for the two sides to further their multifaceted cooperation, including the establishment of an intergovernmental committee. Under this agreement, they will effectively carry out the memorandum of understanding on rice trading signed in December 2012, under which Haiti will buy 250,000 - 300,000 tonnes of high-quality rice from Vietnam each year.

In addition, relevant agencies will continue to discuss cooperation in the transfer of food plant technology, particularly rice, based on each country's conditions and capacity. Their cooperation will focus on trade, investment, agriculture, animal breeding and garments.

Speaking at their talks, Deputy Minister of Industry and Trade Tran Tuan Anh said that Vietnam is willing to provide construction services and products to Haiti, participate in the country's infrastructure construction and industrial production projects, and build a legal framework to facilitate cooperation between the two sides' businesses.

Vietnam will also consider cooperation with the Caribbean country in such fields as education and training, social issues and poverty reduction, he said. For his part, Wilson Laleau, who is also Minister of Economy and Finance, said Vietnam's proposals are in accordance with Haiti's demands. At present, it is in need of building infrastructure and developing its transport network, particularly highways and seaports.

The country is considering the establishment of companies to process agricultural products for the domestic market and export, as well as joint ventures to produce cement and steel, and exploit minerals, he said. Wilson Laleau also suggested establishing a centre in Haiti to distribute Vietnamese goods in Haiti and American countries.

In the first five months of 2013, Vietnam earned 20.2 million USD from exports to Haiti, up 355 percent from a year ago, with rice, machinery and mobile phones the main exports

*Source: Vietnam+*

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## **MOIT to allow more petroleum distributors to join the market**

*Four enterprises, which are private businesses and joint stock companies, have got the licenses from the Ministry of Industry and Trade to operate as the petroleum distributors in the domestic market. The number of the distributors would still be rising.*

All the existing petroleum distributors complain that they incur losses because they have to sell products below the cost prices as requested by the government. However, none of them intends to leave the market. What the government and people hear most from petroleum distributors are that the distributors incur loss and insist on the selling price increases.

Holding more than 90 percent of the market share, the big guys including Petrolimex, PV Oil, Mipex, Saigon Petro, Dong Thap Oil and Gas Trade Company have been dominating the market.

## 17 and more

With the licensing to the new four enterprises, Vietnam now has 17 big petroleum distributors. Vo Van Quyen, Director of the Domestic Market Department, an arm of the Ministry of Industry and Trade, said the licensing aims to create a more competitive market which would benefit consumers.

The threshold would be exceeded in the near future, as some petrochemical and oil refinery investors have seen the “green light” on to them to set up petroleum trade companies. Under the Vietnam’s WTO commitments, Vietnam doesn’t have to open its petroleum retail market to foreigners. However, setting up petroleum trade companies seems to be a “reward” by the government of Vietnam to the foreign invested oil refinery projects’ investors.

The Nghi Son petrochemical and oil refinery project, in which foreign investors hold 75 percent of the stakes, and the 100 percent foreign invested Vung Ro Oil Refinery project, for example, have got the nod from the government to set up distribution companies which would distribute the products to be churned out by them.

Nghi Son expects to become operational by 2017, with the capacity of 10 million tons of crude oil a year. Vung Ro would run at the capacity of 8 million tons. Once Nghi Son is put into operation, the domestic production would be able to satisfy 60 percent of the domestic demand. If so, the competition among the distributors would become stiffer.

## Who will define the selling prices?

It would always be a very difficult task to define the retail petroleum prices.

The government’s Decree No. 84 stipulates that the selling prices would be defined based on the market supply and demand, and with the state’s management. The distributors have the right to set the selling prices. However, the decision on the next price increase must be made at least after 10 days since the previous price adjustment. In case the import prices decrease, the distributors must lower the selling price no later than 10 days.

However, since mid-2012, state management agencies decided to regain the power of setting the retail prices from the petroleum distributors after a long time of giving the power to them.

The big guys in the market -- namely Petrolimex, or PV Oil, of course, don’t want to lose the power. They have repeatedly insisted on the right to define the selling prices themselves, which would allow raising the retail prices as soon as the import prices increase; with no need to ask for the management agencies’ permission.

Source: Doanh Nhan

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## INVESTMENT

### Solar-powered watering system applied in Ninh Thuan

*A group of students from the HCMC University of Technology has implemented a solar-powered watering system in Ninh Thuan Province after winning the special award of the Holcim Prize 2012.*

The first phase of this project started in December 2012. In May 2013, the system began trial run on 1,000 square meters of peanut farming in Phuoc Hai Commune, Ninh Phuoc District.

As the system runs on solar power instead of electric power, it will help address the demand for irrigation of farmers, especially during the dry season.

The system is made of eco-friendly materials such as solar filters to utilize natural power sources and prevent environmental pollution.

Nguyen Van Ngot, chairman of the Ninh Thuan farmers' society, said the system would help farmers boost their production as they could grow crops during the dry season with no need to worry about water shortage. If innovated and upgraded, this system would be able to supply water for livestock farming, household consumption and many other activities.

The second phase of the project will kick off later this year on a total farming area of 2,000 square meters. The cost of this project is VND200 million, sponsored by Holcim Vietnam. Ninh Thuan has more sunny than rainy days and a thermal radiation of some 5.5 kwh per square meter a day, the highest rate in the country.

The Holcim Prize was first organized in 2009 and has soon become a playground for university students with passion for scientific research. The Holcim Prize 2013 will take place in October and November, with a total prize value of VND600 million.

*Source: the Saigontimes*

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### **Vietnam to pay Japanese road builder \$7.38 mln compensation for delay**

*For the first time Vietnamese authorities will pay a foreign contractor compensation of nearly VND156 billion (US\$7.38 million) after construction of a bridge in Hanoi was delayed.*

City authorities will pay Tokyu Corporation after failing to clear required sites in time, leading to a 27-month delay in building a connecting road to the under-construction Nhat Tan Bridge over the Red River.

Tuoi Tre newspaper Wednesday quoted an unnamed source as saying that the Ministry of Transport has sought permission from the government to pay the compensation. Tokyu was awarded the contract to build the road in Dong Anh District for more than VND 1.8 trillion, and it started the work in March 2009, planning to finish it in February 2012.

But it was only in March 2012 that Hanoi authorities acquired and cleared land for the road, and the deadline for completion was pushed back to May 2014. The ministry will advance the money to pay the compensation and Hanoi will return it next year, the newspaper reported.

The bridge is estimated to cost nearly VND13.63 trillion (\$644.82 million), with 74 percent of it coming in loans from the Japan International Cooperation Agency.

The Hanoi People's Committee was tasked with acquiring land and resettlement of displaced people. Speaking to Thanh Nien earlier this week, Deputy Minister of Transport Nguyen Hong Truong said though most infrastructure projects in Vietnam are delayed, it is for the first time that a contractor has demanded compensation for delay.

As the first case of its kind, it needs to be “carefully” handled, he said, explaining that the ministry accepted the contractor’s demand but also had to make sure that the taxpayer’s money is used “reasonably.”

In the case of this project, they did not only have to relocate people but also move a 200kV grid, he said in an explanation for the delayed site clearance.

The ministry and the city People’s Committee are working together to identify the responsibility of various people for the delay, he said.

*Source: ThanhNienNews*

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### **Bitexco seeks partner for landmark PPP project**

Bitexco will launch a series of investor road shows for Vietnam’s first public-private partnership project together with the Vietnamese government and the World Bank from July 22, covering Mumbai, Seoul, Singapore and Hanoi.

“I’m delighted that the public-private partnership model has already attracted keen interest among investors from around the world. We want like-minded partners who are looking at longer-term strategic opportunities in transport and infrastructure development that will contribute to Vietnam’s growth,” said Vu Quang Hoi, chairman of Bitexco Group.

The Ministry of Transport began to sell dossiers to potential domestic and foreign investors who are interested in the project from July 2.

The Dau Giay-Phan Thiet motorway is a critical link in the national north-south transport route. Spanning approximately 100 kilometres, the four-lane road will link the key southern cities of Ho Chi Minh City and Phan Thiet. Victoria Kwakwa, World Bank country director for Vietnam said the Dau Giay-Phan Thiet route was crucial for a new stage of infrastructure development in Vietnam.

“The project will boost the economic performance of the southern region. Last but not least, this is the first public-private partnership project in which we are co-operating with the Vietnamese government and it’s very important for both parties,” she said.

Bitexco officially gained approval from the government as the prime investor in Dau Giay-Phan Thiet motorway project in 2010.

According to the investor, the project would cost in the region of \$757 million, with Bitexco holding 60 per cent equity in the project. The rest will be contributed by the state and other private investors. The shareholders have a 30-year concession to operate the motorway via tolls, after which it will be handed to the Ministry of Transport.

The Bitexco Group expected to borrow capital from the World Bank’s International Bank for Reconstruction and Development to invest in the project, but the World Bank is not allowed to offer loans to private companies.

However, Hoi believed this would not prove a set back. “Every aspect of the project will meet international standards and the strictest criteria pertaining to technical design, environmental and social safeguards. As the lead investor, we will seek to



balance the key performance indicators with a commercially viable development in order to achieve a win-win relationship with our stakeholders including the Vietnamese government, our shareholders, investors and the public,” said Hoi.

The Vietnamese government is expecting the success of Dau Giay-Phan Thiet motorway will lead to a wave of foreign investments in infrastructure sector through public-private partnerships

The Ministry of Planning and Investment recently proposed that the government arrange VND20 trillion, or approximately \$1 billion at current exchange rates, to finance public-private partnership projects in the country. The fund will be used matched funding for private sector investment.

Source: VIR

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### **Vietnam, Russia speed up progress of nuclear power plant**

*A delegation from the Russian State Duma’s Energy Committee held a working session on July 17 with leaders of the central province of Ninh Thuan on measures to speed up construction of the Ninh Thuan 1 nuclear power plant in the province.*

Deputy Chairman of the Duma’s Energy Committee Sergei Levchenko, who is leading the delegation, said the plant’s construction, undertaken by Rosatom Corporation, was too slow because of objective reasons from both sides.

According to the agreement signed earlier between the two countries, Russia will begin capital disbursement for the project in 2014. However, the plant’s technical engineering design is yet to be approved, hindering the pace of implementation. In addition, the fact that no specific agency has been named to take charge of the project’s execution is also a problem.

Secretary of Binh Thuan’s provincial Party Committee Nguyen Chi Dung said the project has won approval of local people, but the delay could arouse concerns among the population which would not be in the interest of the project in the long term.

He urged the Russian consultants to early define the location and boundary of the project so that the province can select suitable plans to relocate local residents.

The Russian side affirmed they would do their best so that the project could meet schedule, adding that a university in Voronhez province, where there is an operating nuclear power plant, has been ready to sign a partnership with Ninh Thuan province to train human resources for the Ninh Thuan 1 plant.

Source: Vietnam+

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### **Vietnam mulls opening ailing real estate market to foreign buyers**

*Vietnam’s Ministry of Construction has proposed that foreigners residing in the country are given more chances to buy homes in Vietnam as part of efforts to reduce inventories in real estate sector.*

In a report sent to Prime Minister Nguyen Tan Dung late last month, the ministry proposed that organizations like foreign investment funds, banks, Vietnamese branches and representative offices of overseas companies as well as all foreigners who have a visa to the country that is valid for at least three months, are allowed to buy homes – apartments and independent houses – in Vietnam.

Diplomatic institutions, NGOs and their employees will not be allowed to purchase homes in the country, the ministry said.

It also proposed that those foreign organizations and individuals eligible for home purchase in Vietnam are allowed to buy different types of properties, including townhouses and villas with less than 500 square meters of land to apartments. These properties can be leased if their foreign owners are not living in them.

The houses can only be sold or given to 12 months after the ownership certification is granted to the foreigners.

The ministry put forth two options for individual purchasers. Under one, foreigners can buy any number of housing properties, and under the other, the number will be limited to one or two. The number of houses an organization can buy will depend on the number of foreign employees it has.

The proposal also contains two options for the duration of ownership of housing properties by foreigners. The first option will allow ownership for 50 years with the possibility of a 50-year extension, or 70 years with no extension.

It, however, mentioned no proposed change in ownership duration for foreign organizations. Under current regulations, organizations' ownership of their properties will last until their investment registration expires.

Under a law that took effect on January 1, 2009, foreigners are allowed to buy apartments, but not houses, and each individual or organization can own one apartment that cannot be leased or used for other purposes except living. The law was to be implemented on a trial basis for five years.

The law also stipulates that only five categories of foreign individuals and organizations are allowed to own apartments: individuals who invest directly in Vietnam or who are employed to management positions by domestic or foreign-invested companies in the country; foreigners who receive certificates of merit or medals from the president or government for their contributions to the country; those who work in socioeconomic fields, hold at least a bachelor's degree or higher, and possess special knowledge and skills that Vietnam needs; foreigners who are married to Vietnamese nationals; and foreign-invested companies operating in Vietnam, except for those in real estate industry, that need to buy homes for their employees.

The foreigners should be legal residents of Vietnam and have lived here for at least one year at the time of purchasing the apartment. Companies wanting to buy residential properties in Vietnam should have their investment registrations valid in at least one more year in the country from the time of purchase.

Individuals have to sell or give their apartments to others after 50 years – the general time limit to own an apartment in Vietnam. As mentioned earlier, companies' ownership will last until their investment registrations expire.

The current law leaves out a large number of foreigners in Vietnam who do not belong to the five categories.

According to the construction ministry, only 126 expats and foreign organizations have purchased apartments in Vietnam as of the end of June 2013, most of them were in southern and south-central localities like Ho Chi Minh City, Ba Ria-Vung Tau, Binh Duong and Khanh Hoa Province.

Only 20 percent of the buyers are organizations, the ministry says, adding that housing prices have been too high compared to renting costs, and companies are not allowed to have their local employees live in the houses that they purchase. They are also not allowed to rent their properties, which have to lie vacant when foreign employees leave the country.

Around 80 percent of foreign individuals who have bought houses are married to locals, while another 15 percent have invested directly or are employed in management positions in the country.

Statistics from the General Department of Land Administration show that more than 80,000 foreigners live and work in the country.

Many experts and industry insiders have supported the recent proposal by the construction ministry, saying that relaxing regulations for purchase of residential properties by foreigners, if approved, will give some hope for Vietnam's stagnant property market.

*Source: ThanhNienNews*

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### **City builds special zone for Japan engineering SMEs**

*HCMC will have a manufacturing zone designed for Japan's small and medium mechanical engineering enterprises in the coming time.*

Under the plan, Japan's Unika Holdings Company will cooperate with Hiep Phuoc Industrial Park Company to develop infrastructure for small and medium Japanese enterprises, the Japanese company's CEO told HCMC Chairman Le Hoang Quan on in July 2013.

Yasumi Yoshinori, CEO of Unika Holdings Company and advisor of the Japanese small and medium mechanical business association said that with assistance from the city government, the two partners had agreed to conduct necessary procedures to establish the joint venture to build the zone and make its debut next month.

The joint venture will develop the zone on 100 hectares, but in the beginning it will prepare a standard workshop site on 13 hectares in Hiep Phuoc Industrial Park for Japan's hi-tech businesses.

According to Yoshinori, small and medium enterprises from Japan tend to make overseas investments with Vietnam as a favorite destination. It is now a good time to set up the joint venture to prepare infrastructure and attract Japanese producers.

He also noted that small and medium enterprises of Japan had little experience in investing overseas and thus expected assistance from the city government.

HCMC Chairman Quan said that the investment efficiency of Japanese enterprises in HCMC was always high and Japanese manufacturing enterprises had high technologies which the city needed. Therefore, the city would facilitate their investments and operations, he added.

Besides, Quan suggested that the zone should be twice as large compared to the planned area of only 100 hectares.

According to Hepza, Unika Holdings Company has invested in Tan Thuan Export Processing Zone for around 18 years and specializes in producing and outsourcing precision engineering products. This October the company will hold a seminar in Japan to call for investments from the country into HCMC.

*Source: the Saigontimes*

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### **Consultants for giant oil refinery project soon to be named**

*Winners of the three international consulting packages for the US\$27-billion oil refinery and petrochemical project in Binh Dinh Province will be named at a press conference slated for next Thursday, August 15.*

Man Ngoc Ly, head of the authority for Nhon Hoi Economic Zone, where the project will be located, told the Daily that the press conference would take place in Binh Dinh's Quy Nhon City. It will be the first media event on this colossal project organized by the Thai investor PTT Company.

At the press conference, PTT will name the chosen international consultants in finance, market and technology. The oil refinery project will officially get moving on this occasion. PTT will also clarify where funding and crude oil would be sourced, where the products of this project would be sold and where technology and equipment would be bought.

Project planning and feasibility study will be done in nine months. After that, the project owner will make a report to the Government and relevant ministries, Ly informed. On August 19, PTT will send a delegation to the University of Quy Nhon to discuss cooperation in training human resources for the project.

The government of Binh Dinh has decided to set up an advisory group consisting of experts with profound experience of oil refinery and petrochemical, finance-banking and environment. The group will assist PTT in replying to the questions of the concerned agencies during project planning.

Mixed opinions have surfaced after PTT had initiated the mammoth project worth US\$27 billion in Nhon Hoi Economic Zone. Some cast doubt over PTT's ability to cover the cost of this project.

In addition, with an annual capacity of 30 million tons, this project will likely lead to oil oversupply in Vietnam, given the existence of similar projects in Dung Quat, Quang Ngai and Phu Yen's Nam Vung Ro.

There is also a concern about inputs for this oil refinery. In response, the Thai investor has said inputs would be sourced from the Middle East, Africa and the Americas.

Earlier, Binh Dinh's Vice Chairman Ho Quoc Dung said Deputy Prime Minister Hoang Trung Hai had signed a document giving nod to the oil refinery and petrochemical project in Nhon Hoi Economic Zone.

In this document, the Government asks Binh Dinh Province to give PTT instructions in project planning and send a feasibility study report to the Ministry of Industry and Trade before submission to the Prime Minister. In addition, an environmental assessment report must be sent to the Ministry of Natural Resources and Environment.

The oil refinery and petrochemical project initiated by PTT if approved will be developed on 2,000 hectares in Nhon Hoi Economic Zone with an estimated capacity of 660,000 barrels of crude oil per day, or some 30 million tons per year. It would get off the ground in the first quarter of 2016 and start operations in 2019.

Source: *the Saigontimes Daily*

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### **Quang Ngai grants licenses for 13 new projects**

*The central province of Quang Ngai has approved licenses for 13 projects this year, including three foreign-invested projects worth US\$16.5 million.*

It has granted business licenses for 285 projects, including 260 from domestic investors and 25 foreign-invested projects worth \$5.2 billion in total, says director of the Provincial Investment Promotion Centre Tran Ba Nam.

Among the projects, JK Paper manufacturing company from India has registered to invest \$150 million for a plant in Dung Quat Economic Zone (EZ), he said.

"Businesses have actually disbursed \$3.6 billion in projects, 70 per cent of total registered capital, while 13 of 25 foreign-invested projects have put into operation," Nam said.

"Dung Quat is seen as one of the top five attractive coastal economic zones in Viet Nam with 114 projects, including an oil refinery that produces 6.5 million tonnes per year, a deep sea port which allows access to 100,000 deadweight tonnage (DWT) ships. These are massive advantages in luring investors," he said.

The province has offered investors a 10 per cent income tax rate with tax exemptions in the first year, he added.

Source: *VNS*

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### **Hitachi secures infrastructure foothold in Vietnam**

*Hitachi Asia Ltd yesterday announced the establishment of its subsidiary firm in HCM City, giving the company greater access to one of the region's most promising economies.*

Established with initial capital of approximately \$500,000, Hitachi Asia (Vietnam) Co Ltd will also help its parent company penetrate deeper into infrastructure, power systems and IT systems firms in Viet Nam.

"Viet Nam's economic growth provides plenty of business opportunities for Hitachi to fulfil the market demand for social infrastructure products, services and solutions," said Yukio Toyoshima, managing director of Hitachi Asia Ltd.

The Tokyo-based company entered into a 37 billion yen (\$376 million) contract with the Management Authority for HCM City's Urban Railways in June to construct Viet Nam's first urban railway in the southern city.

Hitachi is to deliver subsystems including 17 train sets with a total of 51 carriages, a signaling system, a telecommunications system including wireless train radio and a power supply system, as well as platform screen doors, an automatic fare collection system and depot facilities. It is also scheduled to undertake five years' maintenance work after the start of commercial operations, with details due to be stipulated in a separate agreement.

The new urban railway is scheduled to begin operations in early 2018. Over recent years, Vietnam has attracted a raft of foreign direct investment (FDI) and Official Development Assistance (ODA) from overseas, with Japan accounting for a sizeable proportion of both FDI and ODA to the country.

Of the total \$13 billion FDI in Viet Nam last year, \$5.1 billion was from Japan, representing 40 per cent of total FDI. Meanwhile, the total committed 2012 Japanese ODA to Viet Nam was 286 billion yen (more than \$ 2.9 billion).

Hitachi is a leading global electronics company with approximately 326,000 employees worldwide. The company's consolidated revenues for the fiscal year 2012 (ended March 31, 2013) totalled 9,041 billion yen (\$96.1 billion).

Source: VIR

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## Hau River 2 power plant to follow BOT model

*The Ministry of Industry and Trade (MoIT) and Malaysian Toyo-Ink Corporation on August 1 signed a Memorandum of Understanding (MoU) on the Hau River 2 thermal power plant, which will be built towards the build-operate-transfer (BOT) model.*

The plant, which will have a total capacity of 2,000 MW, comprises of two turbine generators and will run on imported coal to supply electricity, contributing to ensuring national energy security, particularly in the southern region.

According to Director General of the MoIT's General Department of Energy Pham Manh Thang, the first generator of the plant is expected to start commercial production in the second quarter of 2021, and the entire plant in the second quarter of the following year. The General Department pledged to provide guidance and work closely with the investor to ensure the progress of the project, Thang added.

Song Kok Cheong, CEO of Toyo-Ink, said with the support of the MoIT, the corporation has worked with Vietnam Electricity (EVN), other related agencies, localities and banks to run the project smoothly.

He also committed to following the progress and ensuring the project's quality as set by the MoIT.

Addressing the signing ceremony, Deputy Minister of Industry and Trade Le Duong Quang affirmed that Vietnam's total coal-fired power capacity needs to reach 36,000 MW, accounting for 47 percent of the whole power generation system's capacity.

To meet the goal, the Vietnamese Government has issued policies and incentives to encourage investors, both in and out of the country, to join in building the core constructions under different cooperation forms, including the BOT model, he said

Source: Vietnam+

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### **Vinamilk wants to take over U.S. milk firm**

*Besides the increase of capital investment in Miraka of New Zealand to above 19.3 percent, Vinamilk Board of Directors also approved the acquisition of the California-based Driftwood Dairy Company, which was founded in 1920.*

According to the Management Report of the first half of 2013 of the Vietnam Dairy Products Joint Stock Company (Vinamilk), this company issued a resolution on the selection of its commercial representative in the United States in its meeting on May 3, 2013.

Driftwood is a U.S. dairy company based in California, founded in 1920, manufacturing butter, juices, salads, ice cream and bread. Its major customers are schools, hotels, hospitals, supermarkets, restaurants and offices.

Previously, Vinamilk invested in Miraka Limited in New Zealand. This is its first overseas project, with 19.3 percent of capital. With chartered capital of nearly VND8.34 trillion, Vinamilk planned to pay VND1.67 trillion of dividend in 2013. At a meeting in April 2013, Vinamilk approved the plan to pay 34 percent of dividend in cash.

After the first half of 2013, Vinamilk's total assets increased by six percent, to VND21 trillion, its net sales up by 14 percent and its net profit rose by 22 percent to VND3.347 trillion year on year. Its EPS was VND4.015 in this period.

Source: VietnamNet Bridge

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### **Foster Wheeler to manage new Vietnam project for refining, petrochemicals**

*The complex will consist of an integrated refinery, processing 200,000 bpd of crude oil, and a petrochemical complex, with associated infrastructure, utilities and offsites facilities. The refinery is designed to process Kuwait Export crude. The plant will have the facilities for full conversion.*

Foster Wheeler was awarded a project management and consultancy services contract for the new Nghi Son refinery and petrochemical complex (NSRP) to be built in Vietnam, the company said Tuesday.

The Nghi Son project is a joint venture including Vietnam Oil and Gas Group, Kuwait Petroleum and Japan's Idemitsu Kosan and Mitsui Chemicals. The Foster Wheeler contract value was not disclosed, with officials noting that the expected total project investment is \$9 billion.

The complex will consist of an integrated refinery, processing 200,000 bpd of crude oil, and a petrochemical complex, with associated infrastructure, utilities and offsites facilities. The refinery is designed to process exported crude from Kuwait. The plant will have the facilities for full conversion, with an integrated aromatics complex and polypropylene production.

“Foster Wheeler successfully completed the front-end engineering design for the NSRP complex, and subsequently provided project management services during the tendering phase for the main EPC contract,” said Umberto della Sala, president and chief operating officer for Foster Wheeler.

Foster Wheeler said it will manage and administer, in an integrated team with the client, the engineering, procurement and construction contractor consortium through to the completion of performance testing. The NSRP complex is expected to commence commercial operations in 2017.

Source: *Hydrocarbonprocessing.com*

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### **PPP deal preferred for airport**

*South Korea’s Joinus Company Ltd has proposed switching from a build-operate-transfer model to a public-private-partnership investment approach for the northern province of Quang Ninh’s Van Don international airport project.*

According to the local people’s committee the investor and the local authorities discussed the advantages of the public-private-partnership (PPP) model over the build-operate-transfer format two weeks ago.

Nguyen Van Thanh, Vice Chairman of Quang Ninh Provincial People’s Committee, said the Korean investor believed the airport project would be more feasible if it was conducted under the PPP model in which the state would also be liable for a share in the risk.

“We haven’t yet replied to Joinus, as the decision as to whether it becomes a PPP project would need to be discussed with relevant governmental agencies and receive a stamp of approval from the prime minister,” said Thanh.

However, it would not be surprising if the Joinus proposal was accepted as the Vietnamese government previously earmarked aviation infrastructure as a priority sector for applying the PPP model.

Van Don international airport would represent a key infrastructure project in the Quang Ninh Economic Zone. Located near the world heritage Halong Bay, the Vietnamese government has long regarded the site as an ideal location for the development of a trading and high class tourism hub, helping develop the key northern economic region.

Once completed, it would become the third international airport in Vietnam’s northern region, joining Noi Bai in Hanoi and Cat Bi in Haiphong. The project was initially proposed by the US-based Rockingham Asset Management LLC, but the firm had to withdraw from the project because of the global financial crisis.

Two years ago, Joinus announced that it had replaced Rockingham. The Korean investor also proposed to build a \$1.5-2 billion motorway connecting Quang Ninh’s Halong city and Van Don island.

In February 2012, the South Korean firm signed a memorandum of understanding with Quang Ninh Provincial People’s Committee, underlining its commitment to invest in the projects.

At the meeting with Quang Ninh Provincial People’s Committee two weeks ago, Thanh confirmed that the investor had sent the local authorities plans for project funding and predictions of aviation transport demand in the province. Thanh believed the



airport would be a driving factor in the development of the Quang Ninh Economic Zone as many investors were waiting for the airport to go ahead before committing funding to the zone.

Positioned on the border of China's Guangxi province and bordering Haiphong city, Lang Son, Bac Giang and Hai Duong provinces, Quang Ninh is emerging as an attractive destination for investment in the north of Vietnam.

Source: VIR

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### **HK firms shift to Vietnam**

*Hong Kong's enterprises are making careful preparations for investments in Vietnam to cash in on opportunities from the Trans-Pacific Partnership (TPP) agreement that the country expects to conclude this year.*

Pacific and Crystal Group's subsidiary Crystal Garment as two big garment enterprises of Hong Kong are preparing for expanding production of apparel products in the northern province of Hai Duong after receiving investment certificates.

Problems in site clearance for the two projects do not discourage the two investors whose pledged investment is worth some US\$538 million combined. Both enterprises have continued to negotiate with Hai Duong Province authorities and the Ministry of Planning and Investment over a proposal to spend around VND600 billion to take over Lai Vu Industrial Park for their production bases.

Efforts of these enterprises, in the view of experts, are preparations for them to easily enter the U.S. market once the TPP is concluded among 11 countries including Vietnam and the U.S.

The Vietnam Trade and Industry Information Center under the Ministry of Industry and Trade noted that with production plants in Vietnam and using local materials, Chinese enterprises can penetrate the U.S. market with export tax rates much lower than operating from China.

TPP negotiations between Vietnam and the U.S. are progressing well. If the negotiations end late this year and Vietnam together with the U.S. and nine other countries become members of TPP, goods originated in Vietnam will enjoy tax rates cut by half or even reduced to 0% compared to the current rate of 17% the U.S. is imposing on Vietnam's garment products.

Therefore, enterprises with plants in Vietnam will be more advantageous than those in China which have to pay a tax rate of up to 37% when shipping apparel products to the U.S.

Source: Saigontimes

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### **Luxury hotel to go up at city's prime site**

*A luxury hotel and commercial center complex worth nearly VND7.17 trillion will be built in the heart of HCMC.*

The HCMC government this Monday approved a selection of investors for the project at 164 Dong Khoi Street in HCMC's District 1.

A consortium comprising Hongkong Land International Holdings Ltd. of the U.K. and two Japanese firms, Sumitomo Realty & Development Co. Ltd. and Toshin Development Co. Ltd., is involved in this project. The project will cover an area of nearly 9,800 square meters near Tran Dai Nghia High School, bordered by the streets of Dong Khoi, Nguyen Du and Ly Tu Trong. This commercial, service and cultural complex would offer offices, luxury hotel rooms and exhibition space.

The cost of the project is around VND7.17 trillion, or roughly US\$355 million, with nearly half to be spent on construction and the remainder on site clearance compensation and resettlement.

If the investors failed to carry out the project without good reason, their deposit would be confiscated and they would be banned from participating in other projects in the city for three years, according to the HCMC government.

In addition, the investors are not allowed to transfer their stakes or their right to develop this project to other investors as long as the project has not been completed.

The prime land lot of the project earlier attracted bids from nearly 70 investors, including those having a strong financial position with equity of over US\$1 billion.

*Source: SGT Daily*

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## **FamilyMart still stays in Vietnam despite rumors**

*Japanese retailer FamilyMart has made a comeback in Vietnam's retail market with its opening a Ho Chi Minh City-based store.*

The FamilyMart shop based on Sky Garden tower in Ho Chi Minh City's District 1 resumed operation on July 30, 2013 after a time of cessation in operation due to the change of business partner. This is the first outlet marking the start of Japanese retail brand FamilyMart after bidding farewell to local distribution and retail firm Phu Thai Group JSC.

The move shows the Japanese retailer did not have the intention to quit the Vietnamese market to cut down losses as it was once rumored after the collapse of the FamilyMart and Phu Thai joint venture. According to chairman and chief executive officer Kigure Takehiko of FamilyMart Vietnam Limited- the owner of FamilyMart stores in Vietnam- FamilyMart will open three more shops in Ho Chi Minh City this August and the number of shops would reach 20 by the year's end. Besides, FamilyMart store system would deepen toes in Hanoi by late 2014.

“We need time to forge ahead. Our target customers are pupils and students aged from 15-30. The forthcoming stores all target this same customer group,” said Takehiro, adding that the potential for convenience shop development in Vietnam was bigger than that of Thailand. Only District 1's FamilyMart store, designated to serve Japanese customers living in Vietnam, mostly features Japanese brand essential goods.

In parallel to reopening the shop system, FamilyMart also contemplates teaming up with another local partner to form a new JV for FamilyMart shop expansion. “The local partner should have a deep knowledge about local market, the ability to source space quickly as well as handle procedure issues,” said Takehiro.

Its former local partner Phu Thai Group, however, after ‘splitting’ from FamilyMart has developed a new retail brand namely B’smart capitalised on its existing 42 shop system. The group was reported to tie up the knot with the Thai partner Beri Jucker Plc (BJC).

Though Phu Thai Group has yet to unveil its new cooperation, the Thai partner BJC, through the Thai Corporation International Vietnam (under Mongkol Group and BJC), said in a recent media statement about its entrance into Vietnam’s retail market.

The new B’smart brand retail chain’s chief executive officer of Thai nationality Phidsanu Pongwatana said 20 such shops would be opened in Ho Chi Minh City up to the end of 2013 to increase the total number of shops to 62.

Besides, B’smart shops would make forays into Hanoi in the upcoming year. These shops would feature around 2,500 items part of them will come from Thailand. B’smart also mulls opening supermarkets, mega-supermarket, bookstores and drug stores.

### FamilyMart store reopens at Sky Garden building

The FamilyMart convenience store located at Sky Garden building in HCMC’s District 1 reopened after a period of interruption that followed a restructuring of stakes in the former operator of the store chain.

Kigure Takehiro, chairman of Vietnam Family Convenience Stores Co. as owner of the FamilyMart chain in Vietnam, told the Daily that this was the first outlet to open, heralding the Japanese retailer’s comeback to the local retail market after parting company with its local partner Phu Thai Group Joint Stock Company.

The FamilyMart store at Sky Garden building, 20 Le Thanh Ton Street, District 1 stocks processed food and technology products, most of them imported from Japan to meet the demand of nearby residents, especially Japanese. The store is worth US\$120,000, equivalent to VND2.5 billion.

Takehiro said that with the resumption of the store’s operation, FamilyMart wanted to affirm its long-term business commitment to Vietnam after the cooperation with Phu Thai ended.

In addition to the store at Sky Garden, Vietnam Family Convenience Stores will open another store at 188E Phan Van Tri Street in Binh Thanh District this Saturday.

In May, FamilyMart Japan sold its 49% stake in the joint venture to Phu Thai after four years of cooperation. With this deal, 42 FamilyMart stores are under the ownership of Phu Thai, with 41 stores renamed as B’s mart.

Source: VIR & SGT

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### Highway No. 1 expansion in Can Tho begins

Work on the expansion of National Highway No. 1, CanTho-Phung Hiep section, began in the Southern city of Can Tho in August 2013.

The VND1.8 trillion (\$86 million) project is expected to be completed by the end of 2015. The section will be 20 metre wide with four lanes reserved for motorised vehicles and two lanes for non-motorised vehicles.

Addressing the launching ceremony, Deputy Prime Minister Hoang Trung Hai valued the project as contributing to realizing Highway No. 1 upgrade and expansion by 2020. He spoke highly of the project's Build-Operate-Transfer (BOT) investment model at a time when the state budget is limited.

Deputy PM Hai asked the Ministry of Transportation to monitor closely the project's progress to ensure its schedule, quality, safety and environmental protection. He also urged local authorities and residents to support site clearance work and ensure material supply for the project.

Source: VIR

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## FINANCE – BANKING

### Flag carrier announces IPO plan

National flag carrier Vietnam Airlines plans to launch its long-delayed initial public offering by the end of the second quarter of 2014. Its executives believe the share price will be higher than its par value of 10,000 VND (0.48 USD).

Vietnam Airlines General Director Pham Ngoc Minh said the attraction of the airline stocks did not rely on dividend payout but was in the company's value.

"Investors, especially foreign ones, will find investment in Vietnam Airlines attractive for many factors including two-digit growth (except for 2011 and 2012), a modern fleet and big potential in the local aviation market," Minh was quoted as telling Tuoi Tre (The Youth) newspaper. Minh said Vietnam Airlines was in the process of making business value assessment, conducted by international firms Citigroup and Morgan Stanley. These consulting partners will collect information on customer data, flight network and influence on the domestic and international markets.

"If nothing changes, the IPO will take place late in the second quarter of 2014," Minh said, expecting Vietnam Airlines would obtain 200 million USD by selling 383 million shares at the IPO.

Vietnam Airlines' IPO is one of the most anticipated equitisation of large State corporations. The carrier planned to equitise in 2008 but missed several deadlines due to unfavourable market conditions.

Vietnam Airlines reported a pre-tax profit of 173 billion VND (8.16 million USD) in the first half of this year, far surpassing its entire year forecast of 83.5 billion VND (4 million USD), while its revenue rose 5.3 percent year-on-year to 27 trillion VND (1.28 billion USD).

Source: VietnamPlus

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## HCM City breaks 500 barrier but liquidity low

*Shares made significant gains on the HCM City Stock Exchange last week to break the 500 point barrier, but stocks tumbled in Ha Noi as liquidity remained low.*

The VN-Index on the HCM City Stock Exchange gained 1.4 per cent to reach 500.62 points, an important landmark which should buoy traders' confidence.

Trading value averaged VND656.8 billion (US\$30.9 million) per session, which was relatively low considering trading time had been extended by nearly an hour.

Large-cap stocks led last week's rally, while small-cap shares generally struggled.

Increased selling pressure from the previous week dragged the market down on Monday, but trading was more balanced in the following sessions when demand increased as shares reached attractive prices. Blue-chips were the main focus of the buys.

The gains of PetroVietnam Gas Corporation (GAS), property developer Vingroup (VIC) and private equity firm Masan (MSN) played an important role in lifting the VN-Index past the 500 point mark.

Meanwhile, smaller stocks - in terms of capitalisation and liquidity - were traded sparingly and offered little in the way of profits.

Last week, the fastest growing stocks in HCM City were FeCon Foundation Engineering And UnderGround Construction (FCN) and Dong Phu Rubber (DPR).

FCN rose 13.37 per cent after Samsung chose the company to build the dormitory base for its Thai Nguyen project.

DPR rallied 10.26 per cent as speculative cash poured into the stock following major shareholders' buying orders. Its general director Nguyen Thanh Hai registered to buy 75,000 shares, while the chief accountant also put down for 25,000 units.

Foreign investors continued their recent selling trend. The total net selling value last week in HCM City was nearly VND47 billion (\$2.2 million), with investors withdrawing from insurer Bao Viet Holdings (BVH), Phu My Fertiliser (DPM), Eximbank (EIB) and Vietinbank (CTG).

On the Ha Noi Stock Exchange, the net value reached VND48 billion (\$2.25 million) as PetroVietnam Southern Gas (PGS), Kim Long Securities Co (KLS), PetroVietnam Technical Service (PVS) and Sai Gon - Ha Noi Bank (SHB) stocks were heavily sold.

The benchmark HNX-Index fell 0.3 per cent, to rest at 61.70 points, while the average value of trades was just VND147 billion (\$6.9 million).

Maritime Bank Securities Co analyst Trinh Thi Hong predicted the HCM City market would continue to advance this week, with the VN-Index possibly hitting 510 points.

The director of the Viet Nam Asset Managing Company (VAMC) said in the next 12 months the body would issue special bonds for around 10 commercial banks to buy back non-performing loans (NPLs) worth VND10 trillion (\$471.6 million). VAMC would give priority to banks with the highest rates of NPLs.

This year, the company will buy banks' NPLs at the book value and sell at market price. According to FPT Securities Co analyst Nguyen Van Quy, this will be positive information for investors over the next two months.

"The real estate market is slightly recovering as inventories in the sector begin to decline compared to the previous quarter," he said, hoping further news like this would improve market sentiment.

Source: VNS

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### **SBV allowed to hold stakes in weak banks**

*The State Bank of Vietnam (SBV) will be able to acquire stakes in those banks kept under special control when Decision 48/2013/QD-TTg of the Prime Minister takes effect on September 20.*

This decision was released last week in order to concretize the scheme for restructuring the banking system, which was passed in February last year.

Stake acquisition in weak banks will be done when the solvency of such institutions has been secured with refinancing provided by SBV, according to the restructuring scheme. As per the newly-issued decision, SBV can purchase stakes in weak credit institutions or contribute capital to them. When these credit institutions get healthier, the central bank may pull out of them through stake transfer to other investors.

Besides, SBV can assign certain credit institutions to buy stakes in weak banks. These credit institutions will receive refinancing loans and special loans from the central bank. Credit institutions under special control are those having an accumulated loss exceeding their charter capital and reserves recorded in their audited financial statements. If halting their operations, these institutions would put the safety of the banking system at stake, says Article 149 of the Law on Credit Institutions.

SBV so far has submitted to the Prime Minister the schemes for restructuring eight banks among the nine classified as weak. As for the remaining bank, namely GP Bank, SBV is considering its restructuring scheme and will likely have to make interventions. Three of these weak banks, TinNghiaBank, Ficombank and SCB, have been merged together. Meanwhile, Habubank has been merged with SHB and Westernbank will soon be merged with PetroVietnam Finance Corporation (PVFC).

Trustbank has sold a majority stake to a group of local investors and adopted the new name of Vietnam Construction Bank. Dai A Bank has planned a merger between it and HDBank. In a report on inspection and supervision of credit institutions in the first six months, SBV said a number of weak credit institutions had not been treated properly, especially some joint stock banks and non-bank credit institutions.

The report noted the banking restructuring process was not so smooth since opinions of unrelated parties and authorities at many levels must be considered. The legal framework for handling weak credit institutions is not perfect yet, with a lack of heavy sanctions and compulsory measures.

Besides, there are not so many local and foreign investors with financial viability and good management skills to join the restructuring process. The economic environment and the financial market are not favorable to attract resources for this process. There are concerns over the central bank's possible participation in weak banks, however. Nguyen Thanh Minh from the Credit Department of the HCMC University of Banking said SBV should not necessarily participate in the restructuring of weak banks.

At weak banks, the greatest need now is to reform their governance, especially risk management. Foreign banks have strength in risk management and will be more suitable for restructuring weak banks than SBV, he remarked. As the number of banks subject to restructuring is small, foreign investors will hardly dominate the entire banking system, he said. When restructuring is complete, SBV will more likely sell its stakes to domestic investors in the stock market than foreign investors, he predicted. However, he expressed a concern that a monetary authority like SBV would not be fit for business management.

Therefore, SBV should only stand outside and leave the restructuring of weak banks to other credit institutions to engage in, Minh suggested.

*Source: Saigontimes*

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### **Son Kim Land attracts \$37m finance boost**

*Kiyoshi Hirasawa, CEO of EXS Capital based in Japan told VIR that the company had interviewed around 30 companies active in the real estate sector in Ho Chi Minh City and decided to choose Son Kim Land for its first investment in Vietnam.*

“While Son Kim Land is not as large as some other companies, we valued Son Kim’s good reputation, the integrity of the company’s chairman Nguyen Hoang Tuan, and the quality of the management team and company’s projects in Ho Chi Minh City’s Districts 1 and 2,” Hirasawa said.

He said that as always, location was a prime consideration when it came to real estate. “We will be interested to see how the new metro lines will change traffic flows around Ho Chi Minh City,” he said.

The investment, Hirasawa said, would be used to fund existing Son Kim Land projects as well as other opportunities, including the acquisition of projects from other developers.

“This is our first allocation, after spending more than 12 months studying the market and putting together investment terms that work for the company and our investors. The first case is always the most time-consuming, and we expect to be able to move very quickly from now on,” he added.

“We think the demographics of Vietnam and the recent emergence of Vietnam as a preferred manufacturing location and logistics hub in Southeast Asia for international corporations support potential high growth in the real estate sector,” said

Hirasawa. Over the past few years, he said, the real estate sector had suffered turmoil in the financial markets, but in the longer term he believed that the natural strengths of the Vietnamese market should shine through.

EXS Capital began focusing on Vietnam in late 2011, viewing it as a fundamentally strong economy suffering from temporary market dislocations. It saw similarities between Vietnam’s capital crisis of 2010-2012 and China’s economic crises in 1994-1995 and 2003-2004, when China’s strong demographics and growth story were obscured by challenging fiscal policies and financial dislocation.

In addition to the initial \$37 million, EXS Capital may increase its investment to \$50 million, with an option to increase investment to \$80 million based on the potential of the Vietnamese real estate market.

“Further investment will be used to fund Son Kim Land’s real estate projects which will include hotels, retail and office space in addition to housing. In addition to that, we will be interested to consider opportunities in other sectors where growth will be driven by demographics and economic development,” Hirasawa said.

Son Kim Land is the real estate development arm of the Son Kim Group, which originally found fame as a Vietnamese clothing dynasty which was founded in the 1950s. Today the Son Kim Group is a leading retailer with over 400 stores across Vietnam, and an OEM manufacturer of women’s lingerie for brand names such as Jockey, Vera, J.Buss and WOW. It currently has a joint venture partnership with South Korea’s GS Shop to operate one of the leading home shopping networks in Vietnam, and is the local operator of SB Furniture.

Son Kim Land has six development projects in the pipeline, including two large scale mixed-use developments comprised of apartments, serviced apartments, retail and office space located in the centre of Ho Chi Minh City. Son Kim Land is also developing a high-end residential building in the city’s District 2. Son Kim’s other pipeline projects include a hotel and a mixed-use commercial and office development in District 1, and a luxury beach resort.

Source: VIR

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### **City seeks AIA investment via bond purchase**

*Vice Chairwoman Nguyen Thi Hong suggested AIA Group considers buying local bonds to provide funding for infrastructure development in HCMC.*

Talking to Mark Tucker, executive chairman and chief executive officer of AIA Group, Hong said: “Foreign direct investment (FDI) plays a very important role in the economy of Vietnam in general and HCMC in particular. Like the World Bank and the Asia Development Bank... AIA can inject capital into infrastructure projects in HCMC, such as metro lines or roads and bridges.”

She suggested AIA purchase bonds. “This is a medium- and long-term capital source that the city longs for. We hope AIA investment will be intensive and long-term,” she said at the meeting with Tucker on Tuesday.



Tucker expressed his concern over the negative signs of Vietnam's economy, especially the vast number of loss-making and inactive private firms. However, Hong stated the municipal authorities always provide enterprises with special support to overcome difficulties. In addition, she gave some information proving "the situation is not so gloomy".

The AIA leader said he would continue to follow the developments in Vietnam before coming to a decision.

Source: UBND TPHCM / ITPC

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## Vietnam's NPL attractive to foreign investors

*While Vietnamese banks are not much interested in selling bad debt for debt settlement companies, many foreign investors are very excited.*

Speaking at a seminar in Hanoi, Mr. John Sheehan - former executive director of Lehman Brothers Bank, confirmed that billions of dollars are waiting to run into Vietnam. John had experience in handling bad debt in more than 22 markets worldwide.

The Irishman expert said that Vietnam has established a bad debt settlement company but the problem of this company is its "lack of money" and it only "solves the surface matters." Commenting on the charter capital of VND500 billion (\$25 million) of the Vietnam Assets Management Company (VAMC), he said that this amount will not be enough to solve the current bad debt problem so Vietnam is in need of major funding from outside.

Agreeing with this view, Mr. Truong Thanh Duc – Chairman of the Legal Club of the Bankers' Association - admitted: "To address the problem of bad debt, Vietnam needs money but it does not have, therefore, it needs capital from abroad. The problem is almost policies remain closed for foreign investors, such as regulations on share ownership, stock purchase, land holdings..."

Foreign investors, especially financial institutions, many times expressed concern to the bad debt of Vietnam before the establishment of VAMC was revealed. Most recently, in an interview with Bloomberg, VAMC General Director Nguyen Huu Thuy also revealed that VAMC would call for overseas capital.

Thuy also disclosed the identity of the first few foreign customers who want to buy bad debts of Vietnam, including International Finance Company of the World Bank, TPG Growth LLC - a unit of Standard Chartered. To date, IFC has confirmed its meeting and negotiation with VAMC while the remaining two declined to comment.

According to Sheehan, Vietnam has yet to create conditions for foreign capital to flow into when the infrastructure, the legal framework have not been improved.

"I already have a list of investors who wanted to enter Vietnam. They see Vietnam as an attractive destination but they cannot find any way to pour capital into Vietnam. Thus, the burden is on the Government's shoulders. They are the ones to create a better infrastructure for investors," Sheehan said.

Many other markets in the region have also sought to improve policies to broad legal way for foreign capital to "save" their banks. In case of Thailand in dealing with non-performing loans (NPLs) in 1998, the government decided to allow foreign

investors to own houses regarding to bad loans that they purchased as a temporary solution to help real estate values increase. Similarly, in 2002, the Philippines changed the laws taxes on foreign investors for them to give more money to buy bad debts.

Sheehan, who is currently executive director in Southeast Asia of Captial Services Group added that most foreign investors are interested in bad debt secured by real estate in Vietnam. They primarily come from the U.S. Meanwhile, a group of investors from Europe and Japan are interested in the bad debts of other sectors.

In the opinion of Sheehan, investors generally do not pay much attention to the bad debt figures announced by the market because the true scale of the bad debt is usually much larger. He said in the countries of transparency, the bad debt may double or even 3-4 times higher in the markets lacking transparency.

*Source: VietNamNet Bridge*

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## ANALYSIS – OPINION

### U.S. firms lay groundwork for future opportunities

*Herb Cochran, Executive Director of AmCham Vietnam in HCMC, shares viewpoints of the U.S. business community in Vietnam about State President Truong Tan Sang’s official visit to the United States. Excerpts:*

#### **The Saigon Times Daily: How do American businesses, especially those in Vietnam respond to State President Truong Tan Sang’s visit to the U.S.?**

- Herb Cochran: They are looking forward to the visit with anticipation. Vietnam has not generated much interest lately, when compared with Indonesia, the Philippines and Myanmar. So this is an opportunity. As you know, the World Bank and other leading macroeconomic experts have pointed out that Vietnam is in a “structural growth slowdown,” with gross domestic product (GDP) growth rates that are two percentage points below neighboring countries. Slower growth may intensify demand for further loosening of monetary and fiscal policies, with the risk of stoking inflationary pressures and reversing the recent gains in macroeconomics stability, while delayed implementation of structural reforms for state-owned enterprises and the banking sector could undermine investors’ confidence and worsen growth prospects further.

#### **What do American businesses talk much about the visit?**

- The Trans-Pacific Partnership (TPP) will certainly be one of the main topics of the visit. Many expect that President Sang’s visit will speed up the TPP. We in AmCham have actively discussed TPP with key business associations in Vietnam that make up about two-thirds of Vietnam’s exports to the U.S. market, and in addition with the key foreign direct investment (FDI) business associations, including South Korea, Hong Kong and Japan, as well as associations from Australia, Singapore, Malaysia, Canada (that are engaged in TPP talks). We have had several dialogue meetings and forums to discuss TPP opportunities and challenges.

As for some difficult areas such as textiles and agriculture, I think that there is already good progress and possible early agreement on these sectors, at least as far as Vietnam’s businesses are concerned. In the textile sector, there have been announcements in recent months of more than US\$1 billion FDI in Vietnam by companies from South Korea, Japan and China in anticipation of TPP and duty free export of apparel to the U.S. and other TPP markets.

We believe that the advanced countries in TPP would provide technical assistance to Vietnam in the agriculture and processed food area, just as they have provided technical assistance to Vietnam in World Trade Organization (WTO) accession and implementation. After all, cooperation and “regulatory coherence” is one of the key concepts of the TPP.

### **So, will many more U.S. companies come to Vietnam when Vietnam joins TPP?**

- The TPP, like WTO accession, offers opportunities for Vietnam to attract more FDI from the U.S. and other countries. Much of the actual FDI will depend on Vietnam’s robust implementation of the TPP commitments. For example, some complain that WTO accession was not so beneficial for Vietnam. However, in a recent article, AmCham Governor Fred Burke identified four missing elements that constrain Vietnam’s domestic economic growth, while the external trade and investment sector showed remarkable growth.

These are (1) a lack of robust implementation of the WTO commitments in the areas of investment and services; (2) a lack of government-business coordination in terms of making structural reforms for both state-owned enterprises and small and medium enterprises to increase competitiveness and adapt to the WTO environment; (3) a lack of adequate infrastructure in terms of power and transport that discouraged FDI; and (4) a lack of skilled labor, making it hard to move up the value chain even as labor costs have continued to rise. Addressing these issues of implementation would strengthen U.S.-Vietnam trade and investment:

### **After Burger King and Starbucks, one more giant, McDonald’s, will be entering Vietnam. Do they begin a new wave of U.S. companies coming to Vietnam?**

- The arrival of U.S. franchises is more like the “Fourth Wave” of U.S. investment in Vietnam.

The “First Wave” was between March 1994 and December 2001, the pre-BTA (Bilateral Trade Agreement) period, when U.S.-based global MNCs came to Vietnam to lay the foundation for a long-term opportunity. Companies like PepsiCo, Coca-Cola, Cargill, 3M, P&G, Kimberly-Clark, etc. came for manufacturing and selling products in Vietnam. Exports were negligible.

The “Second Wave” was between 2001 and 2007, the BTA period, when Vietnam achieved normal trade relations with the U.S., duties were reduced from an average of 45% to 3%. FDI grew strongly in sectors where Vietnamese exports to the U.S. grew the fastest after the BTA, especially in labor-intensive sectors such as apparel, footwear, and wood processing and furniture products. This Second Wave started the growth in Vietnam-U.S. trade, which increased from US\$1.5 billion in 2001 to US\$24.9 billion in 2012.

The “Third Wave” was from January 2007, when Vietnam became a member of the WTO, led by Intel’s US\$1 billion investment in an assembly and test facility in Saigon Hi-Tech Park, the growth of U.S. FDI in modern manufacturing for export to global markets and investment in engineering centers.

Now the “Fourth Wave” of U.S. franchise companies investing as Vietnam’s WTO commitments in retail open up opportunities for doing business in Vietnam. In addition, U.S. investment firms have made major indirect (financial) investments, for example, KKR has invested US\$359 million in Masan, while Texas Pacific Group will invest US\$50 million in Masan Agriculture, to seize opportunities in Vietnam’s consumer and retail market.

And there will be additional “waves” of investment after the TPP and the ASEAN Economic Blueprint 2015 as there are additional opportunities.

**It is said that U.S. investors still “wait and see” while many more companies from Thailand and Japan are active in Vietnam via their FDI and M&A deals to cash in on Vietnam’s further global integration. What’s your comment?**

- I believe the record shows that U.S. companies are laying careful groundwork for future opportunities in Vietnam, under the TPP and the ASEAN Blueprint 2015. Where there are real opportunities, there will be U.S. FDI.

**How can trade and investment ties between Vietnam and the U.S. expand after State President Truong Tan Sang’s visit to the U.S.?**

- Joining the TPP, and positive, robust implementation of the commitments could increase bilateral trade between Vietnam and the U.S. to about US\$61.3 billion by 2020. And Vietnam’s apparel exports to the U.S. could increase to US\$22 billion by 2020.

Already, South Korean, Chinese, Japanese and other companies have announced over US\$1 billion FDI in Vietnam to provide the supporting textiles industries, yarn-spinning and fabric-weaving, so that Vietnam’s apparel exports will be able to benefit from zero import duties in TPP markets.

Source: SGT

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## Handling bad debt

*On the sidelines of the bad debt management training course co-organized by Business Development Institute (BDI) and Swiss Asia Banking School last Friday, Le Xuan Nghia, head of BDI, talked to local media about the bad debt handling process in Vietnam. Excerpts:*

**The Saigon Times Daily: How will the bad debt handling process run after the Vietnam Asset Management Company (VAMC) was established?**

- Le Xuan Nghia: Vietnam basically is following the bad debt handling model using mixed financial sources from the State budget and the central bank. Bad debts in basic construction that the State has borrowed from enterprises, enterprises have borrowed from banks and those owed by State-owned enterprises will be settled by the Ministry of Finance.

The remainder will be handled by VAMC under the central bank, risk reserve funds of commercial banks or refinancing of the central bank if needed (for example, for small commercial banks with low liquidity).

Therefore, Vietnam’s bad debt handling method basically is not much different from other countries. However, there may be technical differences depending on special conditions of Vietnam. For example, Decree No. 53/2013/ND\_CP regulates that VAMC can buy bad debts of commercial banks at market value or book value.

The central bank will also apply technical measures to deal with bad debt transacted at book value and paid by special bonds by forcing establishment of risk reserve funds at 20% each year.

### Can you explain “buying bad debts at book value”?

- Buying debts at book value will help speed up debt trading process, avoid indecision of the commercial banks, bargain and prevent further credit freeze. The asset management company will apply technical solutions to handle this practice by forcing establishment of risk reserve funds for special bonds as special discounts and to preserve its capital after five years. Special bonds are considered as main assets of commercial banks to mortgage for loans borrowed from the central bank via the open market operations (OMO). The central bank will decide specific refinancing levels compared to the par value of special bonds, the Government will decide refinancing rates based on special bonds in each period.

### Can you share international experiences of handing bad debts in recent times?

- The important matter in international experiences is where money comes from for handling bad debts. From this source, a country will set up a debt handling model. There are three basic choices for money sources.

The first is from a central bank, including required reserves, exceptional reserves and direct refinancing. With this source, a central bank can buy bad debts of commercial banks, give liquidity finance directly to banks to handle bad debts or via an asset management company belonging to the central bank. Sweden built up this model in 1992. With this model, government will tackle bad debts and prevent inflation at the same time, so the process may last three to five years. Economic growth will be at an average level, the real estate market will also recover gradually depending on bad handling and credit boosting progress.

The second choice is the state budget, which is funded by selling State assets (assets of State-owned enterprises), taking out international loans and in the country by issuing government bonds. With this method, bad debts will be solved quickly in two or three years, inflation will be controlled better and high economic growth can be achieved in short term. The real estate market will also see a more sustainable recovery as credits will be speeded up and total demand will see stable recovery.

The third choice is mixed sources from both the central bank and the State budget. The method will harmonize results of the two models above and usually obtains political agreement. However, it will also demand more harmonious coordination between financial and monetary policies.

Most countries have applied the third model and fetched good results, especially the U.S. in the current financial crisis. Picking the mixed model is the result of political pressure from congresses, the bodies that control budget spending which is closely related to tax policies and government loans.

*Source: Vietnam Law & Legal Forum*

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### Government considers issuing international bonds

*According to the Resolution of the cabinet meeting in July 2013, the government agreed to issue a separate resolution on the issuance of international bonds.*

Earlier, in the regular session of the Government dated July 30, the Finance Ministry presented the plan to issue Government bonds in the international capital market. "The government discussed and agreed to issue a separate resolution on this issue to implement under the provisions of the law", the Resolution issued on August 7 stated.

Thus, if it is implemented, this will be the third time the government issuing bonds in the international market, following the issuance of \$750 million in 2005 and \$1 billion in 2010, with the 10-year term.

With \$750 million in the first time, the Vietnam Shipbuilding Industry Group (Vinashin) was re-lent, but due to inefficient use of capital, this group now has to perform restructuring. Meanwhile, the \$1 billion in the second time in 2010 was invested in the Dung Quat oil refinery. To date, this project is said to operate effectively and ensure solvency.

The issuance of international bonds was mentioned when Vietnam's public debt is at 54.1 percent of GDP in 2012, according to the government report. However, a report by the National Assembly's Economic Committee released in May 5 2013 said that if loans by state-owned corporates and groups that are not guaranteed by the government are included, the debts may far exceed this figure.

According to the Vietnam Economic Times, the Ministry of Finance has calculated that for the period 2011-2015, government debts will continue to rise. In particular, foreign loans are estimated at about VND152.7 trillion and domestic loans of about VND868.4 trillion. The total debt payment in the balance of the state budget in this period will be about VND583.6 trillion. The agency has affirmed the outstanding debt balance will be still in the safety limits.

The Ministry of Finance is drafting a decree to set up and operate credit rating agencies in order to increase efficiency for the issuance and use bonds.

At the meeting, the Minister of Planning and Investment submitted to the Government the draft Law on Public Investment, focusing on adjustment of the principle on allocation of investment capital, conditions for capital allocation, authority and responsibility of the decision makers in order to help overcome wasteful and inefficient investment.

Related to the risk of reduction of dozens of trillion dong of the state budget, the government asked the Ministry of Finance to make the plan to balance the state budget in 2013 to submit to the government in August.

Regarding electricity, gas and coal prices, the Ministry of Industry and Trade will make adjustments according to the market prices on the spirit of openness and transparency.

*Source: VietNamNet Bridge*

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## NEWS IN BRIEF

### **Sonangol May Invest in Vietnamese Oil, Gas Projects**

Angolan oil and gas firm Sonangol (Sociedade Nacional de Combustíveis de Angola) may soon start oil exploration and production activities in Vietnam following agreements signed by the governments of Angola and Vietnam. According to an Angolan Press Agency (Angop) report, Angolan Oil Minister Botelho de Vasconcelos noted Angola and Vietnam has been cooperating on oil and gas since 2008 but now conditions have been put in place for oil explorers in both countries to get the institutional support needed to identify various projects. Vietnam's Foreign Minister, Pham Binh Minh, is currently on a two-day visit to Angola to meet oil ministers and other members of the Angolan government.

### **PetroVietnam-Gazprom JV pumps first gas from Vietnam's Bien Dong 1**

Vietnam-based Bien Dong Petroleum Operating Company, a joint venture between state-owned PetroVietnam and Russia's gas giant Gazprom, has pumped first gas from Vietnam's Bien Dong 1 project covering the Hai Thach and Moc Tinh gas and condensate fields, PetroVietnam said in a statement. PetroVietnam said it was "the technical first gas" and did not give the initial output. But it said production from the project, which is expected to last for 25 years, could reach 8.5 million cubic meters/day of natural gas and 25,000 b/d of condensate. Gas will be supplied to customers in the country's south through the existing Nam Con Son 1 gas pipeline, the statement said. The Hai Thach in Blocks 05.2 and 05.3 and Moc Tinh in Block 05.3 offshore southern Vietnam in the South China Sea have estimated combined reserves of 55.6 Bcm of gas and 25.1 million mt of gas condensate, according to Gazprom.

### **Oxfam helps Tien Giang adapt to climate change**

Authorities and people in the Mekong Delta province of Tien Giang have been equipped with fundamental knowledge about climate change and its risks through an Oxfam-funded project. The "Partnership for equitable resilience to the impacts of climate change of the coastal communities in Deltas of Vietnam" (PRC) project targets Vietnamese coastal provinces, which are highly vulnerable to climate change with critical poverty profile. During the 2012-2014 period, 950 households in ten communes in Go Cong Tay and Tan Phu Dong districts are provided with financial support to run their own business adaptable to climate change. Under the 10.8 billion VND project, each commune will also receive 95 million VND to upgrade their dyke system, purchase electric generators and communication tools. From now through 2014, Oxfam will continue granting technical assistance to help coastal communities in Tien Giang cope with salt-water intrusion, rising sea level and increased temperature. The project is also underway in the Mekong Delta province of Tra Vinh and three Red River Delta provinces of Hai Phong, Thai Binh and Nam Dinh, benefiting 51,000 vulnerable people.

### **Central city promotes investment in Yokohama**

Japanese businesses were called to boost investment in a Hi-Tech Park and Information Technology (IT) Park in Viet Nam's central Da Nang City at an Investment Promotion Conference in Yokohama, Japan yesterday. At the conference, which drew the participation of over 180 Japanese businesses, the central city introduced the 1,010-ha Hi-Tech Park and the 341-ha IT Park – the third biggest in Viet Nam. The city has attracted 90 businesses from Japan with a total investment of over US\$400 million. Exports from Japanese enterprises accounted for 37 per cent of the city's total imports, while 30 per cent of the city's industrial production value comes from Japanese FDI projects.

### **VDB to raise charter capital under new development strategy**

The Viet Nam Development Bank (VDB) will raise its charter capital to VND20 trillion (US\$952 million) by 2015 and VND30 trillion (\$1.42 billion) by 2020 under a new development strategy approved by the Prime Minister. The additional charter capital is intended to raise the equity of State's total investments and export credits to 10 per cent. The VDB has three capital sources to raise charter capital, including accumulated capital; business arrangement and development support funds; and the State's

annual development expenditure. The finance ministry will determine the charter capital increase and will identify relevant sources of funds, using the VDB's annual financial statements

### **PVEP welcomes first oil stream from project in Malaysia**

PetroVietnam Exploration and Production Corporation (PVEP) has welcomed the first oil stream from West Desaru 1 oil well it is exploring under a joint project in Malaysia, according to the Vietnam National Oil and Gas Group (PetroVietnam). The output from the well of West Desaru oil field, which belongs to Block PM304 offshore Malaysia peninsula, is expected to reach 2,000 barrels/day. When fully operational, the field, one of PVEP's three overseas oil stream projects, is expected to produce 20,000 barrels/day. PVEP now holds a 15 percent stake in the project. The corporation is currently investing in 17 overseas projects. It is working hard to welcome the first oil stream from its other projects in Peru and Algeria

### **US\$20 mil. cemetery opened in delta**

Fairy Park-Mekong Co. Ltd opened a cemetery named Son Trang Tien Canh with total capital of US\$20 million in the Mekong Delta province of Hau Giang on Sunday. The project, located along National Highway 61 in Thanh Hoa Commune, Phung Hiep District, is aimed to meet the demand for grave preservation among residents in the delta where graveyards are often flooded in the rainy season, said Trinh Quoc Trung, general director of Fairy Park-Mekong. This is the second cemetery project of Malaysia's Fairy Park Group in Vietnam after the one built two years ago in Truong Hoa Commune in Hoa Thanh District in the southern province of Tay Ninh.

### **Dai-ichi Life Vietnam grows 19% in new business**

Dai-ichi Life Vietnam Insurance Company on Monday announced results in the first half of 2013 with new business premium reaching over VND291 billion, up 19% against the same period of 2012. Its total premium income was over VND743 billion, a 23% increase year-on-year, while its preliminary profit is estimated at VND91 billion, up 42% from last year. The life insurer since May has implemented the customer loyalty awarded points program, which credits the loyalty points to customers in every transaction with the company such as direct premium payment at the premium collection channels, premium payment before and on due date, and purchase of new policy after maturity. These points can be used to redeem cell-phone prepaid cards, gift vouchers at supermarkets, or to pay premiums for their own policies. The enterprise inaugurated 12 new general agencies in this year's first half, raising the number of total offices and general agencies to 103 in the country.

### **BIDV, JBIC support Japanese SMEs**

Bank for Investment and Development of Vietnam (BIDV) and Japan Bank for International Cooperation (JBIC) signed a memorandum of understanding (MoU) on Wednesday to support Japanese small and medium-sized enterprises (SMEs) in Vietnam. BIDV will set up a team of specialists to provide services for Japanese enterprises in Vietnam. The services include credit, depositing, payment, cash management and trade finance. BIDV general director Pham Duc Tu said that this team is expected to meet financial service demands of around 2,000 Japanese SMEs in Vietnam.

### **Vingroup to build finance centre**

Vingroup Joint Stock Company has gained approval to build an international finance-banking centre and a trade and service complex in Thu Thiem urban area in HCM City. According to the municipal People's Committee, the projects will cover a total area of 250,000sq.metre. The committee said Vingroup would commission international consultants to draw up detailed plans for the projects

### **POSCO ICT wins 100 bln won deal from Vietnam**

POSCO ICT Co., a unit of South Korea's leading steelmaker POSCO, said Tuesday that it has secured a 100 billion won (US\$89.5 million) deal to provide IT services for a planned railroad project in Vietnam. According to the company, it will provide engineering and information technology (IT) services for a 20.2 kilometer-long railroad linking Ben Thanh, a downtown area of



Ho Chi Minh City, to Long Binh in District 9. The railroad is scheduled to start operations in 2019, according to POSCO ICT. POSCO ICT is also participating in the projects of integrated steel mills being constructed in Indonesia, Brazil and Vietnam. It also plans to expand its railroad IT and engineering businesses to countries such as Brazil, India and Indonesia.

### **50 investors take part in roadshow for Vietnam road project**

Crisil Infrastructure Advisory held a roadshow here for the USD 750-million Dau Giay-Phan Thiet Expressway PPP Project (DPEP) of Vietnam. Crisil is the lead transaction advisor for the project launched by Vietnam's Transport Ministry. Around 50 investors, representing private equity firms, operators and banks, participated in the roadshow, a Crisil statement said here today. The 98.7-km, four lane DPEP will be undertaken on a design, build, finance, operate, maintain and transfer basis over 30 years and will connect upcoming economic hubs Dau Giay and Phan Thiet in the south-east Asian country, it said.

### **BIM Group to make a splash with Marina project**

The Halong Investment and Development (BIM Group) has poured nearly 2 billion USD into the 230 hectare Ha Long Marina, one of its key projects. The Marina complex will include high-grade villas, a park, a commercial centre, hotels, an entertainment park and apartment blocks. The group disbursed over 500 billion VND (23.4 million USD) towards the Halong Marine Plaza leisure centre, and a number of the project's secondary works is to put into service.

### **McDonald plans to enter Vietnam**

The US leading fast-food corporation, MacDonald's has announced that it will have its first franchise store set up in HCM City. The corporation recently granted franchise to a Vietnamese- American entrepreneur Henry Nguyen to develop MacDonald's trademark in Vietnam. The President of MacDonald's, Dave Hoffmann, emphasized that with an impressive knowledge of business, Henry Nguyen is an ideal partner to run the new joint venture in Vietnam. The main menu for McDonald's in Vietnam includes Big Mac sandwich, fried tomato and cheeseburger. Vietnam's becoming the 38th country in Asia where McDonald's has established business proves itself as one of the most attractive consumer markets in South Asia. There is a chain of US fast food restaurants operating in Vietnam including Subway, KFC, and Pizza Hut.

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## COMING EVENTS

### 13TH VIETNAM INTERNATIONAL PACKAGING & PRINTING INDUSTRY EXHIBITION

Venue: Saigon Exhibition & Convention Center (SECC)

Country: Ho Chi Minh City, Vietnam

Start Date: 3 Sept 2013

End date: 6 Sept 2013

#### Event Description

During the past decade, VietnamPackPrint has built up its excellent reputation in Asia and became the most experienced exhibition in Ho Chi Minh City which made plenty of trades possible and satisfied both exhibitors and visitors around the world. Supported by Vietnam Packaging Association, Vietnam Plastic Association, Vietnam Rubber Association, Taiwan External Trade Development Council, Taiwan Plastics Industry Association, Singapore Manufacturers' Federation, Taiwan Association of Machinery Industry and Taiwan Mold & Die Industry Association, it attracted nearing 200 brand leading companies ( nearly 430 booths ) from Belgium, China, Denmark, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Malaysia, Singapore, Spain, Taiwan, Thailand, the U.S.A., Netherlands, Ukraine and Vietnam. Please kindly refer to <http://www.vietnamprintpack.com/hcm/>

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### INTERPLAS VIETNAM HANOI

Venue: I.C.E., Hanoi (Cung Van Hoa)

Country: Hanoi, Vietnam

Start Date: 4 Sept 2013

End date: 6 Sept 2013

#### Event Description

International plastics and rubber technology trade exposition InterPlas Vietnam is Vietnam's Largest Plastics and Rubber Technology Trade Exposition. World-class technology providers from around the world showcase a wide range of machinery and solutions for plastics manufacturing and processing all in one place. Exhibitors were pleased with the opportunities of innovations launch, technology presentation, and direct communication with business counterparts while trade visitors were impressed with technology and innovations on displays. The so called Composites Showcase displays colorful manufactured goods ranging from modern life style products to cutting-edge industrial parts.

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### AUTOMOTIVE MANUFACTURING VIETNAM HANOI

Venue: I.C.E., Hanoi (Cung Van Hoa)

Country: Hanoi, Vietnam

Start Date: 4 Sept 2013

End date: 6 Sept 2013

#### Event Description

Trade fair for automotive parts manufacturing. Automotive Manufacturing Vietnam is the only exhibition on machinery and technology for automotive parts manufacturing in Vietnam. Exhibitors showcase a wide selection of their latest achievements in technology that could help increase profits and productivity. Automotive Manufacturing includes loads of technical seminars and case studies from recognized speakers and demonstrations of various cutting edge industry tools and technology. It is co-located with InterMold Vietnam, InterPlas Vietnam and Assembly Technology Vietnam.

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## **ITE HCMC 2013 (9<sup>th</sup> International Travel Expo)**

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

*Country:* Ho Chi Minh City, Vietnam

*Start Date:* 12 Sept 2013

*End date:* 14 Sept 2013

### **Event Description**

Take advantage of great opportunities. Engage face to face with over 7,000 Trade Professionals and some 8,000 Public Visitors. Quality buyers from more than 50 major markets are coming to see you!

Please kindly refer to <http://itehcmc.com/>

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## **PHARMEDI VIETNAM 2013**

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

*Country:* Ho Chi Minh City, Vietnam

*Start Date:* 18 Sept 2013

*End date:* 21 Sept 2013

### **Event Description**

International Exhibition for medicine, pharmacy, hospital and rehabilitation

The Pharmedi Vietnam in Ho Chi Minh City is the largest trade fair for pharmaceuticals and medical devices in Vietnam. Here a number of renowned domestic and foreign exhibitors presenting a wide range in the fields of pharmacy, pharmaceutical and packaging industries, diagnostic equipment, medical equipment and hospital equipment, beauty care products and medical services. The Pharmedi Vietnam is communication and information platform in the industry and offers visitors the chance to inform yourself thoroughly and comprehensively about the latest developments, trends, services and products from the different areas.

Please kindly refer to <http://pharmed.vn/en/>

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## **VIETNAMWOOD 2013**

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

*Country:* Ho Chi Minh City, Vietnam

*Start Date:* 25 Sept 2013

*End date:* 28 Sept 2013

### **Event Description**

Drying equipment, joinery equipment, joinery and moulded products, equipment and instruments for furniture industry, abrasive and cutting instruments, equipment and wood waste treating devices, machinery and equipment for primary wood treatment, pneumatic instruments, machinery and equipment for timber, furniture components, raw material, related industry goods, etc. Please kindly refer to <http://www.vietnamwoodexpo.com/>

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*Reviewed by: Huy Nguyen*

