Dear all,

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 No.3

March 2014

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Supported by

VIET HOUSE Investment & Consultancy

Vietnam Rubber Group

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DEVELOPER'S INTRODUCTION

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HIPC's Profile

Business category:

Invest and Develop Projects on constructing and doing business in infrastructures of Export Processing Zones, Industrial Parks and Residential Areas, New urban Areas in Ho Chi Minh City and other provincial Areas. Supply the supporting Services such as raw materials and constructing materials and other services on sanitary, green tree parks; garbage, waste products, wasted materials collecting; industrial meals providing to Export Zones and Industrial Parks. Trading in building materials. Leasing in office equipments as well as computers and its spare parts. Trading in housing (except in receiving the land used right for investing the infrastructures approved by authorized Agencies then transfer that land used right). Constructing the Office and warehouse in industrial Parks for leasing. Investing, constructing and trading the docks, wharfs; leasing the boats, canoes. Providing the consulting services (except finance consulting), Informatics services, vessel navigating, vessel brokerage and forwarding, Vessel Agencies. Trading in domestic and internal travel. Trading in sea transportation, loading and unloading the cargoes and forwarding the cargoes across the nation and worldwide. Investing the capital fund. Trading in fresh water supply services./.

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PHO NOI B TEXTILE AND GARMENT INDUSTRIAL PARK, HUNG YEN PROVINCE, VIETNAM

Developer: Pho Noi Textile and Garment Infrastructure Development Company.
Operational time: 50 years (from 2009)
Main investment sector: Textile and Garment industry and other related industries.
Location: Pho Noi B Textile and Garment Industrial Park is located between Highway No 5 and Highway No 39, connecting major economic centers in the North, 10 km from Hanoi's boundary, 40 km from Noi Bai International Airport, 15 km from Lac Dao railway station (Hung Yen), 73 km from Haiphong Port, 90 km from Cai Lan Port, near Hung Yen customs station on Highway No 5. This location is convenient for trade, shipping goods to regions and areas throughout the country as well as attracting labor source from neighboring provinces.
Total area: 121.81 hectares

- Phase I: 25.17 hectares has been completed and fully occupied by 11 companies.
- Phase II: 96.64 hectares is being constructed and calling for investment.

IP infrastructure:
Land substance is ready for leasing

- Wastewater treatment station: capacity of **12,000 m^3/day,** provided by the Netherlands and installed in accordance with European standards II
- Water supply station: capacity of **17,000 m^3/day.**
- Residential area meets the demands of **10.000** workers
- Power supply: Electric power of 22KV, 50HZ; supplied by Hung Yen Power Company.

Investment incentives:

- Land use tax free until 2020
- Support investors freely in completing investment procedures, finding construction contractor and labor recruitment. **Support financial expenditure in setting up factories.**

PHO NOI TEXTILE AND GARMENT INFRASTRUCTURE DEVELOPMENT COMPANY
Add: Phonoi B Textile and Garment Industrial Park - Yen My district - Hung Yen province
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Website: http://vinatexid.com.vn - Email: vinatexid@vinatexid.com.vn

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GENERAL REVIEW

CPI dips in March on low post-Tet demand

The country's consumer price index (CPI) in March dropped 0.44 per cent against the previous month, the lowest level for the past decade.

However, March CPI still rose 0.8 per cent over December 2013.

According to the Director of the General Statistics Office (GSO)'s CPI Department Nguyen Duc Thang, March's CPI slide was due to the sharp decline in consumption demand after the country's most important holiday of the Lunar New Year in February.

Thang added that the local consumers also cut their spending due to economic difficulties and stagnant production.

The cost of some of the 11 items used to calculate the CPI fell in March or inched up only slightly, GSO reported.

The prices of food and foodstuff posted the highest fall of 0.06 per cent this month. Housing and construction materials (including rent, electricity, water, fuel and construction materials) came second with a decline of 0.74 per cent.

The prices of traffic services postal services and telecommunication fell by 0.03 per cent, the data showed.

In the same month, the prices of beverages and tobacco reported the highest price hike of 0.24 per cent, followed by the prices of household appliances and goods with a hike of 0.16 per cent.

The cost of other items, including culture, entertainment and tourism; medicine and health care; garment, footwear and hats, and education inched up between 0.03 and 0.10 per cent only.

In the urban areas, the March CPI decreased by 0.41 per cent and in rural areas by 0.45 per cent.

This month's CPI fall does not surprise observers as some experts had forecast it after Ha Noi, HCM City and some other cities reported a fall in CPI in March.

Not included in the CPI components, the gold prices in March rebounded by 3.31 per cent, while the US dollar prices edged up by 0.02 per cent.

Source: VN+

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Premier promises facilitation of Rosneft's operation in Vietnam

Vietnamese Prime Minister Nguyen Tan Dung has pledged to facilitate the operation of Russian oil firm Rosneft in Vietnam during a recent meeting with its top executive.

The energy cooperation between Vietnam and Russia is an important and strategic pillar in the two countries' all-around ties. As a Russian energy giant, Rosneft has oil reserves of about 22.8 billion barrels.

The Vietnamese government will continue facilitating Rosneft's activities in Vietnam, as well as the cooperation between the Russian firm and the Vietnam Oil and Gas Group (PetroVietnam) in oil and gas exploration and exploitation, Premier Dung said at the Saturday meeting in Hanoi with Igor Sechin, Secretary General of the Russia National Energy Commission and head of the energy giant.

Meanwhile, Sechin expressed his hope that Vietnam will keep supporting and creating favorable conditions for Rosneft, which operates in oil and gas exploration and exploitation, and produces oil and petrochemical products, to expand its investment in the country.

Source: Baomoi

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HCMC launches business registration at home, electronic ISO system

Authorities in Ho Chi Minh City officially inaugurated services for business registration at home and an electronic ISO management system on February 28.

The city's Department of Planning and Investment (DPI) started the registration services on January 2, and 319 domestic enterprises had been registered by that way till February 19, DPI deputy director Tran Thi Binh Minh said.

She added the service helped lessen paperwork, save time and cost for enterprises and the regulator, and make life easier for entrepreneurs, and the agency expected it to be able to serve foreign-invested companies soon.

DPI also expects to see 10 per cent of the new enterprises making registration at home this year and a double of that in 2015.

As for the city's electronic ISO management system launched on February 28 for all 24 districts, the metropolitan administration considers it a major improvement in organizational efficiency as it helps manage all of the documents.

The system will provide city dwellers with online public services such as applying for construction licenses, home repair licenses, and filing dossiers. Residents can also know the status of their dossiers via email or SMS, and know a new day of completion if the progress is behind schedule.

Source: VN+

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TRADE

Vietnamese down 54 bln noodle packets yearly, rank 4th globally

Vietnam consumes an average of 5.4 billion packs of instant noodles a year, standing only behind China, Indonesia, and India on the list of the world's biggest instant noodle consuming countries, according to a Japanese industry group.

The country is the world's fourth largest in terms of annual consumption of instant noodles, but the Southeast Asian nation ranks third when it comes to the consumption per capita, the Tokyo-based World Instant Noodles Association (WINA) said in its report released on Wednesday.

A Vietnamese person consumes 56.2 packets per year on average, following the Republic of Korea and Indonesia, according to the report.

An individual consumer in China, home to more than 1.3 billion people, eats only 36 packets of instant noodles per year, it said. In the 2013 report, Vietnam also stood at the fourth position, while those in the top three were China, Indonesia, and Japan.

Every person on the planet currently eat more than one packet of instant noodles monthly, with global sales of the portable meal topping 100 billion units annually, according to a WINA report last year.

Vietnam's instant noodle consumption has been growing steadily over the last six years. Consumption in 2013 jumped 32.68 percent from the 4.04 billion packets recorded in 2008.

The country's instant noodle consumption growth rate in the five years from 2008 to 2012 was 24.32 percent, while the rate was 3 percent in China and Indonesia, and 5 percent in the Republic of Korea and Japan during the same period.

Vietnam is home to around 50 domestic and foreign-owned instant noodle producers and manufacturers, collectively producing 50 billion packets a year, according to 2012 statistics by the Vietnamese Ministry of Industry and Trade.

Instant noodles were invented in Japan by Momofuku Ando, founder of major noodle maker Nissin Foods, in 1958.

They are sold dried or pre-cooked in packets, and can be boiled quickly with accompanying flavoring powder and seasoning oil.

Source: TTO

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Rising prices encourage coffee exports

Since February of this year, local coffee markets in the Central Highlands and the southern parts of the central regions of Viet Nam have experienced a rush on sales as coffee prices rise.

On Wednesday, coffee was selling for VND40,500 (US$2.2) per kilo, VND1,500 per kilo lower than the prices laid out a week earlier, but they are VND7,500 per kilo higher than on January 2 of this year.

On Thursday, in the Central Highlands, coffee prices dropped again slightly to VND40,000 per kilo.

"When the prices reach VND40,000 per kilo, traders like to sell at least part of their stock to avoid risks they may face if coffee prices drop," a coffee trader in Buon Ho Town of the Central Highland province of Dak Lak, was quoted by *Sai Gon Tiep Thi*(Sai Gon Marketing) newspaper as saying.

A coffee exporter from the southern province of Binh Duong said he bought between 3,000 and 4,000 tonnes of coffee beans per day, but this is only half the amount he purchased earlier in the year when coffee prices reached their peak.

Coffee prices have risen globally due to a serious drought that has been threatening the coffee crop, mainly arabica coffee, in Brazil, the world's No 1 coffee producer and exporter.

According to the Brazilian Coffee Exporters Council (CeCafe), Brazil exported 2.51 million bags (each weighing 60kg) of coffee beans in February 2014. This figure includes over 143,000 bags of robusta coffee, a 24.2 per cent increase compared with January of this year and a 273 per cent increase over the same period in 2013.

Between July 2013 and February 2014, Brazil exported 19.66 million bags of coffee beans, a 8.8 per cent increase compared with the previous coffee crop.

Viet Nam is the second largest coffee bean exporter but the No 1 exporter of robusta coffee. According to the National Customs Bureau, in February 2014, over 184,000 tonnes of coffee beans were exported from Viet Nam, a year-on-year increase of 83.4 per cent. In the first five months of 2013-2014, Viet Nam shipped 604,200 tonnes of coffee beans, down by 15 per cent compared with the previous coffee crop.

Brazil and Viet Nam are expected to maintain high volumes of coffee exports in March 2014 as coffee prices remain high in the world market.

Source: GreetingVN

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Vietnam sees 300 million USD trade deficit in March 2014

Vietnam saw a trade deficit of 300 million USD in March, equivalent to 1.2 percent of the country's total export- import turnover, according to the General Statistics Office (GSO).

GSO statistics also show that exports rose 26 percent to 12 billion USD while imports jumped 22 percent to 12.3 billion USD.

Most export items enjoyed higher turnovers than the previous month. Garment and textile earned 1.6 billion USD from exports, up 53 percent; mobile phones and spare parts brought home 2 billion USD, up 16 percent; and electronic products fetched 850 million USD, up 37 percent.

Meanwhile, electronic components and machinery equipment topped the list of import items, with over 1 billion USD spent on each group.

The country's total export earnings in the first quarter of this year were estimated at over 33.3 billion USD and its imports were over 32.3 billion USD, resulting in a trade surplus of 1 billion USD, or 1.53 percent of the total import-export revenue.

The foreign-invested sector still played a pivotal role with a trade surplus of nearly 4 billion USD, while domestic enterprises faced a trade deficit of nearly 3 billion USD

Source: VN+

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INVESTMENT

FDI firms still want to hold on to investment certificates

While the board in charge of amending the Investment Law is planning to streamline the procedures for establishment of new businesses, many foreign direct investment (FDI) enterprises maintain that they still need investment certificates as they believe this paper is the passport for them to get continued incentives.

Speaking at a dialogue between FDI firms and authorities in HCMC on March 24, Minister of Planning and Investment Bui Quang Vinh said the ministry was seeking to simplify investment procedures through the amendments to the Investment Law and Enterprise Law. Toward this end, the ministry is considering removing the investment certificate and only maintain what would help authorities manage the FDI sector effectively.

However, after three dialogues were held in the north, center and south of the country, the ministry has received mixed feedbacks, with some foreign firms expecting the issuance of investment certificates to be scrapped but others wanting it to stay.

Most firms in the latter group wanted to keep this certificate so that they could enjoy the Government's incentives prescribed on the certificate. In addition, this is a legal basis for investors to rent land or apply for bank loans, Vinh said.

However, Vinh said the ministry would consider abolishing the issuance of investment certificates, except for conditional industries, and those using much land, possibly polluting the environment or needing licenses to get investment incentives.

In the long term, investors would have no need to obtain any investment certificate any more, Vinh added.

If this comes true, almost all FDI enterprises would just register with authorities to set up a company like domestic investors. Many FDI firms and representatives of investment licensing agencies at the seminar also complained about time-consuming business establishment procedures.

Le Manh Ha, vice chairman of HCMC, said the city had faced a lot of difficulties in granting investment certificates.

Despite much effort, the city has missed the deadline in giving certificates to investors. Some investors have suffered a delay of nearly eight months due to much time spent on consulting ministries and doing other procedures.

As per the current law, ministries have to comment on an investment project within 15 working days but in most cases, they reply after one or two months, Ha said.

Some foreign firms also bemoaned other challenges in the business environment in Vietnam such as complicated tax and customs procedures and the shortage of skilled labor.

Source: TST

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Foreign firms await 'it' factor

Clear incentives and better legal regulations would help Vietnam attract more foreign information technology firms.

Joseph Rhoden, director of US-based Redhat's Global OEM Alliances, said his firm, one the leading providers of high-performance cloud software, virtualization, storage and middleware technologies, had no business plans in Vietnam and instead Redhat was selling its products via IBM Vietnam.

"We need clear legal regulations on information technology (IT) development in markets like Vietnam before we can directly sell and produce our products there. We don't want to take risks. Currently, we have offices in Singapore, India, China, Japan, South Korea, Australia and New Zealand," Rhoden told VIR at Pulse 2014 – one of the world's biggest premier cloud computing events hosted by IBM in late February in Las Vegas.

The event featured the participation of hundreds of leading IT companies, including IBM, Envision Enterprise Solutions, Genesis Solutions and Cohesive Information Solutions. Company reps told VIR that Vietnam could attract more foreign IT developers if it offered clear investment incentives and transparent legal regulations on IT development.

The Vietnamese government last November enacted Decree 154/2013/ND-CP on incentives for enterprises operating in concentrated IT parks. However, no guidance on how to implement the decree has yet been issued, making it difficult for local authorities to provide tax breaks.

Rajiv Daljeet, senior account executive of US' Genesis Solutions, which offers enterprise asset management assessment solutions, said his company might 'work in Vietnam' depending on how the country's legal framework developed.

"We need to understand what Vietnam needs to develop a sturdy IT industry. But what we need the most from a market like Vietnam is a free market without any subsidy from the state. A free market will enable equal competition," he said.

Echoing this view, Matt Logsdon, executive vice president - sales and marketing of software producer US' Cohesive Information Solutions, said the company had an office in Singapore which collected market information in other Southeast Asian markets.

"We're exploring opportunities to invest in Vietnam as our products are yet to be sold there. However, we'd want the same preferences we enjoy in Singapore," Logsdon said.

Ramana R, general manager sales of India's Envision Enterprise Solutions Pvt Ltd offering asset accounting solutions, also said although Vietnam had great potential, "First and foremost we must conduct market surveys. There are big differences in culture, consumption and legal regulations on IT development between our country and Vietnam.

Foreign investors would most importantly need transparency and good intellectual property right protection when they do business in any market."

It seemed that IBM remained the most committed to investing in Vietnam.

"For 2014 and beyond, we have set a target of introducing additional new technologies to help local clients. Vietnam is one of the first countries that IBM has chosen for government, telco and banking solutions. We're helping increase competitiveness and compliance with international industry standards," said IBM Vietnam's general director Tan Jee Toon.

IBM Vietnam has been working with Vietnam's government and partners to support organisations, and banking, transportation and food industries as part of the IT giant's 'smarter planet' projects to help businesses reduce investment and operational costs while protecting the environment

Source: VIR

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Over 700 IP projects cancelled

Over 700 projects in local industrial parks (IPs) have seen investment licenses withdrawn or halted operations due to financial problems, according to results of an inspection into IPs and economic zones (EZs) announced by the government website chinhphu.vn.

Of the figure, 161 projects have seen investment licenses revoked with the total invested capital of nearly VND4.8 trillion and US$260 million and 203 projects have halted operations worth nearly VND5.2 trillion and US$386 million, according to the report conducted by the National Steering Committee for the Development of IPs and EZs.

In addition, 343 projects could not be developed due to financial problems. The total number of projects accounted for around 10% of the total number of IP and EZ projects.

Currently, in the nation's development master plan, 31 IPs have been part of the area developed while the entire area of the other 176 IPs, mostly in the Red River Delta, has not been developed.

After the Government decided to eliminate seven IPs out the master plan, local authorities have proposed canceling 25 more IPs with the total area of over 5,100 hectares in 13 provinces and cities as they have been located near rice growing land or central city areas.

Meanwhile, local authorities have suggested adding 51 IPs into the master plan, covering 18,500 hectares in 20 provinces and cities. IPs have also sought approval to revise areas, of which 10 IPs have asked to expand their area by nearly 2,000 hectares while 26 IPs have proposed to revise down their total area by nearly 2,800 hectares.

In the near future, the results will be submitted to the Government as the foundation to adjust IP development plans in each locality.

Members of the steering committee have also given suggestions for incentives and policies for IPs and EZs, focusing on tax, land and investment incentives for industrial clusters and high-technology issues.

Speaking at the meeting evaluating the situation of IPs and EZs, Deputy Prime Minister Hoang Trung Hai, head of the National Steering Committee for the Development of IPs and EZs, said that the results will be a foundation for development of industrial clusters. The report will also help local authorities to deal with specific difficulties in planning, environment, land and investment incentives of each project.

VIIPIP MULTIPLY THE VALUE VIET NAM INDUSTRIAL PARKS INVESTMENT PROMOTION

However, Hai warned of low occupancy ratios in IPs and ineffective management model and inspection. The steering committee was told to make a deeper evaluation of IPs and EZs and suggest solutions before submitting reports to the Government in the future.

Hai also asked the ministries of Planning and Investment, Industry and Trade and Construction to join hands with local governments in punishing violations and speeding up slow projects

Source: VNNet

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B.Braun aims for big expansions

German leading healthcare product maker B.Braun is making mammoth investments in Vietnam, considering the country a strategic manufacturing base for its global supply chain.

Jonathan Catahan, general director of B.Braun Vietnam, said the compound investment capital of the firm in Vietnam would surge to $270 million within seven to nine years with most of the investment made within the next two to three years.

After more than two decades in Vietnam, B.Braun has two medical plants in Hanoi's Dong Da and Thanh Oai districts. The firm is to invest an additional $50 million in the second stage of its plant in Thanh Oai this year, raising the total investment for this plant to $94 million.

When the second stage of its third plant, also in Thanh Oai, comes into operation by 2016, total investment in the two plants in Thanh Oai will increase to $191 million. B.Braun Vietnam produces healthcare products such as infusion solutions and devices, IV cannula, sutures, surgical instruments, value added drugs and clinical nutrition.

B.Braun has subsidiaries in 60 countries including China, India and Japan. Vietnam is the firm's second biggest manufacturing base in Asia, following Malaysia.

Vietnam, where B.Braun claimed it held the largest domestic market share, is obviously key for the firm given the country's 90-million population, surging demand for high quality healthcare, rising disposable income and the government's increased attention to improving the public and private healthcare systems.

Last year B.Braun recorded $72 million in sales turnover of which 48 per cent came from the Vietnamese market and 52 per cent from exports. But B.Braun expected its export ratio to climb to 70-90 per cent in the future, reflecting Vietnam's increasing importance in the firm's global supply chain.

"That's why we are working on a very tight schedule for the new projects, because any delay would mean interruptions to our global supply network," said Catahan, who has been with B.Braun for 28 years.

B.Braun's Vietnam-made products are exported to Europe, the US and Asia. "Asia is a very fast growing region which will grow even faster from 2014, 2015. That's why we need products to sell to all other countries in Asia," Catahan added.

Meinrad Lugan, a board member of B. Braun Melsungen AG, said that B.Braun Vietnam is "a real success story".

"B.Braun Vietnam is profitable and the firm here is capable of financing most of its new investments from its cash flows," Lugan told VIR while attending B.Braun's ceremony to unveil its Thanh Oai medical plant expansion project last week.

B.Braun currently employs 991 staff, with its workforce set to grow by another 1,300 when the new projects come on line. Lugan said the quality of Vietnam's labour force was a major driving force of B.Braun's large investments in the country, and not cheap labour costs.

B.Braun is now intensifying efforts to train and recruit qualified engineers and technicians to pursue its investment expansion inspirations. The firm is collaborating with Hung Yen University on a technical industrial apprenticeship programme and working with Danang University on bio-technology training.

B.Braun's executives said investment-related approval procedures and exchange rate stability were among the issues of biggest concern for B.Braun when executing its projects in Vietnam.

Source: Vietnambreakingnews

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TPP impacts on livestock breeding sector from expert view

The Trans-Pacific Partnership Agreement (TPP) which currently involves 12 countries is expected to assist local livestock breeding sector with luring more foreign investment, but it appears hard to make this come true in the context foreign imported food flowing into Vietnamese market.

Figures from Ministry of Planning and Investment's Foreign Investment Agency show that as of December 15, 2013 there were a total 501 foreign direct investment (FDI) projects in agro-forestry-fisheries worth $3.35 billion in total committed capital but representing only 1.5 per cent of the country's total FDI capital.

Of this $3.3 billion, investments into animal feed accounted for a lion's share of more than 94 per cent while over 4 per cent of the capital was in breeds and merely 1 per cent was in animal husbandry, according to Ministry of Agriculture and Rural Development (MARD) statistics.

While livestock breeding is less charming to foreign investors, foreign stock has flowed into Vietnamese market.

Last year, Vietnam imported 167,000 cows and 96,000 tonnes of poultry, irrespective of tens of thousands of cows imported into Vietnam via shared borders with Laos and Cambodia and poultry volumes illegally entered Vietnam through borderlines with China, according to figures from MARD's Animal Husbandry Department.

At present, cattle imported into Vietnam from Australia, New Zealand and ASEAN members incurs 5 per cent tariff while fresh or frozen cattle meat bears 7 per cent tariff. With the ratification of the TPP hopefully within this year the tariff will fall to zero per cent, facilitating the presence of more foreign stock and food in the Vietnamese market.

"The livestock breeding sector would be at disadvantages following ratification of the TPP. For example, after TPP ratification made-in-Thailand chickens would be shipped to Vietnam and sold at cheaper prices compared to local ones since we have to import most from breeds to food and veterinary drugs for the sector," said Nguyen Phuong Thanh, chairman of Asia-Pacific Import Export Joint Stock Company.

Animal Husbandry Department deputy head Tong Xuan Chinh added that besides TPP, Vietnam is about to sign a string of free trade agreements (FTA) under which many made-in-Vietnam items will more easily enter relevant foreign markets.

In return, some foreign food will have more chance to ramp up presence in Vietnam and in the livestock breeding sector cattle and poultry food of foreign origin will get the first tickets.

"To survive competition right in the home ground, the [animal husbandry] sector needs to restructure, focusing on some key products only," said Chinh.

"It is enough time for us to change if we start right from now. We shall only develop advantageous products like pork and poultry. Besides, a shift from individual fragmented farming into farm-based and enclosed model and lower feed cost is a must," Chinh noted.

Economic experts were concerned Vietnam's livestock breeding sector could hardly compete with foreign players in the home ground on the back of tariff removal following TPP ratification.

From other angle, chairman of Vietnam National Animal Husbandry Association Nguyen Dang Vang said international integration would entail opportunities for the sector to lure more foreign investment.

The four areas the animal husbandry sector urgently sources investment are processing industry, cow raising, breed production and equipment manufacture serving farm-based breeding of cattle and poultry, Vang noted.

From the part of firms, they said doing business in this field is two risky though there is still room for development.

Besides, it is not easy to benefit from investment incentives. Accordingly, in 2010 the government enacted Decree 61/2010/ND-CP providing incentives to stimulate businesses to invest in agriculture and rural development.

However, until present agricultural sector projects enjoying the incentives have only accounted for less than 1 per cent of total project numbers.

"That was because the procedures to enjoy these incentives remain complex. Lack of state budget to execute incentive policies is another issue," Chinh said. In late 2013, the government enacted Decree 210/2013/ND-CP amending Decree 61/2010/ND-CP with more preferences to agricultural sector investors.

The decree was hoped to fuel investment into agriculture, particularly livestock breeding in the upcoming period.

Source: VN+

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$73.9 million ODA loan to expand southern hydropower plant

Vietnam and Japan recently signed a $73.9 million ODA loan agreement to expand the Da Nhim hydropower plant in the south.

According to the Japan International Cooperation Agency, the ODA donor to the project, the objective is to increase the output of the plant particularly at peak times by installing an additional power generator.

The loan will go toward civil works and equipment necessary to expanding the plant's current 160 megawatt capacity as well as consulting services. Da Nhim hydropower plant started construction in 1959 with reparations from Japan to Vietnam and started operations in 1964.

In 1997 a Japanese ODA loan supported renovations to the plant's deteriorated transmission and conversion facilities.

Because of the history of the Da Nhim plant, Vietnam has high expectations for further support from Japan. According to JICA, letters of invitation for consulting services will be issued this month and the new facilities are expected to be put into service in August 2016.

According to the Seventh National Power Development Master Plan (2011-2020), the government plans to add nearly 50,000 megawatts to the national grid by building new power plants.

The southern area of Vietnam alone will need an additional 23,735 megawatts by 2020.

Source: VNN

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Japanese firms remain optimistic about Vietnam growth

One of every three Japanese companies operating in Vietnam reported losses, reported the Japan External Trade Organization (JETRO).

In a report released in Hanoi on Monday, JETRO said 25.6 per cent of Japanese firms operating in Vietnam saw losses last year, a 6.1 per cent increase compared to the previous year with 19.5 per cent. Around 60 per cent of respondents reported profits.

“This means that one in three Japanese companies operating in Vietnam are reporting losses,” said Atsusuke Kawada, head of Hanoi’s JETRO office.

Regional countries see similar results with 60-70 per cent of Japanese firms reporting profits. Thailand holds 72.4 per cent, Indonesia 64.8 per cent, and China 60.7 per cent. These results are considered solid amid a difficult global economy.

According to Kawada, the report showed export processing enterprises outperformed others with only 19.4 per cent reporting losses while the rate for enterprises in other sectors was 32.8 per cent.

“The reason for greater inefficiencies in enterprises not operating in export processing zones are likely to be focused on the domestic market as Vietnam’s economy faced low consumption troubles in 2013,” Kawada explained.

In fact, not only Japanese but also Vietnamese and other foreign invested enterprises (FIEs) operating with export advantages have greater returns. Vietnam’s economic growth reached 5.42 per cent last year, partly due to high export growth and a total value of $132 billion. Among FIEs operating in Vietnam, Japanese firms contributed up to 60 per cent of the total export turnover for the foreign invested sector.

Kawada said that in the coming time Japanese firms would continue to emphasize export processing.

“For Japanese enterprises, Vietnam’s advantages are not only cheap labor but also its export strengths compared to other ASEAN nations,” he added.

The JETRO report also showed that up to 33.9 per cent of Japanese respondents considered export processing the main business activity in Vietnam. This rate is significantly higher than Thailand’s 3.8 per cent, Indonesia’s 8.8 per cent, China’s 7.8 per cent and Malaysia’s 12.3 per cent. This also means that not many Japanese firms focus on the domestic market.

According to JETRO, Japan is the single largest foreign investor in Vietnam with over 2,000 projects valued at $34.6 billion. Last year alone, Japanese investors pledged $5.7 billion to the country.

A recent survey revealed that up to 70 per cent of Japanese investors planned to expand their operations. If this comes to pass, Vietnam would overtake regional rivals such as Indonesia, Thailand and the Philippines in the race to lure Japanese investments.

Most of the Japanese respondents placed a high value on Vietnam’s growth potential, social and political stability and inexpensive workforce. Many companies plan to build more factories in Vietnam and expand operations outside major industrial parks

Source: VNN

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Few provincial decisions on investment incentives get beyond limits

Last year saw few provincial governments deciding to offer greater incentives for investors than permitted by law to attract new capital, according to experts of Vietnam Provincial Competitiveness Index (PCI) 2013.

Edmund Malesky, lead researcher of PCI 2013, said the spirit of moving beyond the regulatory restrictions among provincial authorities to fuel growth has been waning. This used to help Binh Duong, Dong Nai and Binh Phuoc provinces gain impressive growth but it was on the wane.

Speaking to the Daily at a ceremony held in Hanoi City on March 20 to publicize the PCI 2013 report, Malesky mentioned reform breakthroughs in the past, such as handing over land to farmers without prior permission from the central Government, which helped the nation pass through tough periods.

Creativity is still out there but at a slower pace, he said.

Malesky noted a number of local governments have made information about land and land use much more accessible.

Dau Anh Tuan, a member of the research group, noticed another breakthrough, saying Ninh Thuan Province's government has established a 'one-door' office, thereby allowing investors to visit one place to get everything done.

However, Tuan said it is not easy to run the model as it heavily depends on local government. "I'm afraid this model would continue to be in place when present leaders take up new jobs," he said. According to the report, provincial authorities have reached limits in simple reforms such as issuing business registration certificates and processing market entry procedures. In many localities, it takes investors just one day to get an investment certificate.

Vu Tien Loc, chairman of the Vietnam Chamber of Commerce and Industry (VCCI), said that while the easiest reforms have been almost exhausted, the reforms that are deemed as most difficult have remained undone.

Nearly 10 years ago, 33 provinces and cities offered investment incentives beyond regulatory limits set by the central Government to lure investors but central authorities prevented them from doing that, he said.

Speaking at the announcement of the PCI report, business executives expressed concerns over the issue, saying the active and pioneering spirit of provincial authorities in favorable treatment towards the private sector has declined steadily since 2007.

They said they were concerned that the private sector has yet to enjoy a level playing field. Enterprises having connections with local authorities, especially joint stock companies and those whose leaders used to be state officials, often have priority to gain access to land and capital, and win contracts.

Source: TST

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Vietnam becomes world's third biggest rubber producer

Vietnam has surpassed Malaysia and India to become the world's third biggest rubber producer, according to the latest statistics released early this month by the Association of Natural Rubber Producing Countries (ANRPC).

The country produced 1.043 million tons of natural rubber in 2013, an increase of 20.8 percent from 863,600 tons a year earlier, as shown by figures ANRPC announced on March 4.

It was the first time Vietnam's rubber output had surpassed the 1 million ton millstone.

The Southeast Asian country ranked fifth in the 2012 ranking.

China stood at number four on the 2013 list of the world's biggest rubber producers as it made 856,000 tons of natural rubber last year, an increase of 7.7 percent.

Malaysia, which ranked third in 2012, saw a decrease of 11.1 percent as the country only produced 820,000 tons of rubber in 2013, slipping to sixth place in the ranking while India ranked fifth as it yielded 849,000 tons of rubber, a 7.6 percent drop.

The South Asian country was placed fourth on the 2012 list.

The ANRPC figures also indicate that among the nine biggest rubber producers, India, Malaysia, and Sri Lanka witnessed a decrease in rubber production while Vietnam and China saw a surprise increase.

According to India media, the country's rubber production sharply declined during the 2008-2013 period, which led to its relegation on the list and caused a rubber supply shortage, forcing the South Asian country to import the substance in the 2013 – 2014 season. Indian authorities said that their rubber production was only 1,813 kg per hectare in the 2012-2013 season, a decrease from 1,867 kg per hectare in the 2008-2009 crop.

Source: ND

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Van Don to establish special economic zone

A conference on special economic zones will be held in the northern province of Quang Ninh this week to prepare for the development of the model in Vietnam.

Do Thi Hoang, Standing Deputy Secretary of the Quang Ninh provincial Party Committee unveiled the plan for such a future zone on the province's Van Don Island in an interview published on the Vietnam Investment Review on March 18

***Why was Van Don selected to be a special administrative and economic zone (EZ)?**

Van Don was selected by the Vietnamese government to develop this special model for following reasons:
Firstly, it is the biggest island in the north of Vietnam and is still largely untapped.

Secondly, it has easy access to other economic and political centres in Asia. It is located in a corridor linking China and ASEAN. Its proximity to China, the biggest market in the world, makes Van Don a high potential investment destination. Additionally it only takes 1-4 hours flight from Van Don to regional cities such as Shanghai, Hong Kong, Macau, Shenzhen, Taipei, Tokyo, or Seoul.

Lastly, since 2009 the Vietnamese Government has done the necessary preparations to develop Van Don as an EZ, mainly focusing on sea tourism and luxury entertainment. Particularly, the Politburo last year approved a plan to build an integrated casino-resort on the island.

***How would a special EZ affect the socio-economic development of Quang Ninh in general?**

The plan to develop Van Don into a special EZ is a breakthrough economic, policy and management idea. It will be a very attractive place for both domestic and foreign investors. We want to transform it into a dynamic and modern city. It will be a tourism and entertainment centre and a gateway for foreign trade in the north. We foresee it as the driving force of economic growth in Quang Ninh, contributing to the transition of an economy based on agriculture to one of tourism services.

The Van Don special EZ reflects our determination to reform the economic institution of the province. The piloting of an administrative management model will help us resolve the current weakness in management and could be a valuable lesson to the development of future special EZs nationwide.

***A special EZ requires different policies, incentives and administrative management. Do you think that managing the zone as a completely new element in provincial leadership will be difficult?**

Successful special EZs around the world got that way because of the particular legal system involved. For Vietnam, this will be a new experience and there will surely be difficulties in the pilot process, but as the National Assembly is preparing a new Law on Special Economic Zones, at our request, we believe this guiding document will support provincial leaders in successfully managing the future zone.

***Earlier you mentioned preparations done by Quang Ninh towards establishing the zone, could you elaborate?**

We outlined three steps in the preparation phase. The first, through 2015, is a time for us to complete the legal framework, administrative structure and select strategic investors for key projects.

The second, from 2016 to 2025, is to finish the infrastructure system and promote tourism and entertainment projects. This phase would also include investment projects in healthcare, finance, and education services.

The last step, from 2026 to 2030 is to complete the EZ and make it effectively operational.

To achieve this goal we have great work ahead. For one, we have to educate people and get the agreement from both domestic and international stakeholders to develop the zone. We must cooperate with other governmental agencies to complete a legal framework, attract talent and improve the quality of human resources. Apart from that, we have to complete the construction of major infrastructure projects like an airport, highway, and marina.

***What do you expect from the conference on special EZs hosted in Quang Ninh this week?**

We want to discuss and get experience from experts and investors and learn lessons from the development of special EZs in other countries. We also want to promote the economic reform of Vietnam to lure more foreign investments to Van Don and other Quang Ninh areas. This is a good chance for us to prepare for the future

Source: VN+

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Samsung puts $2 bln Vietnam phone plant into operation

Korean electronics giant Samsung put their second manufacturing plant, costing US$2 billion, into operation in northern Vietnam this week, which is estimated to make as many as 9 million mobile phones per month, starting August this year.

The facility that produces handset devices and parts began running on Monday in Thai Nguyen Province, 70km from Hanoi.

The plant currently employs 5,000 workers and is expected to produce around two million cellphones per month in the next four months and make eight to nine million mobile phones per month from August this year, according to Shim Won Hwan, CEO of Samsung Electronics Vietnam (SEV).

The 67-hectare plant will create around 20,000 jobs, contribute tens of billions of U.S. dollars to Vietnam's annual export turnover, and strengthen the development of the electronics support industry in the northern region, reported ICT News, a local newswire specializing in technology news.

The official operation of the Thai Nguyen plant will lure many satellite firms that produce mobile phone accessories and components and hopefully make the place the world's most well-known mobile phone manufacturing facility, ICT News quoted an SEV representative as saying.

Samsung's first Vietnam manufacturing plant is based in the northern province of Bac Ninh which manufactures around 70 percent of the firm's smartphones on the global market, said Tran Duy Dong, deputy chief of the Agency for Economic Management under the Ministry of Planning and Investment.

Coming on stream in April 2009, the plant employed 30,000 people and made 13-15 million products per month, according to 2013 figures.

It posted a $12.7 billion export turnover in 2012, Nguyen Van Dao, deputy SEV CEO, said.

A third Samsung plant in Vietnam is scheduled to be inaugurated in August this year, which will send the Korean company's total investment in the Southeast Asian nation to $5.7 billion.

The project, under construction at a cost of $1.2 billion, is a chip making factory sitting on a total area of 30 hectares at Yen Binh 1 Industrial Park in Thai Nguyen.

Source: TTO

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Sumitomo penetrates deeper into Vietnam with $44 mln flour mill

Japan's Sumitomo Corporation, which exports some 100,000 tons of wheat supplied by a Melbourne-based subsidiary to Vietnam annually, has announced plans to penetrate further into the Southeast Asian flour processing market by setting up a multi-million-dollar mill outside its southern hub.

The mill will operate under a joint-venture agreement the Japanese trading house has sealed with CJ Cheiljedang, one of Korea's biggest flour millers. This was reported in a statement released Monday by Emerald Grain, an Australian grain trading company entirely owned by Sumitomo.

The mill broke ground in late February and is expected to commence operations by May 2015, Vietnamese-language economic news website *Saigon Times Online* reported, adding that it is capable of manufacturing 150,000 tons of wheat flour per year for Vietnam and Cambodia.

The facility, named CJ-SC Global Milling and located in Ba Ria – Vung Tau Province, over 100km east of Ho Chi Minh City, is worth US$44 million and will be equipped with the latest flour processing technology from CJ Cheiljedang, according to the news website.

Sumitomo has a 49 percent share in the facility, Emerald Grain reported.

Vietnam currently imports around 2.5 million tons of wheat per year, mainly for bread and noodle manufacturing, it said. The Australian company also said it already exports close to 100,000 tons of wheat to Vietnam annually through Sumitomo. Sumitomo increased its stake in Emerald Grain to 100 percent last month, *The West Australian* reported.

The Vietnamese facility will also provide "new opportunities for Australian wheat growers," Hideki Hijiya, a Sumitomo official, said in a statement.

"This mill is part of Sumitomo Corporation's plan to build integrated supply chains across Asia and provide new pathways for Australian grain into the market."

Sumitomo will target wheat from West Australian growers to supply the new flour mill in Vietnam while it "has not ruled out investing in local port infrastructure," *The West Australian* said in its Monday report.

CJ Group first arrived in Vietnam in 1996 and is operating in a wide range of sectors in the Southeast Asian country, ranging from home shopping and cinema operation to logistics and food processing, while multi-faceted Sumitomo has invested in some 20 projects in Vietnam, according to *Saigon Times Online*.

Source: Vietmaz

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Amway pours extra US$25 million into new facility

Amway Vietnam Co., Ltd last Friday started work on its second factory in Vietnam at a total cost of over US$25 million, raising its investment capital here in the country to US$33 million.

The new facility will go up at Vietnam-Singapore II Industrial Park in Tan Uyen District in the southern province of Binh Duong. It will cover a total of 54,675 square meters, seven times larger than Amway's first facility in Amata Industrial Park in neighboring Dong Nai Province.

Set for operation early next year, the plant will have three production lines having a combined capacity of 23,280 products, equivalent to US$200 million per year, and create jobs for over 170 locals.

According to Amway Vietnam, the project is divided into two phases with modern equipment and machinery meeting international standards. The first phase, expected to be up and running in next year's first quarter, will focus on producing Nutrilite food supplement powder and pellets with a majority of materials imported from the U.S.

In the second phase, which is expected to go into operation in 2017, the plant will produce liquid products.

Doug DeVos, President of Amway, said that since it came to Vietnam in 2008, the firm has achieved steady growth here in Vietnam. This is why Amway has decided to continue its long-term investment pledge in Vietnam by building the second plant to meet the increasing demand of consumers, he added.

The construction of the second plant in Vietnam is part of Amway's broader plan to export products made by Amway Vietnam to Southeast Asian countries in the near future.

Amway Vietnam reported sales revenues of over US$90 million last year and now has over 300,000 direct distributors.

According to Amway, which is known for its direct selling model, the firm has been in Vietnam for only five years but the Vietnamese market ranks 12th among over 100 countries and territories where Amway is present. With the new plant, Amway hopes Vietnam will become one of its top ten markets in 2016.

Source: Thesaigontimes

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Moving Towards A Leading Software Park

At its 13th anniversary held on March 14, Quang Trung Software City Development Corp. honored the best-performing enterprises active in the park over the years and defined ambitious goals for developing the software park into a nationwide chain.

After 13 years of operation, Quang Trung Software City (QTSC) is now home to 108 information technology (IT) enterprises, with 60 of them local and the remainder foreign. Ten of them are among the leading IT companies in Vietnam, and HP and IBM (the U.S.) and KDDI (Japan) are the three international giants having made their presence felt in the park.

Enterprises and QTSC fare well

In 2013, most of big companies in QTSC gained annual growth of a strong 30-40%. Some even achieved a growth rate of 60-70%; take Digi-Texx and TMA Solutions for example. Although the global economy in 2013 was still in trouble, Vietnamese businesses specializing in software outsourcing and exporting still saw opportunities in it, especially for partners in Europe, the U.S. and Japan.

In addition, key players in QTSC have focused on research and development (R&D) activities to improve their products. As projects are implemented the demand for human resources for R&D projects and new projects from the U.S., Japan and Europe has risen by 10-15%. It is up to 50% in the case of Japan.

The sustainable development of these enterprises has contributed significantly to the stable development of QTSC. The company has been able to establish its prestige due to tremendous efforts to support firms there. DAS has renewed the ISO 2001:2008 and ISO 27001:2008 certificates to QTSC. Ho My Nin from DAS said that QTSC Development Corp. became the first State-owned enterprise in Vietnam to achieve ISO 27001:2008 accreditation three years ago and was among the first top 20 enterprises receiving the certification in Vietnam.

Last year, QTSC Development Corp. launched its campaign entitled “Full-package office, sharing office” via QTSC Business Center. It connected companies in QTSC with the CEO Club, established the Investors Club, published the “IT products, services and solutions” book, organized free training courses and supported businesses in the software park through its “one-door” service.

Software park chain

Attending the anniversary, HCMC vice chairman Le Manh Ha said QTSC is a successful software park model. It is a real park offering green foliage, a clean environment and a high concentration of IT enterprises. “QTSC should expand its target clientele to attract more companies into the park, which will help build a software park chain in other cities and provinces that connect to QTSC,” Ha said.

Developing the software park chain is also a key task of QTSC Development Corp. this year. The company will continue to carry out the QTSC 2 project in HCMC and similar parks in Lam Dong and Nam Dinh provinces. Moreover, QTSC will continue to back enterprises through its “one-door” service in addition to supporting communication, brand development and community connection, and seeking partners.

QTSC will enhance the quality of the CEO Club and HR Club by introducing new and more effective activities. The company will also strengthen cooperation with local and foreign associations. It will organize promotion trips abroad for IT companies in potential markets in Thailand and Myanmar.

In 2014 and 2015, QTSC is looking to have more companies on the list of Top 100 IT businesses. The number of firms in QTSC is expected to pick up to 115-120, with a majority of them from the U.S., Europe and Japan.

Source: TOT

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Hanoi prioritises key industrial products

Hanoi needs to have practical and specific solutions to boost its industrial production and exports, Deputy Minister of Industry and Trade Ho Thi Kim Thoa has said.

"Hanoi is one of the two leading areas in the country in terms of stabilising prices and taking Vietnamese goods to rural areas, but its industrial production and exports are falling. For this reason, practical and specific solutions are necessary to boost growth in these areas," Thoa was quoted at a recent meeting with the Hanoi Department of Industry and Trade by the ministry's Vietnam Economic Times as saying.

The industry and trade sector in Hanoi maintained a stable growth rate in the first two months of this year, with the index of industrial production (IIP) growing by 2.8 percent, 283 trillion VND (13.47 billion USD) worth of sales and service revenues, and 1.668 billion USD worth of export earnings.

Senior officials from the ministry's departments said that despite efforts, the city's industrial production and exports increased less than the country's average growth.

Director of the municipal department Le Hong Thang said that the city's industrial production will not grow rapidly given the current difficulties. Moreover, most major industrial production plants have been moved to other provinces. It is also difficult to attract foreign direct investment (FDI) in industrial production due to too high land lease prices and other expenses.

Thang asked the ministry to help the city build the Hanoi South Supporting Industry Park (HANSSIP) covering 640 hectares in Dai Xuyen commune, Phu Xuyen district, with a vision to expand to 2,000 hectares in the southern gateway.

It is expected to be the first large-scale urban and supporting industry park in Vietnam and an impetus for the capital's industry and exports to grow robustly in the years to come.

Representatives from the ministry's departments gave advice in terms of state administration of industry and trade.

Export Import Management Department Deputy Director Phan Thi Dieu Ha suggested Hanoi promote exports focusing on high-tech products such as electric and electronic appliances to match its high technology direction.

Deputy Minister Thoa said that the city needs to identify sound directions for industrial development and choose development areas.

She said that Vinh Phuc province for example has chosen to only develop high technology. She strongly recommended that Hanoi choose key industrial products and intensively invest in them in order to generate high efficiency.

As for handicrafts and craft villages, the city should widely develop the programme to combine craft villages with tourism. However, Thoa underlined the need to manage the quality of products made in craft villages, while at the same time encourage buyers and visitors to craft villages.

She spoke highly of the city's trade promotion activities, including inviting more than 400 foreign importers to exhibitions and fairs in Hanoi, thus providing opportunities for Vietnamese businesses directly meet them.

She also recognised the city's efforts to strengthen state management in 2013 by drawing up 30 legal documents, while emphasising the need to seriously implement them.

Hanoi's industry and trade sector expected to increase industrial production by more than 8 percent, retail sales up by 20 percent, and export revenues up by 6-7 percent in 2014

Source: VNS

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FINANCE – BANKING

Cbank to cut deposit rate ceiling to 6%

The State Bank of Vietnam (SBV) will lower the deposit interest rate ceiling by one percentage point this coming week as current macroeconomic conditions have allowed it to do so, SBV governor Nguyen Van Binh said Friday during a conference.

The ceiling will be cut to six percent from the previous seven percent on Monday, Binh added.

First introduced in March 2011, the deposit interest rate ceiling aims at putting a cap on deposit interest so that local commercial banks cannot raise their rates to lure depositors in a so-called "interest rate race" that can destabilize the financial market.

The rate was capped at 14 percent at that time before falling gradually to around seven percent in mid-2013.

The central bank will also adopt a new interest rate level by adjusting many key policy rates next week, as inflation is expected to hover around six percent for the whole year, the governor said at the meeting in the Mekong Delta city of Can Tho.

It will cut refinancing interest and U.S dollar deposit rates from seven percent to 6.5 percent and from 1.25 percent to 1 percent, respectively, the SBV said on its website. All the cuts will be applicable on March 17, according to the website.

The reductions were somewhat foreseen as commercial banks have continuously lowered deposit and lending rates for over a week. Slashing deposit rates helps banks save costs while clipping lending interest is expected to boost loans to the local economy.

The moves began right after Tet (Vietnam's Lunar New Year, ending early February) at many joint-stock commercial banks, with cuts, as noted by the SBV, applicable mainly to short-term deposits (1-2 months long).

The trend has grown in recent days, as many banks have started offering interest reductions to long term deposits (over-12-month loans).

The central bank is committed to setting aside about VND8 trillion (US$380 million) preferential credit meant for those rice traders who buy grains from farmers during peak harvest seasons under a state-backed rice storage program, designed to keep rice prices from falling, the governor said.

However, local media have reported that rice prices in the Mekong Delta, considered the country's rice bowl, have dropped to some VND3,800-4,000 per kilogram, a record low, given the high volume of harvested rice.

In 2012, Vietnamese farmers broke even at VND4,900-5,200 per kilogram, according to statistics.

Source: Chao Buoi Sang

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Shares rise nation-wide on surging investor optimism

Stocks continued to advance on both stock exchanges yesterday as traders offloaded shares to sell for profit at the closing session of the HCM City Stock Exchange.

Bullish investors continued to hunt for shares on growing optimism that the market would continue the uptrend that started about five months ago, led by economic growth-driven factors like interest rate cuts.

VIET NAM INDUSTRIAL PARKS INVESTMENT PROMOTION VIIPIP MULTIPLY THE VALUE

On the HCM City Stock Exchange, the VN-Index added 1.49 points or 0.25 per cent to end the day at 601.75. A total of 229 million shares changed hands yesterday with total trading value worth more than VND5,018 billion (US$238 million), up 30 per cent from yesterday.

Market breadth was positive on the HCM City Stock Exchange where 157 stocks advanced, 78 tumbled and 59 closed unchanged. The VN30-Index, tracking the southern city's 30 largest shares by capitalisation and liquidity, rose 3.9 points or 0.58 per cent to close at 679.98.

PetroVietnam Transportation Corporation (PVT) remained the most active share with 13.5 million trades, rallying 6.55 per cent to end at VND17,900 per share. This activity was attributed to the fund review of the Market Vector Viet Nam ETF, which decided to increase its holding of PVT last week.

Tan Tao Investment – Industry Group (ITA) came second in market volume with 12 million shares changing hands, slipping 1 per cent to close at VND9,600 per share. It was followed by FLC Group (FLC), which soared 6.5 per cent to stand at VND14,700 on trades of 11.4 million shares. Other big gainers included Vingroup (VIC), Vinamilk (VNM) and Vietcombank (VCB) while shares of Masan group (MSN), Bao Viet group (BVH) and PetroVietnam GAS dropped.

On the Ha Noi Stock Exchange, shares advanced for six days in a row, keeping the market index HNX-Index at a high of three years for another day as increasingly optimistic traders rushed to buy local shares.

Cash continued to be injected into the equity market as bullish traders believed that the market would maintain its upward movement because valuations remained attractive although the stock had gained a lot in the past five months, a stock analyst in Ha Noi said.

The HNX-Index added 0.66 points or 0.73 per cent to close at 90.26 points. The HNX 30 Index, tracking the top 30 stocks, rallied 1.07 points to finish at 185.25 points.

Market breadth was positive on the northern exchange. Among index members, 190 stocks rose, 76 tumbled, 52 closed unmoved and 62 were untraded. Trading volume was slightly changed from yesterday, totalling 138 million shares worth VND1,819 billion , up 20 per cent from the previous day.

Sai Gon Ha Noi Bank (SHB), the most active on the measure with 24 million shares traded, rose nearly 1 per cent to end at VND11,700 per share.

PetroVietnam Technical Services Corporation (PVS), second in liquidity with 15 million shares changing hands, shed 0.7 per cent to settle at VND29,800 per share.

Source: VNS

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City deposits grow, credit heads south

HCM City's total capital mobilization reached VND1.16 trillion (US$55.18 million) this month, constituting a 1.9 per cent month-on-month or 15.1 per cent year-on-year (yoy) increase, noted the municipal Statistic Office.

However, the credit growth of the city has been negative at 0.7 per cent.

The deposit records came as a surprise to observers since the city's banks had cut deposit interest rates by the end of February, which was supposed to discourage deposits.

Commercial banks accounted for 56.8 per cent of the total city's deposits, up 18.4 per cent yoy, of which, the deposits in Vietnamese dong accounted for 84.3 per cent, while the remaining 15.7 per cent deposits were in foreign currencies.

The State Bank of Viet Nam noted that the increase proved that savings and deposits were favourable investment channels, regardless of the considerably low interest rates.

According to several banks, although the property and stock markets were warming up, they were not likely suited for amateur investors.

In the meanwhile, the total outstanding loans in the city fell 0.7 per cent against the end of last year at VND946.3 billion (US$44.8 million). Loans in the dong accounted for 83.6 per cent, while those in foreign currencies were 16.4 per cent. Short-term loans dominated the basket schedule with 54 per cent.

As of March 13, Viet Nam's credit growth was negative, 1.05 per cent against the end of 2013, and the total money supply increased 2.96 per cent compared to the end of last year. Deposits grew by 1.92 per cent, of which dong deposits were up 2.23 per cent, but dollar deposits were down 0.09 per cent.

The central bank, which insists on targeting a credit growth of 12 to 14 per cent for the year 2014, stated that the negative credit growth was periodically understandable. It is believed that the credit growth will hike in the coming months, especially by the end of the year.

Last Monday, SBV, in a bid to spur economic growth and salvage dying businesses, cut policy interest rates cautiously by 0.5 percentage point. Accordingly, the current refinancing rate is 6.5 per cent, the discount rate is 4.5 per cent, and the overnight rate is 7.5 per cent.

The interest rate cap for commercial dong deposits of less than six-month term was slashed to 6 per cent from 7 per cent. No cap has been set for longer-term deposits. The cap for the USD deposit interest rate was also cut by approximately 0.25 percentage point across the board.

The cap for the privileged lending interest rate has been set at 8 per cent for short-term loans in Vietnamese dong, down by 1 per cent.

Source: Tri Thuc Tre/VNN

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SBV lowers interest rates on agri-loans

The State Bank of Viet Nam (SBV) has reduced maximum interest rates for five priority sectors, including agriculture, export, supporting industry, small and medium-sized enterprises and high-tech firms.

The new rates, set at eight per cent yearly for short-term loans, is one per cent lower than the previous rate and took effect on March 18. Industry officials have expressed their enthusiasm for the assistance the new rate will provide.

"Enterprises began purchasing rice for storage on March 20. Therefore, the cut in lending rates helped increase rice prices, which had sharply dropped in past days," said Lam Anh Tuan, Director of Thinh Phat Food Co., Ltd. in Cuu Long (Mekong) Delta's Ben Tre Province, as quoted by Nong thon ngay nay newspaper.

Pham Thi Huan, Director of Ba Huan Co., Ltd in HCM City, said she was pleased about the reduction in lending rates. "The cut in lending rates will encourage enterprises operating in the agriculture sectors, such as my company, to invest in modern machinery and apply new technologies along the production line," Huan said.

The lending rates for supporting industries and exports in Viet Nam are still high, compared with rates in other countries, resulting in it being difficult for some domestic enterprises to compete, according to Director of CAFATEX Fishery JSC Nguyen Van Kich. "Therefore, we are still considering further cuts," Kich said.

Lowering interest rates is SBV's attempt to encourage enterprises to take out more loans, and seeks to aid the economy, according to Nguyen Tri Hieu, a banking expert.

However, several enterprises and farmers raised concerns over the procedures required to receive loans.

The Government should closely supervise and monitor credit institutions to assure the process to receive loans remains uncomplicated, according to a director of a company trading in rice in Can Tho City.

"The SBV has required that farmers and fishermen seeking loans must submit too many legal documents and procedures, causing farmers and fishermen to find it difficult to receive loans," Deputy Chairman of People's Committee of Hoa Hiep Nam Commune in central Phu Yen Province, Ngo Tan, said.

Source: KPMG/VIR

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ANALYSIS – OPINION

GE expects wind power to soar

Though investment in wind power in Vietnam is slow, GE has expressed its belief in Vietnam's wind power industry. Peter Cowling, GE's general manager for renewable sales in the Asia Pacific explains the company's confidence to VIR's Mai Linh.

Many investors have registered for wind power projects in Vietnam, but to date only three have been realised with the others holding back until they see more support from the government. Do you think the wind power industry is currently attractive to investors?

It is increasingly attractive, and some projects already have the right conditions to be attractive to investors. But a modest tariff increase would see a significant increase in investment.

Is the slow pace of wind power development in Vietnam affecting GE's business plan in terms of renewable energy in the country?

We are patient. We know Vietnam has many development priorities and has to find the right price for energy and the right way to fund the tariff. We believe a carefully paced expansion of wind energy is in Vietnam's best interests.

In your opinion, how can private investment in this sector be encouraged?

Increasing the tariff would make a big difference.

At the workshop you gave a presentation on selecting the right technology for Vietnam. In your opinion what is the right technology for Vietnam-based wind power farms? Is there any difference in the technology between the Bac Lieu project that GE provided wind power turbines for, compared to say other projects outside Vietnam?

The right technology would be large rotor, small MW machines to make the most of Vietnam's mid-speed but consistent conditions. These machines will not be unique to Vietnam, though the country will be very fortunate to take advantage of the very latest in wind turbine efficiency and grid-friendly features.

Could you share GE's business plan for Vietnam's renewable energy industry?

We plan to provide strong support to our clients – to share our wealth of knowledge from installing over 25,000 wind turbines globally. We believe we can help accelerate Vietnam's adoption of renewable energy and help it to avoid the mistakes made by other countries

Source: VIR

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New foreign investor definition clouds draft law

Draft amendments to the current Investment Law have raised confusion as, despite clarifying what is meant by the term foreign investor, it no longer clearly identifies the definition of what constitutes a foreign invested company. Law firm Baker & McKenzie (Vietnam) Ltd. partner Nguyen Lan Phuong spoke with VIR's Thanh Tung about this new definition's importance to foreign investors in Vietnam.

How important is the new definition?

It appears to combine two definitions provided under the current Investment Law, including "foreign investors" and "foreign invested companies". I note foreign invested company as a term has been removed from the draft Investment Law. The new definition is seemingly designed to address confusion over the term. However, the definition of a foreign investor alone does not fully address the issue, and the removal of the definition for a foreign invested company may create a vacuum. The new definition of foreign investor should be followed by the definition of a foreign invested company to connect all the dots. For instance, in other important laws and regulations concerning foreign investment, in particular Decree 23/2007/ND-CP and its implementing circulars, the trading activities of foreign invested companies, not of foreign investors, are regulated. Even in this draft Investment Law, foreign invested companies are also regulated; without a definition of what constitutes a foreign invested company, all such laws and regulations will become crippled.

Another example, where confusion is already introduced by the new definition of foreign investor is Article 11 of this draft Investment Law. Article 11.2 provides that disputes involving domestic investors are handled by Vietnamese court or Vietnamese arbitration only. Article 11.3 provides that disputes involving foreign investors, foreign invested companies can also be handled by foreign and international arbitration.

First confusion, what constitutes a foreign invested company on the basis of Article 11.3? Secondly, it appears that a company with foreign investment can either be considered a foreign investor or domestic investor, depending on the percentage of foreign capital in such a company. A company with foreign capital of less than 51 per cent is now defined as a domestic investor under the draft law, and therefore disputes among them must be resolved by a Vietnamese court or Vietnamese arbitration only under Article 11.2. This conflicts with Article 11.3.

In brief, the definition of foreign investor should be followed by a definition of a foreign invested company, which no longer exists in the draft Investment Law.

Do you think that this new definition would need to be further improved to ensure the interests of foreign investors are protected when doing business in Vietnam?

I think the definition of a foreign investor must be followed by the definition of a foreign invested company, which can be an organisation established and operating in Vietnam with foreign individuals or organisations holding at least 51 per cent of the chartered capital, or which can be a partnership that includes foreigners.

The threshold of 51 per cent foreign capital corresponds with the simple majority decision-making threshold in the current draft Enterprise Law, so it is reasonable in terms of corporate governance. A company with 51 per cent or more of foreign capital is actually controlled by a foreign investor (with respect to issues that are subject to simple majority consent), and therefore can be reasonably labelled as foreign invested companies for licensing and statistical purposes.

At present, the definition is absent in the existing Investment Law, causing difficulties for local authorised agencies and investors. Do you agree? If so, can you elaborate on this?

I don't agree. As I said, the confusion and difficulty has been the impractical definition of a foreign invested company, which states that any foreign capital participation would make a company a foreign invested company. The most well-known case is that of the state-owned Mekophar Chemical Pharmaceutical Company, which with just 3 per cent foreign participation, was considered a foreign invested company, and therefore was not allowed to distribute and sell pharmaceuticals in Vietnam. If the foreign participation threshold is raised to 51 per cent in a foreign invested company, cases like Mekophar would be resolved.

What troubles have been caused following the absence of a clear definition of foreign investor?

The inconsistencies in interpretations and implementation of the laws by the various authorities are the main issue caused by the absence of a clear definition of a foreign invested company. The Ministry of Planning and Investment has cited Article 29.4 of the existing Investment Law in an attempt to define indirectly what constitutes a foreign invested company. However, the Ministry of Industry and Trade treats a company with any foreign capital as a foreign invested company (like Mekophar). These confusions have impeded the growth of foreign investment and of foreign confidence in Vietnam's legal system.

What suggestions can you make for a better Investment Law, regarding foreign investors?

I would strongly suggest adding a definition for what constitutes a foreign invested company along the lines of that related to foreign investors. A foreign invested company is simply one that is invested by a foreign investor.

Source: ITPC/VIR

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Sustainable growth wins FDI trust

Vietnam's commitment to macroeconomic stability has paid dividends in terms of attracting interest from foreign investors, writes Tony Diep, managing director and Hawkins Pham, head of advisory, Indochina Capital.

Vietnam has had its ups and downs as an emerging market investment destination but is quietly coming back into vogue with international investors. The allure of strong macroeconomic fundamentals, large population, expanding middle class and stable socio-political environment have renewed investor interest. Investment regulations have also become more accommodating to foreign corporations and financial investors while the country's economic and political stability have set the stage for better growth.

After a period of macroeconomic instability from 2007 to 2011- years marked by high inflation and rapid currency devaluation - the Vietnamese government shifted from a high growth strategy to instead focus on macroeconomic stability during 2012.

To stabilize the economy, the government implemented tighter monetary and fiscal policies. In particular, the government reined in loose credit, which was growing at over 30 per cent per annum from 2008 to 2010 down to 12.5 per cent in 2013. Although tighter credit policies led GDP growth to slow from 8.5 per cent in 2007 to 5.4 per cent in 2013, inflation was tamed, dropping from 22 per cent in June 2011 to less than 5 per cent in February 2014. Lower inflation has allowed the government to cut interest rates by a total of 700 bps and has positioned the VND as the most stable currency in the region with only a 1 per cent devaluation since February 2012.

Asia's fastest growing consumer class

One of Vietnam's greatest benefits is its "Power of One": one common language, one primary religion, one major political party, one contiguous landmass. This homogeneity has allowed for political and social stability - an incredible differentiation vis-à-vis the turmoil present in other Asian countries (e.g. Thailand and Cambodia).

The real excitement however is in the expanding consumer class which puts a spotlight on all consumer-oriented sectors. The Holy Grail for any emerging market is the emergence of a buoyant consumer class and according to the

Boston Consulting Group, Vietnam's middle and affluent class is the fastest-growing in Asia with expectations that it will double in size by 2020.

FDI inflows are sticky and the export base is expanding

Unlike other emerging markets that were awash with hot money from QE3 - and subsequently hit at the first sign of tapering - Vietnam benefits from FDI which is relatively sticky and less transient. Total FDI in 2013 amounted to $21.6 billion, a 55 per cent increase year-on-year, with actual disbursements reaching $11.5 billion. Japan, South Korea and Singapore are the primary sources of FDI in Vietnam, with expectations that investment from other ASEAN countries will pick-up in the medium-term.

The Japanese have a long-term love affair with Vietnam and are by-in-large the largest foreign investor group, when combining direct investment with ODA funds provided by the government. This trend will largely continue as Japanese corporations expand their footprint in ASEAN and move their factories out of China and into lower-cost production bases.

Positive FDI inflows into export-oriented sectors have also led to higher export turnover, which grew 15.4 per cent in 2013. After running a trade deficit for 20 years, Vietnam has had a trade surplus over the past two.

In addition to accelerating export values, Vietnam has moved up the export chain, with smartphones and computer parts becoming the first and third largest export items respectively last year. Samsung now ships 25 per cent of all their smartphones worldwide from Vietnam with plans to increase this figure to 40 per cent in the next 12 to 18 months, while Intel's largest chip plant in the world is located outside of Ho Chi Minh City.

Investor trends in public securities and M&As

The Vietnam stock market was the second best performing in Asia in 2013 with gains of 26 per cent in terms of total returns. Despite the gains, Vietnam still has one of the cheapest valuations in the region with a 2014 PE ratio of 10.5x and one of the highest growth rates with earnings per share growth of over 15 per cent. The story is even more compelling beyond the blue chips, as stocks in the $50-$250 million market cap range have PEs of 7-8 times and dividends in the high single digits. International investors have taken notice as foreign net buying grew 66 per cent in 2013 to $260 million and has already reached $115 million in the first two months of 2014.

Outside of retail and fund investors, strategic investors have also sought to secure a foothold in the market. Notable private investments in public equities have included Chilean CFR International's 46 per cent acquisition of Domesco, a local pharmaceutical player; Japan-based Ezaki Glico Co.'s 10 per cent stake in Vietnam's leading confectionary company the Kinh Do Corporation and Thai-based SCG's 20 per cent acquisition of Binh Minh Plastics.

There has also been a renewed interest from private equity players seeking to allocate capital to the market. The biggest deals in 2013 include TPG's $50 million investment into Masan Agriculture and the $200 million investment from a Warburg Pincus-led consortium into Vingroup's retail real estate platform.

Total deal volume in 2013 reached more than 25 noteworthy transactions, which is relatively on par with 2012. However, the total value of deals dropped to $1.6 billion last year. 2012 will be recognized as a banner year given the handful of mega-deals executed in the oil and gas and banking sectors, resulting in deal flow valued at more than $3.5 billion.

Identifying opportunities remains a key challenge

While macroeconomic stability has neutralized certain country-level risks (e.g. currency depreciation), we are still aware of the unique challenges that Vietnam presents foreign investors. It is still very much an opaque market and identifying suitable investments and achieving commercial success will require rigorous diligence starting with the screening process.

Partner selection remains essential for all investors when approaching the market and is the key for mitigating risks in Vietnam. With Indochina Capital's primary focus on Vietnam and multi-asset capabilities, we are well positioned to help foreign investors navigate the risks and identify the right opportunities.

Source:VIR

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NEWS IN BRIEF

Project fosters public involvement in socio-economic development

The "Pro-poor Participatory Development Project" funded by Plan International has helped strengthen the participation of the poor, ethnic people and women in socio-economic development and poverty reduction. The affirmation was made on the first day of a two-day conference (March 25-26) to sum up the project after three years of implementation in Xin Man district in the northern mountainous province of Ha Giang and central Quang Tri province's Huong Hoa district. The project helped improve local people's awareness of socio-economic development planning and has made them more proactive in raising their opinions. It also improved the community's attitude towards the role of women in this process.
At the conference in Ha Giang, participants are sharing their experience in implementing the project and discussing measures to maintain its effectiveness. The project, implemented in 19 communes in the two districts from January 2011 to March 2014, was funded by the European Union with a total budget of 728,000 EUR (1 million USD), 500,000 EUR of which was from the EU and the remaining from Plan International.

Da Nang takes lead in competitiveness index

The central city of Da Nang climbed from 12th position in Vietnam's annual Provincial Competitiveness Index (PCI) in 2012 to the top of the rankings in 2013, the Vietnam Chamber of Commerce and Industry (VCCI) has reported. The city also took the lead in the rankings for three consecutive years from 2008 to 2010. Notably, Ho Chi Minh City jumped three places to make into the top ten, while Hanoi moved up to 33 rd position from 51 in 2012. The northern province of Quang Ninh has made the top four for the first time with 63.51 points. US Ambassador David Shear said the PCI's real value lies with its power to drive public-private dialogue to accelerate reform in such areas as business registration and investment licensing in localities.

Nghe An employs resources to evolve infrastructure

The central province of Nghe An plans to harness all social resources to develop key infrastructure works of transport, electricity, education and healthcare. From now to 2020, the province will upgrade Cua Lo port and Vinh airport along with building Dong Hoi port, roads in mountainous districts and three railway overpasses. It will also prepare for the construction of the North-South Highway section that runs through the locality. In terms of power facilities, efforts will be made to attract investment for the 2,400 MW Quynh Lap power plant and set up 220kV substations and 286.5km of 110kV lines. Nghe An will expand the power network to rural areas during the period. Meanwhile, upgrading the Nghe An University of Economics, Vinh Medical University and some junior colleges is the province's educational focus. Notably, Vinh University will be improved to meet international standards during the period. More investment will also be poured into bettering medical facilities to soon turn Nghe An into a high-tech medical hub of Vietnam's northern central region. In 2014 and 2015, the province plans to raise 20 trillion VND (952.4 million USD) for infrastructure works by overhauling investment encouragement policies, calling for social engagement in infrastructure building and increasing the effectiveness of capital use. The provincial People's Committee said as of present, three trillion VND (142.8 million USD) has been mobilized for 10 projects. As many as 458km of national and 330km of inter-provincial roads have been completed, while a 700-bed general hospital is being constructed - expected to be operational in the second quarter of 2014, it added.

EVN to replant 9,660 hectares of forest in hydropower projects

Vietnam Electricity Group (EVN) will have to replant around 9,660 hectares of forest to compensate for the areas of forest it has chopped down to make room for its hydropower plants. Replanting forests is under way at Song Hinh, Quang Tri, A Vuong, Song

Ba Ha and Song Bung 4 hydropower plants, among others. At the Son La project alone, the total forest area to be replanted is 300 hectares and EVN is planting trees there to offset the area that has been leveled for the hydropower construction. The total forest area to be grown by EVN for constructing hydropower projects as a developer or stakeholder amounts to 9,660 hectares.

Based on its power generation volume, EVN in 2013 had paid nearly VND1.15 trillion in forest environmental service fees, which is estimated to rise to more than VND1.19 trillion this year. According to EVN, hydropower currently contributes close to 49% of the country's power supply capacity. Meanwhile, the Ministry of Industry and Trade reports roughly 51,000 hectares of forest in the country has been cleared to make room for hydropower damming so far. At a forum on forest planting and wood processing and import-export held by the agriculture ministry in HCMC in March last year, an official from the Vietnam Administration of Forestry noted that an assessment of forest clearance for hydropower development indicates hydropower developers have replanted only 700 hectares compared to the 20,000 hectares of forest felled for hydropower development. The agriculture ministry in early May last year issued Circular 24/2013/TT-BNNPTNT on forest replanting regulating that those wanting to develop hydropower plants or mine minerals in forests must offset the forests cleared.

Building expo to showcase eco-friendly technologies

AFC International Exhibition Company General Director Nguyen Dinh Hung told the media yesterday that the exhibition would feature 1,350 booths of 214 domestic businesses, 175 joint venture companies and 61 foreign groups and enterprises. The foreign participants are coming from China, South Korea, Japan, Malaysia, Thailand, Italy, Indonesia, Hong Kong, Switzerland, Singapore, France, the US and India. The exhibition will include the presentation of the Vietbuild Golden Cup to encourage quality improvements and the creation of new construction and real estate products. Three special conferences would also be held to discuss the development of new eco-friendly technologies. Vietbuild is an annual exhibition jointly organized by the Ministry of Construction and the AFC International Exhibition Fair Corporation. The event was organized for the first time in HCM City in 1998, and was subsequently expanded to Ha Noi and Da Nang in 2005

Big C seeks to increase sale of local goods

French supermarket chain Big C met with 39 small and medium-sized firms in Binh Dinh Province to discuss buying their products. The companies specialize in indoor and outdoor furniture, handicrafts, processed foods, seafood and seafood products, beverages, meat and safe vegetables. The supermarket is making efforts to increase its local sourcing. It signed deals worth around VND106 billion (US$5 million) with 110 small and medium-sized producers after similar meetings in Hue and Nghe An, Nam Dinh and other provinces

Vietnam improves global license procedure rank

Vietnam's construction industry licensing procedures ranked 28th out of 185 countries examined by the World Bank in 2013, a leap of 39 places above the previous year. Out of the World Bank's 11 indices evaluating Vietnam's business environment, construction industry licensing procedures were one of only two to show improvement. The Ministry of Construction noted the number of unlicensed constructions fell by 9 percent in 2013. It added localities are pressing officials for approval of new, more effective construction license granting regulations.

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VIET NAM INDUSTRIAL PARKS INVESTMENT PROMOTION
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COMING EVENTS

LifeStyle Vietnam Ho Chi Minh City

Venue: Tan Binh Exhibition & Convention Centre (TBECC)

Country: Ho Chi Minh City, Vietnam *Start Date:* ***18.04.2014*** *End date:* ***21.04.2014***

Event Description

Trade fair for home decor and gifts
LifeStyle Vietnam is one of the largest home decor and gifts fairs in Southeast Asia. It provides a winning combination of exceptional creativity, fine craftsmanship, well-selected merchandise, and personalized customer service which make it a fascinating fair featuring innovative products for enhanced living experiences, home decoration and accessories. Vietnamese suppliers as well as overseas exhibitors will have the opportunity to meet each other and do business.
In the period from Friday, 18. April 2014 until Monday, 21. April 2014, in which the fair LifeStyle Vietnam in Ho Chi Minh City takes place, there is a Sunday on 20. April 2014. On Sundays and public holidays there might be restricted opening hours of shops and public institutions in Ho Chi Minh City.
Please kindly refer to www.lifestyle-vietnam.com

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International Jewelry + Watch Vietnam Ho Chi Minh City

Venue: Tan Binh Exhibition & Convention Centre (TBECC)

Country: Ho Chi Minh City, Vietnam *Start Date:* ***08.05.2014*** *End date:* ***11.05.2014***

Event Description

The International Jewelry + Watch Vietnam in Ho Chi Minh City is an exhibition of watches and jewelry. Manufacturers and distributors will have the opportunity to present their products and sell directly. The fair is also an excellent opportunity to learn about what will be "in" or "out" next season. Visitors can take a look at a large selection of trendy and traditional jewelry, diamonds, pearls, precious stones and watches.
In the period from Thursday, 08. May 2014 until Sunday, 11. May 2014, in which the fair International Jewelry + Watch Vietnam in Ho Chi Minh City takes place, there is a Sunday on 11. May 2014. On Sundays and public holidays there might be restricted opening hours of shops and public institutions in Ho Chi Minh City.
Please kindly refer to www.vietnamjewelryshow.com

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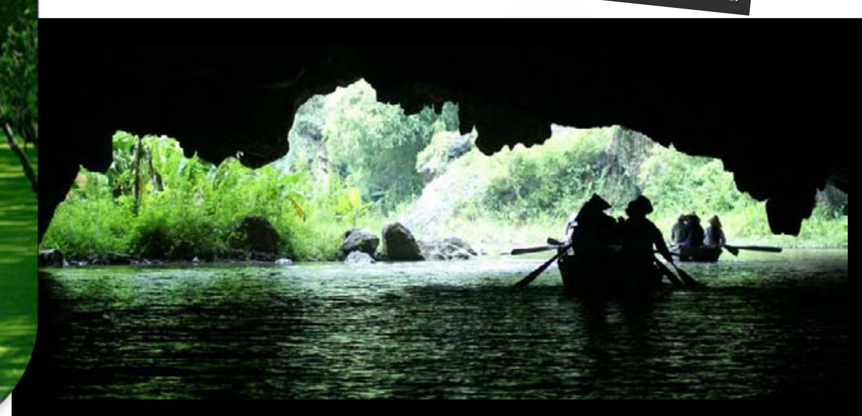
Photo DTK



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