

# VIETNAM: TRADE & INVESTMENT BULLETIN No.29

## DECEMBER

2011



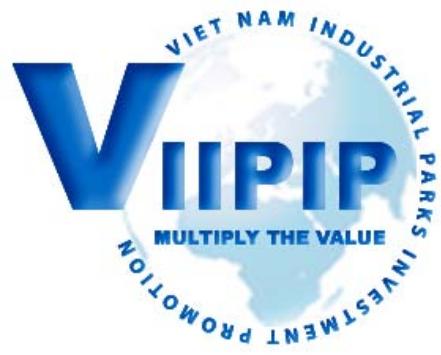
# VIETNAM INDUSTRIAL PARKS INVESTMENT PROMOTION (VIPIP.COM)

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*Dear all,*

*Vietnam Trade & Investment Bulletin is published by monthly 15<sup>th</sup>. VIPIP.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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## **VIETNAM: TRADE & INVESTMENT BULLETIN No.29**

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### **GENERAL REVIEW**

- [Vietnam's per capita income to top USD 1,300](#)
- [PM forms delta economic zone](#)
- [Overseas remittances to VN rise again](#)
- [Ministry mulls banning A83 gasoline production](#)

### **TRADE**

- [Vietnam prioritizes FTA with EU](#)
- [Stiff competition to hit rice exports next year](#)
- [The export turnover of Can Tho, Ca Mau strongly increasing](#)
- [Vietnam's steel sector may suffer negative growth of 8% in 2011](#)
- [Retail sector urged to reap profits online](#)

### **FINANCE – BANKING**

- [Shinhan Vietnam largest foreign bank after merger](#)
- [Vietnam, Russia sign joint auditing report](#)
- [First banks merged in central bank's restructuring](#)
- [Deposit rate to fall next year: expert](#)

### **NEWS IN BRIEF**

### **INVESTMENT**

- [FDI hits USD 12.7 billion in 11 months \(2011\)](#)
- [European investors call for increasing electricity tariff](#)
- [Japan upbeat on local investment climate](#)
- [Singapore keen to invest in Vietnam's potential areas](#)
- [Fresh foreign investment pours into TH Milk](#)
- [Belarus to build auto assembly plant in Vietnam](#)
- [Paper makers face challenges](#)
- [Japanese companies eager to invest in central Da Nang City](#)
- [Enterprises must report quarterly for overseas investments](#)
- [Disbursement of FDI slows down](#)
- [Temporary freeze on new industrial zones](#)
- [Two local airlines lose licenses](#)
- [Donors pledge USD7.38 billion to Vietnam](#)
- [Market rallies on surging demand](#)

### **ANALYSIS**

- [Real estate seeks foreign investors](#)
- [South Korea hopes for prompt signing of FTA with Vietnam](#)
- [Engineering will become the backbone](#)
- [Thu Thiem out of land for residential projects](#)

### **COMING EVENTS**

- [Asia Expo Ho Chi Minh City](#)
- [International Exhibition on Shipbuilding, Marine Technology & Transportation](#)
- [Plastics & Rubber Vietnam](#)

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## GENERAL REVIEW

### Vietnam's per capita income to top USD 1,300

*Vietnam's gross domestic product (GDP) this year is expected to reach USD 119 billion, while per capita income will be roughly USD 1,300, according to Vu Huy Hoang, the Minister of Industry and Trade.*

The country's export turnover this year topped USD 96 billion, and the total import-export turnover has surpassed the USD 200 billion mark, Hoang said, citing the latest statistics from the ministry. Hoang said that with such impressive figure, Vietnam has passed the Philippines to take the fifth spot in the list of South East Asian countries with the largest import-export turnover.

Singapore tops the list, followed by Thailand, Indonesia, and Malaysia. "With a per capita income of USD 1,300 and a huge import-export turnover, Vietnam has become one of the world's most open economies," Hoang declared. He added that, this year, exports grew at their fastest pace since 2005, when Vietnam joined the World Trade Organization.

Exports this year have surged by 32% compared to last year, tripling the figures targeted by the National Assembly, he said. "There are 23 commodities whose export turnover topped USD1 billion." Hoang also stated that Vietnam's trade deficit has been steadily declining over the last three years.

In 2008, the trade gap was some USD 18 billion, he said. The gap was narrowed to USD 12.9 billion the following year, and further reduced to USD 12.6 billion in 2010. "This year, the trade deficit is expected to fall to just USD 10 billion," Hoang said.

(Source: *Tuoitre*)

[Back to top](#)

### PM forms delta economic zone

Prime Minister Nguyen Tan Dung has decided to establish a Key Economic Zone in the Mekong Delta.

The planned KEZ, which includes southern provinces of An Giang, Kien Giang and Ca Mau as well as Can Tho city, is expected to have a growth rate 1.25 times higher than the average GDP growth rate of the country in the period of 2011 – 2020.

Under the plan, this KEZ in the country's major rice basket will make up 40% in the nation's GDP in 2020.

The zone's economy will be restructured, with an increase in the contribution of the industrial and services sectors and fewer inputs from the agricultural, forestry and fishery sectors.

The contribution of the zone's industrial and construction sectors will rise from 29% in 2010 to 40% in 2020, and the contribution of the zone's service sector from 42% to 45% over the same period.

Meanwhile, the contribution of the zone's agricultural, forestry and fishery sectors will decrease from 29.4% in 2010 to 15% in 2020.

Per capita income of the zone's residents is expected to rise from \$1,200 last year to \$3,000 in 10 years.

To reach these targets, the zone must speed up its technological renewal during its modernization process, with technological renewal of 20% annually.

The ratio of trained workers should be raised from 38% of its labor force in 2010 to 65% in 2020.

In the next decade, the zone will focus on developing three thermal power complexes of O Mon, Ca Mau and Kien Luong, with total capacity of 9,000MW to 9,400MW.

These power complexes will be fuelled by gas from fields offshore the southwest coastline.

Priority will be given to the development of transport infrastructure in the region, including National Highway No1A, the N1 and N2 highways, the road systems on Phu Quoc Island and airports in the zone.

Enterprises and businesses from different economic sectors are encouraged to invest in BT and BOT forms in infrastructure projects such as highways, airports and ports, according to the PM's decision.

(Source: VNA)

[Back to top](#)

### **Overseas remittances to VN rise again**

*The World Bank (WB) has estimated that the volume of remittances sent home by overseas Vietnamese will reach nearly \$9 billion in 2011, slightly higher than the figure last year.*

This sum places Vietnam among top ten countries receiving the largest amount of remittances. The others include India, the Philippines, China, Mexico, Pakistan, Bangladesh, Nigeria, Egypt and Lebanon.

According to the WB, Vietnam has seen a considerable increase in the flow of remittances over the past 10 years, from \$1.34 billion in 2000 to \$8.26 billion in 2010, and this figure can hit record this year.

The WB said remittances can help address trade deficit and improve the balance of payment if the receiving countries adopt proper policies to mobilize this source for socio-economic development.

(Source: WB+VNA)

[Back to top](#)

### **Ministry mulls banning A83 gasoline production**

*A83 gasoline should be banned from being domestically produced, Minister of Industry and Trade Vu Huy Hoang proposed at a meeting in 5 Dec 2011.*

The proposal came after nearly a dozen fuel dealers in Ho Chi Minh City were caught selling substandard gasoline last week, most of which was made from mixing A83-grade gasoline with A92 or A95 grades to produce poor-quality products.

At the beginning of the meeting, Deputy Minister of Industry and Trade Nguyen Cam Tu also suggested that domestic A83 gasoline production should be halted.

“Since [A83 gasoline] is not widely used, allowing production of this commodity will open the door for trade frauds,” Tu said. “The Ministry of Industry and Trade has proposed to halt A83 production, but failed to receive agreement from other ministries.” Thus, Tu urged that the country must find a final solution for this issue.

Hoang concurred, saying that the fraudulent practice of mixing different grades of gasoline to make substandard products has severely affected consumers' rights, as well as their vehicles' engines. Hoang said his ministry has petitioned the prohibition of A83 gasoline production many times, but wholesaler SaigonPetro is still running a facility capable of producing 200,000 tons of A83 gasoline a year. Hoang

thus called on the HCMC Department of Industry and Trade to submit a report to the municipal People's Committee, clarifying exactly what SaigonPetro plans to do with such a huge amount of the fuel.

"We have to make it clear why they still continue to produce A83 gasoline while the market no longer has a use for it," Hoang said. Hoang also declared that the responsible agencies should impose strict penalties on the fuel dealers which sell substandard products.

The HCMC Department of Industry and Trade, for example, has proposed suspending violators for six months, but Hoang said the punishment can be even stricter: withdrawing their business licenses. "The market management agencies should also strengthen their raids, and the wholesalers should keep a closer watch on their dealers to avoid trade frauds," he urged.

For her part, Dam Thi Huyen, deputy CEO of Petrolimex, said that since low-quality A83 gasoline is still allowed to be put into circulation with other higher-grade products without strict enforcement from authorities on the distribution system, it will continue to be difficult to prevent frauds. Huyen added that it is illogical for Vietnam to continue the production of A83 gasoline when the major fuel wholesalers no longer import the product, and most filling stations do not sell it.

"Inadequate attention and monitoring have been placed on the quality, as well as the quantity, of A83 gasoline circulated on the market," she said.

Meanwhile, Dang Vinh Sang, CEO of Saigon Petro, told Tuoi Tre that PetroVietnam Oil is also making the fuel with an even larger annual production. "We have maintained production since there are still a small number of consumers who have a need for A83 gasoline," Sang said. "But if the government bans production, we will strictly follow their decree."

(Source: *Tuoitre*)

[Back to top](#)

## TRADE

### Vietnam prioritizes FTA with EU

*Vietnam considers implementing its free trade agreement (FTA) with the European Union (EU) a key and practical step in its trade policy to realize development goals in bilateral ties.*

Finance Minister Vuong Dinh Hue made the statement at the ninth Vietnam – EU Inter parliament meeting in Brussels on December 5<sup>th</sup> 2011.

He said the bloc makes up a considerable proportion of Vietnam's total trade. It is Vietnam's third largest trade partner and the second biggest importer. In turn, the Southeast Asian nation imports essential consumer goods and production commodities from the EU.

Strengthening Vietnam-EU economic links will offer opportunities for both sides, said Hue.

He introduced the Vietnamese government's measures to rein in inflation, cut public investments, limit the import of luxury products and address public debts.

He said the Vietnam National Assembly recently approved a resolution on economic restructuring, targeting public investment, the financial and banking system, and State-owned enterprises, with a particular focus on State corporations and economic groups.

The move will help speed up the implementation of Vietnam-EU agreements on economic, investment and trade cooperation, said Hue.

The Minister proposed that the EU show more specific and substantial commitments to the Association of Southeast Asian Nations (ASEAN) and Vietnam in particular.

(Source: VOV)

[\*\*Back to top\*\*](#)

### **Stiff competition to hit rice exports next year**

*Viet Nam did very well in rice exports this year, but next year is going to be a tough one with unpredictable changes in the world market and stiff competition from cheap rice sources in India, Pakistan and Myanmar, the Viet Nam Food Association (VFA) said.*

Speaking at a meeting held in Tien Giang Province yesterday, VFA general secretary Huynh Minh Hue said local businesses exported more than 6.7 million tons of rice for a free-on-board (FOB) value of USD3.29 billion in the first 11 months of the year.

This represented a year-on-year increase of 7.59% in volume and 23.3% in value, he said.

The average FOB price in the period was USD 488.6 per ton, up USD 62 over the last year. However, Viet Nam's rice trade has been stagnant recently under the pressure of cheap rice sources from India and Pakistan, Hue said, noting that commercial rice export contracts reduced strongly last month, with only a few signed for fragrant and glutinous rice. "World rice market is at a special stage and has four different price levels now," Hue said.

Thailand is offering 5% broken rice at USD 800 per ton under the Government's scheme to ensure higher minimum prices for farmers and USD 600 per ton for stockpiled rice. Viet Nam's 5% broken rice is traded at USD 550 per ton while a tone of 5% broken rice from India and Pakistan are priced at USD 440-450. Myanmar is also a competitive rice source with its price even cheaper than that of India and Pakistan.

"Due to a big gap in prices among supply sources, many importing markets, especially in Africa, have shifted to rice from India and Pakistan, except for contracts that have strict quality requirements and quick delivery times," he said. Hue said the Thai Government will continue its scheme to buy rice from farmers at higher prices, but the move has not had the expected impact on world rice prices since Thai exporters have huge reserves and need to sell them.

Despite stable supply and competitive quality, Viet Nam cannot compete with India and Pakistan in the export of low-grade rice since the latter offer very low prices.

### **Fragrant rice**

However, regarding fragrant rice exports, Viet Nam is expected to gradually take over this segment from its Thai rivals in certain markets thank to its competitive prices and good quality, said VFA chairman Truong Thanh Phong.

Le Truong Son, general director of Dong Thap Trading Corporation, said with huge losses caused by the historic flooding floods, Thailand would reduce its exports next year. Viet Nam should take steps to fill this gap, he said. Meanwhile, China is emerging as a potential market for Vietnamese Jasmine rice, Phong said.

He said that VFA would organize trade promotion programs in China and work with Chinese counterparts to set up a China-Viet Nam Business Club to boost exports to the lucrative market.

The Philippines will also import rice next year, and one of the exporters may be Viet Nam, Phong said, adding the VFA will keep a close watch on this development and pass on appropriate directions to its members.

Vietnamese enterprises had signed contracts to export 7.35 million tons of rice from the year to November-end, meaning another 617,000 tones had to be shipped in this month and earlier this year.

Phong said local traders have currently reserves of 1.14 million tones stored in warehouses plus output from the autumn-winter harvest, meaning that the stockpile for the first quarter of next year is expected to exceed one million tones, much higher than last year.

Le Minh Truong, director of the Can Tho-based Song Hau Food Co., said with the increase in supply from India, Pakistan and Myanmar at "attractive" prices, Viet Nam will certainly be affected. It is important that enterprises and farmers prepare for this situation psychologically as the current high prices are not likely to last, he said.

(Source: VNS)

[Back to top](#)

### **The export turnover of Can Tho, Ca Mau strongly increasing**

*Viipip - According to the Department of Trade and Industry in Can Tho, in 2011, total export value of the province is expected to reach USD 1.3 billion, surpassing 24.5% of the plan year, increasing 16.4% over 2010.*

Meanwhile, rice and seafood occupy 67.6% with USD 862 million of the total export value.

The province has invested tens of billions to install new grinding and packaging lines to improve quality, lower rate of grit in finished product, pushing the amount of high-quality rice for export to the EU, Japan and North America.

In 2011, export value of aquatic products in Ca Mau province reached USD 910 million, exceeding the 7% of target set, up 5.7% over the same period last year. In there, export mainly is seafood, reaching nearly 900 million USD. This is year of export getting the highest level ever.

(Source: Viipip)

[Back to top](#)

### **Vietnam's steel sector may suffer negative growth of 8% in 2011**

*The year 2011 was seen as a difficult year for Vietnam's steel industry sector, especially in June 2011, steel consumption reached only 298,000 tons – a figure was considered very low in recent years, Nguyen Tien Nghi, vice chairman of Vietnam Steel Association (VSA) said.*

Totally, in the first ten months of 2011, steel consumption reached only 1.52% compared to the same period last year. Nghi forecasted if this growth continues to be maintained, the average growth of steel sector in Jan-Nov 2011 will be negative against 2010.

According to Nghi, the government's policy to cut down public investments and the State Bank of Vietnam (SBV)'s tightening credit policy under the government's Resolution No 11 have strongly and

directly impacted the steel sector. Nghi added, by the end of this year, stockpiled steel volume would be about 300,000-400,000 tons. This figure is considered higher than the common level (averaging at 230,000-250,000 tons). Therefore, currently steel manufacturers are producing perfunctorily to limit the volume of steel inventory in the coming time.

Also in 2011, five steel rolling companies can start production, including Thai Trung steel (Thai Nguyen province) with capacity of 500,000 tons, three factories in Da Nang with capacity of 250,000 tons each are expected to be completed in December and one plant in the southern province of Binh Duong with an estimated capacity of also 250,000 tons.

As noted, in the current context, most of these plants have no intent to put production lines into operations. The country's rolled steel capacity is estimated at nine million tons this year while domestic consumption is expected (equaling to last year) at 5.6 million tons (VSA's members at 4.9 million tons and the others at 700 tons). Thus, stockpiled steel capacity this year would be about four million tons.

Therefore, Nghi said that competition in the steel industry will remain fierce in the future and the enterprises with high debt structure and unreasonable investments would be very difficult to survive.

(Source: Vietbiz24)

[Back to top](#)

### Retail sector urged to reap profits online

*The internet, social network and mobile phone will open new opportunities for Vietnam's retail industry as consumers choose more high-tech products, according to an industry official.*

"Retailers who are not concerned about the use of the internet or social networks in marketing communication will be out of the current global digital battle," said Dinh Thi My Loan, general secretary and vice-chairwoman of the Vietnam Retailer Association.

The conference was organized at the Vietnam Forum-Consumer in Focus on December 6 by the Nielsen Company to discuss influences on consumption and retailers' strategies for changes in consumer purchases.

According to FTA Market Research and Consultant Co, consumers have shown interest in sectors that use digital marketing, including textile and garments, fashion, household appliances, cosmetics and travel services.

Under the influence of science, technology and e-commerce, online shopping and TV shopping will become more popular with customers, Loan said.

By May this year, there were nearly 640 supermarkets and 100 shopping centers and by the end of this year, the country will have a total of nearly 8,600 markets, so, they should focus on offering green or safe products, which will help give them a competitive advantage over other competitors at a time when there is increasing alarm about food safety and hygiene, Loan said.

They should also conduct research into consumer trends and improve their service quality to develop appropriate strategies.

Chang Park, executive director of analytics and consulting of Nielsen Greater China, cited another cause for low consumption power that is rising electricity and fuel prices.

According to a Nielsen survey, Vietnam's consumer confidence stood at 96 points for the third quarter of this year, dipping seven points since the beginning of the year.

Nguyen Anh Duc, Deputy CEO of Saigon Union of Trading Co-operative (Saigon Coop), said that the domestic retail market seemed to reach saturation.

(Source: VNS)

[Back to top](#)

## INVESTMENT

### FDI hits USD 12.7 billion in 11 months

*As of November 20, Vietnam attracted approximately USD12.7 billion in Foreign Direct Investment (FDI), equivalent to 83.8% of the same period last year, according to the General Statistics Office (GSO).*

The total figure includes USD 9.9 billion in newly registered capital from 919 projects and USD2.8 billion in increased capital from 324 projects.

The processing and manufacturing industry attracted the largest registered capital of USD 6.2 billion, followed by the energy industry (USD2.5 billion), and the construction sector (USD1.1 billion). In 11 months, 48 cities and provinces licensed new FDI projects with Hai Duong topping the list receiving USD2.5 billion, or 25.2% of the country's total capital value.

Hai Duong was followed by HCM City with USD1.9 billion, Ba Ria-Vung Tau USD 880.8 million, Hai Phong USD 594.4 million, Hanoi USD 513.1 million and Tay Ninh USD 481.4 million.

Among 52 countries and territories investing in Vietnam, Hong Kong (China) was the biggest investor making up 29.7% of the total capital. Then came Japan (16.2%) and Singapore (14.5%).

According to the GSO, the FDI disbursement simultaneously reached about USD10.1 billion, rising by 1% against the same period last year.

(Source: VOV)

[Back to top](#)

### European investors call for increasing electricity tariff

*“Vietnam should raise electricity price significantly from the current level to a sustainable level” the European Chamber of Commerce in Vietnam (EuroCham) formally offered its proposal to the Vietnamese government in the morning December 1<sup>st</sup> 2011.*

The proposal was given within the framework of six major issue groups relating to “issues of trade, investment and proposals” in 2012 in the annual White Book published by EuroCham in Hanoi on December 1<sup>st</sup> 2011.

In the 2012 proposal, EuroCham assessed the energy prices in Vietnam are relatively low compared to the regional markets and in the world, with average retail prices of 1,250 dong/kWh (6.2 cents/kWh). This price is not enough to pay for the investor when the electricity consumption is predicted to increase sharply at least twice against the gross domestic products (GDP) (approximately 12%/year).

EuroCham proposed a higher price in the future in order to have enough supply for businesses to operate and generate surpluses to pay for the cost of capital. This organization said that the estimated electricity

price at 8-9 cents/kWh in the master plan VII is a right direction but needs more careful analysis to know that price is appropriate when considering on the overall electricity market or not.

In terms of management issue, the European business community proposed the establishment of a new agency, operating independently under the “one-door mechanism” to encourage and facilitate for the participation of the private sector in power sector in accordance with the Master Plan VII.

In fact, Vietnam has set up General Department of Energy on the basis of upgrading the Department of Energy (Ministry of Industry and Trade). The General Department of Energy being formed for more than a week is still under the control of the ministry and the regulations of the electricity sector in the country, including Electricity of Vietnam (EVN).

EuroCham said that it is necessary to reduce the dominance of EVN in the power market by encouraging (through investment policy) other businesses involved in this market, accelerating the construction progress of a full competitive electricity market as from 2015 (instead of 2014 as planned).

(Source: Vietbiz24)

[\*\*Back to top\*\*](#)

### **Japan upbeat on local investment climate**

*Vietnam continues to be a lucrative investment venue for Japanese investors.*

For example, in late October 2011 VinaKyoei's second phase production capacity expansion got the thumbs-up. Accordingly, Japan's fourth largest steel group Kyoei will pump USD200 million into building a steel refining plant employing South East Asian latest steel coil rolling and electric arc furnace line in Phu My I Industrial Park in southern Ba Ria-Vung Tau province's Tan Thanh district.

Construction will get underway by the end of this year and the plant will become up and running by 2013. The project helped place Japan in the second behind Hong Kong among countries and territories investing in Vietnam in the year to November with USD2.12 billion total investment. Besides, it had contributed to directing foreign direct investment (FDI) flow from property in the past year to production and manufacturing sector in the first 11 months of 2011.

A Foreign Investment Agency report showed that processing industry and manufacturing were the most attractive to foreign investors with 382 newly registered projects worth USD6.24 billion in total registered and supplemental capital, tantamount to 49.1% of total FDI committed capital in the year to November 2011. Power production and distribution came second with total registered and supplemental capital of USD2.53 billion, accounting for around 20%.

In fact, many big projects outside the real estate sector got investment licenses since early year. Among them were USD2.25 billion build-operate-transfer Hai Duong thermo-power project, over USD1 billion First Solar Vietnam project, USD400 million Viet Luan Tube Company Limited project and USD 323 million Vietnam Nippon Sheet Glass (NSG), a joint venture between UK's Pilkington Group Limited and Vietnam Glass Industries Limited.

“Vietnam is not only a potential manufacturing base, but also offers a big consumer market. Hence, the country will continue to be a top target to foreign, including Japanese investors,” said Japan Business Association in Vietnam chairman Noriaki Shutoh.

Shutoh appreciated Vietnamese government efforts to ameliorate local investment climate saying that Japanese firms encountered fewer hurdles associated with power cuts and volatile exchange rates in

doing business in Vietnam in the past year. Therefore, their business figures were more encouraging. He, however, said a number of barriers still exist which could directly affect FDI inflows into Vietnam.

“Issues relevant to foreign currencies settlement with industrial zones’ and export processing zones’ businesses, land acquisitions, foreign employee recruitment and contract signing with replacement laborers needed to be further improved to benefit investors,” said Shutoh.

(Source: VIR)

[\*\*Back to top\*\*](#)

### **Singapore keen to invest in Vietnam’s potential areas**

*Singaporean businesses are seeking investment opportunities in areas of Vietnam’s strengths including financial and banking services, insurance, training, wholesale, retail, and information and communication.*

The Vietnam-Singapore Business Forum opened in Hanoi on November 30, attracting 300 delegates from both countries including more than 100 Singaporean entrepreneurs. The event gave businesses a good opportunity to set up relations between potential partners, have access to capital resources, and seek business opportunities in Vietnam and Singapore.

In his speech, Chairman and Director General of KimderWorld Group, Singapore, Ricky Tan, said the Vietnamese Government’s changes in its policies have helped foreign businesses operate better.

However, there have been differences in the enforcement of laws by Vietnamese localities, causing particular barriers for foreign businesses including those from Singapore.

Therefore, in order to create an attractive investment environment in Vietnam, law enforcement in the country need to be done in a synchronous manner to help investors do business legally.

Cooperation in economics, trade, and investment between Vietnam and Singapore has expanded in recent times after a framework agreement on connectivity was signed.

Over the past 10 months, Singapore has had 81 new investment projects in Vietnam with a total registered capital of USD 1.4 trillion. Being the second biggest investor in Vietnam, Singapore is becoming involved in most economic sectors in the country such as oil and gas exploitation, industry, agro-forestry and fishery product processing, infrastructure development, services, and real estate.

(Source: VOV)

[\*\*Back to top\*\*](#)

### **Fresh foreign investment pours into TH Milk**

*The government of Israel will invest USD100 million in TH Group’s industrial dairy farm project backed by TH Milk Food Joint Stock Company.*

The deal was signed on the occasion Israel President Shimon Peres’ visit to Vietnam and was a supplement to the Finance Cooperation Protocol between the governments of Vietnam and Israel.

The project was deployed in central Nghe An province with a first phase investment of USD 350 million out of total investment of USD 1.2 billion. Though up and running for just two years, the huge dairy farm of 20,000 Holstein-Friesian (HF) cows is recognised as the biggest in Southeast Asia.

“This is the signal of a start-up trend for a new generation of investors aiming to international standard projects in Vietnam,” said vice president of Bac A Joint Stock Bank Thai Huong. Bac A Bank is the project’s investment advisory.

“A country can be strong only when its people are comprehensively developed both physically and mentally among which the prerequisite factor for this development is not only essential nutrients source such as rice, foodstuff and milk but also a sustainable health care system,” said Huong.

Besides key projects in dairy products, TH Group is developing and investing in other large-scale projects of premium foodstuffs using advanced technologies such as fresh clean vegetables, fishery and meat which are applying Israeli technology with the model circled from farm to consumer.

TH Milk Food Joint Stock Company, established in February 2009, is the first company in the TH Group with the task of deploying investment in industrial dairy farm, modern dairy milk processing technology and professional distribution system across the country.

The project benefits from investment advisory from Bac A Joint Stock Bank and technology consultant and transfer from AFIKIM – an Israeli leader in high-tech agricultural development. Its total investment is USD 1.2 billion with USD 350 million for the first stage to be completed by 2012. The project covers 37,000 hectares (8,100ha in the first stage). Up to now, the project owns approximately 20,000 cows in which there are 7,000 milk cows with output of 160 tons of fresh milk per day.

It is planned to reach 45,000 cows (30,000 milk cows) by 2012, increasing to 137,000 cows in 2017 when an automatic milk processing plant with output of 500 million liters per year will come online. The net revenue is estimated at VND 15 trillion (USD 714 million) by 2015, increasing to VND 23 trillion (USD 1.09 billion) by 2017.

(Source: ITPC)

[\*\*Back to top\*\*](#)

### **Belarus to build auto assembly plant in Vietnam**

*Belarus would develop an automobile production and assembly plant and an engine manufacturing factory for agricultural machines in Vietnam, said Belarusian Prime Minister Mikhail Myasnikovich.*

The dignitary made the announcement yesterday at the Vietnam-Belarus business forum held by the Vietnam Chamber of Commerce and Industry in HCMC, on the occasion of the Belarusian delegation’s three-day visit to Vietnam. Though no detail was given at the event, the Vietnam-Belarus communiqué issued on Wednesday revealed the specific information on the future projects.

Particularly, an engine factory would be established with the participation of Minsk Motor Plant Open Joint Stock Company of Belarus. Besides, the two countries would promote the assembly of MAZ automobiles at the plant of Vietnam Engine and Agricultural Machinery Corporation (VEAM).

VEAM is currently cooperating with Minsk Automobile Plant to produce vehicles under the brand MAZ in the local market. Minsk Automobile Plant on Wednesday officially opened a representative office in Vietnam. In addition, Prime Minister Myasnikovich said Belarus hoped to form a joint venture with Vietnam to build an education institution in Vietnam with Belarusian teachers.

Regarding the farm produce processing and export, the Belarusian leader sought joint ventures between the enterprises of both countries to produce goods for export to Western Europe. The prime minister said

his country would boost the import of Vietnamese products, especially farm produce, foodstuff and seafood.

The machines and equipment of Belarus have been accepted in the local market for long. The tractors produced the Republican Unitary Enterprise (RUE) Minsk Tractor Works are popular with Vietnamese farmers.

Several Vietnamese companies in 5 Dec signed contracts to purchase agricultural machines and fertilizer from Belarus. In particular, Mekong Machinery Co. Ltd. agreed to buy 659 tractors, worth US\$9 million in total, from RUE Minsk Tractor Works.

Au Viet Industry Company also signed a deal to buy 10 tipper trucks from BelAZ Company, worth 1.28 million euros. Besides, the Vietnamese firm will purchase auto tires produced by Belshina Company of Belarus though a contract worth 670.000 euro. Southern Fertilizer Company and Can Tho Fertilizer and Chemical Company signed contracts to buy 40.000 tons of potassium fertilizer and 138,000 tons of phosphate fertilizer respectively from the Belarus Fertilizer Joint Stock Company.

(Source: *The Saigon Times Daily*)

[\*\*Back to top\*\*](#)

### **Paper makers face challenges**

*Vietnam's paper industry would aim to meet 70% of domestic consumption demand by 2020, according to its development plan. However, the industry would face many challenges in reaching this target, in particular a lack of material, capital and technology.*

Experts said that the industry should assert more control over the licensing of paper factories and should manage investments more efficiently during the plan's implementation over the next decade.

The Vietnam Paper and Pulp Association reported that the industry would require VND 95.6 trillion (USD 4.57 billion) during the period from 2006-20, including VND87.7 trillion (USD 4.2 billion) for new factories and VND7.9 trillion (USD370 million) for the development of paper-producing forest.

The investment would supply 600,000 tons of pulp in 2010 and 1.8 million tons of pulp in 2020. However, during the 2006-11 period, many paper production projects were operated inefficiently and had negatively affected the environment, causing the development plan to stall, the association said.

Nguyen Kim Hue, head of the Information Technology Department at the Cellulose and Paper Industry Institute, said pulp factories lacked wood during the 2006-11 period because forest growers had not offered their product at a reasonable rate.

Banks have been skeptical about the competitive ability of the industry, and have been reluctant to provide it with loans. Only two of eight paper projects developed in 2010 have progressed according to schedule.

Phan Chi Dung, head of the Light Industry Department under the Ministry of Industry and Trade, said Vietnam has 500 paper producers but almost all of them are small- and medium-sized enterprises using old technology. But the new development plan has not fixed specific standards to improve the quality and efficiency of production, he said, nor does it provide guidelines for waste treatment.

Dung said one possibility would be to withhold licenses from certain production facilities to ensure the sustainable development of the industry. The plan would be capped at a total capacity of 250,000-400,000 tons of pulp per year.

Pham Van Tu, representative of the Vietnam Paper Corporation, said pulp production factories should not be sited far upstream along rivers to avoid pollution of environment.

All previous development plants had failed and a management team was urgently needed to ensure the implementation of the plan, said Tu, adding that the provinces should grant licenses for pulp and paper factories according to the regulations approved by the Government.

At present, average paper consumption world-wide was 4 kilos per person per year, while the average for Vietnamese was around 1 kilo. Ignoring environmental concerns, Vietnam has the potential to expand its paper market in the future but the industry would need support from the State, said the association.

The State should stabilize tax policy for the paper industry according to World Trade Organization (WTO) guidelines, said the association. It should also introduce regulations on limiting the use of detergents in paper production.

Vu Ngoc Bao, general secretary of the association, said the State should call on foreign investment to upgrade the processing of pulp and paper production technology.

The State should create favorable conditions for the industry to accumulate capital and create incentives for enterprises and households to develop new seeds in order to improve output, quality and competitiveness of pulp, Bao said.

(Source: VNS)

[Back to top](#)

### Japanese companies eager to invest in central Da Nang City

Nearly 100 enterprises from Kansai, the second-largest economic, technology and human resource training center in Japan, met representatives from local companies in 23 Nov to study investment opportunities in the central city of Da Nang.

The meeting followed the 5th Vietnam – Kansai Economic Dialogue Forum, which took place here on Tuesday (22 Nov) with the aim of accelerating investment in the East-West Economic Corridor and its surrounding areas in the central region of Vietnam.

Representatives of Japanese firms expressed special interest in possible co-operation in education and training and environment, with local authorities agreed that more links should be established soon in these areas.

"Human resource development is an area that Osaka concentrates on and I see it's time for governments, enterprises and universities from Da Nang and Osaka to co-operate in this area. We are starting work on this matter," said Shinichi Iwama, chairman of the Japanese Enterprises Association in Da Nang. "We've learnt that Da Nang is an environmentally-sustainable city of ASEAN and we are likely to look for co-operation in this field," said a representative from the Kansai Economic Federation.

Nguyen Tuan Phuong from the FPT Software Co said the company was seeking co-operation with Japanese firms in developing public, economic, insurance and financial services. Japan's Nippon Express Co introduced its logistics services on the East-West Economic Corridor.

Da Nang People's Committee vice chairman Phung Tan Viet said the city encouraged Kansai companies to invest in hi-tech industries such as information technology, biological technology, automation, precision mechanics, and energy, environment and support industries.

He said the city prioritized high technology, modern and comprehensive infrastructure, and high quality services and human resources for its development in the coming years. "Foreign direct investment (FDI) plays an important role in the development of Vietnam in general and Da Nang in particular," Viet said. "Japan is considered a strategic investment partner of the city."

According to Viet, out of 70 Japanese foreign-invested projects in the central region, 50 are invested in Da Nang, with a total capital of about USD215 million.

(Source: VNS)

[Back to top](#)

### **Enterprises must report quarterly for overseas investments**

*Overseas Investment Department (under Ministry of Planning and Investment – MoPI) on late November 29<sup>th</sup> 2011 organized a seminar in HCM City to seek opinion on the draft Decree No 78 on direct investment in foreign countries.*

Do Nhat Hoang, head of the Overseas Investment Department, said the new point in this draft is to require investors to report quarterly and annually about the operation situation of investment projects in foreign countries to MoPI and Ministry of Finance.

Biannually and annually, the Ministry of Foreign Affairs (Mofa) will have document to evaluate the support of the diplomatic missions abroad for the operation of Vietnamese enterprises in the countries and territories receiving investment of these firms.

Mofa must direct diplomatic missions abroad to regularly monitor and support the activities of Vietnamese enterprises and investors in the countries and territories receiving investment of Vietnamese enterprises.

(Source: VietnamBusiness)

[Back to top](#)

### **Disbursement of FDI slows down**

*Only 35.6% of registered foreign direct investment (FDI) has been disbursed in Vietnam, according to speakers at a seminar held in Da Nang in 2<sup>nd</sup> Dec 2011.*

The effects of the global economic downturn and cumbersome land-use certification procedures had largely caused the slow implementation of FDI projects, they agreed. The country has drawn almost USD 13 billion in FDI this year, of which nearly USD10 billion was newly registered. That increased total FDI inflow to over USD 216 billion.

By the end of 2010, only USD 77 billion had been disbursed, according to the Vietnam Association of Foreign Invested Enterprises (VAFIE), which hosted the seminar. Of the FDI capital yet to be disbursed, only 50% would be allocated by 2017, according to VAFIE President Mai.

Investors affected by the global crisis were expected to cancel or change their plans due to a lack of capital, but there were a lack of legal regulations to cope with the problem, he said. "The causes of tardy implementation of FDI projects, besides such objective facts as the global economic turmoil and unfavorable market, capital and credit conditions, include shortcomings of domestic governmental authorities," added Mai.

There is about USD20-30 billion of newly registered FDI each year. FDI allocation occurred more quickly from 2008 to 2010, with around USD 11 billion disbursed each year. The average annual amount over the past five years has been around USD 10 billion, according to VAFIE. FDI capital presented about 25% of the total investment capital in Vietnam, playing an important role in domestic economic development.

Every year, it contributes about 30% of gross domestic product (GDP) growth, 40% of industrial production value, 55% of export turnover and 18% of State budget revenue. The sector's export value accounts for 55% of the country's export revenue.

Experts said measures should be taken to help allocate the remaining registered FDI as soon as possible to further boost the effects of foreign investment.

Mai said the association was co-operating with the Ministry of Planning and Investment to revise the legal framework for FDI, with adjustments expected to be submitted to the Government for consideration in the second quarter of next year.

New policies for FDI would be based on four main criteria: high quality and efficiency, sustainable development, suitable technology transfer, and skillful labor. These were in accordance with United Nation directions as well as the Government's strategy, he noted.

In addition to creating a smoother investment environment for investors, authorities should be a stricter in the selection of policy for investors and take more drastic measures to tackle companies that polluted the environment and evaded taxes, the participants heard.

Le Tuyen Cu, an official from the Ministry of Planning and Investment, suggested that conditions in industrial and economic zones, including tax policies, master plans, infrastructure and human resources, should be improved to boost both attraction and disbursement of FDI.

Despite these challenges, Vietnam remains an attractive destination for foreign investors, according to the results of a VAFIE survey released at the seminar.

The majority of more than 300 surveyed FDI enterprises said they were happy with the investment environment in Vietnam, with 68% saying they had no complaints over project implementation and more than 20% greatly appreciating the support of authorities.

Despite an average annual trade deficit of nearly 20% over the past five years, the FDI sector managed to gain a trade surplus of USD2.35 billion in 2010.

(Source: VNS)

[Back to top](#)

### Temporary freeze on new industrial zones

*The Government will soon release a decree to tighten management and increase economic effectiveness of economic zones (EZ), industrial zones (IZ) and industrial clusters (IC), a senior official has said.*

"All activities to expand readjust master plan and establish new EZs, IZs, and ICs will temporarily be stopped," said Vu Dai Thang, head of the Ministry of Planning and Investment's Economic Zones Management Board. It was necessary now to review activities of EZs, IZs, ICs and find solutions for those that were not working effectively, wasting land and polluting the environment, he added.

Withdrawing the business license, changing investors, narrowing areas or rejecting EZs, IZs and ICs are among the solutions being considered.

In the next step, only a few advantaged and effective EZs will be developed under the 2020 plan, others will be narrowed or readjusted based on real demand to avoid waste.

The year 2012 is going to be a tough year, and "this year will be a good chance for us to carefully review all EZs, IZs and ICs to make them more attractive to foreign investors when the economy recovers," said another official.

At present, Vietnam has 15 EZs along the sea, 28 EZs at border points and 800 ICs. They attract 40% of the nation's FDI inflow, contribute 30% of industrial production value, 20% of export turnover and create 15% of national laborers. However, many of them have only been able to use 30-40% of the original area, causing wastage of land resources as well as severe environmental pollution.

(Source: VNS)

[\*\*Back to top\*\*](#)

## **Two local airlines lose licenses**

*The Ministry of Transport on Monday (5 Dec, 2011) decided to nullify the air business licenses of Indochina Airlines and Trai Thien Air Cargo as they have not reported their financial capability updates and flight plans as repeatedly required by the Civil Aviation Administration of Vietnam (CAAV).*

Vo Huy Cuong, director of CAAV's Air Transport Department, told on the phone that the decision came officially on Monday as Indochina Airlines had been grounded for more than two years while the country's cargo carrier Trai Thien had not been able to take off more than two years upon obtaining a license.

The decision meant an axe had fallen on the two private airlines after several times CAAV had tried to contact and tell them to submit plans for operations but to no avail. Cuong said these carriers would have to apply for a new license if they wanted to join Vietnam's aviation market that has registered average annual double-digit growth over the past years.

Trai Thien Air Cargo received a business license in Jun 2008 from the HCMC Department of Planning and Investment with charter capital of VND500 billion (around USD23.8 million). In 2009, the Ministry of Transport approved the carrier as the first air cargo airline of Vietnam to provide services on both local and international markets. Trai Thien Air Cargo had been in negotiations with foreign companies to lease Boeing 737-300 freighters converted from passenger aircraft with the main deck designed for pallets and containers. The airline had planned to receive the first Boeing 737-300Fs in the first half of 2010 to launch services in the same year.

After being licensed, Trai Thien Air Cargo said it would have 10 freighters to transport export and import goods of local companies among others. However, aviation business has sour for the airline when it failed to bring the first Boeing 737-300Fs into Vietnam in September 2010 as planned.

Trai Thien Air Cargo was unable to meet Vietnam's aviation safety and security standards for the leased aircraft. CAAV explained to the Daily at that time that aviation regulations clarified an aircraft would be licensed to be operational in Vietnam if it was less than 25 years old to the time of lease contract termination.

In the same boat was Indochina Airlines, which had its license nullified for not having been unable to resume services since its suspension over two years ago. CAAV had told the Daily that fate of this debt-laden airline remained undecided as of last Saturday (3 Dec).

Earlier this year, Indochina Airlines wrote to the Prime Minister, the transport ministry and CAAV seeking to keep its license throughout 2011 to have time to restructure operations and pay off debts for service providers at airports in Vietnam, including Vietnam Air Petrol Co. (Vinapco).

But, the ministry had decided to revoke the license of Indochina Airlines as it had not showed any sign of resuming services and not responded to CAAV's requirements for meeting conditions for VND200 billion (around USD9.5 million) as chartered capital for an operator of domestic flights, debt payment for partners, and an air operator certificate (AOC).

Licensed in mid-2008, Indochina Airlines launched its commercial flights with two leased Boeing 737-800 aircraft on November 25, 2008 when global economic turmoil dealt a heavy blow to the world's airlines industry. The carrier has been grounded since November 2009 due to financial constraints.

(Source: *The Saigon Times*)

[Back to top](#)

### **Donors pledge USD 7.38 billion to Vietnam**

*International donors have pledged USD 7.38 billion in official development assistance (ODA) to Vietnam in 2012.*

The commitments were made at the Consultative Group (CG) Meeting in Hanoi on December 6<sup>th</sup> 2011.

The World Bank (WB), Asian Development Bank (ADB) and Japan are the biggest donors. Accordingly, in the fiscal year 2012, WB will provide Vietnam with \$2 billion, followed by Japan, USD 1.9 billion and ADB, USD 1.4 billion.

At the closing ceremony, Vietnamese Minister of Planning and Investment Bui Quang Vinh said the assistance will help Vietnam accelerate economic restructuring and poverty reduction.

Minister Vinh highly valued the strong support of the international donors, stressing that Vietnam will continue to use the assistance effectively.

World Bank Country Director in Vietnam, Victoria Kwakwa, co-chair of the Consultative Group Meeting of donors, said that 2011 was a difficult year for the Vietnamese economy but it also saw the country's successes in managing the macro-economy and curbing inflation.

Kwakwa affirmed that the WB and other development partners of Vietnam are willing to support the Vietnamese Government in dealing with global economic challenges, helping the country overcome difficulties and challenges as well as attaining socio-economic development objectives.

(Source: VIR + VNA)

[Back to top](#)

### **Market rallies on surging demand**

*The local market staged a strong rally in the first session of the week on Monday (5 Dec 2011) as a large number of stocks hit their ceiling prices given strong demand, pushing the VN-Index up by 7.31 points, or 1.9%, against on 2<sup>nd</sup> Dec 2011 to close at 391.19.*

The market opened up and subsequently moved even higher in several stages before hitting a daily high of 391.71 points at the end of the second phase. It then fluctuated in a narrow range around that level for the rest of the day before finally closing just below the highs.

On the southern exchange, value increased by 18% from the day earlier to VND 494.4 billion on a volume of nearly 35 million shares. Bids soared a hefty 58.7% to 71.9 million shares while offers rose 7.9% from the session earlier to 44.4 million shares. There were 220 stocks advancing while 58 stocks posted losses, of which 131 stocks shot up to the ceiling prices and 19 stocks plunged to the floor prices. Blue-chips were higher with high beta and speculative stocks all running very strongly.

Foreigners were net sellers and their participation faltered compared to *in 2 Dec.* They acquired 1.8 million shares worth VND 61.6 billion and offloaded 4.3 million shares worth VND101 billion, making up 12.7% and 20.8% of the market's buying and selling value respectively.

The Hanoi market also made good gains on Monday (5 Dec) with turnover jumping to VND391 billion. The HNX-Index gained 1.79 points, or 2.9%, against the previous session and ended the day at 63.47. Gainers far outnumbered losers by 242 to 49, including 110 stocks going up to the ceiling prices and 20 stocks dropping to the floor prices. Foreigners were net sellers again, accounting for 0.8% of the buying value and 2.9% of the selling value.

HCMC Securities Corp. (HSC) said the market's move on Monday was partially related to ongoing speculation about the shape and size of the stimulus package the Prime Minister alluded to in his recent National Assembly Q&A session. This package, which is due sometime in mid-December, will apparently focus on measures to help the overall macro economy and perhaps contain some concessions to help the still ailing stock market.

“This will trump any package in our opinion and is why we have turned bullish again on stocks since in the beginning of December. Meanwhile speculation is likely to continue for some time and no doubt push stock prices higher for the time being. We would remind you that a year-end rally is almost traditional and it looks like we won't miss out this year either,” it said.

(Source: SGT)

[Back to top](#)

## FINANCE – BANKING

### Shinhan Vietnam largest foreign bank after merger

*Shinhan Vietnam Bank has become the largest foreign bank in Vietnam after formally taking over Shinhan Vina Joint-Venture bank on Monday (28 Nov).*

According to Vietcombank Securities Co. Ltd., the consultant for this merger, Shinhan Vietnam has new chartered capital of VND4.575 trillion and total assets of VND18 trillion, and nine branches in Vietnam.

This is the first merger of two banks in Vietnam in line with Circular 04 issued by the State Bank of Vietnam in February last year on the M&A framework in the banking sector. Any merger under the new regulation must go through a two-stage approval process - agreement in principle and final endorsement by the central bank.

The deal relating to Shinhan Bank, which was initiated in March, obtained the central bank's preliminary blessing on September 8 and the final approval on November 11, said Vietcombank Securities. Previously, the central bank had allowed Bank for Foreign Trade of Vietnam (Vietcombank) to transfer its entire stake in Shinhan Vina Bank to South Korea's Shinhan Financial Group and

approved the merger of Shinhan Vietnam and Shinhan Vina. Shinhan Vietnam took over all network, human resources, assets, obligations and rights of Shinhan Vina.

The joint-venture bank before being merged into Shinhan Vietnam was established in 1993 under the name of First Vina Bank with chartered capital of USD75 million, with Vietcombank holding a 50% stake and two South Korean partners Korea First Bank and Daewoo Securities with 40% and 10% respectively.

Shinhan Financial Group acquired all stakes of South Korean partners in 2001 and renamed the bank as Shinhan Vina. Shinhan Vietnam Bank, set up in 2008 with charted capital of VND3 trillion, is one of the first five 100% foreign-invested banks licensed in Vietnam.

(Source: *The Saigon Times*)

[Back to top](#)

### **Vietnam, Russia sign joint auditing report**

*The State Audit of Vietnam (SAV) and the State Audit of Russia signed a joint auditing report on Dec. 5 in Hanoi.*

From July, 2010 to September, 2011, the two agencies conducted parallel auditing on the use of state capital in controlling quality and safety of fish, seafood and related products, which were exported from Vietnam . This year, they fulfilled a joint auditing at the Vietsovpetro Joint venture and the Rusvietpetro joint venture Ltd.

At the signing ceremony, the two agencies' leaders affirmed that the two sides will further strengthen joint activities such as parallel auditing and joint research.

The agencies will cooperate with and supporting each other at international events in the framework of the International Organization of Supreme Audit Institutions (INTOSAI) and the Asian Organization of Supreme Audit Institutions (ASOSAI).

The two sides will also continue to exchange working delegations at all levels in the time to come, including sending auditors of SAV to study in Russia and assigning Russian experts to Vietnam to organize workshops and training courses in the fields of operational auditing, IT auditing, international auditing standards and occupational standards.

(Source: *Vietnambusiness*)

[Back to top](#)

### **First banks merged in central bank's restructuring**

*Ficombank, TinNghiaBank and Saigon Commercial Bank (SCB) have become the first three banks to be merged, as the State Bank of Vietnam begins to implement its plan on restructuring the banking system.*

"The central bank has passed the policy on merging the three banks, and assigned the Bank for Investment and Development of Vietnam, or BIDV, to take a comprehensive role in the merged bank," central bank Governor Nguyen Van Binh announced at a press briefing on Tuesday (December 6).

Accordingly, all of the major management posts of the new bank, including the board of directors and other important departments, will be filled by BIDV staff members. "BIDV will have to ensure that the merged bank will not go bankrupt, securing the rights for depositors of the three banks," Binh stated.

Important documents to legalize the merger are expected to be inked today, he added.

The governor said Ficombank, TinNghiaBank and SCB had been in tough spots recently with liquidity problems, since they had used capital borrowed from short-term deposits to offer medium and long-term loans.

When the capital from depositors' savings froze, the three banks were temporarily unable to pay customers, he said.

"The central bank has provided liquidity aid to the three banks, partially stabilizing the situation," he said. "The three banks have voluntarily proposed to be merged to build a stronger bank with higher ability to access the market and establish a broader system." Binh added that the relevant parties will reevaluate the operation of the three banks, as well as their debts, capitals and assets.

The central bank will use this evaluation to determine the ratio of capital the government will put in the newly-merged bank. "The cost for merging the banks has yet to be calculated, since we are still waiting for their operation evaluation," Binh told reporters.

In fact, it has been rumored for the last two weeks that the three banks will be merged, sending a large number of depositors scrambling to withdraw their savings from the banks.

This is the first merger to be made after the central bank's announcement on a restructuring of the banking system in October. "The central bank will finish reevaluating and reordering the banks, based on their state of healthy operation, to have a suitable adjustment in place by the first quarter of next year," Binh said.

(Source: *VietnamBusiness*)

[Back to top](#)

### **Deposit rate to fall next year: expert**

*The deposit interest rate will most likely fall early next year to 12% or so as the inflation has braced for the downtrend lately, said Le Xuan Nghia, vice chairman of the National Financial Supervisory Committee.*

Nghia, who is a well-known expert on financial and banking issues, ruled out the possibility of the annual deposit rate to plunge to 12% this month as rumored from the current cap of 14% as the central bank had to weigh different outstanding factors.

Many observers reckoned that the inflation rate has ebbed to below 1% a month over the past few months, and that would lead the central bank and the Government to consider slashing mobilization rates to 12% within this month. However, Nghia said "it is impossible to revise down deposit rates in such a hasty way." He told that the upsurge in loans in foreign currencies has put high pressure on the foreign exchange rate, especially when borrowers rush to buy the U.S. dollar to repay debts that are due. Hence, a yearly deposit rate of 12% is merely an orientation for next year's local monetary policy, not something that must be done now, Nghia added.

A lower interest rate ceiling will also put certain banks with liquidity problems in new difficulties to attract funds. In fact, the central bank has applied numerous measures to support liquidity for small banks as well as cash-strapped commercial lenders.

Nghia believed that what the central bank should do now is to remove the deposit rate cap rather than merely to lower the rate. According to Nghia, the removal will allow small credit institutions to raise deposit rates to entice depositors but this will be adjusted by the market in the long term. Meanwhile,

Nghia preferred the lending rate ceiling since it creates more benefits for corporate borrowers and the whole economy.

Besides, he proposed setting up different credit growth rates suitable for local banks with different scales, adding that it is better to replace these restrictions with Capital Adequacy Ratio (CAR) requirements.

(Source: *The Saigon Times*)

[Back to top](#)

## ANALYSIS – OPINION

### Real estate seeks foreign investors

*With the nation's real estate market still largely frozen, property services firm Savills Vietnam held a seminar in Tokyo in 25 Nov to promote the market with Japanese investors. One of the leaders of the seminar, Savills Vietnam deputy managing director Neil MacGregor had a talk on Vietnam's real estate market.*

*Why would Japanese investors be attracted to Vietnam's real estate market, since it has some of the highest property prices in the world?*

There are a number of reasons why Vietnam in general and the country's real estate market would be attractive to Japanese investors. First, the average annual GDP growth rate at around 7% is impressive and the continued growth potential means Vietnam remains a focus for Japanese investors. Secondly, being an emerging market with favorable demographics, low labor costs and a strategic location in the region, Vietnam is ranked as one of the top investment destinations in Asia for its competitiveness. This is more so for Japanese investors following a "China + 1" policy.

Japanese investors have been focusing on the Vietnam real estate market for a while, but have been waiting for property prices to fall to more reasonable levels. Now that property prices in Vietnam are indeed falling they see it as an opportune time to invest. In addition, they are generally long-term investors and are seeking steady returns over many years, rather than speculative capital gains.

*Do you think the real estate market will begin to recover this year? What is causing the prolonged downturn? What needs to be done to spur a recovery?*

The real estate market depends a lot on the economic environment, which is in turn dependent on Government policy. The current economy is dominated by high inflation, a lack of liquidity due to restrictions on credit, and continued pressure on the currency. This unstable environment hinders both supply and demand, causing a prolonged downturn.

Deposit interest rates have been capped at 14% per year in an attempt to hold lending rates at a lower level. However, for the real estate market to see any significant signs of recovery, and for owner-occupiers to be able to access affordable mortgage financing, interest rates will need to fall significantly. There are few signs of interest rates reaching such a level in the foreseeable future, while inflation remains high.

The other significant consideration is the very high level of gold savings in this country. Gold prices are currently very high, but should gold fall on the international market, then we may see a shift from saving in gold to investments in real estate.

Finally, buyers need to have confidence that real estate developers will complete projects on time and to the quality expected. With the current uncertainty as to whether developers are able to meet their debt obligations, and with projects being completed to poor standards in some cases, this impacts upon confidence in the sector as a sound investment.

*A number of domestic real estate developers are expected to merge due to a lack of capital. Can you comment on this trend?*

Real estate developers are currently unable to access financing at affordable levels and are therefore seeking to raise capital from other sources. Mergers among local developers can only assist if one party is able to provide capital that the other is unable to access.

That is why Savills held this seminar in Tokyo to call for investment from foreign developers. The event was a significant success and we hope to help improve the liquidity of the market.

The Vietnamese real estate market is critically short of capital and developers are therefore seeking new sources of financing. These include an outright sale of a project to a third party, seeking a joint venture partner, en bloc sales of residential units, or strata sales of retail and office space. Many Vietnamese developers holding large land banks are now willing to sell land to third parties in order to raise capital to finance the construction of other projects.

The financial pressure on local developers has resulted in many distressed assets in Vietnam – which also creates an unprecedented period of opportunity for foreign investors. Although facing a number of challenges, including an immature legal framework, low market transparency, complex licensing procedures, and differences in price expectations, the market within the next few years will likely see a rising number of deals taking place.

(Source: VNS)

[\*\*Back to top\*\*](#)

### **South Korea hopes for prompt signing of FTA with Vietnam**

*Kim Deok Ku, deputy director of the Free Trade Agreement (FTA) Division of the South Korean Ministry of the Knowledge Economy, joined a seminar on the ASEAN/South Korean FTA in HCMC in the end of November. He said the feasibility study for an FTA between South Korea and Vietnam has been completed and that official talks will begin at the beginning of next year.*

*The FTA between South Korea and ASEAN has already been concluded. So why does South Korea want an FTA with Vietnam?*

The FTA between ASEAN and South Korea is already in effect, but as I explained in the seminar, the level of commerce between South Korea and ASEAN countries is still rather meager. As such, we want to establish bilateral FTAs that will promote increased trade between South Korea and ASEAN countries including Vietnam. The South Korean government wants to see more special privileges afforded to Vietnam. For this reason, we have been and are promoting the completion of a bilateral FTA between South Korea and Vietnam.

*Can you give any insight into any differences between the South Korea/ASEAN and South Korea/Vietnam FTAs?*

- In the process of signing an FTA between South Korea and Vietnam, the stage of feasibility study research has just ended. Therefore, I cannot put forward any comparison between the two FTAs. The

South Korean government and I myself hope that a South Korea/Vietnam FTA will create more favorable conditions for commerce and trade between the two countries.

*In your opinion, when will talks on the South Korea/Vietnam FTA be concluded?*

- That is really a tough question. The phase of feasibility study research just concluded at the end of October 2011. In any such talks, the parties must take time to understand each other clearly, and each side must make requests that their partners on the other side can accept. Although it's still impossible to say when a South Korea/Vietnam FTA may be signed, we are hopeful the agreement will be completed soon.

*What follows the stage of feasibility study research? What can you say about what will go on in the next stage?*

- We still have yet to define the exact time for talks to occur, but the forecast is that they will happen at the beginning of 2012. The content of the talks is also yet to be determined.

*What is your assessment of the South Korea/ASEAN FTA to date?*

- Commercial exchange between ASEAN and South Korea remains at a low level because South Korean companies have not yet made efforts to learn about the FTA. According to South Korean Customs data for 2010, the rate of utilization of the ASEAN/South Korea FTA by ASEAN enterprises is 68.1% but only 29% by South Korean businesses. ASEAN countries have become, nowadays, the second largest commercial partners of South Korea only behind China thanks to the FTA.

*At what level are Vietnamese enterprises utilizing the FTA?*

- I know that the level of utilization of the FTA by Vietnam businesses is higher than that of South Korean businesses. But I don't have exact numbers regarding this question.

*What is South Korea's policy with respect to the FTA?*

- South Korea places great importance on trade exchange with other countries. We really want to establish FTAs to increase the level of imports and exports as well as relationships related not only to commodities, investment and services but to travel and culture as well.

*Why are FTAs necessary? Who enjoys the benefits and whose interests are harmed?*

- Vietnam, like South Korea and any other country, considers trade relationships with other countries very important. Reducing or eliminating trade barriers such as taxes and tariffs will bring many important benefits to businesses. Of course, when taxes and tariffs have been reduced or eliminated, then there will be winners and losers. Normally the interests of agricultural product manufacturers are harmed to some degree because the FTA leads to lower prices for ASEAN agricultural products, which then flood the South Korean market. However, in South Korea there are provisions in place to assist those who experience such losses. ASEAN countries primarily import hi-tech machinery from South Korea, so they are not exposed to similar economic losses.

*What is your estimation of the commercial relationship between South Korea and Vietnam?*

- South Korea is exporting hi-tech products to Vietnam, while Vietnam processes and exports both finished and unfinished goods to South Korea. I hope that in the future this relationship will develop further and that the two sides will grow to become important partners to each other. Vietnam is the fifteenth largest trading partner of South Korea and the fourth largest out of the ASEAN region. Vietnam is a populous nation with young people making up 60% of its population. Thanks to its

plentiful human resources, Vietnam has great potential for development with respect to South Korean business in the area of investment in factory construction as well as other kinds of entrepreneurial relationships.

(Source: *The Saigon Times*)

[Back to top](#)

### **Engineering will become the backbone**

*Nayan Patel, executive director of Packam Controls, a firm specializing in motion controls, recently led an Indian Merchants' Chamber delegation to Vietnam. He had a talk about potential cooperation between Indian and Vietnamese businesses.*

#### **What is the purpose of the delegation's visit?**

The Indian Merchants' Chamber is one of the premiere chambers of commerce in India. It is 104 years old, with more than 3,000 members and 250, 000 affiliated members. For the last 8 years, India has liberalized. We've taken businesspeople out to new countries, and this time to Vietnam. Our goal is to understand Vietnam's business culture and increase bilateral trade.

If I come alone to Vietnam, I may not be able to understand the business culture. However, as a delegation, interacting with the government officials, interacting with the Chamber of Commerce, interacting with businesspeople on business-to-business, we at least understand. At first, how businesses are transacted in this country, and slowly and gradually see how we can find out joint-venture partners or investment opportunities in Vietnam.

#### **Could you tell a few things about the members of this delegation?**

- They are from the manufacturing branch and from financial institutions. Some of the members are lawyers, while others are chemical and sugar plant manufacturers, or real-estate businesspeople. We also have with the delegation people that are specialized in construction and infrastructure such as railroads and roads.

#### **Did members of the delegation find any potential business partners in Hanoi, for example?**

- From our internal discussion, it was very clear that many members of our delegation want to come back. Companies like KPMG and Ernst & Young are helping us find out how we can choose good business partners in Vietnam. But, in general, during the first visit to a country, we try to understand how business is transacted there.

#### **So far, what have you understood? And how about the delegation?**

- Vietnam is a fast growing economy, but you need to liberalize more. You have a very young population, like India, who want to see better life. You will have to attract more foreign investment. We feel that the Vietnamese system of sanctioning projects is too long and not very transparent. Although there are government regulations and rules, one does not know whether there is a centralized body for this. For every project, there is a different body and different ministry, different people handling it. If you do with one, the other might not like it. That's the impression we get. And therefore it has to be structured. Although there are laws, we still do not know where it will ultimately end.

Like a foreign investor coming here, we do not say that we must own the land, but there must be security of the property, and that we should be able to take the money out if we don't succeed. This process is

too long. But I know the Vietnamese government is thinking about this, and in two or three years, the situation will change.

And, in my opinion, the sector of education in Vietnam has to improve. Any foreign company setting up a factory in Vietnam will require a trained work force. Only having a cheap work force is not enough. A solution for the foreign companies would be to set up small training centers in Vietnam. Your country needs training institutes, vocational training and engineering colleges. Management, commerce and accounting can be taught in any college in every country.

*Which kind of specific training center will you want to see here?*

- First of all, there should be more English language training in the country. That becomes the base. Then come information-technology (IT) and engineering. We need to have more youngsters exposed to IT and engineering. That will ensure them employability. They could also seek better employment, not only the lower employment. Vietnam can learn from India's experience. The Indian system of learning IT started with a lower level. We teach computer skills in primary school. The Indian government gives all schools free computers. India has developed a computer for schools, which costs only USD35. Children must start thinking IT and learn the applications of computers, how to structure computers, how to develop software. Once you learn, you get the feel and you can develop. After primary school, you go to secondary school, to college and then you can even get a doctorate in IT. Today in Vietnam, everybody uses mobile phones. However, you must expand that more to computers.

*Do you have any delegation member who is interested in this kind of business, setting up training centers here?*

- The principal of Ramnarian Ruia College in Mumbai, Dr Shuhas Pednekar, is interested in talking to people here for potential partnership in this field.

*I'd like to come back to your suggestion on education. Besides English, young Vietnamese should also learn IT. And what else?*

- Vietnam also needs more vocational training centers for the youth. Vocational training could mean anything, whether it is in hospitality, in construction, or in engineering. I personally feel engineering will become the backbone of a small economy like Vietnam. Vocational training is well structured in India. We have more than 30,000 vocational training institutes for engineering in India.

*So engineering is also the backbone of the economy of India?*

- Engineering is right now with small and medium size enterprises. It accounts for 19% of our GDP. And IT is supporting that. From India we also export USD70 billion of IT worldwide. Today our country is a manufacturing hub for all industries. We have the largest automobile industry today. We supply components to Germany, Japan, and other countries. They make the cars, but we supply the components.

*Did you find any opportunities for doing business here, yourself?*

- I know for sure that I will find business opportunities here. I'm leading the delegation this time, because our president could not come, so I'm not concentrating on my business. But there are many pharmaceutical companies, packaging companies and food processing companies that could be my clients in Vietnam. So I will definitely come back.

*When?*

Very soon. In March next year.

(Source: SGT)

[\*\*Back to top\*\*](#)

### **Thu Thiem out of land for residential projects**

*The opening of Thu Thiem Tunnel and the East-West Highway to traffic has helped facilitate development of Thu Thiem new urban area, which covers 657 hectares to accommodate around 110,000 to 120,000 people. Trang Bao Son, deputy head of the Investment and Construction Authority of Thu Thiem New Urban Area, had a talk about investment attraction in the area. Excerpts:*

*Can you tell us about the investment situation at the new urban area?*

The opening of the Thu Thiem Tunnel and the East-West Highway to traffic has a great impact on property projects at Thu Thiem new urban area. Local authorities have appointed contractors for two projects next to the highway, a multifunctional tower and a low-rise residential project in southern An Loi Dong ward, or the residential project no. 2. We are also preparing for international bidding for the neighboring residential project no. 3. There are seven bidding applications for southern residential projects. Besides, we are calling for investors for high-rise office and multifunctional buildings along the highway.

Other areas are under compensation and site clearance, which is expected to finish at the end of this year to carry out key projects at the center of Thu Thiem such as an international convention center, the central square, and the international financial and commercial center.

*Some say that inadequate infrastructures are challenging investors. How is infrastructure development now?*

- First, there are four arterial roads of the urban area, namely the Arc Avenue, the Lakeside Road, the Riverside Road and the Flyover-Delta Valley. The four roads are the backbone of technical infrastructure, creating a connection with other roads. The city government has appointed Vietnam Infrastructure Development and Finance Investment Joint Stock Company as investor of the projects. The company is making designs and expects to start work at the end of the third quarter of 2012. We are working with District 2's government to hand over land for the roads.

*Some people say the government has to develop public works to help speed up others. What do you think about that comment?*

- Everybody understands that conditions are needed to make a bustling urban area, including technical and social infrastructure. Investors also understand that such urban areas need a lot of preparation. Sometimes, it is necessary to build works at the same time, not build projects after the roads. The project upon progress may also destroy finished roads. The building progress must be fast, but if we have suitable adjustments in planning, we can ensure timely progress and concurrence of the works.

The core center is the most important part of the project, especially the international financial center. VietinBank is the investor of the center and it will hire consultants and suggest solutions. If the solutions get approval, the city will let Vietinbank and other banking investors expand important projects. The city will begin investment for other works like the central square, the riverside park and public works when the 1/500 scale plan finishes, probably at the end of next year.

*Investors now can have cleared land immediately to develop projects as 97% of land has been compensated. Why are they still hesitant?*

- Investment cost at Thu Thiem remains higher than elsewhere, at over USD3,000 per square meter. The Government has regulated the floor price for bidding to protect the city's investment. This factor hampers investors and they are still confused at their projects.

Although high investment cost is a difficulty, it is a factor for ensuring long-term quality of projects. Thu Thiem is an urban development project, not a property trading project that can be sold off to recover capital. There is no place for speculators here and investors have to follow plans, procedures and investment progress. So, investors have to consider their financial capability.

#### *When will the new urban area be finished?*

The city has plans to have an urban area in 2015. This is a big challenge for us.

(Source: *The Saigon Times Daily*)

[\*\*Back to top\*\*](#)

### **NEWS IN BRIEF**

**Around 270 domestic and foreign businesses have joined in the 2011 Vietnam International Fair, which opened in the southern province of Can Tho on December 6.** On display are machines, production lines for processing and preserving agricultural products after harvest, food for animal, fish and shrimp, rice, vegetables and fruit, animals, fertilizers and pesticides. Also showcased at the fair are bio-technology advances in agricultural and aquatic farming and new products from Thailand, Chile, the US, India, Denmark, Norway, the Netherlands, Cuba, Indonesia, France, Germany, China, Singapore and Japan.

**So far, Vietnamese enterprises have invested over USD 3 billion in 203 projects in Laos, the highest figure amongst 55 nations and territories attracting Vietnamese firms' investment activities,** according to the Association of Vietnamese Investors in Laos (AVIL). In the first three quarters of this year, the total pledged investment capital of Vietnamese enterprises in Laos has reached USD 469 million, higher than the figure in 2010. Currently, Vietnam has 46 projects totaled at USD 118 million to explore and exploit minerals, averaging at USD2.5 million per project.

**Vietnam's seafood export in November reached USD 650 million, lifting the total figure in the first 11 months of this year to USD5.6 billion,** or 24.9% from the same period last year, according to the Ministry of Agriculture and Rural Development. The ministry said Vietnam's seafood export in Jan-November to almost markets grew significantly in value such as the US (up 23.5% on year), Korea (up 32%), China (up 49%) and Italy (up 41%) from the same period last year. The country's seafood export turnover in 2011 is forecasted to likely reach USD6 billion threshold, surging strongly against USD 4.94 billion in 2010.

**Vietnam's trade deficit is narrowing down and is estimated at USD 10 billion for the whole year,** equivalent to 10.2% of export revenue compared to a proportion of almost 20% allowed by the National Assembly. Import expenditure is projected to reach USD 106 billion while export value will amount to USD 96 billion. A trade imbalance of USD 10 billion in this year indicates a downtrend since the trade gap topped at over USD 12 billion in each of the last two years. Despite good export performance, Vietnamese enterprises are facing numerous problems, including high interest rates, material shortage, soaring input costs and the lack of labor force, asserted the ministry.

**Around 200 local and foreign businesses will display machinery, materials and products used in mining, construction,** energy, electricity, packaging, rubber, plastics, wood processing, paper, petrochemicals, paints, and chemicals at five exhibitions to be held simultaneously at HCM City's Tan Binh Exhibition and Convention Centre from December 7 to 10. The exhibitions would offer both Vietnamese and foreign companies to explore

business opportunities, technology exchanges, quality improvement and competitiveness, the Vietnam Advertising and Fair Exhibition JS Company, one of the organizers, said.

**Senator Alberto Anaya Gutierrez, General Secretary of the Mexican Labor Party, suggested Vietnam and Mexico consider negotiating the signing of a FTA** which he believed would help tighten the ties between the two countries. While reviewing achievements of agricultural co-operation projects between the two countries, he also said that some Mexican States, including Sinaloa, Guerrero and Baja California Sur, wished to learn from Vietnam's experiences in seafood farming and breeding. With regard to the East Sea conflict, Gutierrez reaffirmed his support for Vietnam's position on the issue.

**The ASEAN Bankers Forum will discuss the role of technology in developing competitive advantages for banks at a conference to be held in HCM City this month.** To be organized by the State Bank of Vietnam and International Data Group, the summit will see bankers network and discuss a range of topics like strategic options for retail banking; business intelligence, analysis and risk management for greater effectiveness in retail banking; and solutions for effective retail channels. The conference will be held on December 7 and 8.

**Businesses will be exhorted to seek competitive advantages and sustainable solutions for social problems at a seminar to be held in Ha Noi on December 8** by the Vietnam Chamber of Commerce and Industry and Dutch dairy company FrieslandCampina Vietnam. Mark Kramer, a professor at Harvard University in the US, will chair Creating Shared Value which will be attended by 200 officials from the Government, research institutes, and companies.

**Japanese retail giant Ministop will open its first convenience store in HCM City on Thursday (8 Dec).** The company aims to operate 12 new stores throughout the country over the next two months, one 100 within two years and 500 in five.

**VietJet Air, the first Vietnamese private airline announced on Sunday (4 Dec) that its flights between Ha Noi and HCM City will be priced at VND100,000 (USD4.8) until December 11.** The company will additionally promote 10% discounts on each flight. Cheap tickets will only be valid between 25 December 2011 to 30 April 2012.

**The Sao Khue Investment and Trade Promotion Organization late November signed an agreement with the Rice International Conference and Exhibition Dubai to** establish a center to market and distribute Vietnam's products in Dubai. The center will function as a market research and marketing center and a base depot for Vietnamese products. The United Arab Emirates is the gateway to the Middle East and Northern African markets. This is the largest rice re-exporting market in the world with a trading value of more than USD 2 billion per year, accounting for 93% of the total re-export of global rice.

**Vietnam is taking part in the World SMEs Expo that opened in Hong Kong on Thursday (1 Dec) to promote the business and investment environment of Vietnam** and facilitate links between businesses of the two sides. Vietnam was among 30 top countries in terms of bilateral trade with Hong Kong in recent years, according to the Hong Kong Trade Development Council. Bilateral trade and investment relations have developed significantly, with two-way trade reaching USD 2.4 billion in the first 10 month of this year.

**Vietnam has begun construction of a second terminal to ease overcrowding at the only airport in the nation's capital, the government said.** Officials held a ceremony at the Noi Bai airport on Sunday (4 Dec) to break ground on the four-story facility which is being funded by more than 75 billion yen (USD961 million) in Japanese aid, the Vietnamese government said. "Terminal 2, expected to be completed by the end of 2014, was designed to handle 10 million passengers per year," it said in a statement released Sunday. The existing terminal handled some 9.5 million passengers last year, exceeding its capacity of six million, the official English-language Vietnam News reported. Flag carrier Vietnam Airlines hopes to make the country's two biggest airports -- in Hanoi and Ho Chi Minh City -- gateways to the fast-growing Southeast Asian region.

**Vietnam exported 415,871 metric tons of rice in November, down 5.8% from 441,339 tons in October, the Vietnam Food Association said Monday (5 Dec).** The figure is higher than an estimate of 400,000 tons released

by the General Statistics Office late in November. Rice export revenue in November fell to USD232.76 million from USD242.1 million in the previous month, the association said in a statement. The country exported 6.74 million tons of rice in the first 11 months of the year, up 7.6% from a year earlier, it said. Vietnam's rice exports are expected to exceed 7 million tons this year, up from 6.7 million tons in 2010.

**Vietnam was estimated to incur USD 6.6 billion trade deficit with the Association of Southeast Asian Nations (ASEAN) in Jan-October, the General Statistics Office (GSO) said.** Vietnam-ASEAN's two-way trade reached USD28.6 billion in the period, making ASEAN to be the biggest trade partner of Vietnam in the first 10 months of this year, GSO added, citing that the country has earned USD11 billion from exports to the ASEAN, up 31.6% on year and spent USD17.6 billion to import goods, up 34.5%. Vietnam mainly exported crude oil, rice, seafood, apparel and electronic spare parts to ASEAN while it imported machinery, consumption goods and materials.

**Thailand's Berli Jucker Public Co. Ltd plans to expand its operation in Vietnam and Myanmar to meet an increasing consumer demand in the Southeast Asian region.** BJC President Aswin Techajaroenvikul said Vietnam's consumer demand is high thanks to its large and young population. He said BJC, listed in Thailand's securities market, is currently running three factories in HCM City producing glass bottles, aluminum cans, and tissue paper. According to Bangkok Post, BJC is negotiating with a potential partner of Vietnam and plans to buy about 51% of its shares. The purchase aims to widen the company's distribution, particularly in the northern region of Vietnam, as the demand for bottles and cans in the Vietnamese market is increasing.

**The December's Consumer Price Index is forecast to increase by 0.5 to 0.6% compared with the previous month due to the advent of Christmas and coming Tet holidays.** The forecast by the Domestic Market Management Team under the Ministry of Industry and Trade said the price of a number of goods, including food and foodstuff, would rise due to increased demand. Flooding in several areas would also have an effect. Gas prices would surge this month, following increased world prices but the price of steel, cement and other construction materials would remain stable despite it being the peak season for construction. The sugar price was forecast to fall slightly due to abundant supplies.

**A delegation of 10 French companies in railway and urban rail solutions will be in Vietnam from December 5-8** to take part in a mission organized by UBIFRANCE-French Trade Commission in Vietnam. This business trip is expected to help French companies improve their understanding of the Vietnamese authorities' policy in the sector, and seek opportunities to take part in projects in railway and urban rail transportation as foreign suppliers and investors. They will also have the opportunity to meet in Hanoi bilateral and multilateral donors, including Japan International Cooperation Agency (JICA), Agency Française de Développement (AFD), and Asian Development Bank (ADB).

**Overseas Investment Department (under Ministry of Planning and Investment-MoPI) on Nov. 29 organized a seminar in HCM City to seek opinion on the draft Decree No 78** on direct investment in foreign countries. The new point in this draft is to require investors to report quarterly and annually about the operation situation of investment projects in foreign countries to MoPI and Ministry of Finance. Biannually and annually, the Ministry of Foreign Affairs (Mofa) will have document to evaluate the support of the diplomatic missions abroad for the operation of Vietnamese enterprises in the countries and territories receiving investment of these firms. Mofa must direct diplomatic missions abroad to regularly monitor and support the activities of Vietnamese enterprises and investors in the countries and territories receiving investment of Vietnamese enterprises.

**Vietnam's trade deficit with China stood at USD 11 billion in the first 10 months of this year, higher than the country's overall trade deficit of USD 8.4 billion, state media said Friday (2 Dec).** Vietnam's imports from China came up to USD19.5 billion in the January-October period, up 30% from a year earlier, reported the Thanh Nien newspaper, citing figures from the Vietnam Customs Department. China's largest exports to Vietnam in the period included fabrics, computers, electronics, steel and oil products, the report said. China has been Vietnam's largest trading partner since 2004. Vietnam's trade deficit with China was USD12.72 billion last year.

**Axiom Mining has raised AUSD 1 million from a private placement at USD 0.03 per share to fund the currently active drilling campaigns in Vietnam and Queensland.** Funds will be used as additional working capital pending resolution of court proceedings in the Solomon Islands, where the company intends to recommence its exploration and drilling program at its 80%-owned Isabel Island nickel deposit if an injunction is lifted. The company has gold and silver projects in Vietnam and 100% owned highly prospective gold, silver and copper tenements in Chillagoe, North Queensland.

**According to Vietnamese Prime Minister Nguyen Tan Dung, a free trade area of the Customs Union and Vietnam can be formed in the near future.** Customs Union countries will establish a free trade zone with Vietnam. This was announced by Belarusian Prime Minister Mikhail Myasnikovich, BELTA reports. The head of the Belarusian government stressed that a corresponding political decision was adopted.

**A Vietnam-Laos trade fair opened in Vientiane on December 1, drawing the participation of 180 businesses from both countries.** On display at the 270 pavilions are a wide variety of high quality and well-designed products. In recent years, bilateral trade has increased significantly, averaging 24% annually in the 2005-2010 period. Key import-export items include steel, iron, oil and gas, means of transport, wood products, garments and textiles, and recently, fruit and farm produce. The fair, jointly organized by the Vietnam and Lao Ministries of Industry and Trade, is part of the activities to celebrate the Vietnam-Laos Friendship Year 2012.

**The deep-water Cai Mep International Terminal (CMIT) was officially inaugurated in Tan Thanh district, Ba Ria-Vung Tau province, on December 1 in the presence of Danish Crown Prince Frederik.** The terminal is expected to give new impetus to socio-economic development in southern provinces and increase trade volume between Vietnam and other countries. It will shorten the shipping time between Vietnam and major markets such as the EU and the US by 7-10 days, and trim costs by avoiding transit through intermediate ports. Construction of the port began in May 2008 on an area of 48 hectares with a total investment of USD250 million. During its construction, the port received a 131,263 DWT container ship.

**Vietnam Airlines will launch direct flights between the UK's London and Vietnam's Hanoi and Ho Chi Minh City from December 8, the flag carrier announced on December 1.** There will be four flights per week, operating on Monday, Tuesday, Thursday and Friday with Boeing 777 aircraft. The flights will depart from Hanoi's Noi Bai International Airport and HCMC's Tan Son Nhat International Airport at 23:30 and from London's Gatwick airport at 12:20 (local time). The travel time will be 12 hours, a seven hour reduction compared to flights with one transit stop.

**The Japanese group Bridgestone has unveiled its plan to build a USD 460 million plant in the Dinh Vu industrial zone in northern Hai Phong City.** The plant is expected to be operational in the first half of 2014 and reach full production of around 24,700 tires a day in 2016. It will produce tires for export to the European, North American and Japanese markets after the increased capacity at Bridgestone's plants in Thailand and Indonesia can't keep up with the market.

**The local retail prices of gas in 1 Dec increased by VND 5,000 (USD 0.18) to VND 351,000 (USD 122.85) per 12kg canister.** The price rise was attributable to gas for December delivery on the global market increased USD15 per ton compared with November.

**Vietnam's Finance Ministry and the French Development Agency (AFD) signed a second loan agreement worth 20 million euro (USD 27 million) in 1 Dec** to support the implementation of the National Target Program on Climate Change. The preferential 20-year loan will have a grace period of 7 years and an interest rate 1.75% less than the floating euro rate. The AFD had focused its efforts in supporting Vietnam in developing renewable energy and bio-fuel and energy efficiency related to construction and production

**Ho Chi Minh City plans to invest around VND 1.4 trillion (USD 70 million) in bio-technology during the period 2010-2015, with 89% of the amount or VND 1.2 trillion coming from state budget.** Despite having made significant strides, the bio-technology industry in Vietnam remains relatively backward compared to its counterparts in other countries in the region. Ho Chi Minh City is considering bio-technology, information

technology, material technology and mechanical automation as the four key breakthrough technologies that need to be developed. The city has decided to invest a large amount to develop bio-technology till 2015.

**In the first 11 months of this year, the total number of newly developed phone subscribers is estimated to have reached 10.4 million users**, down 10.7% from the same period last year, including 45,500 fixed phone subscribers and 10.4 million mobile phone users (if comparing with 9.3 million mobile phone subscribers till the end of October 2011, in November, the number of new mobile phone users was 1.1 million), according to the General Statistical Office (GSO).

[Back to top](#)

## COMING EVENTS

### Asia Expo Ho Chi Minh City

*Venue:* TBA

*Country:* Ho Chi Minh City, Vietnam

*Start Date:* 27 Feb 2012

*Industry:* [Gifts & Handicrafts](#)

*End date:* 27 Feb 2012

#### *Event profile*

Asia Expo Ho Chi Minh City is unique among industry shows. Its universe of exhibitors extends well beyond the usual gift category manufacturers found at most other shows to include independent wholesalers and direct gift, decorative accessory and souvenir importers, offering product extension opportunities in all channels of gift merchandise.

#### *Visitor's profile*

Buying Groups, Distributors, General Merchandise Buyers, Catalog Houses, Dollar Stores, Gift Buyers, Theme/Amusement Park Buyers, Chain Stores, Drug Stores, Premium/Incentive Buyers, Variety Store Owners, Department Stores, Importers/Exporters, Specialty Stores, Wholesalers, Discount Stores, Jewelry Buyers, Supermarket/Grocery Buyers, Boutique Stores, Surplus/Outdoor Stores.

#### *Exhibitor's profile*

Profile for exhibit includes Adult Games, Playing Cards, Art Paintings, Artificial Flowers, Belts & Buckles, Boutique Items, Brassware, Candles, Christmas Decorations, Clocks, Cosmetics, Costume Jewelry, Decorative Accessories, Giftware, Glassware, Greeting Cards, Hobby & Craft Items, Key Chains, Lamps & Lamp Shades, Leather Goods, Perfumes, Fragrances, Religious Items, Silverware, Crystal, Stuffed Animals, Sunglasses, Toiletries, Toys & Games, Watches & Accessories, and Woodenware.

[Back to top](#)

### International Exhibition on Shipbuilding, Marine Technology & Transportation

*Venue:* Hanoi National Convention Center

*Country:* Ha Noi, Vietnam

*Start Date:* 28 Feb 2012

*Industry:* [Railway, Shipping & Aviation](#)

*End date:* 01 Mar 2012

#### *Event profile*

Vietship is the sole and biggest specialized international exhibition on Shipbuilding, Marine Technology & Transportation in Vietnam. This event is sponsored and instructed directly by the Prime Minister of

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the Socialist Republic of Vietnam, organized by Vietnam Shipbuilding Industry Group - VINASHIN and C.I.S Vietnam.

#### ***Visitor's profile***

Shipowners, Shipbuilding Cos; managers in purchasing from shipyards, Marine Rescuers, Marine Researchers, Marine Fire Fighters, Marine equipment manufacturers, Trading companies, Port authorities, Equipment & Component Manufacturers, Fish-farm managers, Managers and Engineers in the Shipping industry, Cruise & Ferry operators and Marine researchers.

#### ***Exhibitor's profile***

Profile for exhibit include Design, construction and outfitting of vessels, heavy machinery for loading on/off ships and related functions at ports, fire alarms and safety systems, gas detection, fire-fighting equipment, electronics, nav/comm. Systems for ships and ports, engines, marine defence systems, classification and publications etc.

[\*\*Back to top\*\*](#)

### **Plastics & Rubber Vietnam**

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

*Country:* Ho Chi Minh City, Vietnam

*Industry:* Plastic & Plastic Products

*Start Date:* 29 Feb 2012

*End date:* 02 Mar 2012

#### ***Visitor's profile***

Automobile, Chemical/Petrochemical/Medical/Healthcare, Computer/Office equipment/Electrical Equipment, Electronics/ITC, Footware & Accessories, Furniture, Housewares, Infrastructure, Motorcycle/bicycle, Packaging, Toys/Sporting goods, Transportation, Agencies and potential distributors, General/Corporate Management are the target visitors.

#### ***Exhibitor's profile***

Profile for exhibit includes Preprocessing Injection & blow moulding, Recycling, Semi-Finished products & technical parts, Rubber & Synthetic Fibre, Adhesives, Fillers, Extruders & extrusion lines, Coating Compounds, Additives, Finishing, decorating , printing & Marking, Presses, measuring, control & test equipment, Auxiliary/Ancillary equipment, Moulds & Dies, Welding, Parts & components, Foam, reactive or reinforce resins.

[\*\*Back to top\*\*](#)



## About Viipip.com

Viipip.com, most powerful InfoGate for Vietnam Industrial Park headquartered in Centre of Ho Chi Minh City, is national consulting firm with 66 experts in industrial properties. Viipip.com serves industrial properties' owners, investors and occupiers in Vietnam, specializing in Southern Key Economic Zone and other zones. Viipip.com offers Investment strategic Advisory, Investment Studies, Market Intelligence, Development Services and Business Trip Customization regarding industrial properties.

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