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

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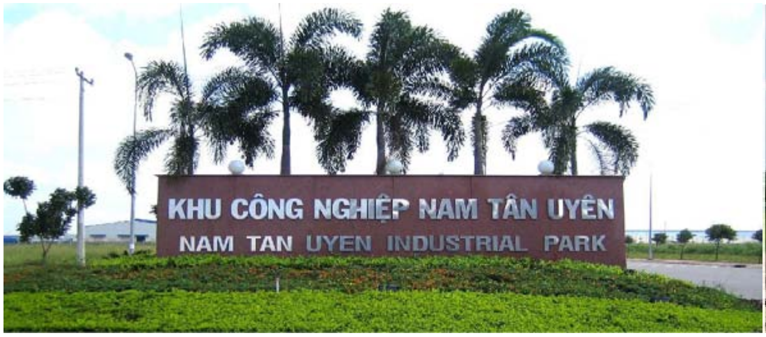
VIETNAM: TRADE & INVESTMENT BULLETIN No.11

November 2013

DEVELOPER'S INTRODUCTION

NAM TAN UYEN INDUSTRIAL PARK – BINH DUONG



NAM TAN UYEN JOINT STOCK CORP. (NTC)	The member of Viet Nam Rubber Group (**VRG**). The first industrial park model of VRG Founded on 21 February 2005.
Invested capital	US$ 450 million.
Area	620,5 ha # 6,205,000 m2
Duration of Land sublease for the 1st phase	50 years from 25 October 2005 to 25 October 2054.
The advantages	- Position: nearby many big administrative centers and urban areas of the Southern region of Viet Nam. There are many ways to connect the IP by air, sea, and road that is much more convenient for transportation and trading transaction. - The technical infrastructure are constructed completely and synchronized with high soil pressure (2kg/cm2) that is convenient for construction with lowest cost. - Land surface is ready for investors. - Prices of land sublease and terms of payment are optional and flexible that help investors decrease their financial difficulties. - Having strong supports from local government on enterprise forming as well as production process of investors. - With the population of over 169.3 thousand people and immigrant worker resources from other provinces that supplies enrich labor force for the IP.

NAM TAN UYEN JOINT STOCK CORPORATION
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Essential Flavours Vietnam Signed The Workshop Lease Contract In Kizuna Service Area

30th October 2013, on behalf of Essential Flavours Asia, Mr. Timothy Jeseph Nielsen signed the contract to lease the workshop B2 in Kizuna Serviced Factory Area

Essential Flavours focus on manufacturing and distributing input flavors especially sweet powder and liquid. With deep knowledge and modern technology in flavors making, the Australian company wishes to successfully develop the project in Vietnam to approach the Asia-Pacific market place and contribute to the future of the food and beverage industry of Vietnam.

Due to its industry, EFV has very strict requirements for the manufacturing environment to meet the International Food Safety Standard. According to Mr. Ryan Ching, the General Director of EFV, the brand new workshops built with environment friendly materials of Kizuna perfectly suited the requirements of EFV.

At the Signing Ceremony, on behalf of Kizuna JV Corporation, Ms. Lam Dieu Tam Hieu handed over the Investment Certificate of the project to Mr. Timothy Joseph Nielsen. She hoped that EFV would gain brilliant success in Asia market.

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GENERAL REVIEW

Russia-Vietnam: Together to New Cooperation Goals

On the occasion of Vladimir Putin's visit to Vietnam starting tomorrow, the Russian President has sent a letter sharing some of his thoughts on the future of relations between the two countries. TTnews would like to present his writing:

Ahead of my third visit to the Socialist Republic of Vietnam, I would like to take this opportunity to directly address the Vietnam's public and share some thoughts on the future of our bilateral relations.

Russian-Vietnamese friendship has stood the test of time, having lived through the numerous tragic events of the 20th century, and drastic changes in the world as well as in our countries. The main thing has always remained the same, however – respect towards each other, traditions of confidence and mutual assistance, ability to appreciate selfless support of the partners that will never betray.

In this context, let me quote famous words of President Ho Chi Minh: "When you drink water, think of its source". I consider that phrase to be a spiritual instruction to the present and future generations of citizens of our countries. One should always remember our common history and everything that unites us. This guarantees continuity and stability of future-oriented relations.

We are happy with major achievements reached by Vietnam on its path towards important economic and social reforms. Russia addresses complex national issues as well. We believe that active involvement in the integration processes, both at global and regional levels, is a powerful resource for development. We attach particular importance to cooperation with the Asia Pacific States among which Vietnam is one of the leading centers of growth.

The positions of our countries on issues relating to the global agenda are similar in many aspects. Together we seek answers to new challenges and threats. We uphold the rule of law in international relations and advocate that no alternative political or diplomatic tools should be used for resolving disputes and that every state has a right to choose it own path of development.

All these factors determine the intensity of Russian-Vietnamese strategic partnership which we can rightly call comprehensive. Last year, bilateral trade increased by 20 percent and amounted to $ 3.66 billion. We expect that it will reach $ 7 billion as early as 2015 and increase up to $ 10 billion in 2020.

The signing of a free trade area agreement (FTA) between the member states of the Customs Unions and Vietnam would contribute to achieving these objectives, which corresponds to the logic of political and economic integration in Eurasia and the Asia-Pacific region. The negotiations on a FTA are under way, and we hope to successfully complete them.

Energy, oil and gas sectors have traditionally played a key role in the development of Russian-Vietnamese industrial and investment cooperation. For instance, our leading joint venture Vietsovpetro has accumulated a unique technological expertise of working on the continental shelf. Over the years, the company has produced 206 million tons of oil and its total profits account for tens of billions of dollars.

The companies Rosneft and Gazprom increase their presence in Vietnam. Their projects relate to the production of hydrocarbons, modernization of refining capacities and supply to Vietnam of the liquefied natural gas from the Russian Far East.

Let me emphasize that our oil and gas cooperation is two-way and reciprocal. Rusvietpetro is an example of a successful joint venture in the Yamalo-Nenets autonomous district. We also expect a lot of another joint company Gazpromviet which has started the development of oil and gas fields in the Orenburg region and other Russian territories.

Our cooperation in energy goes far beyond hydrocarbon production. Russia helps Vietnam to develop a nuclear industry which is a totally new sector for the country. Rosatom will be responsible for the construction of the first Vietnamese nuclear power plant in the province of Ninh Thuan. The first and second nuclear units are scheduled to be launched in 2023 and 2024, respectively. Plans are being discussed to jointly construct a Nuclear Science & Technology Center.

Peaceful use of outer space and Russia's GLONASS satellite navigation system, air and rail transportation development, engineering, mining, banking and public health seem to be very promising areas of cooperation. The goal of the above projects and initiatives is to improve our investment, technology and industrial collaboration.

Our military and technical cooperation has taken a totally new dimension. It is no longer limited to export supplies, steps are being taken to launch in Vietnam licensed production of advanced military equipment with the assistance of Russian companies.

We have always been proud of the traditions of humanitarian cooperation in the field of education, science and culture. It is meaningful that this year Vietnam (except for the CIS countries) has been allocated the highest quota for staff training in Russian educational institutions. Today about 5,000 citizens of Vietnam receive education in Russia, about 2000 of them study under inter-State agreements.

I should underline the joint activities of our scientists, including many years of work of the Russian-Vietnamese Tropical research and technological center. Specialists all over the world highly appreciate the results of its applied and fundamental research.

My visit takes place during the Days of Russian culture in Vietnam. We are pleased to see that our Vietnamese friends are truly interested in our art. On their turn Russian citizens are waiting for the Vietnamese cultural workers to come to visit Russia. I am sure that the Days of Hanoi in Moscow in late November this year will have great success. Such exchanges have already proved their importance. We intend to continue this practice.

The number of Russians visiting Vietnam shows the willingness to learn better rich history and culture of the Vietnamese people. Last year this number doubled and for nine months of this year it has grown up by 66 percent having risen beyond 200,000 people. I think that this tendency will continue taking into account the successful development of tourist infrastructure in Vietnam.

It is difficult to enumerate the areas in which Russia and Vietnam do not develop fruitful cooperation. I expect that the future high-level negotiations in Hanoi will be constructive as usual and will give new momentum to the strategic partnership between our States and peoples.

(Source: TTN)

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EU trade talks will discuss Vietnam's market economy status

European Union officials will discuss Vietnam's place in the road to market economy as part of Free Trade Agreement talks between the two, an EU Parliament member said at a Hanoi press briefing Wednesday.

Werner Langen, Chair of the Delegation of the European Parliament for Relations with South Asia and ASEAN, said there will be specific arguments over if Vietnam is going towards a market economy, a Saigon Tiep Thi report said.

Langen said there are clear international criteria and that it is overambitious for Vietnam to promise it will be there in 2018.

He also said Vietnam being a market economy is not a major issue with the FTA, but that it would change the country's position in the world economy and affecting its distribution of resources.

The chairman said he personally believes in a happy ending for the agreement, which should be finalized by the end of 2014, after the EU Parliament election in the middle of the year.

EU ambassador to Vietnam, Franz Jessen, said the fifth round of trade talks next week will be about reforming Vietnam's economy for healthier competition, focusing on building a fair playground for state and private enterprise, intellectual property protection, regulations of origin identification and sustainable development.

Jessen said trade between Vietnam and the bloc remained in good shape despite global difficulties, citing figures that showed a 25 percent increase in Vietnam's export to its biggest customer EU, and 20 percent up the other way around.

The EU now imposes an average import tax of 4.1 percent. The FTA will eliminate tariffs on 90 percent of Vietnamese goods and cut the rate by 10-20 percentage points on the remaining 10 percent

Source: ThanhnienNews

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Belgium's Flemish Minister to visit Vietnam

Belgium's Flemish Minister of Mobility and Public Works Hilde Crevits led a delegation from Belgium's Flanders region to visit Vietnam in November 2013 to promote cooperation between the region and Vietnam, said the Belgian Embassy in Hanoi.

The visit of the Flemish Minister, which was made at the invitation of Vietnamese Transport Minister Dinh La Thang, focused on boosting cooperation in port development, development, management, infrastructure, logistics and transport.

Minister Hilde Crevits was accompanied by a delegation of port CEOs (the ports of Antwerp, Zeebrugge, Ghent and Oostend), a representative of the Flemish Ports Association, and a number of experts in port infrastructure and management.

The Minister scheduled to have meetings with Deputy Prime Minister Hoang Trung Hai, Transport Minister Dinh La Thang, and a number of officials from the Ministries of Industry and Trade, and Agriculture and Rural Development.

During the past years, the two countries have continuously developed the multifaceted cooperation, including trade and investment, with two-way trade in 2011 increasing by 70 percent in 2003.

The trade volume between the two countries has increased year after year and is around €1.2 billion per year.

Relations between the Flemish Region of Belgium and Vietnam have strongly increased since the late 1990's, when the first agreement on port cooperation was signed.

Source: Vietnam+

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5.8% GDP growth rate set for 2014

The National Assembly on November 11 approved a resolution on key development targets for 2014, setting GDP growth at 5.8% and inflation at 7%.

Among other targets, the export value is projected to grow by 10% or 4.4% lower than 2013. Total social development investment capital to GDP is estimated to rise to 30% from 29.1% in 2013.

Vietnam will strive to generate 1.6 million jobs next year, or 60,000 more than in 2013. Budget deficit remains unchanged at 5.3%.

According to the NA Standing Committee, the national economy has yet to get out of the woods, and it is unlikely to achieve high growth in the next one or two years. Therefore, it is imperative to maintain steady growth, rein in inflation and stabilise its macro-economic level in 2014.

The government is facing a big challenge in executing the economy in 2014 when public investments and prices of key commodities such as coal, electricity and public services will increase considerably. Many deputies proposed an inflation rate of less than 7% for 2014, but the committee held the 7% rate will help the government to have more rooms in its performance.

The committee also asked the government to increase the efficiency of its investment

Source: VOV

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Vietnam, US talk on intellectual property issues

During their discussion in Nov 2013 , Vietnamese and US officials agreed that enforcement of intellectual property rights is crucial to economic growth, especially as Vietnam has integrated into the global economy.

The conception was shared by the two sides at their round-table talk held on November 7 in Hanoi between the US Embassy, the US Chamber of Commerce and Industry in Vietnam and the Ministry of Science and Technology.

Speaking at the event, US Ambassador to Vietnam David Shear featured the role of policymakers and industry experts of both countries in discussing solutions to better the current implementation of IP rights.

Vietnamese Deputy Minister of Science and Technology Tran Quoc Khanh said Vietnam needs expertise and support from countries including the US in perfecting its legal framework to accelerate IP practices, particularly when the country has joined international institutions and is negotiating the Trans-Pacific Partnership agreement.

Good conditions for the implementation of IP rights that are protected by a firm legal framework is an attractive factor to foreign investors majoring in technology, Khanh said.

On 1 January 2006, the Vietnamese Civil Code took effect, and on 1 July 2006, the Law on Intellectual Property, which codified the Vietnamese Government's regulations on intellectual property, came into force.

These are the two principal laws governing the protection of intellectual property rights in Vietnam and they were adopted in conformity to WTO standards on intellectual property protection.

Currently Vietnam is a State Party to the Paris Convention, the Madrid Agreement, Madrid Protocol, and the Stockholm Convention of 1967, which established the World Intellectual Property Organization.

The country is also a member of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs Agreement), the Berne Convention for the Protection of Literary and Artistic Works, the Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms, the Brussels Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite, and many others.

Source: TTN

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TRADE

Vietnam, Middle East – North Africa to push trade ties

The Mekong Delta province of An Giang has alerted companies to its investment potential with its plan to restructure its agricultural sector towards raising added value and sustainable development.

Policymakers and businesses from Vietnam, the Middle East and North Africa will gather at a forum in Hanoi on November 4-5 to seek ways to better their cooperation, especially on economics, trade and investment for common prosperity.

As one of the most important external economic events in Vietnam this year, the forum is a manifestation of the Vietnamese Government's attention to economic ties with Middle East and North African countries. Middle East – North Africa , with a population of over 520 million, is a market of great potential for Vietnam's goods.

Despite their geographical distance, Vietnam and countries in the Middle East and North Africa have long established friendly relations, which serve as the foundation for them to develop all-round ties during recent years.

Vietnam has established diplomatic relations with most of the countries in the region and all-level visits have been maintained between the two sides.

Two-way trade between Vietnam and the region hit 7.4 billion USD last year, up 87 percent from 10 years ago. Bilateral trade between Vietnam and some regional countries has already surpassed 1 billion USD each year.

Investors from the Middle East are pouring capital in several major projects in Vietnam , such as the Nghi Son refinery and petrochemical complex, Long Son oil refinery complex, Ha Long Star hotel and Hiep Phuoc container port in Ho Chi Minh City.

Meanwhile, the Vietnam National Oil and Gas Group is conducting an oil and gas exploration and exploitation project in Algeria. About 26,000 Vietnamese laborers are working for infrastructure projects in the region.

The forum on economic cooperation between Vietnam and the Middle East-North African aims to brief guest businesses on the country's economic policies and investment opportunities while giving policy makers a chance to meet and exchange views on how to boost ties and cooperation.

Participating businesspeople are also expected to extend their contact bases and reach cooperation deals

Source: VNA

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Experts lobby for gold market loosening

Banking officials and economic experts are mulling potential measures aimed at ensuring sustainable development of the gold market

In the last seven months the State Bank (SBV) sold 65 tonnes of gold, valued at $3 billion, through 68 bidding sessions. Experts said the move helped stabilize the gold market and exchange rate and that it can now look to relax its grip on the market and focus more on management.

Director of the Business Development Institute Le Xuan Nghia said the central bank's monopoly on gold imports was vital in replenishing foreign currency reserves. Now that the market is stable, the SBV can again allow firms to take over the import/export of gold and concentrate on management activities.

"If the SBV continues to be directly involved in gold import and bidding it would face unnecessary risks. Once firms are again in charge of trade the price gap between the domestic and global market will narrow, reducing speculation and improving market stability," Nghia said.

In support of the idea, economist Tran Du Lich said, “Let the market do its job. The SBV should not have a monopoly on gold imports and bar production. This comes dangerously close to gold acting as the country’s currency, and that could be perilous and needs careful consideration.” Regarding new measures on gold management, Nghia suggested forming a national gold exchange to facilitate bigger transactions and tighten regulation and management.

“In my view, the SBV should fill a management and supervisory role and assign several banks to take a decisive role in forming the gold exchange,” Nghia suggested. Agribank Gold general director Nguyen Thanh Truc said a gold exchange would elevate Vietnam to a global standard and even noted several less developed countries that have already established systems.

Lich suggested using gold as a kind of foreign currency. “People can hoard foreign currencies but are not allowed to use them as a means of payment. The same should be true of gold. Gold is not an item used in consumption and will lose charm once the dong appreciates,” Lich explained.

Responding to media enquiries, SBV Deputy Governor Dao Minh Tu said the central bank’s gold bidding sessions over the last several months have helped stabilise the market and now is not the time to loosen control of the bullion market. “The SBV is carefully reviewing the bullion market before setting any new regulations. In the near term to early 2014 there would not be major changes to management of the gold market,” said an SBV source.

Source: SBY / VIR

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Tra fish industry caught in a trap

The Vietnam Association of Seafood Exporters and Producers (VASEP) proposed that the state establish a production quota for tra fish in order to avoid an oversupply.

The country's seafood exports reached $1.8 billion by the end of the third quarter, an increase of 12.5 per cent over the same period last year, according to VASEP. However, tra fish output in the first nine months of this year declined 11 per cent to 723,000 tonnes, according to the Ministry of Agriculture and Rural Development (MARD). The shortage is expected to last beyond the end of this year, forcing almost all tra fish export processing factories to temporarily halt production, said Duong Ngoc Minh, VASEP deputy chairman.

The proposal was one of several plans that the association submitted to the Prime Minister for restructuring production and consumption of tra fish to boost sustainable development. VASEP suggested that the MARD establish an annual quota for each province producing tra fish and ensure that it was maintained.

The specific quantity would be determined by the MARD, the VASEP and the Vietnam Tra Fish Association as well as provincial people's committees and provincial seafood associations based on forecasts about exports and domestic consumption from the VASEP and the Ministry of Industry and Trade.

Then provincial people's committees and seafood associations would establish quotas for individual farms. They would also control the production process and quality of raw materials.

The VASEP also proposed a pilot mechanism for exporting Vietnamese tra fish products to the EU. To limit unfair competitiveness, the Zeebrgge Port in Belgium would distribute them to 28 EU markets. The VASEP would take care of transport, logistics, auctions on electronic trading floor, distribution and payment.

Source: VNN

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Vietnam rice exports down as government sales mode backfires

With government-to-government deals, a major mode of rice export, declining, Vietnam is likely to miss this year's target of shipping 7-7.2 million tons.

Last year the country surpassed Thailand to become the world's biggest rice exporter, shipping 7.72 million tons, and had hoped to increase the number to eight million tons this year.

But it has cut the target twice due to decreasing orders from traditional importers like the Philippines, Malaysia, and Indonesia, with whom it makes G2G agreements. Exports under this mode made up only 13 percent of the rice exports by value in the first nine months, down from 44 percent two years ago.

As of October end rice exports have been estimated at 5.73 million tons, valued free-on-board at US$2.47. That represents a decline of 11.6 percent in volume and of 14 percent in value. Shipments to the Philippines in the first three quarters are estimated at 353,000 tons, down more than 65 percent year-on-year. Exports to Malaysia declined by 36 percent.

Registered exporters have yet to receive any orders from Indonesia. News website Dan Viet quoted an unidentified source in the Ministry of Industry and Trade as saying that country has no plans to buy rice from Vietnam this year since it has adequate stocks. It said the Vietnam Food Association fears that the country cannot meet the target of 7 million tons unless shipments to Malaysia and Indonesia improve.

China has remained Vietnam's biggest rice buyer, importing 1.76 million tons in the first three quarters, but a whopping 70 percent of it was in the form of unofficial cross-border transactions. But VFA Chairman Truong Thanh Phong told the media that he had no idea how low this year's exports would have been without them.

G2G

A World Bank report on trade facilitation in June said there are "few indications" that the government wants to reduce the role of state firms in rice trading.

Rice trade expert Nguyen Dinh Bich said analysts have for long warned the industry against the reliance on G2G sales to traditional markets and urged it to diversify its markets with private exports.

But the rice industry's efforts to expand markets have been "too tardy," he said, while Vietnam's major customers are becoming more self-sufficient and are also strengthening private sales.

A VFA senior executive, who asked not to be named, said many rice exporters are suffering but did not provide details.

Analysts said state firms and their affiliates continue to have a domineering role in the industry, adding that the G2G model makes firms less competitive and prone to trouble when orders fall.

New markets

African has taken over from Asia as Vietnam's biggest rice importer, accounting for 70 percent of the shipments this year.

The country signed deals for shipments of 300,000 tons a year to Guinea in West Africa from last April through 2015, and 60,000 tons to Comoros in East Africa from last August through 2015.

Source: News Now

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Toyota to Ford brace for Vietnam auto import competition

After almost two decades of waiting for Vietnamese consumers to become rich enough to afford cars, manufacturers including Toyota Motor Corp. and Ford Motor Co. will have to contend with cheaper imports.

Current Vietnamese duties of 60 percent will be eliminated by 2018 for cars imported from within the Association of Southeast Asian Nations, Met Arias, chairman of the Vietnam Automobile Manufacturers Association and managing director of Ford's unit in the country, said in an interview October 23. Without a major parts industry, car production costs are higher than elsewhere in the region because of taxes on imported components, he said.

The government cited the auto industry as an important driving force under a plan to become a "modern industrial country" by 2020. The impending abolishment of protective duties risks giving automakers little incentive to modernize or continue running plants in Vietnam even as the country's ascent to middle-income status means more people can now afford cars.

"I was one of the early believers in Vietnam's auto industry," said Keith Schulz, general director of lubricant maker Vilube Corp. in Ho Chi Minh City, who was a consultant to automakers setting up plants in the nation in the mid-1990s. "But by 2018, it sounds like this industry will be cracked open like a clam, and real economics will take over."

The country's auto industry is in danger of collapsing with the planned elimination of industry import taxes, Vietnam News reported in August. The nation needs immediate measures to avoid becoming a major importer of cars, it said, citing Ngo Van Tru, deputy head of the Ministry of Industry and Trade's heavy industry department.

Short time

"Five years is a very short time for makers to enhance competitiveness considering the current auto and supporting industry," Yoshihisa Maruta, president of Toyota Motor Vietnam, said in e-mailed comments.

Based on sales last year, the top five foreign automakers with plants in Vietnam are Toyota, General Motors Co. (GM), Ford, Suzuki Motor Corp. (7269) and Daimler AG (DAI)'s Mercedes-Benz, according to figures from the automobile association.

Sales of vehicles assembled in Vietnam rose 20 percent through the first nine months of this year to 67,045, led by Toyota's 23,324, according to figures from the group.

"If the government doesn't significantly improve the situation for the local manufacturers, there is always a risk" of some makers shutting plants after 2018, said Michael Behrens, CEO of Mercedes-Benz Vietnam Ltd.

Imported cars will be cheaper than domestically produced ones when duties are lifted unless changes are made, such as cutting taxes on parts that aren't available in Vietnam, said Arias in the interview in Ho Chi Minh City. Carmakers operating locally must be able to compete with Thailand, where many vehicles are made in free-trade zones and parts are sourced locally or imported without duties, he said.

Thai competition

Last November, Toyota said it will meet growing demand in emerging markets by boosting production in Thailand, from where it already exports to regional countries including Indonesia, Malaysia and the Philippines.

General Motors' Thai unit exports to 77 markets and has production lines capable of making left- or right-hand drive cars, according to the Detroit-based company's website.

Vietnamese consumers prefer motorbikes for now. Vietnam has more than 38 million motorbikes on the road as of this month, up 6 percent from last year, according to the National Traffic Safety Committee. About two million cars are currently registered, according to the committee.

New cars

Auto sales in Thailand, with a population of 67 million people, were about 1.43 million units in 2012, according to data from Toyota Motor (Thailand) Ltd. Vietnam, with 89 million people, will probably see sales of new cars rise about 17 percent to 109,000 vehicles this year, Ford estimates.

The government still makes it very expensive to own a car in Vietnam, with the inclusion of consumption, value-added and registration taxes, said Horst Herdtle, CEO of Euro Auto Corp., which sells Bayerische Motoren Werke AG (BMW) imports in the country.

“It seems like the Vietnamese government wants to have a car industry, but they don’t want cars on the road,” Herdtle said. “That is a kind of paradox.”

The situation reflects the disparate objectives of the government bodies that influence the local auto industry. The Ministry of Finance, which applies tax policy, is primarily concerned with revenue, while other government agencies may want to cut taxes, said Arias.

Inconsistent policies

The Ministry of Planning and Investment, which oversees the licensing of foreign projects, in September cited the auto industry as an example of inconsistent policies hurting investors from overseas.

The transport ministry is worried about the impact that car purchases may have on the environment and traffic flow, said Deputy Minister Nguyen Ngoc Dong.

“Take places like Bangkok, Singapore, Taiwan: They all discourage vehicles for individuals,” Dong said in an interview in July. “For Vietnam, because the level of infrastructure development is low, we have to accelerate the growth of public transportation.”

Arias said any new master plan that emerges for the auto industry should ensure national and provincial policies are aligned and meet rules set by the World Trade Organization. The proposal should also address the competitiveness of the industry through tax cuts, he said.

“The government has to lower the cost of doing business in Vietnam,” said Arias.

Source: Bloomberg

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Customs department to seek relaxed law for importers

With importers repeatedly lamenting a new regulation that delays the transportation of their goods from seaports to warehouses by up to ten days, the General Customs Department will call for relevant agencies to loosen the law.

The general department is scheduled to work with several ministries including public security, agriculture, industry and trade, health, and transport on the issue on Saturday, according to an official from the Agency for Customs Supervision and Management.

Starting this year, under Circular No.128/2013 released by the finance ministry, importers must obtain quality certificates for their imported products in order to bring them out of seaports.

Previously, they simply had to let authorities take samples of their goods for testing but didn't have to wait for the test results.

The new regulation stipulates that importers must keep their goods at ports' warehouses while waiting for the test results, which are usually released 10 days later.

But as not all ports have warehouses, in some cases importers have to keep the products on their vessels, amounting to extra docking fees and wages for the ship owners.

"The General Customs Department's view on this issue is that relevant agencies should reduce the number of goods required to be inspected before they are allowed to pass customs clearance," an official who requested anonymity said.

They should also determine which commodities should be tested before they leave the port, and which should be checked following customs clearance, he added.

The number of commodities subject to inspections is on the rise.

Some 60 percent of imported products ranging from salt and frozen food to wood and fabric are forced to undergo quality, quarantine, and food safety tests before leaving a port.

The customs department thus has suggested the finance ministry consider allowing imports of particular products like cars, motorbikes, vaccines, medical equipment, and manufacturing materials be exempted from the inspection regulation.

The department emphasized that the goods must be stored in the importers' warehouses upon leaving a port.

"And they are only eligible for circulation and distribution once the importers obtain the quality test results," a department chief official said.

Burdening importers

Insiders say the current regulation has put pressure on importers.

Bui Le Hung, head of the Bureau for Customs Supervision and Management under the Ho Chi Minh City customs agency, said the finance ministry has reason to release the controversial Circular No.28.

Prior to the new regulation, businesses were allowed to store their imported products in their warehouses pending the quality certificates. But some have sold their products during the waiting time, allowing sub-standard products to be circulated in the market.

Meanwhile, other importers refused to submit their certificates to the customs agency as per law. "Keeping this regulation means having a loose control over the importers, so the finance ministry has tightened the rule," he said. It is stipulated that each ministry is responsible for checking the products under its management.

For instance, the health ministry will inspect imported milk and frozen food for food safety, while the agriculture ministry will run quarantine checks on salt and other imported food. But there are commodities which require checks from more than one ministry.

Imported beef, for instance, will undergo safety checks supervised by the health ministry and quarantine tests overseen by the agriculture ministry. Comprehensibly, obtaining certificates from two agencies means more pressure for the importers.

Source: TTO

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INVESTMENT

B-WTO supports Vietnam's global economic integration

The Beyond WTO Programme (B-WTO) has helped Vietnam perfect its market economy institutions and address integration's socio-economic challenges to rural areas after four years of implementation.

As Vietnam is integrating deeper into the regional and global economy and continuing to perfect integration policies and step up reforms, the country continues to need support and technical assistance from donors, stated Deputy Minister of Industry and Trade Nguyen Cam Tu. With its goal of strengthening the Government's capacity, the B-WTO Programme, a post-WTO technical assistance programme, has provided Vietnam with much-needed assistance to policy and institution building, he said.

It has also helped Vietnamese ministries, agencies and localities implement the Government's action programmes on some major guidelines and policies for the rapid and sustainable development of the Vietnamese economy as a WTO member, he added. According to Trinh Minh Anh, head of the B-WTO Programme Steering Committee Office, between September 2009 and September 2013, 48 projects were carried out as part of the B-WTO Programme – Phase II.

Of which, 23 supported the completion of the market economy institutions, six helped solve socio-economic challenges of integration to rural areas, 11 improved integration management and coordination capacity, and the remaining eight assisted localities in realising their action plans. The majority of the programme's short-term objectives have been achieved, actively contributing to implementing the priorities of the Government's Action Plan, he said.

One of the major projects is to improve the capacity of the Competitiveness Management Department (CMD) in order to enhance market economy institutions in Vietnam. With the support of the B-WTO Programme, the CMD has investigated and handled trade defence lawsuits under Vietnamese law, including the cases against imported float glass in 2009 and refined vegetable oil in 2013.

It has also investigated and imposed anti-dumping measures against cold-rolled stainless steel imported from China , Taiwan , Malaysia and Indonesia , which was the first case made under the Ordinance on Anti-dumping of Imports into Vietnam. CMD Director Bach Van Mung said that thanks to the programme, the department has built a competitive environment database and assessed the competitiveness of 30 economic sectors. Since the programme was launched, 17 countries have recognised Vietnam as a market economy, raising the total number to 38, he said.

Another outstanding result of the project was the establishment of an early warning system on anti-dumping lawsuits and the training of staff capable of dealing with trade defence cases lodged by foreign countries, he added. However, Deputy Director of the Central Economic Management Institute Vo Tri Thanh said that despite remarkable reform and development achievements over the past 27 years, many reforms have lost the momentum and the Vietnamese economy has revealed a number of shortcomings in structure, resistance, and social and environmental issues.

Therefore, Vietnam needs a new reform push in three major directions, which are economic restructuring with a focus on State-owned enterprises, finance-banking and public investment; deep and comprehensive integration centring on economic integration and prioritising ties with the ASEAN, East Asia, Asia-the Pacific and strategic partners; and combining economic reforms with institutional and political reforms, he stressed..

Source: VNA

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Hot FDI consolidates fast-rising reputation

Net foreign direct investment in Vietnam was on the boil in September, pointing to growing confidence in one of the world's most attractive investment markets.

Foreign investors in September pumped $750 million into projects in Vietnam, pushing total net foreign direct investment (FDI) over the past nine months to $8.05 billion, up 4.8 per cent year-on-year, according to the Ministry of Planning and Investment (MPI)'s Foreign Investment Agency (FIA).

The figures imply foreign investors continue expanding business operations in Vietnam to tap the market's potential and investment advantages. This year, the MPI forecasted foreign investors would pump about $11 billion into the country.

In the past nine months, foreign investors also registered $12.19 billion to invest in 720 new projects and expand 153 projects. Though the registered capital dropped 16.3 year-on-year, analysts said that did not mean Vietnam was less attractive in foreign investors' eyes.

"That just reflects foreign investors' difficulties, especially in developed countries which have modest economic growth in the context of the global economic recession," said Nguyen Quang Thai, general secretary of the Vietnam Economics Association. In the UK Trade & Investment and the Economist Intelligence Unit's recent report, Vietnam ranked as the top destination outside the BRICs (Brazil, Russia, India and China) with the most favourable conditions for investment.

The report is based on a global survey of 523 companies. It is the third consecutive year Vietnam has been selected by executives as their key investment target.

Thai said foreign investors would continue to expand investment in Vietnam which was reputed with a large market of 86 million population and an attractive investment environment.

According to the FIA, the manufacturing sector remains the most attractive to foreign investors with 275 newly registered projects, capitalised at nearly $3 billion. Furthermore, investors also registered to expand investments at 106 manufacturing projects with total investment capital of around $653 million.

Source: MPI-FIA-VIR

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Top Russian fuel group to invest in Vietnam refinery

Russia's fuel giant Rosneft has announced its intention to invest in an estimated US$30 billion refinery project in central Vietnam.

Igor Soglayev, CEO of Sarvors which is a member of the group, told Binh Dinh Province authorities over the weekend that the company had communicated with Thailand's top energy firm Public Company Limited (PTT) about being a strategic partner in the Nhon Hoi refinery, news website VnExpress reported. He said the project was "practical".

PTT received the nod from the government to build the refinery in May, despite objections by PetroVietnam, which now owns the country's sole refinery Dung Quat. The Thai company is calling for partners while agreeing to put in 30-40 percent of the cost itself. Soglayev said they would request consistency in policies and complete infrastructure, which will need to serve between 20,000 and 30,000 people working at a time. He also said work on a refinery should not last for more than five years.

Binh Dinh chairman Le Huu Loc said the area is located in deep sea water and is convenient for follow-up works like a port, and there are a more than 12,000 hectares available for potential factories.

Soglayev said Rosneft board chairman Igor Sechin will accompany President Vladimir Putin during an official visit to Vietnam next week and he will hold more specific discussions regarding the project.

Rosneft is the top petroleum corporation in Russia, profiting to the tune of around $11.1 billion in 2012. Russian government owns three quarters of the company and BP the other.

Source: Thanh nien

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Japan adding cash to tourism, retail in Vietnam

The Japan Association of Travel Agents has chosen Vietnam as its major destination for next year, when it will specifically target luxury central coastal resorts, an official said.

Nguyen Quy Phuong, deputy head of Vietnam National Administration of Tourism, told Thoi bao Kinh te Saigon Online that the Japanese association (JATA) made the decision after a meeting in Hanoi over the weekend, its first executive meeting abroad, and a field trip.

Phuong said the association announced it would push for flight routes to the central hub of Da Nang, which is near Quang Nam Province's famous Champa kingdom relics and Asia's second most popular town Hoi An according to Condé Nast readers, and Thua Thien-Hue Province, home to the former imperial capital at Hue, where Vietnam's last feudal family reigned until 1945.

The Vietnam-Japan Tourism Cooperation group also met recently, announcing goals like bringing a million Japanese tourists to Vietnam in 2015 compared to nearly 600,000 in 2012, and 200,000 Vietnamese to Japan from around 55,000 last year. Japanese arrivals in Vietnam have been increasing since 2010, by 9-24 percent a year, according to Phuong's agency.

National carrier Vietnam Airlines will begin landing at Haneda airport in Tokyo next year.

Retailing Japanese style

Japan is the biggest foreign investor in Vietnam, accounting for half of its FDI.

Japanese top retail group AEON is going to mark its presence in Vietnam with a $100 million shopping mall in Ho Chi Minh City's Tan Phu District launched this January, a month prior to the Lunar New Year and thus falling in the biggest shopping season of the year. Besides making Vietnam its entry to Southeast Asia, AEON also has plans to build around 20 shopping malls in the country by 2020, including two under construction in the nearby Binh Duong Province and Hanoi.

AEON is operating 120 shopping malls across Japan that draw 50 million shoppers and profit $2 billion a year.

Soichi Okazaki, board chairman of AEON, told Thanh Nien News the chain's success is decided by its diversity of goods, convenient services and mostly prices, which are affordable to average income earners.

An AEON mall in Japan has different sectors catering to the demands for each person in a family, and one can buy everything from basic foods to a Harley Davidson motorbike.

Yukio Konishi, general director of AEON Mall Vietnam, said their shopping malls in Vietnam will follow the same model.

He said one third of the goods will be Japanese, one third made in Vietnam and the rest from other countries.

Japan time

Vietnamese ambassador to Japan Doan Xuan Hung told Tuoi Tre in an interview Monday (November 04, 2013) that the time for Vietnam to draw investment from Japan is ripe, and that the country should not let the chance slip way.

Hung said investment from Japan has increased over the past two years, and the two countries have managed to built a trust foundation for many more projects in the future. Vietnam is having to compete with several Southeast Asian countries like Thailand and Singapore, and the only advantage seems to be a bigger population, he said.

Japan has around 1.3 million small and medium enterprises, with around 33 percent working aboard, meaning high potentials from the rest for Vietnam, he said. The ambassador said Vietnam's policies for foreign investment attraction are quite general and thus curb the enthusiasm of investors, who don't know what and where is in need.

Japan government earlier this year announced to provide 600 billion yen ($6.08 billion) in official development aid to the Mekong region countries in three years from April 2013, and Vietnam can draw a lot from that sum if it provides investors with specific information, he said.

Hung said with Japan, Vietnam should not just chase money. "We should make use of their technologies and experience. The good thing is Japanese people are willing to share and deliver their skills." He said Vietnam can learn from Japanese technologies to bring more agricultural produce into this market, "where one mango costs $15, which can buy a kilo of the best mango in Vietnam."

Dragon fruit is the only Vietnamese fruit that has made its entry to Japan, and it took 13 years to do so.

Source: VIetnamebassy in Janpan / Topix

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Austrian firm looks to cash in on Quang Ninh casino

Vienna-headquartered Casinos Austria, one of the largest casino operators in the world, has joined the list of foreign firms eager to invest in an integrated casino resort in Quang Ninh province, which may become the first in the country to allow Vietnamese nationals to gamble.

According to Quang Ninh People's Committee, Richard Lehner, senior advisor at Casinos Austria, last week visited the northern province and asked for permission to conduct a feasibility study for the project. "Casinos Austria's representative told the provincial leaders that the firm saw potential in this project and wanted to exploit the opportunity here," a source at the Van Don Economic Zone Management Authority told VIR.

As approved by the government, Van Don is one of two locations earmarked for casino resort projects. The other being the southern island of Phu Quoc. Van Don has emerged as the more attractive investment venue to foreign investors as the Vietnamese government has not ruled out the casino becoming the first in the country to allow Vietnamese citizens to gamble.

Foreign casino operators expressing interest in developing the project in Van Don include Las Vegas Sand, Genting, Phoenix Macau Tailoi and ISC Corporation.

Last August, the Ministry of Finance told the Standing Committee of the National Assembly that the Communist Party's Politburo had given in-principle agreement to the construction of an integrated casino resort in the special economic zone of Van Don and would look into the possibility of allowing Vietnamese nationals to play there.

The Committee on Finance and Budget, under the National Assembly, also sent a report to the Standing Committee of the National Assembly asking the government to study such a possibility in the context of the government issuing a comprehensive legal framework to manage the casino business in the country.

Source: Dan tri

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Israel assists Vietnam agriculture with high technology

Israel has been equipping Vietnamese farmers with modern technology in several agricultural projects in a bid to develop hi-tech agriculture in the country.

Vietnam has a lot of potential in agriculture development, and enhancing the cultivation techniques and productions of farmers is the first step to develop hi-tech agriculture, Israel Minister of Agriculture and Rural Development Yair Shamir remarked at a workshop on Monday.

Shamir said Israel is cooperating with partners in the Central Highlands to implement several hi-tech agricultural projects.

One of the most remarkable projects is the watering and drainage system for coffee farms that uses alternative sources of water such as desalinated or recycled water. The system will also apply Israel's signature cloud seeding technology to create artificial rain.

The high technology is being implemented at the 400-hectaure Eatul Center for Industry and Agriculture in Dak Lak Province. It is powered by investments from coffee giant Nguyen Group totaling of US$15 million. Israel is also running a dairy cow-breeding project in Ho Chi Minh City with new technology that will increase productivity by 10-20 times compared to Vietnam's current techniques.

In a previous meeting with local government officials, Shamir suggested that the two countries set up a joint fund for agricultural research and development. The fund will create a framework for expanded partnerships in the Israeli and Vietnamese agricultural business sectors, he said.

Accordingly, Israel will send its experts to work on specific projects in Vietnam, and assess the results of each project to determine whether they should be expanded or not, he explained.

Source: Nhan Dan

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Clouds gather as Global Sphere quits solar project

Global Sphere has announced its withdrawal from a $310 million solar panel manufacturing joint venture nearly a year after the United Arab Emirates-based firm and its Vietnamese partner broke ground on the project.

Nguyen Trong Nguyen, general manager of Global Sphere in Vietnam, told VIR that the company was longer involved in the solar panel manufacturing project in Thua Thien-Hue province, adding that the company's decision had been passed on to its Vietnamese partner.

"We withdrew because our Vietnamese partner [WorldTech Transfer Investment] didn't have the financial capacity. We found out about some non-transparent transactions between WorldTech Transfer Investment and some banks," said Nguyen. Instead of investing in the manufacturing project in Thua Thien-Hue, Nguyen said Global Sphere was in discussions about another project in Ho Chi Minh City. He refused to go into more detail.

Global Sphere and WorldTech Transfer Investment received an investment certificate for building a solar panel manufacturing plant in Thua Thien-Hue at the end of last year. Global Sphere would be responsible for 100 per cent of investment capital while Worldtech would be responsible for building, managing and controlling the plant.

The solar energy project, located in Phong Dien Industrial Park, was to be divided into two phases. The $300 million first phase was scheduled to start construction late this year and would have started production in May 2015.

Following Global Sphere's withdrawal, the project's future is now in question. Almost a year after the ground breaking ceremony, the project remains consigned to paper.

"We learnt that there was debate between Global Sphere and WorldTech Transfer Investment, but the investors have not yet officially informed us whether they will follow through with the project or not," said an anonymous official at Thua Thien-Hue's Department of Planning and Investment.

This solar panel project is the third of its kind that has been granted an investment certificate in Vietnam. None of two others, a $1.2 billion project in Ho Chi Minh City and a $390 million project in Quang Nam province, have been built so far because of low global demand.

Source: VIR

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Unit to assist Japanese firms set up in Dong Nai

The southern province of Dong Nai has issued a decision to set up a "Kansai Desk" to solve all procedure on investment and share investment information with businesses from Japan's Kansai region.

"Kansai Desk", a unit under the Dong Nai Industrial Zone Management Board, is responsible for receiving and responding to requests from Kansai region's businesses by direct discussions and emails or on telephone. It also works with the province's relevant agencies to provide consultations to investors.

In early this year, Dong Nai province and Kansai region signed an agreement on economic cooperation in order to strengthen exchange, experience sharing and investment in the fields of mutual concern, including supporting industry, environmental pollution treatment, energy saving and human resources development.

Dong Nai is home to over 1,000 foreign businesses with a total capital of 23 billion USD, generating jobs for nearly 50,000 labourers. Of the firms, 130 come from Japan with total investment of more than 3 billion USD, according to the provincial Department of Planning and Investment.

Source: VN+

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Vietnamese, Chinese companies build coal-fired power plant

The Vinh Tan 3 Energy Joint Stock Company (VTEC) has teamed up with the Chinese Harbin Electric Company in building the 2.7 billion USD Vinh Tan 3 coal-fired thermal power plant in the southern province of Binh Thuan.

At a contract-signing ceremony in Hanoi on October 14, Hoang Quoc Vuong, Chairman of the Vietnam Electricity (EVN) said the plant will consist of three turbine groups with a capacity of 1,980 MW.

The plant will use imported coal for generating over 12 billion kWh a year, which will considerably help the southern region ease power shortage.

Construction, which costs 1.14 billion USD, will start in the third quarter of 2014 and the plant's first turbine is expected to generate electricity by 2018, he said.

Established in 2009, VTEC – the project developer, is partnered by EVN, One Energy Ventures Ltd and the Thai Binh Duong Company.

Source: VNA

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Sugar makers face difficulties

Sugar manufacturers across the country are struggling due to oversupply and a lack of demand that have forced prices down by VND1 million (USD50) to VND1.7 million (USD80.9) per tonne.

A report by the Ministry of Agriculture and Rural Development\'s Information and Statistics Centre said since the beginning of the year, manufacturers had produced 1.03 million tonnes of sugar, a year-on-year increase of 163,000 tonnes.

It also added that the stockpiled volume had soared by 142,200 tonnes year-on-year to nearly 530,000 tonnes. The industry estimated that the country needed to import only 200,000 tonnes of sugar to meet domestic demand.

Manufacturers, however, said this would be problematic, because this year\'s import quota was 250,000 tonnes, based on predictions made at the end of 2010. But with consumption down, pressure is growing on the sugar industry. In March and April, sales reached just 85,000 tonnes and 72,900 tonnes respectively, compared to around 110,000 tonnes per month last year.

Moreover, banks have tightened monetary policies, making it harder for companies to take out loans. As a result, 16 out of 38 Vietnamese sugar manufacturers have already halted production, and a further eight are likely to do so by the end of the month.

Supply was much higher than demand, and the situation would get worse if more sugar was imported, said Nguyen Thanh Phong, chairman of the Vietnam Sugar and Sugarcane Association.

To help manufacturers, the association has asked the Ministry of Industry and Trade to extend the final date for the quota past December 7 for the remaining tonnage that has not already had contracts signed for it.

Credit support was also needed to help manufacturers pay overheads and farmers, the association said.

Source: Dtinews

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Steel oversupply defies weak demand

Steel makers in Viet Nam are expected to produce 10 million tonnes of steel in 2013, up 8.5 per cent year-on-year, even though the real estate market remains frozen.

The Viet Nam Steel Association (VSA) attributed the contradiction to the imbalance between supply and demand.

"While the real estate sector, the main consumer of steel products, is still in the red, massive amounts of cheap imports from China caused an oversupply and forced many steel companies to scale down production or even halt operations," said VSA chairman Pham Chi Cuong.

Speaking at a VSA meeting on Wednesday, Cuong called on steel makers to work together to overcome these difficulties and avoid unhealthy competition.

Construction steel sales in September declined 3.87 per cent against August and 2.29 per cent year-on-year to 353,792 tonnes, according to the association.

Production in the same month also fell 9.46 per cent from August and 7.43 per cent against September 2012 to 347,780 tonnes.

However, in the first nine months of this year, production reached 3.36 million tonnes, a marginal increase of 0.02 per cent against the same period last year, while consumption rose 2.46 per cent to 3.38 million tonnes.

The steel inventory reached 317,504 tonnes in the first nine months of this year. Producers had a steel ingot inventory of 520,000 tonnes, which was expected to meet production demand in the coming months.

Meanwhile, the association said the building season got off to a slow start in September, as many storms and floods hampered projects.

VSA expected steel prices to remain stable, while production and consumption would also see little change in the coming months.

Source: VNS

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HCM City, Belgium's Flanders cooperate to develop seaport industry

Ho Chi Minh City wants Flanders, a northern region of Belgium, to strengthen its assistance and cooperation on seaport industry development, seaport management and port construction amid rising sea water levels.

Chairman of the Ho Chi Minh People's Committee Le Hoang Quan told Minister for Mobility and Public Works of the Flanders Region Hilde Crevits in a meeting in Ho Chi Minh City on November 10.

Chairman Quan also said he hopes the Belgian government and Flanders region will continue assisting his city in the next phase of the Soai Rap River dredging project and construction of Hiep Phuoc Port. Besides this, Ho Chi Minh City and Flanders region should promote economic, cultural and educational ties in the coming time, added Chairman Quan.

For her part, Minister Hilde Crevits highly valued the potential of seaport development of Ho Chi Minh City and said Belgian partner will help Vietnam enhance its seaport exploitation and link with international seaport network. Minister Hilde Crevits also said she hopes many Flemish enterprises will go to Ho Chi Minh City to seek for investment opportunities in the coming time. Besides seaport cooperation, the two sides need to continue maintaining and expanding the economic cooperation ties especially in importing coffee and seafood produces from Vietnam.

During her trip, the Belgium minister visited the Soai Rap dredging project financed by Belgium 's government. Of the 2.8 trillion VND (134 million USD) investment, 2.2 trillion VND (105 million USD) comes from the Belgian Official Development Assistance (ODA) loans and the rest from the city budget.

Once completed in 2014, the Soai Rap River will be able to receive large vessels of 50,000-70,000 DWT and will help speed up the construction of the Hiep Phuoc Port.

The use of the Soai Rap River, together with Cai Mep- Thi Vai River in Ba Ria- Vung Tau Province , is expected to help the southern economic zone become one of the country's most important zones and Hiep Port , one of the major ports in the region. Hiep Phuoc Port , which is 30 kilometers from the city center and 17km from Tan Thuan Export Processing Zone, will cover more than 100 hectares in Hiep Phuoc Industrial Park in Hiep Phuoc Commune along the Soai Rap River.

Source: VIR & VNAs

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FDI boosts Da Nang economic growth

The central city of Da Nang has worked out a programme to develop support industry products by 2030 in a bid to attract more foreign direct investment (FDI).

It has also screened a range of projects for calling investment and exploiting the advantages of its position as a key economic zone in the central region and the East-West Economic Corridor (EWEC).

Over the past five years, FDI enterprises have fostered local economic growth, created more jobs, boosted exports and encouraged technical innovation, especially in the support industry and commercial services. Despite a slow increase in the number of FDI enterprises involving in producing for-export items, the FDI sector has increased significantly its export-sourced contribution to the local economy.
The sector's export earnings reached nearly 76.3 million USD, accounting for 28.6 percent of the city's export turnover in 2001. It hit 474 million USD and 52.96 percent in 2012.

Moreover, FDI businesses have also increased their participation in the city's retail sales, evidenced by the establishment of Metro Cash and Carry, Big C and Lotte Mart, serving a wide range of choices.
Despite achieving some good results, the attraction of FDI projects, especially those using high technology, remained low. Environmental protection standards of some FDI projects have yet been complied with strictly.

In the first nine months of this year, the city granted investment certificates to 26 FDI projects with a total of 33.7 million USD in new investment, three more projects than the same period last year, and agreed with the expansion schemes of 13 projects with an added investment of 140.7 million USD, up 4.9 percent year on year.

At present, Da Nang has 268 FDI projects with capitalising at 3.2 billion USD, of which 1.65 billion USD have been realised, accounting for 51.6 percent of the total registered capital

Source: Greeting News

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Dong Nai attracts 60 new foreign investment projects

The southern province of Dong Nai has so far licensed 60 new foreign investment projects valued at 315 million USD, said head of provincial office department Nguyen Luc Hoa.

Japan, biggest investor, has invested in 28 new projects worth of 210 million USD, accounting for 57 percent of the province's total foreign investment.

This year, Dong Nai has boosted its trade promotions in Japan and Taiwan (China) and received many foreign businesses seeking investment opportunities in the province. In 2013, Dong Nai has assisted 19 its local businesses to participate in trade fairs in Laos, Germany and other countries, attracting 300,000 international visitors and earning over 300 million VND (14,100 USD), according to the Provincial Department of Industry and Trade.

The province has also held five business exhibitions, seven employment forums for workers and 28 stalls to sell Vietnamese products for consumers in order to reduce inventories and expand cooperative opportunities among local businesses.

Dong Nai plans to carry out more investment promotion activities in Japan, Taiwan (China) and the Republic of Korea in 2014. The provincial authority has encouraged local businesses to promote their images and investment incentives to attract more foreign investors. To identify its core export markets, the provincial authority has highlighted that investment promotion and trade promotion should be treated equally.

Source: Diza

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Foreign retailers rush in where locals fear to tread

While domestic retailers are struggling to pay rents at shopping malls amid plunging sales, their foreign counterparts are coming in with long-term plans.

News website VnExpress quoted the general director of an unidentified real estate consultancy as saying that it is scouting for space for a Japanese retail giant. "They have entered Vietnam and been surveying the east and south of Ho Chi Minh City, preparing to make a splash in two or three years."

Japanese retailers do not insist on downtown spots, and prefer populated areas near new urban zones like District 7. Another Japanese retailer and one of Asia's leading ones, AEON, has also announced plans to enter Vietnam in 2014 with the biggest shopping mall in western HCMC.

The 3.51-hectare mall will be located at Celadon City, an 82-hectare urban area in Tan Phu District. Lotte, the fifth biggest retailer in South Korea, already has five supermarkets in Vietnam and is expected to open 30 more in the five largest cities -- Hanoi, HCMC, Hai Phong, Da Nang, and Can Tho.

The retailer has two outlets in HCMC and one each in neighboring Dong Nai Province, Hanoi, and Da Nang. It recently took over HCMC's famous Legend hotel. Fast food brand like KFC, Burger King, and pizza chains have always been doing well in Vietnam. So is newcomer Starbucks. Starbucks CEO Howard Schultz told the Wall Street Journal that its first and only Vietnamese outlet in HCMC is exceeding expectations.

The country, where more than eight million people are still hungry - a four-fold drop from a decade ago -- according to the UN's FAO, is also considered a promising market for wine. There was a delegation of 11 wine producers from Australia in June. Yasmin Power, head of wine and beverages in the Victorian government's Department of State Development, Business and Innovation, said during the visit that the companies are willing to step in once they can find Vietnamese partners experienced in the market and having good distribution systems.

Johnathan Hanh Nguyen, chairman of Imex Pan Pacific, one of the largest conglomerates in Vietnam, told VnExpress that there is a wave of international retailers coming into Vietnam as the country is "becoming a retailing heaven. "Its populations is young, and many young employed people in urban areas earn well, are well-informed, and love to show off their social status."

Pointing to shopping malls not being crowded, Le Quang Hanh, general director of property company Saigon Land, said retailing in Vietnam is not doing well at the moment, but this offers international giants an opportunity to take over.

"It is a long-term game for the big boys." They would be prepared to take losses initially, but then they would have few local competitors left in such a promising market where three-fifths of the nearly 90 million people are under 35. But foreign players, with their deep pockets, experience, and management capability, would help revive the market, he added.

Source: VIR

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Vinatex focuses garment investments on central region

Leading state-owned textile and garment group Vinatex is scaling up investments into the central region pursuant to the sector's strategy to relocate factories to localities.

The most recent development was Vinatex general director Tran Quang Nghi's trip to the central region to check the progress of the group's investment projects in Nghe An province in line with the textile and garment industry development strategy to 2020 focusing on central locations.

Over the last two years Vinatex member Hanoi Textile Garment JSC (Hanosimex) invested around $33 million into new projects in Nghe An. Two of the projects went operational in April. The first was a knitwear factory with an annual capacity of 5.1 million items and the other a shuttle-woven garment factory producing 3.6 million units a year.

According to the company's deputy general director Nguyen Song Hai, Nghe An, Ha Tinh, and Thua Thien-Hue provinces will be Hanosimex's strategic investment destinations in the coming time.

"The province's abundant labour forces alongside preferential investment policies and the sector's commitment to move factories to localities have inspired us to drop anchor in Nghe An," Hai said. Apart from accommodating mainstream projects on material production, the central region is also a destination for Vinatex's capacity building investments.

Vinatex will soon complete the licensing for its Vinatex Bong Son garment plant at an industrial cluster in south-central Binh Dinh province.

The project developer, Vinatex Bong Son Garment Company Limited, was founded recently and the local People's Committee has agreed in principle to lease land for the project. The $9.8 million project would include 51 production lines in total, with 17 in the first phase. Its core products would be suits and trousers.

Hanosimex is also busy completing procedures to begin construction of a raw cloth knitwear factory with an annual output of 4,000 tonnes in Nghe An valued at $7.2 million. Another Vinatex member, Garment Company 10 is nearing completion of its expansion of Ha Quang Garment Enterprise in central Quang Binh which specialises in making shirts for export.

Vinatex statistics show that in the first half of this year the group kicked off construction on 46 investment projects worth $239 million including 14 yarn and fibre, 4 textile, and 20 garment. Vinatex's total investments in 2013 is expected to reach $476 million, most of which will go into developing projects in the central region which has advantages such as labour and investment incentives.

Source: Vietnam Breaking News

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Ton Dong A to build second steel sheet mill

Ton Dong A Corporation told reporters in HCMC on Tuesday it would develop a second steel sheet mill with an annual capacity of 800,000 tons in the southern province of Binh Duong.

Covering over 12 hectares at Dong An 2 Industrial Park, the US$150 million project will be developed in two phases and equipped with production lines imported from Europe and Japan.

The project's first phase, which will need an investment of US$70 million, will be up and running in next year's second quarter with total output of around 400,000 tons.

The capacity would be doubled to 800,000 tons in the second phase, which is scheduled for completion in 2016-2017.

After the new facility comes into operation, the firm's revenues are expected to be around VND6-6.5 trillion next year with exports estimated at around US$100 million.

Source: SGT

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Sanyo gauges plant sale deal

Japanese-owned Sanyo OPT Vietnam is putting its plant in the northern province of Bac Giang on sale.

According to Nguyen Anh Quyen, head of the Bac Giang Industrial Zone Authority, Sanyo OPT Vietnam has officially halted its operations since early this year due to losses, and was negotiating a handover to a new investor.

Another source from the authority, who declined to be named, told VIR the firm was negotiating to sell its assets to a subsidiary of Panasonic, Sanyo OPT Global's largest shareholder.

Sanyo's factory opened in 2009 at Quang Chau Industrial Park and produces infra-red detectors. It officially stopped production on January 31 this year, reporting poor operations. Roughly 4,000 workers, mostly female, were put out of work.

According to Quyen, Sanyo was the province's largest investor and was a good, law-abiding company. The company attached special importance to building a business culture and looked after its employees. Its workforce peaked at 7,000.

In its notice suspending operations that was sent to authorities, general director Hiroyuki Mita said "We very much regret our inability to continue operations in Bac Giang. We have made this decision for reasons that are beyond our control."

Quyen praised Sanyo's behaviour despite the shutdown. "Sanyo acted graciously, particularly in supporting the interests of its workers. We will provide as much support as possible in their transfer of the business," Quyen said.

Under Vietnamese law, a project shall have 12 months to be transferred to another entity since the date of stopping operation. The government can extend the hand-over period to 24 months maximum.

Source: VIR

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VietJetAir schedules $9.1 billion fleet improvement

Low-cost carrier VietJetAir last week signed a strategic partnership agreement with China Construction Bank and CCB Financial Leasing Corporation Limited to fund its ambitions of becoming a multi-national aviation group.

The agreement established a strategic co-operation between the three sides for financing and leasing aircraft, including aircraft engines and other high-value aviation materials and equipment.

The move will enable VietJetAir to finance their order for 100 aircraft placed with Airbus last month. The order includes the purchase of 92 A320 Family aircraft and lease of 8 more from third party lessors, worth around $9.1 billion in total

The first batch is due for handover next year. VietJetAir announced the additions as part of plans to develop into one of the most modern fleets in Asia Pacific.

Founded in 2007, with their inaugural flight taking off on 24 December 2011, VietJetAir was the first private airline in Vietnam to operate domestic and international flights. Today the airline's network covers 14 destinations within Vietnam, plus an international service to Bangkok.

In its first two years, the airline received three million passengers.

In an interview this August, Luu Duc Khanh, managing director of VietJetAir, stated that the airline had recorded a profit of $5.7 million in the first seven months of this year, and intended to develop into a multi-national aviation group

China Construction Bank (CCB) is the second largest bank in China, and one of the largest banks in the world with total assets valued at $2.242 billion in late 2012.

CCB Financial Leasing is a subsidiary of China Construction Bank. The firm has authorised capital of $ 854 million and total assets valued at $10 billion in 2013.

Source: VIR

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FINANCE – BANKING

Vietnam house finance committee backs proposal for higher budget deficit cap

The National Assembly Finance and Budget Commission has supported the government's proposals to increase the budget deficit ceiling and issue more bonds, but urged it to tighten public spending.

Making its review of the government's proposals at a house meeting Tuesday, the commission said it "basically" agreed with raising the deficit cap from the current 4.8 percent of GDP to 5.3 percent next year.

It also approved of the plan to issue bonds worth VND170 trillion (US$8 billion) in 2014-16 in addition to bonds worth VND75 trillion already approved by the NA for issue in 2011-15. Phung Quoc Hien, the chairman of the commission, quoted the review as saying that for the first time in many years government revenues are set to miss the target this year.

This would greatly affect managing and balancing the budget and earmarking of funds for public spending, he said. Minister of Finance Dinh Tien Dung reported at the session that the deficit is estimated to be around VND193 trillion ($9.1 billion) this year, or VND32 trillion ($1.5 billion) more than approved by the NA. The higher deficit was caused by the lower than expected revenue, he said.

The Ministry of Finance expects the government 's revenues this year to be VND752 trillion ($35.6 billion), or 7.8 percent less than originally estimated.

Caution

Despite giving its consent to the government's proposal and budget statement, the NA commission expressed concern.

Hien said though the government has guaranteed that despite the higher budget deficit cap and the issuance of new bonds, Vietnam's public debt would not exceed the ceiling of 65 percent of GDP set by the NA for 2015, there would be increasing repayment pressure.

The public debt is estimated at 52.6 percent by this year end, according to the Ministry of Finance. The government needs to draw up a detailed plan to repay debts and submit a "clear" report on the debts to the NA, Hien said.

Cao Si Kiem, a deputy from the northern province of Quang Binh and also chairman of the Vietnam Association of Small and Medium Enterprises, said the government sought to increase the budget deficit ceiling as a last resort.

But it needs to clarify where the money would go and how it would supervise the use of funds, otherwise lawmakers would not approve, he warned. Expenses like officials' meetings and foreign trips must "definitely" be curtailed, he said.

Tran Du Lich, a legislator from Ho Chi Minh City, agreed, saying he would support the government's proposal as long as public spending is carefully managed. In its review, the commission too has pointed out shortcomings in the government's financial management.

Many projects are tardy and the money for them has not been allocated properly, while some agencies "lack determination" to cut public spending, Hien quoted the commission's report as saying. But in the meantime many policies have been announced, increasing public spending, but they are not in step with the availability of funds, it said.

Even in its spending estimates for next year, the government does not convey a "clear" message that it is tightening spending in "the current difficult situation," it said. The government plans to spend some VND1 trillion ($47.3 million) next year, a 2.9 percent rise from this year's estimate.

Source: News Now

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Local banks unable to tap foreign sector market

Local banks have failed to use foreign invested firms to improve their credit growth figures, and experts say they are hampered by less competitive interest rates and limited range of services.

Hoang Van Thanh, chief accountant with Japanese-owned copper rod producer CFT, said his firm could borrow up to US$40 million from a Japanese bank at just one percent a year.

"Thus, there is no reason for us to borrow capital from Vietnamese lenders with much higher lending rates."

The lowest rate local banks offer on dollar loans is 3-3.5 percent, a representative of beverage firm Dona Newtower, a Vietnam-Hong Kong joint venture, said. "Local banks cannot compete with their foreign rivals in terms of interest rates. Also, foreign lenders do not ask customers to pay fees for repaying loans before they are due."

Economist Bui Kien Thanh said foreign banks do not use much of deposits they mobilize from Vietnam at high interest rates to lend to their customers. They use funds mobilized in their home countries at much lower rates. For example, the interest rate for a six-month deposit in the United States is just 0.30 percent. The central reserve can also recapitalize the banking system at annual rates of 0.5-1 percent per annum. Thus, US commercial banks can offer firms loans for just 3-4 percent.

Echoing Thanh, another economist who did not want to be named said deposits with high interest rates in Vietnam did not significantly raise costs for foreign banks due to the balancing power of lower interest rates abroad, where the banks borrow far more than they do here.

"With lower input costs, they (foreign banks) can obviously offer lower interest rate loans in Vietnam."

Parent companies of foreign-invested firms in Vietnam would typically have used services of a particular bank or banks for many years. The banks will know well the financial situation of the firms, and this helps the former reduce their lending risks. The reduced risk is another reason that foreign banks can offer firms loans at lower rates than local lenders.

Foreign banks can also offer lower rates as foreign invested firms use many of their services, including borrowing capital, opening letters of credit, and making money transfers, he added.

Furthermore, foreign banks make it easier than local banks for customers to take loans. Their main criteria is the feasibility of a firm's business plan, while the local banks focus on collateral.

Another advantage that firms enjoy with foreign banks is that the latter are more reliable and strict in keeping their commitments to customers, as also more professional in the way they do business. So it is not surprising that foreign firms prefer to work with foreign lenders.

"It will take a long time for local banks to compete well with foreign ones in attracting customers," the economist said.

Thanh also noted that Vietnamese banks earn their profit mainly from lending – more than 80 percent, according to some accounts, and have not yet begun tapping hundreds of other services that foreign banks offer.

In fact, foreign banks in Vietnam do not offer big loans because their registered capital is low, Thanh said.

ANZ is the foreign bank with the highest registered capital in the country at $3 billion, while Japanese invested banks only have several hundred million dollars each, Thanh said.

Failure

An industry insider said all local banks are keen to lend to foreign companies, particularly given the slow credit growth, weak domestic demand, and the high bad debt levels.

Credit growth as of August was 5.4 percent, less than half the full year's target.

However, they have failed to lure foreign customers. Le Hoang Son, director of state-owned lender VietinBank's branch in Dong Nai Province, said his bank cannot offer low enough interest rates to attract foreign borrowers due to profit concerns. The State Bank of Vietnam caps interest rates on dollar deposits at 0.25 percent and 1.25 percent for institutions and individuals respectively.

The head of a joint stock commercial bank in Hanoi said only a few foreign invested firms borrow capital from his bank. "It is too difficult to expand credit to the foreign sector. Most foreign firms use our card services, or the service to pay salaries."

At the end of last year – 33 of 39 local banks operational then that had published their results – reported that foreign-invested firms accounted for a mere two percent of their total lending, according to global consultant KPMG.

Source: TNN

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Bad debts cause bank profits to plummet

Escalating bad debts are eating up banks' profits.

By the end of September most banks reported negative credit growth while their non-performing loans (NPL) rose sharply stymying their profit goals. By the end of the third quarter, privately held Navibank reported modest after tax profits of $476,000, down nearly 90 per cent on-year. Profits for the quarter were only $124,000, down 60 per cent.

This was attributed to the bank's credit contracting 8.95 per cent and deposits by 21.4 per cent.

Bad debts rose sharply to 8.7 per cent of the bank's total outstanding loans by the end of September. This required the bank to put more capital into loan loss provisions which have tripled against the same period last year.

Due to rising bad debts, Southern Bank saw its after-tax profits fall by 71 per cent to $1.7 million in the third quarter. In the second quarter when bad debts only accounted for 2.78 per cent of its total outstanding loans it reported profits of $9 million. Its total profits by the end of the third quarter were $10.7 million.

Last month Southern Bank signed a contract to sell around $10 million in bad debts to the state-owned Vietnam Asset Management Company (VAMC).

Petrolimex Group Commercial Joint Stock Bank's (PGBank) bad debts hit a record high in September at 9.5 per cent of the banks total outstanding loans (tantamount to $57 million). Soaring bad debts chewed through the bank's after-tax profits which amounted to only $2.8 million by the end of the third quarter.

Bank executives are blaming failing business for their soaring bad debts. Member of the National Financial and Monetary Policy Advisory Council Tran Du Lich specifically pointed out booming credit growth in 2008-2010, primarily to property businesses who reneged on debts after the market collapsed.

Soaring bad debts are certainly the culprit behind poor profit reports in the first three quarters and at present there seems to be no immediate solution.

"Controlling risk on new loans is doable, but it is very difficult to avoid old loans from turning into bad debts as firms are still struggling with their businesses and repayments," said NamA Bank general director Tran Ngo Phuc Vu.

In the first half of 2013 NamA posted pre-tax profits of $2.4 million making it virtually impossible for it to achieve its pre-tax profit goal of $19 million.

DongA Bank reported modest credit growth of 1.2 per cent in the first nine months though its bad debts also rose quickly, making its goal of $47.6 million in pre-tax profits unrealizable, said bank executives.

Source: Talk Vietnam

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Investor caution lowers City shares

Shares tumbled in HCM City while advancing on the Ha Noi Exchange on 11-Nov-2013.

The VN-Index on the HCM City Stock Exchange lost 0.25 points to end at 498.61 points.

Overall, 104 codes managed to edge up yesterday, overwhelming losers which numbered 94, failing to support the benchmark indice, however. The southern bourse saw lower liquidity than Thursday's trading session with 72.79 million shares traded, dropping 31 per cent.

The total trading value reached VND920.79 billion (US$43.84 million), a decrease of 28 per cent over the previous trading day. The VN30-Index, tracking the southern city's top shares by capitalisation and liquidity, shed 0.42 per cent to land at 556.78 points, with decliners outnumbering advancers by 16-6.

Six gainers included technology company FPT (FPT), Hoang Anh Gia Lai Group (HAG), Pha Lai Thermoelectric Plant (PPC), Bourbon Tay Ninh (SBT), Saigon Securities (SSI) and Becamex (IJC) which earned between VND100 ($0.0047) and VND400 (0.019) per share.

PetroVietnam Drilling (PVD) closed VND1,500 lower at VND64,000 ($3.04) per share, PetroVietnam Low Pressure Gas Distribution (PVD) lost VND600 ($0.028) per share to VND30,700 ($1.46). Other losers included big names such as Bao Viet Group (BVH), Hoa Sen Group (HSG), Sacombank (STB), Vingroup (VIC) and Vinamilk (VNM).

Becamex (IJC) lead the bourse in liquidity yesterday with 3.77 million shares changing hands. According to FPT Securities, cash flow yesterday was not poured into penny and small cap groups as strongly as in previous trading days and investors became more cautious.

TheVN-Index was still in a sideways trend as blue chips still failed to regain their attraction, the company said. Despite the decline in the southern bourse, the HNX-Index on the Ha Noi Stock Exchange rose 0.22 per cent to 63.29 points with gainers overwhelming losers by 110-86.

With more than 38.9 million shares changing hands, the total value reached VND276.93 billion ($13.18 million).

The HNX30-Index, composed of the capital city's largest shares, closed yesterday 0.58 per cent higher to reach 119.14 points.

Foreign buyers concluded yesterday as net buyers with a net value of VND150.9 billion ($7.18 million), with focus on shares of the real estate sector such as Sai Gon Water Infrastructure (SII), Becamex (IJC), Tu Liem Urban Development (NTL), Licogi 16 (LCG), Kinh Bac Urban Development (KBC).

Source: VIR

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Buyout opportunities seen in Vietnam imbalances

Franklin Templeton Investments (BEN)' venture in Vietnam said the time is right for buyout firms to invest in the country as it expects monetary and fiscal reforms to take effect over the next three to five years.

Low valuations, constrained bank lending and an improved corporate landscape mean private-equity investors have an opportunity to buy companies in the Southeast Asian country before the economy picks up again, said Avinash Satwalekar, chief executive officer of Vietcombank Fund Management, Templeton's venture with Joint-Stock Commercial Bank for Foreign Trade of Vietnam.

"The best time to make investments is when the water is murky," Satwalekar, 39, said in an interview in Singapore yesterday. "When its gets clear, that's when everybody can make investments."

Vietnamese leaders are trying to reverse the slowest growth since at least 1999 as the highest level of bad debt in Southeast Asia deterred lending and hurt business expansion. Prime Minister Nguyen Tan Dung forecasts growth will rise to 5.8 percent next year while his government prioritizes curbing inflation and banks' liquidity has improved, he told lawmakers at a legislation session last month.

The economy will expand slightly less than 5.5 percent this year, the government said this month. Officials expect a slight increase in credit growth to as much as 14 percent next year while an asset management company may buy as much as 150 trillion dong ($7.1 billion) of banks' bad debt by the end of 2014.

Left behind

The central bank cut a policy rate in July to support growth, after it devalued the currency the previous month to improve the balance of payments.

"Monetary and fiscal policy makers have created a very benign environment for investors, but I am still waiting for those policies to take effect," Satwalekar said. "If you wait for that trigger, you run the risk of being left behind and then playing catch up."

Satwalekar declined to give specifics on fundraising, citing U.S. regulations. His favorite sectors are agriculture, retail, education and food and beverage, he said.

"Our typical deal size is between $5 and $15 million," Satwalekar said. "We are not focusing on the bigger firms as those are largely state-owned."

Vietnam's benchmark VN Index (VNINDEX) is trading at 12.7 reported earnings, making it the cheapest equities market in Southeast Asia, according to data compiled by Bloomberg. While stock investors have pushed the gauge 21 percent higher this year, the biggest gain in Asia excluding Japan, buyout funds aren't rushing in yet, according to Ernst & Young LLP.

The index fell 0.4 percent as of 10:50 a.m. local time.

Still waiting

"I wouldn't say private equity in Vietnam is a flood yet," Luke Pais, Asean private equity leader at Ernst & Young consultancy, said in an interview. "People are still waiting and watching. But certainly the number of deals has increased and people are spending more time looking at that market."

Buyout firms have spent $287 million on stakes in five transactions this year, according to Preqin Ltd., a London-based research firm. That's the highest number of deals in five years and biggest amount since at least 2006, it said.

KKR & Co. (KKR), the private-equity firm run by Henry Kravis and George Roberts, more than doubled its stake in a fish-sauce maker unit of Masan Group Corp. in January to $359 million after first investing in the company in April 2011.

In May, Warburg Pincus LLC, the private-equity owner of Neiman Marcus Group Inc., said it would lead a group to invest as much as $325 million in Vingroup Joint Stock Co., the firm's first Southeast Asia deal since 2010.

Seeking investmentsTPG Capital, the private-equity firm run by David Bonderman and James Coulter, said in July it will pay $50 million for a 49 percent stake in a Masan consumer unit.

For Templeton, the Vietcombank Fund Management's 12 employees are already exploring opportunities in the country. Templeton owns 49 percent of the venture, while Vietcombank, the country's fourth-largest bank by assets, has a 51 percent stake, according to Satwalekar.

The investments may also fill the gap created by the country's banking sector while the government is seeking to overhaul almost $5 billion in bad debt that has crimped lending, he said.

"Banks are asking for more collateral than some firms can afford," Satwalekar said. "There is limited access to capital. That's where private equity can step in.

Source: BEN / TTN

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ANALYSIS – OPINION

EU firms wary of Vietnam's legislative changes: survey

Though more European businesses plan to increase their investment in Vietnam, they are worried about the negative impact of future legislative changes, a new survey has found.

Results of quarterly survey, conducted by the European Chamber of Commerce in Vietnam (EuroCham) in October 2013 and released on November 6, show that 41 percent of respondents expect to expand their business in Vietnam, compared with 34 percent in the last survey.

Furthermore, the number of respondents planning to "significantly increase investments" has doubled from last quarter's 8 percent to 16 percent this quarter.

The number of respondents expecting to reduce their workforce decreased from 23 percent last quarter to 15 percent this quarter, while the number of those expecting to increase it remained at 47 percent.

With a number of respondents considering relocating their business to another Southeast Asian country, EuroCham has identified four key challenges to doing business in Vietnam: corruption (72 percent), lack of or inconsistent implementation of legislation (67 percent), administrative difficulties (52 percent), and lack of transparency (45 percent).

When taking a more detailed look at the impact of "lack of or inconsistent implementation of legislation." the study found that half of the respondents found that legislative changes negatively impacted their business and only 7 percent recognized the legislative changes as positive in 2013.

Looking forward to 2014, half the respondents expected legislation to continue to have a negative impact on their business. However, 32 percent remain hopeful of a positive legislative environment next year.

According to the survey, business confidence and outlook among European businesses in Vietnam remains unchanged this quarter as the EuroCham Business Climate Index stayed at 50 points on a scale of 100 for the third time.

"It is worrisome to see that EuroCham's Business Climate Index comes out at 50 for the third time. Furthermore, it is interesting to see that so many of the respondents still fear that legislative changes could negatively impact their business in 2014," EuroCham's chairman Preben Hjortlund was quoted as saying in a press release.

"This clearly demonstrates the need to incorporate the business community in the legislative process and to take their opinions into account in order to avoid legislation having perverse effects when implemented. Finally, it is important to note the high level of respondents calling for the Vietnamese government to take note of the Whitebook 2014, which will be published next week - on 11 November."

Inflation fears ease

The findings show that measures taken by the Vietnamese government to reduce inflation have been effective. The number of respondents expecting inflation to have a "significant or threatening impact" on their business has reduced from 43 percent last quarter to 29 percent this quarter.

Members were also asked to indicate what they think the rate of inflation will be and the average came to 4.69 percent. Compared to last quarter's estimate of 5.94 percent, this represents a considerable improvement.

More than half of the businesses that participated in the survey are active in the services industry, less than a fifth in trading and manufacturing, respectively and the rest in other activities.

Source: Eurocham/TTN

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Japanese investors encourage policy improvements

Japanese investors are urging the Vietnamese government to further improve the investment climate to attract Japan's small and medium-sized enterprises.

69 representatives from 52 Japanese multinationals and small and medium-sized enterprises (SME) attended a meeting last week with the Ministry of Planning and Investment (MPI) to propose measures that could further enhance Vietnam's investment environment.

"Vietnam is not the most competitive nation for foreign direct investment (FDI) at this time because of many unattractive regulations," said Naoki Sugiura, director of corporate planning at Panasonic Vietnam.

Though Japan is the biggest source of FDI in Vietnam this year to date with $4.84 billion, 25.2 per cent of the total, investors say this pales in comparison with neighbouring countries like Thailand and Indonesia.

"From my perspective there are three issues deterring investors here. Firstly, incentives for the manufacturing industry, particularly supporting industries, are not good enough. Secondly, administrative procedures are too complicated. Finally, there is no consistency in the co-operation between state agencies," said Sugiura.

He added that Vietnam should promote investment to Japanese SMEs to help develop local supporting industries.

"I heard Vietnam wants to attract more hi-tech investment from multinational companies, and also wants to benefit from technology transfer. But to do that you have to first develop supporting industries," said Sugiura.

The Vietnamese government has acknowledged the importance of foreign SMEs in national development with MPI Minister Bui Quang Vinh stating in the meeting that Vietnam planned to not only focus on multinationals, but to also prioritise foreign SMEs.

In a bid to generate interest from Japanese SMEs, the two countries signed an industrialisation strategy focusing on six important industries – electronics, agricultural machinery, agricultural and seafood processing, ship building, automobile manufacturing, and environment and energy.

“Vietnam needs to build a system that creates an industrial structure with high value added elements that can be incorporated into its industrialisation strategy and an action plan for policies that will foster supporting industries, build a domestic supply chain, and expand the percentage of parts and other items that are sourced locally,” said Kohei Wantanabe, chairman of the Japan-Mekong Business Cooperation Committee and leader of the delegation to the MPI last week.

Wantanabe, who is also senior corporate advisor of the Itochu Corporation, said many Japanese SMEs want to relocate their manufacturing facilities from China and Japan to Vietnam, but were hesitant given the current investment climate.

“We are concerned by import tax refunds in Vietnam. It generally takes a long time to get a refund and this turns away SMEs as they lack financial strength,” said Mitsuhiko Lino, president of Toyo Drilube which is building a manufacturing facility in Vietnam to supply clients such as Toyota and Honda.

Tax is not the only issue. Kenichiro Nishikawa, general director of Toyota Tsusho Vietnam, said administrative procedures should be simplified and the country should focus on training human resources to attract and supply supporting industries.

“The competition between Asian nations is tough and if Vietnam fails to create favourable environment, Japanese SMEs will choose other countries to invest in,” Nishikawa added.

Source: ITPC

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Car industry roadmap hailed

The Ministry of Industry and Trade (MoIT) has submitted the latest draft on automobile industry development planning to 2020 with a vision towards 2030 to the government. The MoIT’s Institute for Industrial Policies and Strategies head Duong Dinh Giam brings light to fresh changes in the draft intended to spur the sector’s development.

What is new in the draft?

Former car industry development planning just sought to support manufacturers. Yet they needed a sizable market before essential supporting industry could be developed. Without these supporting industries, automotive manufacturing can only be an assembly based process.

Therefore in addition to support manufacturers, the new draft concentrates on policies to fuel demand to expand the market, since a bigger market will help manufacturers sell more cars, and inspire investment in support industries. Towards this goal, we met with industry leaders in order to tailor the policies to their actual needs and aspirations. It’s not bringing policies into life, but bringing life into policies.

Are there any changes in the approach for the car industry’s development?

Most car businesses attended our consultative meetings on industry development.

On the part of policy-makers, we initially intended that to enjoy incentives, businesses must reach a localisation rate of at least 40 per cent. To make this realistic we have been working out mechanisms to help firms expedite localisation aspirations.

After conversing with firms, we realised that our intentions were unrealistic. That was because various car manufacturers are at different levels of development. For instance, Toyota Vietnam has reached a 37 per cent localisation rate for its Innova, whereas Honda Vietnam has a strong supporting network for motorbikes.

However, other businesses have yet to reach such high levels. Therefore, to begin a new game it is important that every one can join.

We finally came to the decision that top incentives shall be given to businesses reaching the desired 40 per cent localisation rate, with lesser incentives commensurate with lower localisation levels available for other manufacturers.

How will the new plan deal with the imminent reduction of import tax for completely-built units?

To scale up the market size, prices must be lower to fuel demand.

However, in the current context, lower pricing does not only depend on the production sector, but also on the country's tax policies.

Under signed international commitments, import duties will fall to 50 per cent by 2014 reaching zero per cent by 2018.

We initially proposed retaining the 50 per cent import duty until 2017 and letting it reach zero in 2018, but our proposal triggered debate.

Businesses engaged in both manufacturing and exports accepted the proposal, as they can moderate their interests between these two areas, whereas firms concentrating solely on imports did not agree. We finally reached a compromise whereby the import duty from 2014-2016 be kept stable at 50 per cent before sliding to 30 per cent by 2017 and zero per cent by 2018.

In respect to special consumption tax, scaling down the tax rate for locally manufactured cars would impinge on equal treatment principles. Therefore, after conversing with firms we have proposed to not directly curtail the tax rate, but lowering the taxable value as this will not violate equal treatment regulations.

What kinds of vehicles have been given special attention in the draft plan?

Truck and bus manufactures already have support policies, so this time attention was given to passenger cars, but only cars with engine capacity from 2.0L and below to ensure energy efficiency and to be suitable with market demand.

Despite good planning, businesses still have concerns over policy stability and consensus from diverse government agencies in policy enforcement. How do you respond to this?

We have proposed that upon ratification of the draft, only the government will be able to implement revisions. Localities and government agencies will not be able to introduce differing policies.

I believe if the draft plan is approved this year and enacted early 2014, then the government's commitment to supporting the sector will be evident, giving the car making industry the development boost it needs.

Source: *MoIT - VietNam+*

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NEWS IN BRIEF

Seminar focuses on new generation FTAs

Opportunities as well as challenges for Vietnam when participating in new generation free trade agreements are the focus of a seminar held in Hanoi in October 2013. Held by the Party Central Committee's Commission for External Relations, the Ministry of Foreign Affairs and the United Nations Development Programme, the seminar is part of a project on the enhancement of the capacity to serve deep and broad international integration. Participants heard reports of experts and exchanged views on the results and experience Vietnam has gained after five years of joining the World Trade Organisation. They analysed opportunities and challenges posed by new generation FTAs to the country's production, investment, trade and social culture, as well as its national sovereignty. Delegates also discussed what Vietnam should do when negotiating FTAs as well as the need to conduct economic restructuring and raise the capacity and efficiency of State management, in order to ensure the country's goals and benefits when joining these agreements

Toyota Vietnam recalling 126 sedans over valve spring defect

Toyota Motor Vietnam (TMV) is recalling 126 Land Cruiser Prado and Hiace sedans in the country as part of a global recall campaign of four models of the world's leading automaker. TMC said the engine valve springs of the involved vehicles made by one of two suppliers could "develop cracks and break over time due to improper maintenance of manufacturing equipment used to make the part." In Vietnam, according to TMV, 126 cars including 61 Hiaces and 65 Land Cruiser Prados imported from Japan are subject to the recall. These vehicles are imported and distributed by TMV. TMV will check and replace the engine valve springs of the affected sedans, it said.

Petronas Chem sells Vietnam unit to Asahi Glass, M'bishi Corp

The petrochemicals arm of Malaysia's state oil firm Petronas will sell its stake in Vietnam's Phu My Plastics and Chemical Company Ltd (PMPC) to Japan's Asahi Glass Co Ltd and Mitsubishi Corporation. Petronas Chemicals Group Bhd said in a stock exchange statement on Wednesday the divestment of 93.1 percent of PMPC was part of a plan to discontinue its vinyl business and strengthen its asset portfolio. Petronas Chemicals did not disclose the financial details of the transaction but said the sale would be completed by the second quarter of 2014. Deutsche Bank acted as financial advisor to Petronas Chemicals for this transaction. Petronas Chemical shares closed up 0.6 percent on Wednesday, outperforming the broader market that slipped 0.2 percent. (Reporting by Niluksi Koswanage; Editing by Edwina Gibbs)

150 companies attend international retail & franchise show

As many as 150 companies from 10 countries are showcasing their products at the Vietnam International Retail & Franchise Show 2013, which opened in Ho Chi Minh City in October 2013. The three-day event is jointly held by the Vietnam Trade Fair and Advertising Company (Vinexad) and the Korea International Trade Association (KITA), the Korea World Trade Centre (COEX) and the Korea Trade-Investment Promotion Agency (KOTRA).

Vinashin gets new name as Vietnam restructures state companies

Vietnam Shipbuilding Industry Group, the debt-ridden national shipbuilder, is being renamed and restructured as the government works to reform inefficient state-owned enterprises that are weighing down the economy.Vinashin, as the company is known, will have its name changed to Shipbuilding Industry Corp., or SBIC, the transport ministry said in a statement posted on its website yesterday. SBIC will be state-owned with eight subsidiaries and registered capital of 9.52 trillion dong ($451 million), the ministry said. The shipbuilder, whose near-bankruptcy spurred sovereign credit downgrades, defaulted on a $600 million internationally syndicated loan in 2010. Vinashin said in September it plans to cut 14,000 jobs, more than half its workforce. Vinashin received the $750 million proceeds from Vietnam's first dollar-denominated bond sale in 2005. By 2010, the company had accumulated about 86 trillion dong in debt, according to the government.Vietnam's two-year-old effort to reform state-owned enterprises has had "limited" progress, the World Bank said in July, citing a low number of share sales of government companies.

Industrial investors given incentives

Tin Nghia Corporation plans to offer investors at Tan Phu Industrial Park in southern Dong Nai Province free use of infrastructure for the first five years of their contracts as part of its preferential policy to attract businesses. The IP is located in Dong Nai Province's Tan Phu District and covers an area of 50ha, of which more than 36ha is industrial land for rent. Tan Phu District has abundant labour resources with low costs particularly suited to labour-intensive industries such as textiles and garments, leather footwear, wood production and agriculture. The Tin Nghia Corporation, known as one of the biggest companies in Dong Nai Province, was selected as of Viet Nam's Top 200 enterprises by the United Nations Development Programme (UNDP). The corporation has invested in eight industrial parks in Dong Nai and Ba Ria-Vung Tau provinces that cover a total area of 3,500ha with total investment capital of $4 billion. The industrial parks have attracted nearly 200 businesse

HCM City firms ready for Lunar New Year goods rush

Enterprises in Ho Chi Minh City have basically completed plans to prepare goods for the upcoming Tet (Lunar New Year) holiday, which falls on January 31, 2014, according to the municipal Department of Industry and Trade. sMany enterprises plan to increase supply for this Tet. Vissan Company, one of the country's biggest meat processing companies, plans to invest 600 billion VND (28.4 million USD) to store meat and processed food for the upcoming festival, 20 percent more than last Tet. The Bien Hoa Confectionery Corporation, or Bibica, plans to supply about 1,250 tonnes of confectionery, up 10 percent over the previous Tet. Many poultry and egg providers like Ba Huan, Vinh Thanh Dat, Pham Ton and San Ha have said they have increased investments to raise supplies by up to 30 percent for this Tet. The enterprises have assured that commodity prices would be stable from now until the holiday. They have also said that they would launch promotion campaigns as the festival nears, as also opening more sales points in crowded residential areas. According to the department, the number of outlets selling price-stabilised goods has increased strongly over the last few years, reaching 7,500 as of September this year from just 2,000 in 2008. Foreign-invested supermarkets have also participated in the city's price stabilisation programme, working with their distributors to stock essential goods and offer good prices to customers.

Kien Giang promotes border trade

Southern Kien Giang province will further promote cross-border trade activities with Cambodia in the last months of 2013, aiming to realise the target of US$180 million in two-way trade between the two sides. The province is accelerating construction of border markets under a 2010-20 plan and infrastructure facilities at border gates, thus attracting more enterprises to invest in export-import activities in border areas. Local authorities have signed co-operation agreements with a number of neighbouring Cambodian provinces to boost trade promotion and expand markets for local products. Kien Giang shares almost 60 kilometres of land borders with Cambodia, including the Ha Tien international border gate and Gia Thanh national border gate. Since the beginning of 2013, the locality posted a cross-border trade turnover of over $130 million, up 30 per cent over the same period last year..

Long An tops Delta investment

Long An Province continues to maintain its top position in the Mekong Delta in attracting investment into its industrial zones. In the year to date, as many as 61 projects, including 24 by foreign investors worth more than US$174 million have been licensed in the province, Phan Thanh Phi, head of the Long An Economic Zone Management Board, said. At a conference on 15 years of developing industrial parks in Long An last week, he said domestic firms had invested VND2.13 trillion ($101.4 million) and leased 60ha of land and 40,000ha of factories. Seventy per cent of projects were Japanese. Long An Province has 28 industrial parks covering a combined area of 10,200ha, whose infrastructure totally cost $77 million and VND34 trillion ($1.6 billion). They had attracted 766 projects worth $1.7 billion and VND27.6 trillion ($1.3 billion). Of them 360 had already begun operating, and the rest were preparing to build factories. According to the Long An Economic Zone Management Board, which did a study, the development of industrial parks faces challenges like low occupancy rate, pollution, and inconsistency in investment policies.

Lao Cai seeks more investment

Northern Lao Cai Province will continue to speed up administrative reforms, improve transparency in developing socio-economic development plans to attract more investment capital. This was the message delivered by director of the provincial Department of Planning and Investment Dang Xuan Phong. Phong said the province had thus far attracted 430 projects, including 30 foreign-invested ventures, with total registered capital of VND60.15 trillion (US$2.86 billion). Top priorities for attracting future investment would be natural resource processing, real estate, trade and tourism, he noted.

Most fake products in Vietnam are made in China

Fake products continue to flood Vietnamese markets and most of them are made in China and illicitly brought to Vietnam. All attendees shared the same concern as they gathered at a conference to discuss ways to curb the smuggled and fake products held by the Ministry of Industry and Trade in Da Nang on Friday. Smugglers only have to bring the fake products past the borderlines. There, the goods will be transported and distributed into further areas.Phan Hoan Kiem, head of the Ho Chi Minh City's Market Management Agency, also said most of the fake products on the market are made in China.Fake clothing, leather and footwear, cosmetic products and accessories like glasses and watches account for a huge proportion of the products seized by the agency, he said. However, few of the violators are indicted or fined, thus smugglers and sellers of fake products remain unfazed

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COMING EVENTS

VIETNAM TELECOMP HO CHI MINH CITY

Venue: SECC Saigon Exhibition & Convention Center (SECC)

Country: Ho Chi Minh City, Vietnam *Start Date:* ***20.11.2013*** *End date:* ***23.11.2013***

Event Description

International Exhibition of Information and Telecommunication Technologies
Vietnam Telecom is an exhibition for information and telecommunication technologies in Vietnam. The exhibition offers visitors the chance over the fast-growing Vietnamese telecommunications sector information and new business contacts. Additionally, a congress held at which experts from all over the world on trends in the industry say.
Please kindly refer to www.vietnam-telecomp.com

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Vietnam Electronics Ho Chi Minh City

Venue: SECC Saigon Exhibition & Convention Center (SECC)

Country: Ho Chi Minh City, Vietnam *Start Date:* ***20.11.2013*** *End date:* ***23.11.2013***

Event Description

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

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