



*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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<p><b><u>GENERAL REVIEW</u></b>  <a href="#">VN-Russia intergov't committee meets to boost ties</a>  <a href="#">PM voices gratitude for ODA, vows prudent management</a>  <a href="#">Vietnam, China adopt joint statement to boost ties</a>  <a href="#">President arrives in Bali for APEC meeting</a>  <a href="#">Viet Nam, Malaysia pledge to increase co-operation efforts</a>  <a href="#">Binh Duong to boost ties with Italy's region</a></p>	<p><b><u>INVESTMENT</u></b>  <a href="#">China encourages businesses to invest in Vietnam</a>  <a href="#">US businesses eager to invest in Vietnam but obstacles remain</a>  <a href="#">Vietnam, Russia seek new investment opportunities</a>  <a href="#">Supporting industries essential to continuing Japanese investment</a>  <a href="#">Japanese outfits eye HCM City's attractive semiconductor sector</a>  <a href="#">HCMC sees more FDI flowing into IPs</a>  <a href="#">Ha Noi seeks further \$1.3b in FDI</a>  <a href="#">Thanh Hoa rolls out welcome mat for Nghi Son EZ</a>  <a href="#">Haphazard refinery investment may repeat hydropower plant's mistake</a>  <a href="#">PetroVietnam faces up-hill drive to promote ethanol fuel</a>  <a href="#">Hydropower projects getting the axe</a>  <a href="#">Vietnam also has to compete with advanced economies in FDI attraction</a></p>
<p><b><u>TRADE</u></b>  <a href="#">Rising food prices limit buyer choices</a>  <a href="#">Low cost carriers – a suitable model for private airlines</a>  <a href="#">Kenya could hold key to exporters' success in Africa</a>  <a href="#">Shrimp hoarding hurts firms</a></p>	<p><b><u>ANALYSIS</u></b>  <a href="#">SMEs struggle with procedures in Russia</a>  <a href="#">A chance to make things differently</a>  <a href="#">Vietnam economy lags and grows rudderless</a>  <a href="#">Action plan for priority industries on hold</a></p>
<p><b><u>FINANCE – BANKING</u></b>  <a href="#">ADB funds infrastructure projects in Vietnam</a>  <a href="#">VAMC debt buyouts gain momentum</a>  <a href="#">Banks gear up to disburse trillions of dong by year-end</a>  <a href="#">Bank rate review</a>  <a href="#">Budget revenues look certain to fall short of target</a>  <a href="#">Dismal trading drags on bourses</a></p>	<p><b><u>COMING EVENTS</u></b>  <a href="#">PALME VIETNAM HO CHI MINH CITY</a>  <a href="#">INTERNATIONAL JEWELRY + WATCH VIETNAM HO CHI MINH CITY</a>  <a href="#">VIETNAM ELECTRONICS HO CHI MINH CITY</a>  <a href="#">VIETNAM TELECOMP HO CHI MINH CITY</a></p>
<p><b><u>NEWS IN BRIEF</u></b>  <b>IPs says Hi</b></p>	
<p><i>Supported by</i></p>	

**DEVELOPER'S INTRODUCTION**

**Active Japan Corporation Inaugurates Active Vietnam Factory in Kizuna Service Area**

16th September 2013, Active Vietnam Factory held the opening ceremony of their workshop in Kizuna Serviced Factory Area. The event has the participation of Mr. Toshiyuki Ueda - Chairman, Mr. Yoshihiko Fujiura - Vice Chairman of Active Japan Corporation, Mr. Hong Dung Doan, Chairman of Kizuna JV Corporation and important partners, clients of Active Vietnam.

On behalf of Active Vietnam, Mr. Nishiyama officially introduced the employees working at the workshop E3, one of the high quality workshops with full facilities in Kizuna Serviced Factory Area. In addition, he also thanked the support of the leaders and staff of Kizuna JV Corporation during the preparatory process for the investment of Active in Vietnam.

According to Mr. Toshiyuki UED - Active Chairman of Japan, factory in Vietnam as an important step to access to the Asean market, one of the most potential and dynamic market. He believes that the professional manufacturing



environments and dedicated customer service of Kizuna will be a key factor to help Active Vietnam to reach their ambitious goal.

The opening of the workshop in Vietnam is not only an important milestone in the development of Active Japan Corporation but also the beginning of the wave of investment of Japanese SME to Kizuna Serviced Factory Area.

*Photo: Mr Toshiyuki Ueda - Chairman and Mr. Yoshihiko Fujiura - Vice Chairman of Active Japan Corporation*

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**KIZUNA JV CORPORATION**

**Address :** Lot K- Tan Kim Industrial Park , Tan Kim Commune, Can Giuoc Dist., Long An Province, Vietnam.

**Tel :** (84) 72 - 371.6789    **Fax :** (84) 72 - 371.6788

**Website :** [www.kizuna.vn](http://www.kizuna.vn) or [www.kizunajv.com.vn](http://www.kizunajv.com.vn)

**Email :** sales@kizuna.vn

[Back to top](#)





## 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,... 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. 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.



[Back to top](#)

## GENERAL REVIEW

### **VN-Russia intergov't committee meets to boost ties**

*The governments of Vietnam and Russia have discussed and agreed on measures to strengthen and expand their comprehensive strategic partnership in the coming time.*

The agreement was made during the 16th meeting of the Vietnam-Russia Intergovernmental Committee for Economic, Commercial, Scientific and Technological Cooperation held in Hanoi in October 2013, under the co-chair of Vietnamese Deputy Prime Minister Hoang Trung Hai and Russian First Deputy PM Igor Shuvalov.

At the meeting, the two Deputy PMs expressed their delight at the implementation of resolutions of the committee's 15th session that was held in Russia last October, and highlighted the increasingly strengthened political ties and the effective economic and humanitarian cooperation between the two countries. They acknowledged positive developments in bilateral trade, however, they noted that it has yet to match the scale of the two economies and potential.

The two sides stressed the need for breakthrough measures, including the early signing of a free trade agreement between Vietnam and the Customs Union of Russia, Belarus and Kazakhstan, and making decision on priority investment projects within the framework of the high-level joint working group headed by Vietnam's Minister of Industry and Trade and Russia's Minister of Economic Development.

The two Deputy PMs emphasized energy cooperation as one of the key cooperation fields which is of strategic importance to the two countries' ties as well as each country's economic development. The two sides also highly valued the close cooperation between the Vietnam National Oil and Gas Group (PetroVietnam) and Russia's Zarubezhneft, Gazprom, Rosneft and Lukoil groups in expanding oil and gas exploration and exploitation activities in Vietnam's continental shelf and in Russia.

They agree that besides existing joint ventures like Vietsovetpetro, Rusvietpetro, Gazpromviet and Vietgazprom, the two sides should consider establishing new ones to implement more cooperation projects. The two sides also affirmed that nuclear energy is one of the priorities of bilateral cooperation with high potential and good prospects, and expressed satisfaction at the implementation of the Ninh Thuan I nuclear power plant project.

In addition, industries, including manufacturing engineering, metallurgy, coal mining, ship building and electricity, are also priorities of bilateral cooperation, the two officials said, adding that they encouraged the establishment of joint ventures in ship building to make use of Vietnam's existing shipyards and Russia's designs, technology and technical equipment.

The two sides also discussed and agreed on measures to further strengthen bilateral cooperation in finance, banking, agriculture, telecommunications, science-technology and education and training.

They signed the minutes of the committee's 16th session and agreed to organize the next session of the inter-governmental committee in Moscow in 2014.

*Source: Tuoitrenews*

[Back to top](#)

### **PM voices gratitude for ODA, vows prudent management**

*Addressing a meeting held in Ha Noi to commemorate the 20th anniversary of development ties between Viet Nam and international donors, the Prime Minister pledged that Viet Nam would ensure donor trust. Prime Minister Nguyen Tan Dung yesterday affirmed the Government's gratitude and sound management of official development assistance (ODA) from the international community.*

The PM said the influx of capital had significantly contributed to Viet Nam's social and economic achievements, particularly in infrastructure, healthcare, education and training, agricultural development, poverty reduction, environmental protection and its response to climate change.

The Government leader added that ODA programmes had created a favorable environment for trade, investment and private sector development; and facilitated the nation's integration into the global economy. Viet Nam currently pursues a 2011-20 development strategy, focusing on institutional reform, comprehensive infrastructure development and human resource development in line with rapid and sustainable growth models.

PM Dung said the Vietnamese Government had mobilized internal resources and invited the participation from the public and private sectors to corral support from the international community. The Prime Minister also highlighted the importance of ODA in achieving development priorities through national target programmes, infrastructure development projects, policy making and institutional development, capacity building, healthcare and environmental sustainability.

According to a report released at the meeting, findings showed donor support for the Government's development policy had helped improve confidence and bring foreign businesses and investors to Viet Nam. Foreign direct investment (FDI) contributed 2 per cent to Viet Nam's gross domestic product (GDP) in 1992, with the figure surging rapidly to 18.97 per cent last year, the report said.

At the meeting, representatives from the World Bank, the Asian Development Bank and other donors praised Viet Nam's progress, highlighting the nation's achievements in poverty reduction from the past two decades and the co-operation between the Vietnamese Government and donors. World Bank Country Director in Viet Nam Victoria Kwakwa said that Viet Nam had recorded gigantic development achievements over the past two decades.

"In 1993, Viet Nam was one of the poorest countries in the world with income per capita of about \$100 and low indicators of social progress. Today Viet Nam is an emerging middle income country with a \$154 billion economy and income per capita of around \$1,700," she said. "Income poverty has declined from 58 per cent in 1993 to about 10 per cent in 2012 with over 30 million people lifted out of poverty," she added. Indicators of social welfare are now better than most other countries at similar levels of per capita income and comparable even to some countries with higher incomes," she said, citing the better education available for the majority of locals.

According to Pratibha Mehta, UN Resident coordinator in Viet Nam, the country's progress had been recognized globally and served as an encouragement for other nations. She noted, however, that despite its achievements, Viet Nam still faced a lot of challenges ahead and needs continued and strong support from international development partners.

She also spoke highly of the Vietnamese Government's efforts to define these challenges and include solutions to them in the country's socio-economic development plans. The UN would continue to co-ordinate with relevant parties in searching aid sources in order to help the country improve public financial management and use the capital more effectively, she stressed. ODA received by Viet Nam from 1993 to 2012 amounted to \$80 billion, according to the Ministry of Planning and Investment

Source: Vietnam News

[Back to top](#)

## **Vietnam, China adopt joint statement to boost ties**

*On the occasion of Chinese Premier Li Keqiang's official visit to Vietnam, the two countries have issued a joint statement on promoting their comprehensive strategic cooperative partnership.*

The joint statement was made on Tuesday, the last day of the three-day visit to Vietnam by Chinese Prime Minister Li Keqiang.



The document states that the two sides affirmed they will follow the important common perceptions reached by high-ranking leaders of both countries to develop their comprehensive strategic cooperative partnership under the motto “friendly neighborliness, comprehensive cooperation, long-term stability and looking towards the future” and in the spirit of “good neighbors, good friends, good comrades and good partners”.

Both sides agreed to continue making good use of the mechanism of the Vietnam-China Steering Committee for Bilateral Cooperation to boost mutually beneficial cooperation in all areas; well carry out the action program to implement the Vietnam-China comprehensive strategic cooperative partnership; maximize the exchanges and cooperative mechanisms between the diplomatic, defense, economic-trade, public security and press sectors of the two countries as well as between the commissions for external relations, and the popularization and education of the Central Committees of the two Parties.

At the same time, they will continue to hold annual diplomatic and security-defense consultations, training courses for Party and State officials while effectively using the direct hotlines between the two defense ministries and enhancing the correct guidance of the media and public opinions, thus contributing to strengthening mutual trust and maintaining the stable development of bilateral ties.

The two countries agreed on the prompt implementation of the “five-year development plan for economic-trade cooperation between Vietnam and China for the 2012-2016 period” and the list of key cooperation projects, the establishment of a working group on infrastructure cooperation between the two countries for planning and instructing the implementation of specific projects, and an early conclusion on the way to carry out and mobilize capital for the Lang Son-Hanoi highway project in order to start construction at an early date.

The two sides agreed to strengthen the coordination of the economic-trade policy, implement the “memorandum of understanding on bilateral cooperation in the trade of farm products” and the “agreement on opening a trade promotion agency” in their respective countries, ensuring bilateral trade balance based on sustainable trade growth and reaching US\$60 billion in two-way trade ahead of schedule for 2015. Both sides also agreed to deepen cooperation in agriculture, science-technology, culture, sports, tourism and health.

In respect of cooperation at sea, the two sides agreed to observe the common perception reached by leaders of the two Parties and States, and stringently implement “the agreement on basic principles guiding the settlement of sea issues between Vietnam and China”. Both sides also agreed to establish a working group discussing cooperation for mutual development at sea as part of the Governmental Negotiation Team on Vietnam-China Boundary and Territory.

The two countries agreed to intensify instructions to the existing consultation and negotiation mechanisms, boost the operation of the working group on the waters off the mouth of the Tonkin Gulf and the expert-level working group on cooperation on less sensitive issues at sea.

The two sides agreed to fully and efficiently implement the Declaration on Conduct of Parties in the East Sea (DOC), increase trust, enhance cooperation and work together in maintaining peace and stability in the East Sea. Holding onto the spirit and principle of the DOC based on mutual consensus, both sides will do more for the adoption of a Code of Conduct of Parties in the East Sea (COC).

Both sides also agreed to boost regulation and coordination at multilateral forums like the United Nations, the World Trade Organization, the Asia-Pacific Economic Cooperation (APEC) forum, the Asia-Europe Summit, the ASEAN Regional Forum, the ASEAN-China Summit, the ASEAN Plus with China, Japan and the Republic of Korea, and the East Asia Summit, thus working together in maintaining peace, stability and prosperity in the world.

*Source: Tuoitrenews*

[Back to top](#)

## President arrives in Bali for APEC meeting

*President Truong Tan Sang and a high-ranking Vietnamese delegation arrived in Bali, Indonesia in October 2013 for the 21st Economic Leaders' Meeting of the Asia-Pacific Economic Cooperation (APEC 21) forum.*

Welcoming the delegation at the Ngurah Rai Airport were officials from the Indonesian Government, the governor of Bali province and the Indonesian Ambassador to Vietnam.

President Sang is scheduled to meet with leaders of many APEC member economies to discuss important contents towards the region's economic growth and connectivity and measures to solve regional and international issues of mutual concern.

The Vietnamese delegation's activities are in line with the country's foreign policy on active and proactive international integration and attaching importance to Asia-Pacific cooperation mechanisms. Vietnam's hosting of the APEC meeting in 2017 is expected to be announced on this occasion.

APEC 21, themed "Resilient Asia-Pacific, Engine of Global Growth", will focus discussions on the current global economy and the role of APEC in promoting the multilateral trade system, APEC vision of connectivity in the evolving regional and international architecture, and sustainable growth in combination with equality: food security, water resources and energy.

### \* Vietnam helps build a strong, united ASEAN

Prime Minister Nguyen Tan Dung will lead a delegation to the 23rd ASEAN Summit and related meetings in Brunei's capital Bandar Seri Begawan from October 8-10 at the invitation of Sultan Hassanal Bolkiah.

The summit is taking place at a time when ASEAN is particularly determined to step up community building, connectivity and its focus on the people of the region.

Major topics to be discussed at the meetings include the post-2015 building and operation of the ASEAN Community.

Participants will also touch on the bloc's cooperation with its partners within the framework of the ASEAN Plus One, ASEAN Plus Three and East Asian Summit (EAS), as well as discuss international and regional issues of mutual concern.

Vietnam has taken an active part in all ASEAN activities during 2013 as part of its policy of being "active, proactive and responsible" in its ASEAN cooperation and made important contributions to mapping the bloc's development vision through its influence in significant decision making.

The country has promoted the group's decisive role in regional cooperation and structuring, and fostered peace, security, stability and cooperation in Southeast Asia. It has also facilitated ASEAN's relations with the bloc's partners.

Vietnam's participation at the 23rd ASEAN Summit and related meetings, together with other fellow members, will strengthen the bloc's solidarity and central role in a shaping regional architecture, contributing to building a strong and close-knit ASEAN.

The country's role and position will be further elevated through its active participation in the regional meetings which will promote Vietnam's bilateral ties with its partners.

*Source: Vietnam Plus*

[Back to top](#)



## **Viet Nam, Malaysia pledge to increase co-operation efforts**

*Prime Minister Nguyen Tan Dung suggested the joint co-operation committee of Viet Nam and Malaysia hold a meeting as soon as possible to promote effective cooperation in the fields of economics, trade, investment, tourism, education and training.*

The PM was receiving Malaysian Deputy Prime Minister and Minister of Education Tan Sri Muhyiddin Yassin who has been in Ha Noi for a working visit.

Dung declared that Viet Nam attached great importance to fostering co-operation with Malaysia, adding that he wanted the two sides to promptly sign a co-operation agreement on food security and labour, and co-ordinate in Trans-Pacific Partnership (TPP) negotiations.

He urged both sides to step up their work together in maintaining peace, stability, maritime security and safety in the East Sea.

The Malaysian guest confirmed that his country would work closely with Viet Nam in peacefully addressing disputes in the East Sea based on international law and the 1982 United Nations Convention on the Law of the Sea (UNCLOS), fully realising the Declaration on the Conduct of Parties in the East Sea (DOC), and advancing towards the early establishment of the Code of Conduct of Parties in the East Sea (COC).

Yassin said his visit aimed to strengthen bilateral co-operation, especially in the areas of education, training and agriculture.

Notably, the two sides signed a Memorandum of Understanding (MoU) on higher education and human resources training with the view to bolstering exchanges in the field.

Emphasising the co-operation potential between the two countries, the guest called for the Vietnamese Government to continue creating favourable conditions for Malaysian businesses, enabling them to make long-term investments in the country as well as facilitating two-way trade.

The same day, the Malaysian deputy PM met with Vietnamese counterpart Nguyen Thien Nhan. The two politicians highlighted major areas to speed up their work together and to continue the rapid and impressive development of their ties.

The two sides expressed their high hopes for mutually beneficial bilateral education and training projects, at a time when both need to develop high-quality human resources to serve their socio-economic development from now to 2020.

Following the talks, Yassin signed an MoU on tertiary education co-operation with Minister of Education and Training Pham Vu Luan to create a legal foundation for positive co-operation in the field.

Source: VNNews

[Back to top](#)

## **Binh Duong to boost ties with Italy's region**

*The Vietnamese southern province of Binh Duong and Italy's Emilia Romagna region signed a joint statement on promotion of bilateral friendship, and an agreement on economic and trade cooperation.*

Under these documents, the two sides agreed to strengthen their friendship relations and expand cooperation in economy, science, technology, culture, education, and training.

The Vietnamese province and Emilia Romagna region will focus on boosting trade promotion and cooperation in industry, service and tourism sectors, and on exchanges and experience sharing activities in science, technology, culture, society, education and training.

According to the economic and trade cooperation agreement, the two sides will create favorable conditions for their businesses to study each other's markets and increase trade and investment promotion activities.

Binh Duong Party Committee Secretary Mai The Trung briefed the Italian guests on the province's current socio-economic situations.

Accordingly, the province enjoys a growth rate doubling the national average and has so far attracted 2,174 foreign direct investment projects with total investment capital of US\$18.6 billion, of which \$30 million is from eight projects developed by Italian investors. President of the Legislative Assembly of Emilia Romagna region Palma Costi told the host that the region has a population of 4.5 million.

This is a wealthy region, with export turnover of industries reaching 50 billion EUR last year, the president said.

Source: Tuoitre

[Back to top](#)

## TRADE

### Rising food prices limit buyer choices

*Rising food prices will restrict grocery product choices for 70 per cent of Vietnamese people, according to a new Nielsen study.*

The Viet Nam survey was part of the Nielsen Global Survey of Inflation Impact, which had over 29,000 Internet respondents in 58 countries and aimed to understand how people of all income ranges adjust to rising food prices.

The study showed that price increases would not only affect food cooked at home. The Vietnamese respondents would also change their spending on dining out (66 per cent), buying new clothes (63 per cent), recreation and entertainment (46 per cent), travel/vacation (46 per cent) and communications services (37 per cent).

Nearly two-thirds of local respondents said they would buy fewer candies, cookies and other sweets, carbonated beverages, alcoholic beverages, prepared meals, chips and other snack foods.

Rising prices also altered where and how people shopped. Thirty per cent of Vietnamese respondents indicated they would grow their own food or shop more at clearance and discount stores.

More than half would shop in traditional markets and 47 percent would shop less in supermarkets or convenience stores.

During such a time, many look out for promotions; 40 per cent of local consumers said they would use social media to find specials

Source: VNN

[Back to top](#)

### Low cost carriers – a suitable model for private airlines

*Only 30 percent of passengers in Vietnam fly with budget airlines, much lower than in Malaysia and the Philippines, where the proportion is 50 percent, the highest in South East Asia.*

Indochina Airlines shut down just after one year of operation. Air Mekong was better, but it could “contend” for two years. Meanwhile, Vietjet Air has been existing and making profit. The fact that Vietjet Air can make profit while other airlines report loss has raised a hope that low cost carrier (LCC) could be a reasonable model, especially for private run airlines.

CAPA, an organization which specializes in analyzing the aviation industry in Asia Pacific, believes that Vietnam and Myanmar are the two markets which have the greatest potentials for LCC development in the next three years. Analysts believe that the investment rate in the aviation sector is very high. Therefore, the first thing investors need to have is the stable long term investment capital. Vietjet Air is believed to be backed by powerful shareholders. The air carrier also plans to make initial public offering (IPO) in the time to come to attract capital from foreign sources.

Vietjet Air has been successful in using the cash flow and ensuring the high quality of services. It can collect money from ticket sale 3-9 months before the departure time, while they can pay for air petrol, aircraft chartering, land services one month later, which has helped balance the receipts and expenses.

With the four domestic air routes to be opened from September, Vietjet Air would provide 500 flights a week on 16 domestic and international air routes. According to Brendan Sobie from CAPA, Vietjet Air's domestic market share has increased from 14 percent in mid July to 20 percent.

The private airline plans to set up a series of joint ventures with foreign partners. It recently has joined hands with Kan Air to develop the domestic air routes in Thailand. A new joint venture with a Myanmar's partner may be set up in the near future. Analysts have noted that the strategies followed by Vietjet Air have similarities with the ones pursued by Air Asia over the last decade.

When asked about the services of the “next-generation air carriers” like Vietjet Air, Luu Duc Khanh, Vietjet Air's General Director, said the carrier wants to become a fast food provider like KFC or McDonald's, which brings full, nutritious, tasty and enjoyable meals at reasonable costs.

Analysts have commented that the development of budget airlines in Vietnam comes in accordance with the strong growth of the model in South East Asia.

The latest report by CAPA said making IPO proves to be the core strategy for the regional budget airlines to develop the fleets to 500 aircrafts by the end of the year, which represents the 20 percent per annum growth rate. In May 2012, Thai Air Asia completed the IPO which brought \$140 million in capital to serve the plan to expand the fleet from 27 A320s in late 2012 to 35 by the end of 2013.

Air Asia X also successfully made IPO in July and got \$310 million for the plan to upgrade the fleet from 11 A320s to 18 by the end of this year.

*Source: Vietnam Net*

[Back to top](#)

### **Kenya could hold key to exporters' success in Africa**

*Viet Nam should look to export more goods to Kenya as well as other African countries, according to the Ministry of Industry and Trade.*

Nguyen Ba Hai, head of the Information and Corporate Consulting Division under the Trade Promotion Agency's Enterprise Support Centre, said Vietnamese-made goods were selling rapidly in Africa. Kenya, located in the north of the continent, could serve as a gateway for the products to penetrate further into Africa, where many countries have large populations and high demand for many kinds of goods.

African countries have similar export regulations to Viet Nam, which could be advantageous, he added.

In 2011, Viet Nam gained US\$1 million from shipping goods to Kenya, Hai said. In 2012, Viet Nam's export value with Kenya jumped to \$80 million. Major local exports to Kenya included rice, computer, electronic parts and plastic products.



In the first half of this year, the export value reached \$24.9 million. Rice export value accounted for 60 per cent of the total, followed by machines, equipment, computer and electric products. Potential future export products include building materials and seafood products.

Vincent D.Naidu, chairman of the Malaysia – Kenya Commercial Council, welcomed Vietnamese firms to export their products through Kenya to other countries, such as Burundi, Rwanda, Tanzania and Uganda.

Kenya imports an estimated \$50 billion of goods every year, he said. However, like other African countries, this is an emerging market, so few enterprises have paid attention to its potential.

Hai warned that local exporters would face difficulty in shipping their goods to Africa because the long distance and lack of information about potential trading partners.

Source: VNN

[Back to top](#)

### Shrimp hoarding hurts firms

*Farmers are holding onto their shrimp to capitalize on further expected price increases, but the action may harm shrimp profits for enterprises that have pinned their hopes on export demand.*

Supply factors, including shrimp diseases and competition from foreign shrimp buyers have pushed up the price of shrimp by VND40,000 (US\$1.9) per kilo during the past two months and VND70,000 (\$3.3) during the past year to VND240,000 (\$11.4). Farmer profits have jumped significantly due to the higher prices, particularly in the current harvest, according to shrimp producers in southern Tra Vinh and Ca Mau provinces.

However, enterprises are taking a hit due to the lack of shrimp supply as farmers continue stockpiling shrimp, waiting for the market to spike. Deadlines for shipping shrimp exports are fast approaching, forcing many enterprises in the two mentioned provinces to concede losses by purchasing shrimp from other provinces, said the representative of the Minh Phu Seafood Joint Stock Company.

The Cuu Long Seafood JS Company based in Tra Vinh Province said the competitiveness in purchasing shrimp has happened since the early of this year so the company has had many difficulties in purchasing shrimp and export processing activities.

The company has bought shrimp at the higher price, but has fallen short of export shrimp processing activities, reaching only 53 per cent of its export target in the first eight months of this year.

Le Van Quang, general director of Minh Phu Seafood JS Company, said farmers believe the shrimp price will continue to rise in future and are hoping to sell their produce at higher prices.

The action poses dangers to enterprises relying on shrimp farmers and facing export contract deadlines before October 15. After the deadline, enterprises will be unable to buy shrimp for their own production, Quang said.

The Ca Mau Agriculture and Rural Development Department recommended farmers end the cut off of shrimp to the market, fearing long term damage to shrimp export activities.

According to the Ministry of Agriculture and Rural Development, shrimp exports in the first nine months of this year reached \$2 billion, including \$952 million from white-leg shrimp exports - 80 per cent higher than the same period of last year, and \$928 million from prawn shrimp exports - an increase of 2.1 per cent

Source: VNNews

[Back to top](#)

## INVESTMENT

### China encourages businesses to invest in Vietnam

*Chinese Premier Li Keqiang on Tuesday affirmed that “China encourages and creates favorable conditions for its businesses to boost investment and trade with Viet Nam*

At the banquet for Vietnamese and Chinese businesses on the same day, Premier Li also welcomed and voiced support for Vietnamese enterprises to do business in China.

Premier Li said China always attaches importance to strengthening cooperation with Viet Nam and will continue to work with the country to deepen friendship and cooperation for mutual benefits.

The Chinese leader spoke highly of Viet Nam’s position in ASEAN and expressed his hope that Viet Nam would support China to expand economic, trade and investment ties with ASEAN.

China is now the leading trade partner of Viet Nam with the two-way trade value amounting to over US\$41 billion last year, an increase of 15.3% against 2011. The figure stood at nearly US\$32 billion in the first eight months of this year. The two countries set the target to increase trade value to US\$60 billion by 2015.

By the end of September this year, China had some 940 projects with total capital of nearly US\$5 billion, ranking 12th among biggest investors in Viet Nam.

However, the above figures do not match with the two countries’ potentials, noted PM Nguyen Tan Dung.

PM Dung highlighted that Viet Nam is now engaging in negotiations on regional comprehensive economic partnership (RCEP), trans-pacific partnership (TPP), free trade agreements with the European Union and Customs Union of Russia, Belarus and Kazakhstan, which are expected to offer new opportunities for investors.

*Source: Vietnam News*

[Back to top](#)

### US businesses eager to invest in Vietnam but obstacles remain

*An investment wave from the US has been hitting Vietnam thanks to good developments in the Trans-Pacific Partnership Agreement (TPP)*

“US enterprises, especially makers of products exported to the US such as garments and textiles, footwear and aquatic products, are seeking investment opportunities in Vietnam to benefit from TPP’s investment and trade-related incentives,” Nguyen Viet Ha, managing director of US-backed investment consultant BowerGroupAsia, told VIR.

According to the Ministry of Planning and Investment, Vietnam is now home to 665 US investment projects with the total registered investment capital of \$10.6 billion. This year’s first nine months saw 24 new US projects registered with the registered investment capital of \$48.5 million, up 3 per cent on-year.

“Recently a delegation of 20 US businesses operating in garments and textiles, footwear, telecommunications and finance came to Vietnam for investment windfalls,” Ha said, citing Amcham Hong Kong chairman Vuylsteke as saying that US businesses “did not want to pour too much money in only one market like China.”

“Vuylsteke affirmed that Vietnam was a potential investment spot and a new US investment wave was waiting to hit Vietnam,” Ha said.

Nguyen Duc Tiep, deputy head of Quang Ninh Provincial Investment Promotion Agency’s Investment Promotion Division, told VIR some US investors were working with the Northern Province in potential projects of property, tourism, service and financial sectors. For example, the provincial people’s committee and ISC Corporation inked a

memorandum of understanding in mid-September on the US firm's projected implementation of a \$7.5 billion entertainment complex including a casino in Quang Ninh's Van Don Economic Zone.

According to the Singaporean Amcham's ASEAN Outlook Survey 2014, conducted over 475 American businesses in ASEAN last year and recently released, Vietnam ranks first among top regional target countries for US business expansion, with 58 per cent, followed by Myanmar (41 per cent) and Thailand (29 per cent).

In terms of business expansion, 61 per cent expected their workforce to increase in Vietnam in 2013, while 62 per cent expected profits to increase this year, rising to 85 per cent for 2014.

However, despite the optimism, Ha noted that "US investors are also concerned over a series of difficulties in setting up business in Vietnam, such as completed investment procedures and weak infrastructure."

Under the Singaporean Amcham's survey, US businesses' satisfaction in Vietnam has declined compared with five years ago across a variety of criteria. Reduced satisfaction covered an 11 per cent drop regarding availability of raw materials, 9 per cent for laws and regulations, 32 per cent for new business incentives offered by the Vietnamese government, and 9 per cent for tax structure.

*Source: Vietnam Investment Review*

[Back to top](#)

### **Vietnam, Russia seek new investment opportunities**

*Deputy Prime Minister Hoang Trung Hai has suggested Vietnam and Russia accelerate investment projects in high technology, mechanics, machinery, health care and education, which are each side's strengths.*

The Deputy PM was addressing the first Vietnam-Russia Economic Forum co-organized by the Vietnamese Ministry of Industry and Trade, and the Ministry of Economic Development and the Entrepreneurs' Organization of Russia, in Hanoi in October 2013.

He briefed Russian businesses and representatives from ministries and local governments on Vietnam's economic development as well as incentives for foreign investors. Russia's First Deputy Prime Minister Igor Ivannovich Shuvalov said he hopes implementing existing bilateral economic, trade and investment projects will boost the two countries' economic and trade ties, especially after the signing of a free trade agreement between Vietnam and the Customs Union of Russia, Belarus and Kazakhstan.

The Russian First Deputy PM is in Hanoi for the 16 th session of the Vietnam-Russia Intergovernmental Committee for Economic, Commercial, Scientific and Technological Cooperation, which prepares for the upcoming visit to Vietnam by President Vladimir Putin. At the forum, participants looked at the situation and potential for cooperation between the two countries' businesses in electricity, and oil and gas.

The Russian side also introduced business opportunities in the country and plans to develop aviation techniques in Vietnam, among many others. Two-way trade between Vietnam and Russia last year hit 3.2 billion USD, representing a year-on-year rise of 19.7 percent.

Of the sum, Vietnam's export turnover to Russia reached 2.3 billion USD, up 32 percent while its import totaled 1.4 billion USD, up 3.7 percent. The two countries' trade is expected to reach 4 billion USD this year.

By August this year, Russia has invested in 92 projects worth nearly 2 billion USD in Vietnam, ranking 19 th among countries and territories investing in the country. Vietnam has had 17 investment projects worth 2.4 billion USD in Russia

*Source: Vietnam Plus*

[Back to top](#)



## Supporting industries essential to continuing Japanese investment

*Japanese investment in Vietnam is increasing though the deficiency of supporting industries is holding some back, said a leader at the Japan External Trade Organization (JETRO)*

Japanese direct investment into Vietnam accounted for 51 per cent of the total in 2012 and 32 per cent between January and September this year, said Hirotaka Yasuzumi, managing director of JETRO's Ho Chi Minh City office.

"Investment from Japanese companies is vigorous," he told the Vietnam-Japan Investment Promotion Forum in the southern hub on October 9.

He said Vietnam needed to learn from Thailand in terms of boosting the development of supporting industries to attract Japanese companies, particularly as they are eager to make the move to Vietnam due to rising labor costs in China and Thailand.

Yasuzumi added that small and medium-sized enterprises (SME) in Japan are anxious to invest in Vietnam as well, though they face similar problems with supporting industries.

JETRO started a business conference today in Ho Chi Minh City that will run through the 12th at the Saigon Convention and Exhibition Centre in District 7.

"This time our focus is on business alliances, much more complicated than the last time," he told the forum, held by Ho Chi Minh City's Investment and Trade Promotion Centre (ITPC).

State-run leading lender VietinBank, of which Japan's Tokyo-Mitsubishi UFJ holds a 20 per cent stake, provides a lot of credit to Japanese companies investing in Vietnam as well as local exporters to Japan.

Nguyen Thanh Tung, a Vietinbank Ho Chi Minh City director, said the Japanese bank is one of the world's largest and has greatly supported the Vietnamese lender.

The Japan Finance Corporation, another Vietinbank partner, regularly recommends the lender to Japanese SMEs and issues stand-by letters of credit to guarantee Japanese enterprises' loans.

ITPC director Pho Nam Phuong announced that Ho Chi Minh City would be sending a business mission in October to Tokyo, Osaka, Kobe, and Yokohama to further enhance the cooperation between the two.

*Source: VIR*

[Back to top](#)

## Japanese outfits eye HCM City's attractive semiconductor sector

*Executives from Japanese chip and other industries were keen to know about HCM City's investment environment and the incentives it offers investors in the Sai Gon Hi-tech Park (SHTP) during a visit there in Oct 2013.*

The SHP in District 9 is housing 58 projects with total investment of US\$2 billion.

Companies in the micro-electronics and IT and telecom sectors, which get priority, account for 25 per cent of the investment in the park.

At a meeting with the city's Integrated Circuit Design Research and Education Centre (ICDREC), the visitors discussed development and training of human resources for chip design and manufacture and the proposed programme to build a Design House to be undertaken by ICDREC and HCM City Department of Information and Communications.

The visiting delegation represented the Kyushu Semi-conductor and Electronics Association, Kyushu Department of Economy – Trade – Industry, and the Kyushu Economic Research Centre.

The visit comes close on the heels of the Viet Nam Semiconductor Strategy Summit that brought executives from the world's leading microelectronics companies and representatives of the Vietnamese government, academia, research, and industry to HCM City on September 9 and 10.

At the summit, organized by SEMI, which is the global industry association serving the nano – and micro-electronic manufacturing supply chains, the HCM City Semiconductor Association, and SHP, attendees said the semiconductor industry is developing strongly in the Asia-Pacific region, especially in emerging markets like Viet Nam.

The local market is growing rapidly, with huge demand for smartphones, TV sets, tablets, set-top boxes, and electronic equipment, they said.

This would underpin demand for semiconductors, they said

*Source: SHTP & Vietnamnet*

[Back to top](#)

### HCMC sees more FDI flowing into IPs

*The first nine months of the year saw fresh foreign direct investment (FDI) approvals in export-processing zones (EZs) and industrial parks (IPs) in HCMC picking up due mainly to expansion plans by operational companies.*

FDI flows in the city's EZs and IPs totaled more than US\$341 million in January-September, up 114.27% year-on-year, the HCMC export processing and industrial zones authority (Hepza) reported.

According to Hepza, the strong rise in FDI is ascribable to the operational projects that are expanding their operations, with 23 projects in EZs and IPs adding nearly US\$278 million, jumping over 110% year-on-year. Notably, Japan's Saigon Precision Co. Ltd. in Linh Trung II EZ adjusted up its capital by US\$129 million to expand and upgrade production lines, renovate technology and construct its fourth factory covering 2.2 hectares. The firm's current investment capital is US\$219 million.

Nidec Tosok Vietnam, a subsidiary of Japan's Nidec Corporation, has poured an additional US\$95.8 million into its plant's expansion in Tan Thuan EZ, taking its total investment to US\$205.6 million. Kamijukkoku Takashi, general director of Nidec Tosok Vietnam, explained the new capital injection would go to procuring more machinery to raise the plant's capacity by 50% to meet rising global demand for precision parts for automobile production.

According to local experts, the investment expansion by FDI enterprises in the EZs and IPs is a preparatory step for a pickup in the country's economic activity in the next two to three years and for its deeper global economic integration in the coming time. The higher FDI capital is, the stronger foreign investors' confidence in Vietnam's economic recovery is.

Meanwhile, 14 new projects, mostly small and medium, were licensed in January-September with total capital of US\$63.6 million, a rise of 134.43% over the same period in 2012, Hepza said. In particular, the Vietnam-Japan Hi-Tech Park project involving a US\$32 million joint venture between Japan's Unika Group and Vietnam's Hiep Phuoc Industrial Park Corporation will build workshops meeting Japanese standards to cater to Japanese SMEs in precision engineering and supporting industries.

There are 1,263 investment projects still valid in the city with total registered capital of roughly US\$7.5 billion, with 502 of them involving foreign investors and costing about US\$4.5 billion, and the remainder developed by local companies and capitalized at around VND44.3 trillion.

The city's EZs and IPs are nearly 73% full and have some 269,800 workers.

*Source: Hepza & SGT*

[Back to top](#)

## Ha Noi seeks further \$1.3b in FDI

*The capital city will ramp up its efforts to create resources for investors, in an effort to attract US\$1.3 billion in foreign direct investment (FDI) by the end of the year, according to the municipal People's Committee.*

In addition to simplifying administrative procedures for greater investment, the city will also foster a more transparent investment climate, the committee said. The city is reportedly compiling a list of prioritized projects calling for investment from now until 2015, with another programme in the pipeline to attract more attention from Japanese investors.

According to the committee's findings, the city has attracted a total registered FDI of \$768.2 million so far this year, accounting for only 59 per cent of the target for 2013.

Most projects were found to be small- and medium-sized, resulting in a 16.4 per cent year-on-year decrease in registered capital despite a 7-per-cent increase in number of projects.

The committee ascribed the substandard performance to negative influences from the global and regional economy and complex procedures.

The report also said inadequate "fresh land" for investors wanting to implement large-scale projects in the city.

Officials are hoping the new measures will help draw \$1.45 billion in FDI in 2014, with \$950 million expected from new projects and the remainder from existing projects increasing their capital contributions.

The move follows a project signed off by the City last month with Japan's Forval Corporation, expected to bring in more investment from Japan.

The project aimed to spotlight key areas for Japanese investment and incentives for investors, including access to land, administrative procedure reform and infrastructure development.

Ha Noi now ranks second in the country for the amount of FDI invested in provinces and cities nationwide.

The Foreign Investment Agency's statistics revealed that as of September, the city is home to over 2,580 foreign-invested projects with a total registered capital of \$22 billion

*Source: The Saigon Times*

[Back to top](#)

## Thanh Hoa rolls out welcome mat for Nghi Son EZ

*Thanh Hoa province, which boasts the Nghi Son Oil Refinery and Petrochemical Complex Project, will organize a trade promotion conference on October 23-24 to introduce its socio-economic development strategy to 2020 with a vision towards 2030 as well as its incentives for foreign investors. Report by the Vietnam Economic News.*

The Nghi Son Economic Zone (EZ) in Thanh Hoa province is expected to make more breakthroughs in investment attraction in the coming time thanks to its potential and the upcoming record breaking 9 billion USD Nghi Son Oil Refinery and Petrochemical Complex Project.

To attract a large amount of capital into the EZ, on October 23-24 Thanh Hoa provincial People's Committee and the Ministry of Planning and Investment will co-organise a forum on promoting investment in Nghi Son EZ and the surrounding areas.

The Nghi Son EZ is located in the south of Thanh Hoa province, about 200km south of Hanoi. This is also a link between Vietnam's northern, central and southern regions with southern Laos and northeastern Thailand.



The EZ is planned into many important sections on a total area of 18.611ha, including Nghi Son Port, oil refinery and petrochemical complex zone, Nghi Son Thermal Power Center, Industrial Zones and urban areas. Of those, the Nghi Son Port has potentials to become a deep water ports capable of receiving ships with a capacity of up to 100,000DWT.

Not only having very favorable and strategic position for investment attraction, Head of Nghi Son EZ Management Board Tran Hoa said the EZ is also one of Vietnam's five key EZs prioritized by the government to build important infrastructure systems such as breakwaters along with traffic, water and telecommunication systems. By now, the Nghi Son EZ has attracted 74 investment projects, including 66 domestic projects with total registered capital of 93 trillion VND and 8 foreign projects, totaling 12.1 billion USD.

Some projects will have a large effects on the provincial, regional and national socioeconomic development such as the Nghi Son Oil Refinery and Petrochemical Complex with a capacity of 10 million tonnes of crude oil per year and total investment capital of more than 9 billion USD; the Nghi Son 1 Thermal Power Plant project with a capacity of 600MW invested by the Electricity of Vietnam Group and total investment capital of 22 trillion VND; the Nghi Son 2 Thermal Power Plant project with a capacity of 1,200MW and total investment capital of 2.3 billion USD invested by the joint-venture Marubeni Group of Japan and Kepco Group of the Republic of Korea.

Vice Chairman of the Thanh Hoa provincial People's Committee Nguyen Dinh Xung said, investment attraction in the Nghi Son EZ has obtained recognizable results. However, the investments are only at an early stage and remained modest maybe because the investors have not been fully aware of preferential treatments, especially in terms of land and tax policies when undertaking investments in this EZ. In terms of land policies, the investors' land and water face hire costs will be exempted for 11-15 years since the operations of projects, depending on the fields and branches of the projects.

As for tax policies, when undertaking investments in the Nghi Son EZ, the investors will enjoy an Corporate Income Tax (CIT) rate of 10 percent applied for 15 years since the operations of projects. The CIT is exempted for the first four years and reduced to 50 percent of payable tax amount for nine subsequent years

Regarding high-tech, large scale and important projects to the development of various fields and branches or to the provincial, regional socioeconomic development, preferential tax rates could extend to a maximum of 30 years. Goods import taxes to make fixed assets and specialized transport means used in the projects are exempted. Import taxes are applied for five years since the operations of projects for production materials, accessories that Vietnam has not been capable to make or for Vietnamese products failing to meet the quality requirements.

Hoa said: "The success of investors at the Nghi Son EZ is also that of Thanh Hoa Province. Therefore, the Nghi Son EZ Management Board pledges to create the most favorable conditions for their operation in the zone

Source: Vietnam +

[Back to top](#)

### **Haphazard refinery investment may repeat hydropower plant's mistake**

*With a number of new oil refinery and petrochemical plants planned to be built in the coming years, many experts are concerned that Vietnam will become a place where foreign investors dump their obsolete technology, as has happened with hydropower plants across the country.*

While many other countries are seeking alternative energies or bio-fuel products, Vietnam is boosting refinery investment, which experts say will cause a number of disadvantages for the country if not appropriately assessed.

Doctor Nguyen Dong Hai, a seasoned oil and gas expert, warned that Vietnam's crude oil reserves are running out, and future refineries may have to import crude oils for treatment.

“So what will we benefit from this?” he asked. Vietnam has been exploiting crude oil from Bach Ho (White Tiger), one of the country’s largest refineries, over the last 25 years, Hai said.

The expert also warned of the possibility that foreign investors will take advantage of the Vietnamese facilities to avoid pollution in their own countries. “The investors will also consider Vietnam a place to dump their outdated technology,” he added.

In fact, it is planned that most of the future refineries will use imported crude oil from the Middle East, Africa, and South and Central America. Dung Quat, the country’s sole refinery so far, is the only facility to use a domestic source of oil.

Economic expert Le Dang Doanh also called on the government to consider factors like pollution, supply surplus, and the world’s energy trend before approving new refinery projects.

“With only Dung Quat in operation, we have already faced a number of challenges,” he said. While Dung Quat is currently Vietnam’s sole oil refinery, the country will be home to a total of seven such facilities in the next few years, the total capacity of which is much greater than the nation’s current demand.

Many oil refinery and petrochemical projects worth billions of US dollars have obtained the agreement in principle from local authorities for their investment, raising experts’ concerns.

*Source: Tuoitrenews*

[Back to top](#)

### **PetroVietnam faces up-hill drive to promote ethanol fuel**

*State-run PetroVietnam has been instructed to ensure preparations for the use of ethanol fuels meet the planned schedule, despite a number of setbacks.*

According to Phung Dinh Thuc, chairman of the Board of Members, the group will have one year more for preparations for the distribution of ethanol fuels in seven cities and provinces of Vietnam by the end of 2014.

“The Vietnamese government has instructed PetroVietnam and other manufacturers and distributors to keep the process on good track to the end of next year,” Thuc said. With less than a year before the deadline, Thuc admitted that difficulties continued to hamper the use of ethanol fuels in Vietnam.

Major preparations yet to be completed are the installation of filling stations and storage facilities, as well as developing wholesale agents. To date, PetroVietnam has five filling stations and four storage locations for ethanol fuels.

Currently, only three out of more than 10 petroleum wholesalers trade bio-fuel E5. Between them, PV Oil, Petec and SaigonPetro have a total of 175 stations selling ethanol petrol in 34 cities and provinces. “We have seen that the process of developing distribution networks is the weak link. This bottle neck is causing difficulties for the consumption of ethanol manufacturers’ products,” Thuc said.

PetroVietnam is the investor in three ethanol factories in Vietnam located in Phu Tho, Quang Ngai and Binh Phuoc provinces which will have the combined capacity of 300,000 cubic metres per year. Thuc confirmed that due to the lack of demand only two of the plants were presently producing, and even then, not at full capacity.

PetroVietnam’s Dung Quat ethanol plant in Quang Ngai province and the Binh Phuoc plant, a joint venture between Itochu, PetroVietnam’s affiliate PV Oil and Licogi 16, are both producing biofuels. However, due to consistent losses, Itochu is attempting to sell its stake in the Binh Phuoc plant, but has so far received no offers. The Phu Tho ethanol plant remains under construction.

Due to the lack of demand, the investors, PV Oil and a local company, asked permission to halt the operation while awaiting increased ethanol use in seven cities and provinces to increase in 2014.

The plants that are currently operational are suffering losses due to high manufacturing costs and low export prices. Current export prices stand at around VND15,000 per litre, lower than the manufacturing price of between VND17,000 to 18,000 per litre. Thuc admitted that all of the factories were suffering, but he believed that the business would pick up in 2014 and 2015 when the new regulations are applied. Vietnam now has a total of 13 factories planned to produce biofuels nationwide. Of those, three factories are operating and three are under construction.

According to the government roadmap, bio-fuel use will begin in December 2014 for motor vehicles in seven cities and provinces of Hanoi, Ho Chi Minh City, Haiphong, Danang, Can Tho, Quang Ngai and Ba Ria-Vung Tau. From December 2015, it will be used widely across the country.

The Ministry of Industry and Trade forecast that Vietnam will need around 6.88 billion litres of bio-fuels by 2015, with the figure climbing to 8.31 billion by 2020.

*Source: Vietnam Investment Review*

[Back to top](#)

### Hydropower projects getting the axe

*Minister of Industry and Trade (MoIT) Vu Huy Hoang last week announced that locally-owned Ho Chi Minh City Stock Exchange-listed Duc Long Gia Lai Group Joint Stock Company's plan to build two major hydropower projects Dong Nai 6 and 6A were cancelled.*

“After reviewing a report done by the Ministry of Natural Resources and Environment, the prime minister issued a Document on September 23 that suggested they be disqualified from the national hydropower plan,” Hoang announced at a National Assembly Standing Committee meeting.

The 135 megawatt \$212 million Dong Nai 6 and 106MW \$165.6 million Dong Nai 6A would have supplied a billion kilowatt hours and reduce 514,000 tonnes of carbon dioxide annually.

Since 2011, both projects have been criticized heavily by scientists and experts for not complying with legal regulations and environmental safety standards. Most questionable was them being located in the southern Cat Tien protected forest and the Cat Tien National Park, which was named a world Biosphere Reserve in 2001.

“These two projects are among many that have and will get the chop,” Hoang stressed. Since 2012, the prime minister has repeatedly asked MoIT and localities to review the development of hydropower projects, saying that ineffective or environmentally harmful projects would be removed.

Under the previous plan approved by the prime minister, Vietnam has 1,239 hydropower projects in total, many running, others still planned. They have a designed capacity of 26,000MW. “However, we have recently cut out ineffective projects. 815 were retained with a capacity of 24,300MW including 268 that are operational, 205 under construction and slated to go on-line between now and 2017,” explained a MoIT report on Vietnam’s hydropower development released at the meeting.

“Projects that need further review include 149 small-scale plants and nine cascade facilities,” the report added. Nguyen Ty Nien, a local expert with 50 years’ experience in the local water sector, said that although hydropower had greatly benefited the country, there were now far too many and the country’s plan was becoming excessive.

“Deforestation and pollution are rampant in areas with hydropower projects which change waterways and damage the local ecosystem,” Nien said.

Quang Nam province’s Department of Natural Resources and Environment reported that 43 hydropower projects had damaged and destroyed nearly 10,000 hectares of forest. It noted the Song Tranh 2 and 3 as the plant’s that had done the most damage.

On average, 16 hectares of forest need to be destroyed to produce a single megawatt of power. Last year MoIT reported that hydropower made up 48.26 and 43.9 per cent of Vietnam's total power capacity and volume, respectively

Source: Vietnam Plus

[Back to top](#)

### ***Vietnam also has to compete with advanced economies in FDI attraction***

*Steve Almond, global chairman of Deloitte Touche Tohmatsu Limited, and managing partner of International Markets at Deloitte UK, recently came to Vietnam for the Southeast Asia Partners Conference 2013, an annual regional meeting for the leadership of the Southeast Asia region. - The Saigon Times Daily took the opportunity to speak with him on the prospects and challenges Vietnam faces in attracting foreign direct investment (FDI).*

#### **- The Saigon Times Daily: What is the purpose of your trip to Vietnam? How do you evaluate the role of Vietnam in the growth of Deloitte in Southeast Asia?**

- Steve Almond: The Southeast Asia region is strategically important to Deloitte, and Vietnam is a priority market within the region because of its significant population of approximately 90 million people, the emerging middle-class, and the strong GDP growth.

I'm here in HCMC because we are holding our annual regional meeting for the leadership of the Southeast Asia region here and this is one indicator to show the importance we attach to our business in Vietnam. The other indicator is that Deloitte globally has recognized the Southeast Asia region as one of 11 priority markets. As such, Deloitte has allocated a significant investment of over US\$50 million in recent years into Southeast Asia to grow the business, mainly to attract high-quality skilled talent, of which about US\$8 million has been invested directly into Vietnam.

We are very proud of business in Vietnam and the longstanding high quality audit and tax practice. There are still a lot of opportunities to expand into other areas and we are investing resources to attract high-quality professionals that can offer advisory services and to train and develop our over 700 people that are working for Deloitte Vietnam.

#### **Given Vietnam's recent instability of the macro economy, is Vietnam still attractive to foreign investors?**

- Vietnam has already exceeded its target for foreign direct investment (FDI) in 2013 and US\$15 billion has already been invested into Vietnam in the first nine months of this year. Surveys have shown that Vietnam is still a very popular destination in Southeast Asia for attracting FDI, which is very positive.

But this is a very competitive field. I spent a lot of my time travelling across Asia, Africa and everywhere I go, the governments and other bodies are always keen to attract more FDI. There are challenges and I think undoubtedly, government policies such as providing tax incentives can certainly help. However, I think much more important to business are things like the quality of the physical infrastructure, the connectivity of technology and communication and the access to high-quality skills in the labor force.

Hence, for Vietnam to continue to attract more FDI, it should continue to invest more into removing trade barriers, and improving the infrastructure and education for the young work force to ensure they have the right skills.

#### **In comparison to other regional countries, what are the chances for Vietnam to attract more FDI?**

- The World Economic Forum has recently published its competitiveness index as it does it every year, and Vietnam ranks 70 out of 148 countries, an improvement from last year when it was number 75. But if you look at its progress since 2006, which is the year that the ASEAN economic community blueprint was signed, Vietnam did not really improve when compared to other regional countries.

If you look at some other countries in Southeast Asia, like the very advanced economies like Singapore, which ranks number 2 and has been for the past three years, and other emerging countries like Cambodia which jumped 23 places in



the same period, and the Philippines and Indonesia which have even bigger population than Vietnam and have both also done very well by moving up 19 places in that period, so for Vietnam not to have moved over the period should be a cause for concern.

One of the reasons that Vietnam's ranking has improved over the last 12 months is that the government policies have addressed some of the macroeconomic instability that Vietnam has been suffering from and inflation has come down significantly from 27% to around 6 to 7%. But I think more should be done in the areas like removing trade barriers and investing in infrastructure and skills in order to attract more foreign direct investment.

**Vietnam's Government has made a strong commitment to restructuring the economy. Do you think it would make foreign investors feel more confident to invest here?**

- I think when big businesses look at where to invest, they do not necessarily look at government policies as the consequence of their investment decision but they would certainly like to see government policies which are supportive of investment and business. But the market is very competitive and there are a lot of emerging economies with big population which are particularly attractive for businesses in the consumer industry for instance or for businesses that need access to a highly skilled work force. These businesses are more likely to look at making their decisions based on "where we are today" rather than where the government policies would get them in five years' time.

I think the point is not just about good thinking on what might be done but really effective execution. If you contrast China and India, two big economies, one of China's competitive strengths is that they make and execute policies very quickly and very effectively, while India take longer to make decisions on policies and execute them.

What is the change in attitude and interest of foreign investors in Vietnam now compared to five years ago?

- I would say Vietnam is on the radar for big businesses because it does have some advantages of relatively low wages, relatively high productivity and well-located geographically and political stability.

I think the biggest change over the past five years is not really the change in Vietnam but the change in risk appetite of big companies. Five years ago, the global financial crisis caused many advanced economies and big businesses to become very risk adverse and slow down their investments in foreign countries and focus on rebuilding their own balance sheet and rebuilding capital, and just waiting for confidence to return.

Deloitte does a survey every quarter of CFOs in the UK and elsewhere and that has been showed gloomy sentiment during that time. The most recent survey showed a real change in the sentiment of big companies and the willingness again to take risks and invest in capacity and growth. The big question was where they will be willing to invest, in low-growth economies in Europe or higher growth places in emerging markets like Vietnam. You would have thought that they will be more interested in emerging markets, but the results of the most recent survey shows that companies are willing to invest in the matured economies like the U.S. and Europe as well, so Vietnam and other emerging economies in the region not only have to compete with each other but have to compete with more advanced economies as well.

Source: Báo SGTimes

[Back to top](#)

## FINANCE – BANKING

### ADB funds infrastructure projects in Vietnam

The State Bank of Vietnam and the Asian Development Bank (ADB) on October 16 inked loan and non-refundable contracts valuing at 624 million USD for two infrastructure projects in the Mekong Delta and Central Highlands regions.

Under the contracts, the Mekong delta centre connectivity project – a key government project to complete the road

system in the southern region - will receive 544 million USD, of which 410 million USD is from ADB's ordinary capital resources and 134 million USD is funded by Australian's non-refundable aid through ADB.

Meanwhile, the 87.58 million USD project of rural infrastructure development for Central Highlands provinces will get 80 million USD in preferential credit from the Asian Development Fund (ADF). It will be carried out in five years from 2014 to 2018 to assist efforts to reduce poverty through developing technical and social infrastructure and improving socio-economic conditions in the five provinces of Lam Dong, Dak Nong, Dak Lak, Gia Lai and Kon Tum.

Addressing the signing ceremony, SBV Governor Nguyen Van Binh said the funding is of significant importance to Vietnam in the context of limited domestic investment for infrastructure projects.

The success of these projects will help the Vietnamese Government meet its targets specified in the national socio-economic development plan, while serving as the basis for ADB to decide its assistance level to Vietnam in the future, he said

*Source: Vietnam +*

[Back to top](#)

### **VAMC debt buyouts gain momentum**

*After buying \$81 million of non-performing loans (NPL) from state-owned Agribank, reducing the it's bad debts to 7.5 per cent two weeks ago the Vietnam Asset Management Company (VAMC) made similar purchases from Saigon-Hanoi Commercial Joint Stock Bank (SHB), Petrolimex Commercial Joint Stock Bank (PG Bank), and Saigon Commercial Joint Stock Bank (SCB).*

The VAMC bought \$55 million in bad debts for a price of \$40.2 million. SCB alone sold debts valued at \$47.6 million.

“On top of this we plan to sell more debts to the state asset company, hopefully sometime next month. We are aiming to reduce our NPL to below 3 per cent in preparation for a merger with a foreign partner,” said deputy director Vo Tan Hoang Van.

In late 2011, Ficombank and TinNghiaBank were merged with SCG and experts say it has reinforced its structure by offloading these bad debts. Many smaller banks are selling, or trying to sell, NPLs to the asset corporation as part of their greater debt restructuring efforts. Also last week, Ho Chi Minh City's Southern Bank held a meeting with the VAMC.

The sliding economy has hurt banks. In 2011-2012 Southern Bank's profits slid by nearly half while at the same time more borrowers defaulted on loans.

The bank's financial statement released in June showed it was \$57 million deep in NPLs, totalling 2.7 per cent of its total outstanding loans. This poses a challenge as the VAMC announced it would buy debts mostly from banks with NPL rates higher than 3 per cent.

According to VAMC deputy chairman Nguyen Quoc Hung, the corporation has received numerous proposals from banks aiming to sell, including others whose rates were below 3 per cent.

So far the VAMC has issued special bonds totalling \$121 million to buy debts off Agribank, SHB, PG Bank, and SCB.

*Source: Vietnam Investment Review*

[Back to top](#)

## **Banks gear up to disburse trillions of dong by year-end**

*Commercial banks have been trying every possible means to increase the lending, as they only have three more months to obtain the targeted credit growth rate of 12 percent.*

### **Big banks target small clients**

Vietcombank, one of the Vietnamese biggest commercial banks, has decided to extend the program on lending individuals and business households at the preferential interest rate of 8 percent to December 31, 2013.

After six months of implementing the program, the bank has disbursed VND2.6 trillion. A report of the bank showed that by the end of September, its credit growth rate, including the outstanding loans and the investments in corporate bonds, had reached 5.1 percent, a satisfactory result if compared with the minus growth rate by the end of June.

The move by Vietcombank, is quite a surprise in the eyes of analysts, who noted that the bank previously was known as a wholesale bank.

The fact that such a big bank now also targets private businesses, small enterprises and tiny business households showed that it has geared up to push up the lending.

Ocean Bank is now running a program called “Mua vang kinh doanh” (golden business season), under which the preferential interest rate of 8.5 percent is applied to small and tiny enterprises and business households.

The bank believes that the capital demand from the subjects has been increasing as they need to prepare for the year-end production season.

Tien Phong Bank has announced that from now to December 31, 2013, it would disburse VND2.5 trillion worth of capital at preferential interest rates. Borrowers can borrow the sums of money equal to 90 percent of the contract value in dong or dollars.

The preferential interest rates from 9 percent per annum for dong loans and 4.8 percent for dollars have been offered for the first three months. The bank will set up the lending interest rates for every specific case.

Especially, enterprises would enjoy the exemption or reduction of the remittance service fee, depending on the disbursed sums of money.

### **Banks pour more money into corporate bonds**

A State Bank’s report showed that the mobilized capital by September 18 had increased by 11.74 percent, while the outstanding loans of the whole banking system had increased only by 5.83 percent.

Commercial banks, which have profuse idle capital, tend to pour more money into corporate bonds, the thing that did not occur in 2012. Prior to that, banks injected their money in government bonds, which was a temporary solution to the excessive capital, but did not bring profits.

Since banks rushed to buy government bonds, the bond yield decreased dramatically to below the deposit interest rate (7 percent per annum).

Corporate bonds have become the most profitable investment channel for now. Big enterprises offer the high interest rate of 11-12 percent per annum for the first year. The interest rates of real estate firms’ bonds, which are believed to have higher risks, may be as high as 14 percent per annum.

In 2012, though enterprises offered the sky high interest rate of 18 percent for the first year, the bond sales were still below expectations. In the most successful bond issuance campaign, only VND2 trillion worth bonds was sold. Commercial banks, which once kept cautious with corporate bonds despite the high interest rates, now decide to buy corporate bonds at the much lower interest rates.

The fund management company belonging to a state owned bank reportedly is preparing to set up a VND100 billion investment fund to specialize in investing in corporate bonds.

Source: VNN

[Back to top](#)

### Bank rate review

*As bank credit is showing signs of falling, many banks are trying to lure depositors with higher than regulated interest rates.*

By the end of August 2013 banking sector credit rose to 6.45 per cent with an annual target of 12 per cent. As of September 20, however, it had retreated to 6.05 per cent.

“Many firms opted to not take out additional credit after paying back previous loans. In one case a business who paid back a \$47.6 million loan only took at half that amount for the next period. In my opinion, bank credit will only grow by 9 per cent this year,” said deputy general director of Vietnam International Joint Stock Bank (VIB) Le Quang Trung.

State Bank of Vietnam (SBV) and Ministry of Planning and Investment figures also indicated credit falling in September.

A transaction bureau director at a Hanoi commercial joint stock bank said, “In the latter part of previous years, many banks were focused on getting deposits. They are recently trying to recover loans and boost lending. Firms are not being influenced by low-cost lending because of poor sales and stagnant production.”

As banks struggle to boost lending many are getting depositors thanks to higher than regulated interest rates.

The cap the rate for one month to six month deposits is 7 per cent though some are offering 7.5 to 8.5 per cent on one to three month term deposits.

Economists are explaining the shift as three potential scenarios.

The first is considered a very unlikely scenario where banks balance their lending and deposit ratios.

The second is that banks with high bad debt ratios are hiking their mobilising rate to ensure liquidity by year end.

Third is people are becoming more informed about banking and the lack of stability of some local institutions and opting for those that are strong. This is pushing smaller banks to raise their rates to gain market share.

Source: Viet Nam Investment News

[Back to top](#)

### Budget revenues look certain to fall short of target

*Revenues for the State budget this year look increasingly certain to fall far short of the target, prompting the Ministry of Finance to call on all apparatuses in the State machinery to tighten spending.*

Deputy Minister of Finance Vu Thi Mai at a press conference in Hanoi on Thursday said budget revenues as of end-September totaled VND543.8 trillion, meeting only 66.6% of the year’s estimates. In the corresponding period of previous years, the rate always hovered around 80%, she gave the comparison.

“The Finance Ministry anticipates a shortfall in the State budget revenue this year compared to the target endorsed by the National Assembly,” Mai told reporters.

She said her ministry was measuring the shortfall and would make a report to the Government and the National Assembly at the next sitting. The ministry on behalf of the Government is also seeking a stamp of approval from the law-



making body to raise the State budget deficit to 5.3% of gross domestic product (GDP) to cover expenses, instead of the 4.8% level approved by the National Assembly.

Mai declined to reveal the total expenses from the State budget in the year to date, but in a report sent to the Prime Minister recently, the ministry said budget spending had amounted to VND684.6 trillion in the first nine months this year. As such, the budget deficit has amounted to VND140.75 trillion, equivalent to 87% of the deficit approved by the National Assembly for all of 2013.

Mai commented that most sources of income for the State budget have fallen short of targets this year to date, such as the value added tax at 65.5%, the corporate income tax at nearly 58%, and personal income tax at 67%, while they should reach 75% after three quarters.

As many as 40 out of the nation's 63 provinces and cities have failed to realize the revenue targets proportionately, including major economic hubs like Hanoi, HCMC, Binh Duong, Hai Phong and Quang Ninh.

Despite the constraints in tax collection, the Ministry of Planning and Investment in a recent report to the NA Economic Commission predicted the shortfall this year will be only some VND21 trillion compared to the earlier forecast of VND60 trillion given by the Finance Ministry in the middle of this year.

Given the somber outlook for the State budget, the Finance Ministry has just issued a document calling on ministries, and central and provincial agencies to "review budget expenses already approved so as to eliminate or delay those schemes deemed as not urgent."

In the document also sent to the media on Thursday, the ministry said it had urged such agencies to strictly cut budget expenditures and step up tax collections to improve the State budget balance.

The ministry has ordered the General Taxation Department to establish a body tasked with fighting tax losses. Meanwhile, the General Customs Department has been told to fight smuggling and other forms of illicit trade to generate more income for the State budget

*Source: SGT*

[Back to top](#)

### **Dismal trading drags on bourses**

*Benchmark indices ended down on both national stock exchanges last week.*

The VN-Index on the HCM City Stock Exchange closed the week 0.6 per cent lower at 494.53 points, while the HNX-Index on the Ha Noi Stock Exchange dropped 0.51 per cent to 60.63 points. The average trading value on the southern city's bourse was more than VND1 trillion (US\$47.2 million) on a volume of around 65.7 million shares, which dropped 11 per cent over the previous week.

On the Ha Noi Exchange, trading value averaged VND252.7 billion (\$12 million) with a volume of 29.8 million shares, 3.7 per cent and 11.5 per cent lower than the preceding week. The increase in the group of blue chips failed to support the indices during last week.

Profit-taking occurred to shares of real estate, construction and seafood companies, such as Tan Tao (ITA), FLC Group (FLC), Hoang Quan (HQC) An Giang (AGF) and Viet An (AVF).

For the first two sessions last week, the market was on an upward trend thanks to the strong cash flow into blue chips such as property giant Vingroup (VIC), Bao Viet (BVH), Vietcombank (VCB), Vietinbank (CTG) and steel maker Hoa Phat (HPG) in hopes of a rally.

However, the trend reversed during the rest of the week, affecting not only speculative shares but also blue chips.

Foreign investors were net buyers on both bourses with a total value of VND298 billion (\$14.19 million), helping increase market demand and maintain investors' optimism, although the global trend of capital flow away from emerging markets also affected Viet Nam.

According to FPT Securities (FPTS), the Vietnamese stock market was less likely to be affected by the US deadlock than the Chinese and Japanese markets because Viet Nam did not hold US Government bonds. FPTS forecast that in the short term, capital flow would focus on shares with good business results in the third quarter.

The VN-Index was expected to slightly decrease this week to around 490 points, while the HNX-Index would fluctuate around 60-60.5 points, according to FPTS. Good news came last week when it was announced that the growing rate of bad debts eased by one-third in the first eight months of this year, according to Bui Huy Tho, Deputy Director of the State Bank of Viet Nam's Management Department.

Viet Nam Asset Management Company (VAMC)'s rush to buy bad debts from credit institutions at the beginning of October was expected to boost investors' confidence. According to MB Securities, investors should consider stocks with promising medium and long-term growth. Ban Viet Securities forecast that foreign investors would continue to pour money into Viet Nam's stock market this week.

Source: Viet Nam News

[Back to top](#)

## ANALYSIS – OPINION

### SMEs struggle with procedures in Russia

*Although Russia ranks third among countries where Vietnamese firms have made investments, small and medium-sized enterprises (SMEs) still have troubles with the traditions and regulations of the market.*

A recent survey of the Vietnam Chamber of Commerce and Industry (VCCI) showed that aside from leading Vietnamese groups and corporations, SMEs have expressed interest in the Russian market but have yet to approach this particular potential market.

During the first Vietnam-Russia Economic Forum in Hanoi City on Wednesday, VCCI said that local enterprises have found it hard to access information of the market, economic regions and sectors. Local firms also lack specific guidelines for customs regulations, food hygiene and safety and imported goods origins.

Payment is also a challenge for Vietnamese enterprises as most Russian SMEs still stick to the direct payment tradition. Few enterprises have applied payment method with letter of credit.

Like other countries, Russia has applied trade and non-trade barriers such as natural rubber and seafood quality requirements to limit imports. Visa requirements of Russia are still complicated and expensive.

In addition, Vietnamese firms have met tough competition with other exporters such as China and Turkey.

Therefore, the Vietnam-Russia Business Council suggested the Government to support enterprises during the negotiation of a free trade agreement between Vietnam and the Customs Union of Russia, Belarus and Kazakhstan, helping them export goods to areas with limited production in Russia.

Local enterprises should also receive support in the form of business and representative office establishment, market information and procedures to carry out business projects in Russia.

VCCI has also suggested Russia's ministry of foreign affairs to assist Vietnamese firms in granting visas. Enterprises with long-term cooperation and investment in Russia should receive longer visa validity to reduce costs and time.

Two-way trade between Vietnam and Russia last year hit US\$3.7 billion, representing a year-on-year rise of 19.7%. Of the sum, Vietnam's export turnover to Russia reached US\$2.3 billion, up 32%, while its import turnover totaled US\$1.4 billion, up 3.7%. The two-way trade is expected to reach US\$4 billion this year.

Source: Viet Nam Breaking News

[Back to top](#)

### A chance to make things differently

Preben Hjortlund, chairman of the European Chamber of Commerce in Vietnam (EuroCham), shares his views on the challenges that Vietnam is facing and on how the country can achieve sustainable development in an emailed interview with - The Saigon Times Daily before the Green-Biz Conference and Exhibition on European Green Business Solutions for Vietnam (Green-Biz 2013) takes place in Hanoi later this week. Excerpts:

- The Saigon Times Daily: EuroCham says the focus of the third edition of Green-Biz is more about the practical challenges and outcomes. So, what are the major threats to Vietnam's sustainable development and how can European green solutions help with these?

- Preben Hjortlund: Green business solutions are so much more than just adapting the latest technology or high-cost investments. Sustainability in business is the must of our days: organizing an enterprise internally to avoid waste of resources or adapting to international environmental, labor or product safety standards. The outcome is more competitiveness, better products for consumers, better working conditions and a thoughtful use of our resources. This all means prosperity and profits for the society.

The biggest threats beside these 'business concerns' are occurring for Vietnam's next generation: we are talking of the natural environment which is being polluted; we can see day-by-day inefficient use of resources and pollution of water-reservoir or even depletion of one-time-given resources; it is their health which is endangered by air pollution, harmful nutrition or hazardous waste, environmental conditions or climate change effects on Vietnam.

Vietnamese enterprises are now grappling with many problems. Do you think they have time to think of green growth and technology?

- While companies are struggling with tough reality, there seems to be no time to ask a basic question: Why are they in difficulties? Our understanding of sustainable business is also to avoid business practices which have bad outcomes but are sustainable in the long run. Difficult economic times are always a chance to make things differently. And I hear all around that times are changing and the challenges are huge; but I always reply and hear more often nowadays that challenges are also chances. Many of EuroCham member companies have successfully implemented sustainable business solutions. They had to learn to adapt in a tough European and global market but succeeded. They can be valuable long-term partners for Vietnamese enterprises and help adapting the many steps which are necessary to adopt. One of these many steps can be implemented from Vietnamese enterprises: employ the best-educated and open-minded staff. Rather spend one dollar more for the production process or the necessary input for production for gaining long-term profits which benefits more stakeholders than only one who earns lots of money now but doesn't care about environmental, labor or social issues.

**European technologies are recognized worldwide but they are very expensive. Is there any way to match European solutions with the financial capacity of Vietnamese users?**

- Beside the fact that prices have always to be considered at a life-cycle content and not in a short-biased ad hoc comparison, we have invited several organizations who can provide financial support for initial investments. Especially long-term strategies and green growth prospects are seen very positive from European partners in financing. Only short-term high-profit-making business concepts without European partners are less likely to get financial support, but for all others I am convinced there will be money to facilitate.

It seems difficult for a developing country like Vietnam to achieve economic growth and sustainable development. In what way do you suggest Vietnam will be able to realize the two goals at the same time, given the fact that the nation still has woes to address?

- We are pretty much aware of the macro-economic woes as you put it. Look at the huge troubles of many European nations, nevertheless green growth is a tremendous chance to get another boost in competitiveness, exports and attracting foreign direct investment. This is, from our point of view, exactly one important point which the Government of Vietnam wants to achieve by pushing the Green Growth Strategy.

According to development economists, the bi-polar point of view on growth and sustainability is very often the core problem why growth cannot be sustained. Growth has always had to be sustainable and 'green'. Focusing on the right growth industries instead of cheap labor and depletion of resources might not bring world-record growth rates today but stable and sustainable growth in the future.

### What do you think will drive Vietnam's green growth on a right track?

- When we think back and evaluate the situation around the time of our first Green-Biz 2009 and 2011, the general conclusion seems to be positive. Since that time the public awareness and practical actions towards a green economy have been recognized. Governmental decision-makers have acknowledged the importance of businesses and their impact - or better low-impact - on the environment.

Vietnam has got a window of opportunity to attract investments with good socio-economic and environmental impact. But we all must not forget that this window is closing already: not only the environmental and climate change clock but also the possibility for collecting the good fruits on the global investment market urge us to act.

One example where we see massive potential but also necessity in Vietnam would be a 'one-stop-shop' or 'fast-track' for getting approvals when engaging in green growth. We are talking of enterprises or individuals who are deeply engaged in the green business sector when planning a building or even having a regional development schedule. When they follow green standards which can be certified by an independent agency, they should be eligible for a less bureaucratic and time-consuming process. We are discussing these things within the Vietnam Green Building Council and the potential certification incentives for green building projects. In EuroCham's annual Whitebook, we have summarized many points which include suggestions like this, and in the trade-recommendations for 2014 we will even introduce a chapter focusing on sustainability.

But as a wisdom of life and science we all know that internal drivers are much more effective than anyone suggesting or showing from outside. The real driver comes from inside Vietnam: from the Vietnamese population, the Government of Vietnam and the support for the Green Growth Strategy from businesses and media alike.

*Source: Saigon Daily & SGT / Eurocham*

[Back to top](#)

### Vietnam economy lags and grows rudderless

*Vietnam's economy has remained on a growth trajectory but it has begun lagging behind other countries, according to a seminar in HCMC.*

At a seminar on Vietnam's independence in international economic integration, Tran Dinh Thien, director of the Vietnam Institute of Economics, said the country's World Trade Organization membership has entered its sixth year but State-owned and private enterprises are now in worse shape.

Integration has helped fuel economic growth in Vietnam but the nation's position has yet to pick up as it is still processing and assembling products, and exploiting natural resources without using modern technologies. That's why



Vietnam's economic growth sustainability is low, with the country's economy failing to compete on international markets, Thien noted.

Internal forces have been underestimated as seen through the indicators on infrastructure, local firms, macroeconomic governance and human resources and through the number of company closures over the past time, he said.

Meanwhile, Thien said, the foreign direct investment (FDI) sector has made tremendous headway, with Samsung Group serving as a good example. Samsung is responsible for up to 10% of Vietnam's total exports, Thien said. He predicted the South Korean company would be able to increase the percentage to 20% sooner or later.

A slew of other multi-billion U.S. dollar projects have got off the ground in Vietnam from Nhon Hoi in the central province of Binh Dinh to Vung Ang in the north-central province of Ha Tinh.

Thien warned that Vietnam's economy was depending heavily on foreign companies, saying this is a tragedy. "While other economies have escaped from the global recession in a sustainable way, Vietnam is still struggling with bottlenecks and when it can overcome the challenges remains unknown," he stated.

At the seminar, many experts noted that although Vietnam's economic policies always focused on boosting economic growth based on internal forces, its economy is increasingly dependent on export markets and foreign investments.

Nguyen Quang Thai, vice chairman of the Vietnam Economic Association, told the seminar that the independence of Vietnam has weakened gradually in its global economic integration process. The economy's scope has risen but its internal forces have been on the wane as domestic entities are not well-prepared for the integration, Thai stressed.

With the Trans-Pacific Partnership (TPP) agreement to be signed, hopefully at the end of this year, there would be an agreement on a five-year transitional road map for developing members like Vietnam and Malaysia, Thai said. But he pondered what Vietnamese businesses would do during the five years and whether they would continue hibernating as they had done in previous accessions. Thai urged the Government to take more drastic policy measures, he insisted.

Source: Báo SGT

[Back to top](#)

### Action plan for priority industries on hold

*The launch of a draft action plan for priority industries as part of the nation's industrialization strategy has been put on hold since Japan as a partner in this policy making policy requires transparent information about the slow restructuring of State-run shipbuilder Vinashin.*

Economist Pham Chi Lan, speaking at a seminar in HCMC on Thursday, said the Japanese government had requested Vietnam to make the Vinashin restructuring process transparent before other things were to be discussed.

But it seems to be impossible to meet Japan's requirement as no solution to Vinashin's debacle is in sight, Lan told the seminar on doing business with Japanese companies held by the Association of High-Quality Vietnamese Goods Producers.

Shipbuilding is one of the six priority industries in the nation's industrialization strategy as part of the cooperation framework with Japan that was endorsed by the Government on July 1. The other five industries are electronics, agricultural machinery, seafood and farm produce processing, environment and energy saving, and auto components.

At the seminar, Nguyen Thi Tue Anh, deputy director of the Central Institute for Economic Management (CIEM), noted that among the six industries, policy-makers would have to choose a number of specific and concentrated products and sectors instead of making scattered investments for all. As such, the priority products in the target sectors should have high added value, have strong technological pervasion and meet quality for export and domestic sale, Anh noted.

For instance, Anh said, the Government will have to choose a strategic line of products in the automobile industry to focus on building incentives for the products and developing them rather than promoting all kinds of automobile.

Similarly, with the farm produce processing industry, the Government will have to concentrate investments on rice, coffee, vegetables and fruits among others, she said, adding the investments in office equipment, mobile phones and electronic items in the electronics industry would be taken into account.

Anh, now in charge of drafting the action plan for these industries, admitted that no specific items had been selected and that such information would only be unveiled in December.

After that, the Government will need to build up concrete preferential policies for every activity to deploy them in succession starting from next year, Anh said.

The Vietnamese Government in October 2011 signed a joint communiqué with the Japanese Government to seek the cooperation and support from the latter in construction and execution of the industrialization strategy towards 2020. Vietnamese policymakers then drew up a list of 39 industries in need of development strategies, which have been scaled down to 12 and then to six.

*Source: The Saigon Times*

[Back to top](#)

## NEWS IN BRIEF

### **Toyota recalls 885,000 vehicles to fix water leak risk**

Toyota said Thursday, 15-10-2013 it was recalling 885,000 vehicles worldwide to fix a problem with air conditioning equipment that could cause a leak that could affect air bags. Toyota said Thursday it was recalling 885,000 vehicles worldwide to fix a problem with air conditioning equipment that could cause a leak that could affect air bags. Toyota said the recall was for model years 2012 and 2013 of its Camry, Camry Hybrid, Avalon, Avalon Hybrid, and Venza vehicles. The bulk of the recalled vehicles are in the United States -- 803,000 -- while 15,000 are in the Middle East and 1,600 in Europe. The problem is with the air conditioning condenser unit housing in the vehicles, the Japanese automaker said in a statement. Water from the housing could leak onto the airbag control module and cause a short circuit, resulting in illumination of the airbag warning light and, in some instances, the air bag "could become disabled or could inadvertently deploy." Toyota also said there was also a chance the power steering assist function could become inoperable if a communication line in the airbag control module were damaged. The company said its dealers will apply sealant and install a cover to the air conditioning condenser unit housing seam on the recalled vehicles.

### **Saigon New Port snags lease on Cai Mep berth**

Military port operator Saigon New Port looks set to win the leasing contract to operate the Cai Mep container berth at the Cai Mep-Thi Vai International Terminal as it was the only participant in last week's tender. Vietnam Maritime Administration (Vinamarine) last week announced it had received Saigon New Port's application to lease the Cai Mep container berth for 30 years. Although they were the only applicant, Vinamarine deputy director Bui Thien Thu said the tender was still transparent and legal. According to the Ministry of Transport, leasing the berths will enable the state to more quickly recoup its investment capital. The Cai Mep International Terminal is among five terminals that have been put into operation in the Cai Mep-Thi Vai port complex in Ba Ria-Vung Tau, including SP-PSA International Port and SP-SSA International Container Terminal, jointly invested by state-run Vinalines and Denmark's APM Terminals BV, Singapore's PSA International and US' SSA Marines, respectively. The other terminals are Saigon New Port's Tan Cang-Cai Mep Container Terminal and Hutchison Port Holdings' Saigon International Terminals. However, most port operators at the Cai Mep-Thi Vai port complex are in a very perilous condition as they have suffered losses since last year due to low cargo volume.

### **VNH mobilizes US\$15.5 million**

Vietnam Holding (VNH) has mobilized an additional US\$15.5 million, or VND327 billion, to continue investing in Vietnam's stock market, becoming one of the few investment funds succeeding in raising money this year. According to Vietnam Holding Asset Management Ltd. (VNHAM), investors agreed to maintain the fund until 2016 at a meeting held in Switzerland last month. Investors spent more money buying fund certificates. After the call option ended last Wednesday, VNH has US\$15.5 million, raising the total net asset value (NAV) to US\$108 million. According to VNHAM, NAV of a fund certificate increased by 35.3% in January-September (VN-Index up 19.1%). High growth of NAV over the past two years is one of the reasons facilitating VNH's capital attraction.

### **Bao Viet, Sumitomo Life ink technical assistance deal**

Japanese insurer Sumitomo Life, a strategic partner with an 18% stake in Vietnam's Bao Viet Holdings Company, on Wednesday, October 17-2013 signed an agreement to provide technical support for the local firm. According to a statement released on Wednesday, cooperation between the two sides lasts one year starting from the signing date. Sumitomo Life will assist Bao Viet in the fields of life and non-life insurance and risk management. For life insurance, Sumitomo Life's support will center on actuary, information technology, bancassurance and agent management. For non-life insurance, the Japanese firm will share experience in health insurance and development of suitable health insurance products to meet customer demand, said Tran Trong Phuc, general director of Bao Viet.

In the risk management field, Sumitomo Life will support the local firm in market risks, report and administration information. Sumitomo Life has sent seven experts to work with Bao Viet and will dispatch more staff in the coming time.

### **VietJet Air to enter joint venture with 3 foreign...**

VietJet Air will contribute capital to joint ventures with three Asian airlines in 2014, the private carrier's managing director Luu Duc Khanh told Tuoi Tre. Khanh said VJA has a policy to become a multinational company, and has planned to develop its joint ventures with international airlines. The company will enter joint ventures with Thailand's Kan Air, Myanmar Airlines and a Northeast Asian airline next year, Khanh said. VJA made national headlines last week after announcing a deal in which it will buy as many as 92 Airbus aircrafts in the next eight years. The US\$9 billion order was signed in Paris last Wednesday. Khanh said the plan will be funded from VJA's own capital, plus bank loans, bonds, and money it expects to earn from the IPO (initial public offering). The largest loan will be from the European export credit policy, which assists aircraft buyers, he added. According to the plan, in the next eight years, VJA will need to buy at least 10 aircrafts annually. These new airplanes will serve its development plans for offering charter flights and the aforementioned joint ventures.

### **Vietnam posts modest trade surplus in 9 months**

Vietnam has enjoyed a trade surplus in the first nine months of this year but at a very modest rate of US\$10 million, according to the General Customs Department. Vietnam exported \$96.27 billion worth of products from January to September, a 15.5 percent increase from the same period last year, the department reported. Meanwhile, imports stood at \$96.26 billion, enabling the country to post a \$10 million trade surplus. The department said the foreign-invested businesses accounted for as much as 61 percent, or \$58.69 billion of the export turnovers, and the figure continues to rise. This is still good news as earlier the department had forecast the country would post a \$124 million deficit. Last year, Vietnam posted a trade surplus of \$143 million in three quarters, with export turnovers of \$83.55 billion against \$83.4 billion worth of imports. In the same period of 2011, the country suffered a deficit of \$6,84 billion.

### **Vietnam's largest iron ore pellet mill inaugurated**

14.1 million USD mill producing raw iron ore pellets, the largest of its kind in Vietnam, was inaugurated in Vi Xuyen district, the north-western province of Ha Giang on October 15 after over one year of construction. The factory, using advanced technology and equipment, is capable of churning out 300,000 tonnes of iron ore pellets a year, serving the Hoa Phat Integrated Steel Complex and nationwide iron smelting furnaces. The plant is expected to generate jobs for more than 200 ethnic minority people with an average monthly income of over 4 million VND (188 USD). It is to contribute over 20 billion VND (940,000 USD) to the State budget. On the occasion, the Ha Giang Electricity Company, the An Thong Mining Investment JSC and the Ha Giang Industrial Zone's management board also put into operation a 110 kV transformer station and the 110 kV-35 kV Binh Vang electricity transmission line. The facilities with a combined investment of nearly 60 billion VND (2.82

million USD) will facilitate local socio-economic development. The two aforesaid projects will further speed up the province's industrialisation and modernisation process, Chairman of the provincial People's Committee Dam Van Bong said. The province pledges to realise comprehensive and effective investment policies, aid investors in seeking investment opportunities and implementing their projects, and speed up administrative formalities reform, with the view to becoming an attractive investment destination, added the chairman

### **Exports increase in three quarters**

Vietnam's export turnover so far this year has amounted to 96.27 billion USD, an increase of 15.5 percent over the same period last year. The Ministry of Industry and Trade, announcing the figures during a meeting in Ho Chi Minh City on October 17 to review export activities in the third quarter, described this as a silver lining of the economy. By now, there have been 19 products with export turnover topping 1 billion USD each, 11 of which have topped 2 billion USD. Largest earners include telephone and accessories with 15.52 billion USD (79.9 percent increase), garment 13.1 billion (17.3 percent), footwear 6 billion (15.1 percent), machinery 4.37 billion (5.1 percent), wood and wood products 3.87 billion (14.9 percent)

### **Agro export revenue sees sharp drop in Vietnam**

According to the Ministry, agricultural produce is the backbone of the country, which unfortunately has seen a sharp drop in exports. For instance, cashew exports have dropped by 15.8 percent, coffee by 23.1 percent in quantity and 22.4 percent in value, rice by 14.7 percent in quantity and 17.2 percent in value, and manioc and manioc-made products by 22.7 percent in quantity and 21.2 percent in value. The domestic market is facing fierce competition. Genuine businesspersons have to fight against fraudsters, despite intervention of tax agencies to shrink purchase and selling price among firms. To resolve this problem, related agencies must make concerted

### **EEPC, VCCI-HCM Sign MoU**

Vietnam Chamber of Commerce and Industry (VCCI)- Ho Chi Minh Branch (VCCI-HCM) and EEPC India (formerly Engineering Export Promotion Council) recently signed a Memorandum of Understanding on promoting the development of business opportunities between the two organisations, and Vietnam and India in general. The agreement confirms the common desire of both sides of strengthening business opportunities in the field of engineering business and investment in both countries. Accordingly, EEPC & VCCI-HCM will exchange import-export market information; assist each other in mounting exhibitions and trade fairs; use the best endeavours of both sides to facilitate overseas travel; exchange information on investment & business opportunities; facilitate one to one interaction between representatives of private sector & government sector; encourage institutional partnerships in

[Back to top](#)





## COMING EVENTS

### PALME VIETNAM HO CHI MINH CITY

Venue: Saigon Exhibition & Convention Center (SECC)

Country: Ho Chi Minh City, Vietnam

Start Date: **06 Nov 2013**

End date: **08 Nov 2013**

#### Event Description

International Plastics and Rubber Technology and Materials Exhibition and Conference

Fair for lighting, audio, music and entertainment technology and systems integration

Palme Vietnam in Ho-Chi-Minh is the region's only trade event dedicated to professional lighting, audio, music, entertainment, audio visual and systems integration solutions. As an established event, the show has become a vital networking event in the industry calendar and will provide you with a key to access the entire Vietnamese region. Please kindly refer to <http://palmeseries.com/vietnam/>

[Back to top](#)

### INTERNATIONAL JEWELRY + WATCH VIETNAM HO CHI MINH CITY

Venue: Tan Binh Exhibition & Convention Centre (TBECC)

Country: Ho Chi Minh City, Vietnam

Start Date: **07 Nov 2013**

End date: **11 Nov 2013**

#### Event Description

Exhibition of watches and jewelry

The International Jewelry + Watch Vietnam in Ho Chi Minh City is an exhibition of watches and jewelry. Manufacturers and distributors will have the opportunity to present their products and sell directly. The fair is also an excellent opportunity to learn about what will be "in" or "out" next season. Visitors can take a look at a large selection of trendy and traditional jewelry, diamonds, pearls, precious stones and watches.

In the period from Thursday, 07. November 2013 until Monday, 11. November 2013, in which the fair International Jewelry + Watch Vietnam in Ho Chi Minh City takes place, there is a Sunday on 10. November 2013. On Sundays and public holidays there might be restricted opening hours of shops and public institutions in Ho Chi Minh City.

Please kindly refer to <http://www.vietnamjewelryshow.com/>

[Back to top](#)

### VIETNAM ELECTRONICS HO CHI MINH CITY

Venue: Saigon Exhibition & Convention Center (SECC)

Country: Ho Chi Minh City, Vietnam

Start Date: **20 Nov 2013**

End date: **23 Nov 2013**

#### Event Description

International Exhibition for Electronic Products

Vietnam Electronics is an exhibition for electronic products in Vietnam. The exhibition offers visitors the chance over the fast-growing Vietnamese electronics sector to inform and new business contacts. Additionally, a congress held at which experts from all over the world on trends in the industry say.

Please kindly refer to <http://www.vietnamelectronics.com/VNE13/Main/lang-eng/Information.aspx>

[Back to top](#)

## VIETNAM TELECOMP HO CHI MINH CITY

Venue: [Saigon Exhibition & Convention Center \(SECC\)](#)

Country: [Ho Chi Minh City, Vietnam](#)

Start Date: **20 Nov 2013**

End date: **23 Nov 2013**

### **Event Description**

International Exhibition of Information and Telecommunication Technologies

Vietnam Telecom is an exhibition for information and telecommunication technologies in Vietnam. The exhibition offers visitors the chance over the fast-growing Vietnamese telecommunications sector information and new business contacts. Additionally, a congress held at which experts from all over the world on trends in the industry say.

For more information, please visit [www.vietnam-telecomp.com/VNC13/Info/lang-eng/ShowInformation.aspx](http://www.vietnam-telecomp.com/VNC13/Info/lang-eng/ShowInformation.aspx)

[Back to top](#)





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*Reviewed by: Huy Nguyen*

