



Dear all,

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**VIETNAM: TRADE & INVESTMENT BULLETIN No.9**  
**September 2014**

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## DEVELOPER'S INTRODUCTION



# TAN BINH INDUSTRIAL PARK BINH DUONG PROVINCE, VIETNAM

**Address:** Tan Binh commune, Bac Tan Uyen district, Binh Duong province

**Phone:** (84-650) – 6 566 668/ 3 687 888

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**Website:** <http://www.tanbinhip.com>

**DEVELOPER:** Tan Binh Industrial Park JSC

**OPERATIONAL TIME:** 50 years (from 2012)

**AREA:** 352.5 ha in total, 244.5 ha of industrial land,  
 5.9% of which is occupied

### INFRASTRUCTURE

- The capacity of fresh water supply is 14,000m<sup>3</sup>/day & night
- Waste water is treated according to Vietnamese Standard with capacity of 10,000 m<sup>3</sup>/day & night
- The 22KV of electrical supply network for manufacturing is connected to the 110/22KV – 2 x 40MVA of National grid
- Internet access technology – FTTx provides best telecommunication services for enterprises
- 36 ha residential area meets a wide range of demands of workers

### OUTSTANDING FEATURES

- Convenient location: 15 km from Binh Duong New City – Binh Duong administration center, 55 km from Tan Son Nhat airport (HCMC), 61 km from Sai Gon seaport, 62 km from Tan Cang - Cat Lai seaport
- Wide internal roads (24 – 38 m) and connected with important roads (DT741, National Highways No. 1A, 13, 14, 22, 51, My Phuoc-Tan Van)
- Abundant raw materials from rubber trees (wood, sap,...) and other agriculture products

### INCENTIVES AND SUPPORTIVE POLICIES

- Special Enterprise income tax for the newly-established projects in Tan Binh industrial park
- Special price for the first new comers
- Various price options for tenants that can be paid within 18~24 months without interest

**For more detail, please contact Planning & Business Dept.: (84) 933 446 988**



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## QUEVO 2 INDUSTRIAL ZONE

Address <b>A: Km no.18, Highway no.18, Quevo district, Bacninh</b> <b>T: (+84)2413 623 868   F: (+84)2413 623 868</b>		<b>Head office</b> <i>A: 13<sup>th</sup> floor, HH3 Tower, Metri Str., Tu Liem, Hanoi</i> <i>T: (+84) 4 66748483   F: (+84) 437877936</i> <i>E: <a href="mailto:office@idicoquevo.com.vn">office@idicoquevo.com.vn</a></i> <i>W: <a href="http://www.idicoquevo.com.vn">http://www.idicoquevo.com.vn</a></i>
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### LOCATION, REGION AREA, PLOT INFORMATION

<b>Location</b>	To airport	50 km to Noi Bai International airport along Highway no.18 International flights: more than 40 flights/week	<b>Electricity supply</b>	Power supply	-Two sources: 22V and 35V from EVN Bacninh -110 KV: Que Vo 2 now supplies to entire the IZ from national electricity grid network
	To road	Located along Highway no.18 from Bac Ninh to Hai Phong, Quang Ninh, Hai Duong To Highway no.183 (way to Hai Duong) about 07 km	<b>Water supply</b>	Capacity	Quevo water plant (Japanese technology), 1.5km from IZ IZ capacity of water consumption: 11000-20000 m <sup>3</sup> /day - Treatment capacity: 2000-4000 m <sup>3</sup> /day - The waste water treatment plant use both: COD, BOD ( <i>biotech treatment technology</i> ) and pH adjustment
	To port	- 90 km to Hai Phong seaport and Lach Huyen deep water sea port in Hai Phong along Highway no.18 - 100 km to Quang Ninh seaport along Highway no.18 - 15 km to Cau river port	<b>Waste water system</b>	Quality	- 1 <sup>st</sup> level: enterprises have to treat by themselves up to level B ( <i>Vietnam's standard: TCVN 5945:2005</i> ) - 2 <sup>nd</sup> level: waste water will be treated at the waste water treatment station within IZ up to level A ( <i>Vietnam's standard: TCVN 6984:2005</i> )
	To railway	01 km to Chau Cau railway station New Yen Vien - Cai Lan railway parallelly with IZ has been construction since March, 2008	<b>Faculties</b>	Telephone line	Up to 20 telephone lines for each factory and supplied by the Post Office (VNPT) of Quevo district
	To the centers	- 50 km to Ha Noi Capital along Highway no.1A - 15 km to the Center of Bac Ninh City - 90 km to Hai Phong City - 100 km to Quang Ninh City		Internet	-ISP: VNPT, Viettel, FPT Telecom -Speed: 512 kpsb and 128 kbps-2048 downstream -Services: dial-up, ADSL, Leased line,...
<b>Land</b>	Scale	572 ha 1 <sup>st</sup> phase: 272 ha (120 ha available) 2 <sup>nd</sup> phase: 300 ha	<b>Labor</b>	University	Technical teacher college Technical health university of Bacninh province
	Development status	-1 <sup>st</sup> phase: already finished the infrastructure and the land is ready for investors to build factory (120 ha) -2 <sup>nd</sup> phase: land compensation, leveling and under construction for infrastructure 1 <sup>st</sup> phase (300ha)		Worker	Population of Bacninh province is around 1,2 million and people on the age of working are around 0,7 million Population of Bacninh city is around 180 000 peoples

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## GENERAL REVIEW

### APEC ministers talk human resource development

*The 6th Asia Pacific Economic Cooperation (APEC) Human Resources Development Ministerial Meeting was official held in Ha Noi on September 6 under the motto "Strengthening People-to-People Connectivity and Quality Employment Through Human Resources Development."*

Vietnamese PM Nguyen Tan Dung attended and delivered a speech at the event which drew the attendance of around 100 delegates from 21 APEC member economies.

PM Dung said that economic linkages among APEC members, which now accounts for 40% of the world's population and 54% of the global GDP, have been increasingly vibrant, bringing back numerous opportunities and benefits to each of the members as well as the region and the world.

Lessons and experience drawn from APEC cooperation show that human resources play a leading role in maintaining APEC's dynamic and fast growth, noted the Government chief.

The trend of deeper globalization and liberalization with diverse models of economic cooperation and linkages has opened up both opportunities and challenges for the world in general and APEC in particular.

Prominent challenges include sluggish growth, unstable recovery, high unemployment, imbalance of high-skilled labor demand and supply, social instability and other potential risks. PM Dung stressed that handling these challenges requires efforts at national, regional and global scales.

He called for stronger cooperation and experience-sharing activities, especially in human resource development, among APEC members, regarding these as key measures to revitalize economic growth and ensure social and human development.

The Vietnamese Government leader also hoped that APEC ministers and delegates would put forward fresh and effective recommendations and initiatives in which human beings play a central role in human resource development in order to mitigate negative impacts of globalization especially among young people and vulnerable groups like women and the handicapped.

During the 30-year renewal process, Viet Nam has gained significant achievements in socio-economic development and now entering a new development stage after becoming a middle-income country, said PM Dung.

Viet Nam selected human resource development, particularly high-quality workforce, as a strategic breakthrough to support sustainable socio-economic development, economic restructuring, and transformation of growth model.

The country is also integrating deeply into cooperative mechanisms at regional and international levels, especially the Trans-Pacific Partnership (TPP) and free trade agreements with high criteria on human resources.

At the ongoing meeting, APEC ministers will focus discussions on topics: (1) supporting inclusive and sustainable growth, and addressing the social dimensions of globalization; (2) enhancing human resource quality to meet supply chain demands; and (3) facilitating the mobility of labor and skills development.

Source: VIR

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## Successful projects lead to greater ODA liquidity

*The accelerated construction of many big infrastructure and power projects has led to larger disbursements of official development assistance to Vietnam.*

The Ministry of Planning and Investment (MPI) reported that disbursement of official development assistance (ODA) and concessional loans in this year's first half reached \$3.1 billion, including over \$3 billion worth of loans and about \$84.48 million in grants.

Disbursement soared 41 per cent up on the \$2.2 billion released during last year's corresponding period.

The disbursed sum included \$1.088 billion from Japan International Cooperation Agency (JICA), \$923 million from the Asian Development Bank (ADB), \$717 million from the World Bank, \$110 million from German government-owned development bank KfW, \$67 million from Korean Eximbank and \$90 million from the French Development Agency (AFD).

Among major disbursements are a \$250 million disbursement from the World Bank's Economic Management and Competitiveness Credit for Vietnam Programme, which is aimed at helping the country with economic management reforms for higher productivity and competitiveness and the AFD's support programme to respond to climate change in Vietnam.

"Notably, faster-paced construction of major transport infrastructure and energy projects has contributed to this six-month ODA disbursement," said Minister of Planning and Investment Bui Quang Vinh.

According to the MPI, some \$105 million funded by JICA has been disbursed for the project to build the second terminal at Hanoi's Noi Bai International Airport. Some \$27 million has been spent on a World Bank-funded project to build traffic infrastructure in the Mekong Delta and \$15 million has been disbursed for the ADB-funded Ho Chi Minh City-Dau Giay express way.

In the energy sector, \$125 million has been disbursed for JICA-funded projects including the O Mon thermal power plant and power transmission grid for the Mekong Delta, as well as the Nghi Son thermal power plant (\$37.4 million). Also within this sector, there were disbursements for the ADB-funded Mong Duong thermal power plant (\$94 million), and the World Bank-funded power distribution efficiency project (\$72 million).

In mid-August, Prime Minister Nguyen Tan Dung clinched a decision on allocating an additional VND3.6 trillion (\$171 million) in counterpart-funding for ODA projects. He also ordered central and local authorities to arrange enough reciprocal funding for ODA projects next year, with the aim of boosting disbursement of ODA nationwide.

According to the MPI, around \$21 billion of ODA had yet to be disbursed by the end of 2013, including \$8 billion which is planned to be released this year.

Source: Vietmaz

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## MPI: State should provide more support for SMEs

*The State should further improve the business environment and implement policies that will enable companies, especially small- and medium-sized enterprises (SMEs), to achieve breakthroughs.*

The insight came from experts attending a seminar here yesterday by the Ministry of Planning and Investment (MPI) and the Asian Development Bank (ADB). Trinh Thi Huong, deputy head of the Small and Medium Enterprise Development Division of the MPI's Enterprise Development Department (EDD), cited a report of the EDD on the policies that have been implemented to support SMEs.

Huong said the policies had promoted the building of information pages on the internet, as well as the upgrade of content of the pages on the provincial and city state offices that enterprises have often been using. She noted that the State offices had invested US\$2 million per year in the training of human resource for the SMEs, and policies were applied step-by-step to ensure more support from specific sectors for SMEs, including training in human resource and policies on all kinds of tax.

However, Huong added, implementation of these policies remained limited and no standards were set for 80 per cent of these policies, whose effects on the enterprises could therefore not be measured. Policy implementation was limited to the cities of Ha Noi and HCM and was not adjusted to the scale of different modes of enterprise, she noted.

"Implementation of these policies remains slow," Huong remarked. "For instance, information on support policies has been released to media for quite some time, but enterprises have yet to actually enjoy the support." Huong cited a lack of connection among the policies that has made it difficult for the SMEs to receive support.

The report cited four reasons for this situation. First, six of the eight groups of support policies were not suitable to enterprises. Second, the policies were in conflict with the laws of various sectors. Third, no breakthroughs were achieved in the implementation of these policies, and co-ordination among concerned ministries, sectors, provinces and cities was weak.

Fourth, the ability of State offices in the provinces and cities to provide support remained poor, and numerous departments of planning and investment had yet to set up a division that would take charge of supporting the enterprises. Also, SMEs had not tried to approach concerned government agencies regarding the policies and updated themselves with enough information about those policies, Huong said.

The enterprises often had a short-term strategy for production and business and had not paid attention to reform and the raising of competitive ability among them. Huong said the department recommended that the State management offices improve the business environment and build on specific policies. Associations of enterprises should be a bridge between enterprises and the State management offices to improve efficiency in the implementation of these policies, she added.

Pham Thi Thu Hang, general secretary of the Viet Nam Chamber of Commerce and Industry (VCCI), said the policies had been partly successful in providing needed support to SMEs, but this was unfair to foreign-invested and State-owned businesses. Complicated administrative procedures were still a challenge for the SMEs, and the support policies for SMEs had lacked synchronism, Hang added.

She urged the State to have specific support policies for SMEs but to refrain from excessively prioritising them.

Source: VNA/VNS

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### **Intellectual property issues get spotlight**

*Delegates from Viet Nam, Laos, Cambodia and Myanmar discussed intellectual property and trademark issues at a workshop in Ha Noi yesterday.*

Deputy Director of the National Office of Intellectual Property of Viet Nam (NOIP) Tran Huu Nam stressed the importance of IP and trademark building to the development of enterprises all over the world. Viet Nam and other developing countries needed to utilize those tools efficiently so they could gain competitive advantages in the global market, he added.

David Faulks, managing director of Australian strategic brand consultancy Generation Alliance, recommended that Viet Nam determine its key products in connection with special features of local geography, communities and stories to attract target customers before building comprehensive brand strategies.

Few domestic companies applied for patents, as many were aware of the importance of brands, trademarks and inventions but failed to see the potential of franchising and other similar commercial activities, said Viet Nam University of Commerce lecturer Nguyen Quoc Thinh.

He added that 39 percent of Vietnamese enterprises did not even know where and how to register for IP rights

Source: TalkVN

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### **Viet Nam attractive to US businesses**

*Viet Nam now ranks second among ASEAN's most favored locations for US business expansion, based on a survey released in late August by the United States and American Chambers of Commerce in Singapore.*

Indonesia placed first and Myanmar placed third in the month-long survey, which polled 588 senior executives of US companies in all 10 ASEAN countries from May 5, to June 5, 2014. Brunei and Laos placed last in the survey, which included Cambodia, Malaysia, Myanmar, the Philippines, Singapore and Thailand.

The survey listed Vietnamese strengths, including positive sentiments toward the US, the availability of low-cost labour and the level of personal security.

But it also noted that the number of business executives who planned to diversify some of their investments or businesses from China into ASEAN over the next two years had dipped slightly from last year.

This was most pronounced in Laos, where the number dropped significantly. On the other hand, Viet Nam had the highest number of respondents who planned to diversify their investments in the country, increasing by five per cent from that of last year.

A majority or 51 per cent of respondents in the region think that the Trans-Pacific Partnership (TPP) will help their companies' regional trade and investment activities, with those stationed in Indonesia, Malaysia, Singapore and Viet Nam leading the way.

According to the survey, about 95 per cent of expatriate employees in Viet Nam were generally satisfied with their assignments and 87 per cent attempted to extend their stay.

However, respondents indicated that corruption was one of the biggest problems in Viet Nam, with 69 per cent of respondents indicating dissatisfaction.

In general, about 74 per cent of the respondents reported that their company's level of trade and investment in ASEAN has increased over the past two years, and an overwhelming 89 per cent of respondents expected it to increase over the next five years. The profit outlook also appeared solid, with 63 per cent of executives expecting profit increases this year and 81 per cent, next year.

"This survey underscored the confidence that US businesses have about ASEAN as it integrates economies, deepens its trade and investment relations with major trading partners and makes the region an important, attractive destination for US investment," said Tami Overby, the US Chamber of Commerce senior vice president for Asia.



Judith Fergin, executive director of the American Chamber of Commerce in Singapore, said: "These positive findings point to positive outcomes for ASEAN – more jobs, more exports, more commerce and more rapid economic growth. US companies are happy to be contributing to this good news story."

However, the survey also found substantial concerns and impediments to companies' growth in the region. As in previous years' surveys, corruption was the top issue across ASEAN and was cited by a majority of respondents in all countries except Brunei and Singapore.

American companies also pointed to burdensome laws and regulations, poor quality infrastructure and the lack of transparency and the difficulty of moving products through customs in some countries as obstacles to greater investment.

The survey also revealed that US companies took advantage of regional economic integration efforts, including ASEAN's free trade agreements (FTAs) with Australia and New Zealand, as well as China, India, Japan and South Korea.

Nearly half or 49 per cent of respondents reported that they were using the FTA to export goods from ASEAN to China. American companies' use of other FTAs ranges between 43 to 47 per cent.

Of the 588 executives polled, about 55 per cent are in services while 31 per cent are in manufacturing and the remainder, in extractive and other industries. The companies surveyed had turnover ranging from below US\$50 million to more than \$1 billion.

Source: VNS

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## TRADE

### Fibre industry on the rise

*The local fibre industry has been booming on the back of rocketing investment and the resultant reduced dependence on imports.*

Vietnam's export value of fibre amounted to an estimated \$1.6 billion in the year to August, a 20 per cent rise on-year with major suppliers like Phong Phu, Tra Ly, Phu Bai, and Hoa Tho signing export contracts with foreign partners for the whole of this year.

After many years of reliance on material imports, the local garment industry has become much more independent, with the spinning sector making the gains needed to get there.

Among the leaders in the spinning business is Phong Phu Joint Stock Corporation, which operates three companies producing and trading in fibre and eight spinning factories providing a variety of quality fibres and threads.

"Phong Phu's fibre products feature strong visibility in the domestic market, particularly in the high-end segments such as OE cotton or cotton ring fancy. Besides, our company is the main distributor of quality thread to UK-based Coats Group," said the company's general director Pham Xuan Trinh.

Phu Nam Fibre JSC, based in the Phu Bai Industrial Park in the central province of Thua Thien-Hue, has the capacity to supply nearly 30,000 spindles, half of which are sold in the domestic market. The company envisages scaling up production to surpass 30,000 spindles to meet growing demands both at home and abroad.

With approximately VND500 billion (\$23.8 million) in the total revenue last year, of which exports accounted for 40 per cent, Tra Ly Fibre JSC has made a significant contribution to fulfilling the demand of fabric producers.

Its new spinning factory, with 15,000 spindles and costing VND160 billion (\$7.6 million) in the total investment capital, was commissioned in the second quarter this year. Hanoi Textile Garment Joint Stock Corporation (Hanosimex) is a typical example when it comes to making investment into boosting fibre production capacity.

“Our VND410 billion (\$19.5 million) project to invest in 36,000 spindles with the annual capacity of 6,400 tonnes of quality fibre was approved by parent company Vinatex and is slated to kick-off construction early next year,” said the company’s general director Nguyen Song Hai.

The Vietnam Cotton and Spinning Association (VCOSA) has forecasted that export surplus in the fibre industry could be in the range of \$1-1.1 billion this year, compared to \$600 million in the first eight months of this year. VCOSA statistics show that by the end of 2013, Vietnam was home to more than 100 spinning businesses with 6.1 million spindles and total output of 720,000 tonnes. This represented around 2.1 per cent of global production capacity (250 million spindles).

Of the 720,000 tonnes, 250,000 tonnes is distributed domestically and 470,000 tonnes is earmarked for export. Vietnam’s leading fibre export market is China, making up 44 per cent of total value, followed by South Korea, Indonesia, Thailand and India.

Source: VIR

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## Cement industry eyes exports

*Viet Nam's cement production has met domestic demand since 2010 but has surpassed it since 2012 because of declining consumption resulting from economic recession.*

In this difficult situation, exports are believed to be the solution that will enable cement producers to reduce their inventories. Nguyen Quang Cung, president of the Viet Nam Cement Association, spoke to Vietnam News Agency about measures to boost cement exports.

### **With cement supply exceeding domestic demand, many companies opt to export. What are your opinions?**

A country must boost exports of all kinds of products and services to gain advantages offered by foreign currency earnings for its development.

Regarding the cement industry, some are of the opinion that exporting is just a band-aid solution. However, in my opinion, cement exports, indeed, help to bring long-term benefits to both producers and workers.

Viet Nam has advantages in cement production and exports thanks to abundant raw materials, with mountains that make up three-fourths of the country's total area and long coastlines with ports systems, which are convenient for exports.

Local cement companies also invest in advanced production lines and technology, turning Viet Nam into one of the leading cement producers in the region.

Cement exports will be a good choice from now till 2025 or even 2030.

### **Are cement export prices competitive in comparison with that of other countries in the region? Do you think there is unhealthy competition among domestic producers?**

Currently, many countries in Asia have been exporting huge volumes of cement for a good number of years. Among them, Thailand and Japan have been exporting cement for decades.

The competition in cement exports is not only in market shares but also in pricing. Many of Viet Nam's exports are priced lower than that of other countries, such as rice, which is lower than that of Thailand.

Current cement export prices fluctuate around US\$50-55 per tonne, and are lower than that of several countries in the region but not much, at below 10 per cent.

To boost exports, product quality must be enhanced along with brand name building among customers, and these processes require time, effort and a long-term strategy.

In addition, unhealthy competition is a factor that hampers exports. In order to raise export prices, co-ordination among the Ministries of Construction and Industry and Trade, Association of Building Materials and other concerned authorities are essential to harmonise the benefits of domestic producers and exporters and prevent unhealthy price competition.

### **What long-term measures should be carried out to ensure the efficiency of cement exports?**

Development planning for the cement industry, which has been amended several times, stresses the goal of meeting both domestic and export market demand. However, the cement industry currently lacks a long-term export strategy.

This export strategy is very essential in clearly defining which products from which plants should be exported, and which products from which plants should serve domestic demand.

For example, plants located near ports with good raw material sources, large capacity and high-technology equipment should prioritise exporting, to benefit from well-know brands and low production costs.

It will be unreasonable to export products of plants which are far from ports, as the transportation cost alone is already high.

In fact, many cement companies in Viet Nam currently focus on domestic demand while exports are still reliant on importing markets. Gaining export market share is also a problem for the cement industry.

Therefore, a long-term cement export strategy which is appropriate to reality is indispensable.

*Source: VNN*

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### **Steel makers face difficulties in domestic market**

*The steel industry is concerned about slow consumption in the domestic market despite a year-on-year rise of 7.22 percent in steel sales in July to over 423,600 tonnes.*

The Vietnam Steel Association (VSA) said most of its members are facing difficulties in finding domestic customers. The prices of steel products have dropped slightly, by between 100,000-200,000 VND (USD) per tonne.

Sales agents are hoping that sales may pick up towards the end of the year, which is usually the construction season.

VSA Chairman Ho Nghia Dung was of the view that low steel consumption was due to the economic slowdown, which saw the real estate market freezing and many infrastructure projects suspended. In addition, the building of private homes also dropped remarkably.

At the same time, domestic producers are under pressure from cheap imports, which surpassed 7 million tonnes during the first seven months of this year.

VSA has urged steel manufacturers to restructure their production to reduce costs and invest more in product quality, so as to enhance their competitiveness on the market.

The association's chairman also noted the need for legitimate and suitable technical barriers to encourage domestic production and prevent trade fraud.

The VSA has sent proposals to relevant State agencies asking for anti-dumping investigation of some imported steel products.

In early September, the Ministry of Industry and Trade has issued a decision to impose anti-dumping tariffs on stainless steel imported from China, Taiwan, Indonesia and Malaysia.

The decision was made based on results of investigations by the Vietnam Competition Authority launched at the request of Posco VST and Hoa Binh Inox last year.

Source: VNN

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### **Thai garment firms seek opportunities in HCM City**

*Thai trade and investment promotion agencies are actively implementing an array of programmes to connect businesses and support them in seeking business investment opportunities in Vietnam.*

These activities are seen as preparations for future opportunities after the establishment of an ASEAN Economic Community (AEC) in 2015, Thai Consul General Malinee Harnboonsong told an exchange between Vietnamese and Thai garment businesses in HCM City on August 27.

Bilateral trade relations have seen strong development in recent years with two-way trade turnover reaching nearly US\$9.5 billion last year and nearly US\$5 billion in the first half of this year.

Many Thai businesses highly appreciated the Vietnamese market's potential and long-term cooperative opportunities with Vietnamese partners, she said.

Thai businesses, through the exchange, want to introduce prime quality products and services to distributors and agents to enable Vietnamese customers be in favour of Thai products, Malinee said.

A Thaiwahknit Wear Co representative said the company is keen to expand business in Vietnam, particularly in HCM City aiming to seek importers, agents and outlets for knitwear and sports wear production.

According to the Ministry of Industry and Trade, bilateral garment trade turnover reached US\$160 million in the first half of this year, including US\$20 million from Vietnam's exports and US\$140 million from its imports.

Nguyen Van Tuan from the Vietnam Chamber of Commerce and Industry (VCCI)'s branch in HCM City suggested garment businesses from two countries should find the best ways to bridge the different gap of their export turnover and increase trade exchange for mutual benefits.

Source: VIR

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### **Rice exporters target stable supplies**

*The State should control the flow of rice exports through Viet Nam's border gates to ensure enough supply for export processing, experts said.*

The Department of Plantation under the Ministry of Agriculture and Rural Development said provinces in the Cuu Long (Mekong) Delta region expected a harvest of 8.3 million tonnes of commercial rice for the entire year, including 7.2 million tonnes from winter-spring and summer-autumn crops and 1.1 million tonnes from autumn-winter and winter crops.

The ministry reported that Viet Nam exported 4.24 million tonnes of rice in the first eight months of this year. In the coming months, exporters must deliver 1.77 million tonnes of rice under export contracts, and supply for export processing should come from their stockpile as well as purchases from farmers, the ministry said.

However, the department noted that numerous enterprises were finding it difficult to purchase commercial rice from farmers for export processing because of scant supply from the farmers.

The department said the enterprises could buy more rice from farmers in the future if rice exports flowing through border gates were placed under State control. To date, there are no exact figures on the volume of rice exports passing through border gates.

A rice expert said the nation has so far harvested seven million tonnes of rice while the total volume of rice exports reached 4.24 million tonnes in the first eight months of the year. This means the domestic market received two million tonnes of rice from farmers, excluding the inventory of enterprises.

Neither the enterprises nor the state offices have detailed information on the exports, added the expert.

Huynh The Nang, general director of the Southern Food Corporation (Vinafood 2), said the company has proposed to the Government and the Ministry of Industry and Trade that domestic rice exporters were resorting to the sale of the staple through border gates during hard times, but control over exports passing through border gates was needed to ensure supply for export processing enterprises.

According to the Viet Nam Food Association, Vietnamese rice producers aim to export 650,000 tonnes of rice in September. In the last quarter of 2014, they hope to export 1.4 million tonnes of rice, bringing the country's annual rice export volume to 6.3 million tonnes.

The VFA said the average export price of Viet Nam's rice in the first eight months of this year had a year-on-year increase of US\$2.95 per tonne to \$431.38.

In August, Viet Nam exported 627,100 tonnes of rice worth \$270.35 million. The nation's largest customer was the Philippines, followed by African countries, China, Malaysia and Indonesia.

Source: VNS

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## INVESTMENT

### Experts talk up VN as investment destination

*Viet Nam, with its 90 million population and growing affluence, and more focused efforts to equitise State-owned enterprises and restructure banks, offers great opportunities for portfolio investors despite some hurdles, a seminar that opened in HCM City yesterday heard.*

Georges Joseph Ghorra, an executive from the IFC, a World Bank arm, told the two-day Gateway to Vietnam: Rediscovering New Investment Opportunities that his institution "is convinced of the long-term growth prospects in Viet Nam."

He spoke about the country's "golden demographic structure" with an abundant workforce of 76 per cent of its population and a young and growing middle class with increasing disposable incomes.

Macroeconomic stability has been restored with single-digit inflation while the reform process continues, he pointed out.

The Vietnamese market is currently trading at attractive earnings multiples compared to other markets in Southeast Asia, he said, pointing out further that Moody's and S&P have upgraded the country's ratings respectively to B1 and BB, indicating stable. The financial market with the recapitalization and consolidation of banks under way; the infrastructure sector including hydropower/renewable energy, waste treatment, and logistics; manufacturing; agribusiness; and services all offer investment opportunities, he said.

Doan Hansen of global management consultancy McKinsey & Company said with the rapid urbanization, 10 million people are expected to move to urban areas by 2030, doubling the number of consuming households.

"Viet Nam is primarily in the hot zone for fast moving consumer goods with strong growth expected to continue," she said, asking, "Are you well positioned to meet the rapidly changing needs of Viet Nam's consumers, and how can you proactively support and benefit from the growing infrastructure needs?"

Labor cost is still low but so is productivity, she said.

"The country needs transition to manufacturing and exporting more complex and higher value products."

Ghorra listed Viet Nam's underdeveloped capital markets and cap on foreign ownership in listed companies (30 per cent for banks and 49 per cent for others) as the main challenges facing investors. The slow pace of bank restructuring and SOE privatisation, underdeveloped infrastructure, and low competitiveness when the country joins free trade agreements are the other challenges, he said.

### **SOE restructuring**

More than 430 SOEs were earmarked for equitization in 2014-15, but in the first half of this year only 31 made initial public offerings.

According to stock brokerage Saigon Securities Inc – which is organizing the seminar attended by around 400 participants — foreign investors' participation in those IPOs was insignificant, with only two of them, Viglacera and Cienco 4, attracting their interest.

Vo Tri Thanh, deputy director of the Central Institute for Economic Management, said it is more important that the assets of equitised companies are used efficiently than the number of equitizing SOEs. Valuation of the SOEs to be equitised is a challenging task, he added.

Alan Phan, managing director of Alan Phan Associates, said the valuations should be decided by the market. He supposed that the IPO of Vietnam Airlines would be made in a foreign stock market with underwriting by an international institution since it would encourage investors both in and outside Viet Nam because of the transparency norms there.

Vu Bang, chairman of the State Securities Commission, said the systems employed by the country's two stock exchanges in HCM City and Ha Noi and securities companies are capable of handling the IPOs of SOEs.

"It is regulated that equitised companies must list within a year after their IPOs, and when a SOE makes its equitization plans, it must have a listing plan as well."

But he wants the time frame reduced, proposing to the Government that equitized companies should list or trade on UpCom not later than 60 days after their IPO to facilitate liquidity to attract investors. The Government is considering his recommendation.

### **Non-performing loans**

Bad debts or non-performing loans also offer opportunities for foreign investors, experts told the seminar.

Nguyen Khac Hai, deputy CEO of SSI Asset Management Company, said the Vietnam Asset Management Company has bought VND50 trillion (US\$2.38 billion) worth of debts from banks since it began operation over a year ago, but has yet to resell any of it.

Obstacles to reselling include a lack of clarity on how to value the debts and how foreign investors can buy them.

Source: *GreetingVN*

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### **Administrative reform on investment promoted**

*PM Nguyen Tan Dung on September 10 had a working session with the Ministry of Planning and Investment (MoPI) on how to speed up the reform of administrative procedures relating to business establishment and dissolution, and investment operation.*

The Government chief pointed out the inefficient management and slow administrative reform in business establishment and dissolution, particularly the inconsistent legal system on investment and business.

According to PM Dung, the unperfected one-stop-shop mechanism has made ministries and agencies apply differently, leading to complicated and prolonged administrative procedures, negative behaviors, and obstacles to investment attraction.

PM Dung proposed ministerial and sectorial leaders put forth specific measures to perfect the legal system on investment and business, particularly robustly reforming administrative procedures; removing hindrances on investment environment; reforming procedures on market accession, implementation of investment projects and facilitating business operation of all economic components.

The MoIP reported that since 2007, it has worked with the Ministry of Finance and the Ministry of Public Security to conduct the one-stop-shop mechanism on business registration, tax registration and other related procedures relating to seals of businesses.

In 2010, the national business registration system was established, aiming to create fundamental, drastic changes on the field.

Source: *VIR*

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### **Three legal matters important for manufacturers in Vietnam**

*Depending on specific characteristics of each manufacturing sector, there are different provisions of laws. Below are several notable issues regarding active manufacturing enterprises.*

**Firstly**, in regards of the location of headquarters: Enterprises operating in the sectors of producing, processing, farming, etc. are not permitted to be headquartered in densely populated areas or urban areas, but only in the adjacent regions far away from residential areas. In the case where an enterprise wishes to place its headquarters within the city, such enterprise may only conduct the activities of purchasing and selling goods and displaying products and is required to establish factories/branches in adjacent areas for production, processing, farming, etc.

The People's Committee of Ho Chi Minh City has promulgated Decision No. 200/2004/QĐ-UBND on August 18, 2014. Accordingly, the Ho Chi Minh City People's Committee shall not grant new Business Registration Certificate to enterprises located in densely populated areas and operating in the following sectors, namely: basic chemical manufacturing and the manufacturing of batteries, storage batteries, pesticides, refrigerants, alum, detergents, dyes,

paints, etc. In the event where the need to conduct production activities at a different address other than the headquarters located in residential areas arises, enterprises may apply for business registration of the abovementioned sectors and commit not to conduct these at the headquarters.

For enterprises in densely populated areas, manufacturing and trading in the aforementioned business sectors must comply with the relocation plan of the Municipal People's Committee; if relocation is done promptly and accurately as planned, the enterprises will be rewarded according to the provisions of the city.

Pending relocation, operating enterprises are required to be in strict compliance with the standards and regulations on environmental protection.

**Secondly**, regarding regulations on environmental protection: Depending on the nature, scale and capacity of a project, the project owner must draft and register Environmental Protection Commitment or make a report on environmental impact assessment and submit to the competent authority for evaluation and approval as provided for by laws.

Enterprises are obliged to register Environmental Protection Commitment as prescribed by laws; if they fail to comply with the requirement, enterprises not subject to investment project establishment will be fined 2 million to 3 million VND, whereas those subject to investment project establishment will face fines ranging from 40 million to 50 million VND.

Similarly, enterprises are also required to submit approved Environmental Impact Assessment Reports; in case of failed compliance, enterprises will be fined 200 million to 250 million VND. Apart from financial penalties, the violating enterprises will also be suspended from operation from six to 12 months.

**Thirdly**, in regards of sublicenses: Depending on certain manufacturing and trading sectors, enterprises are required to apply for one or several business licenses/business eligibility certificates/other documentation (collectively referred to as "sublicenses") as provided for by laws before operating.

For instance:

Regarding to the business sectors of seal production, industrial explosive material production or those involving the use of industrial explosives, enterprises must possess a Certificate of Security and Order Qualification.

Relating to the manufacturing sector of food packaging materials, enterprises must have a Certificate of Food Safety Qualification and Receipt of the written publication of regulation conformity (regarding products with technical regulations) or a written Certification of conformity publication of food safety regulations (regarding products without technical regulations).

*Source: VNN/PLF – LAW FIRM*

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### **Viet Nam urged to encourage growth of support industries**

*Viet Nam's support industries remain underdeveloped in spite of Government directives, with only 27.8 per cent of industrial spare parts and accessories coming from domestic enterprises.*

In contrast, domestic enterprises in Thailand provide 60 per cent of industrial parts and accessories while those in China provide 50 per cent.

Nguyen Mai, president of the Viet Nam Association of Foreign Invested Enterprises (VAFIE), also told participants of a seminar on the development of Viet Nam's support industries here yesterday that the added value of domestic products remained low.



Specifically, the added value was 35 to 40 per cent for garments and textiles, 30 per cent for footwear and 30 per cent for electronics. Foreign direct investment (FDI) enterprises manufactured most of these products, noted Mai.

"This is happening because there is no policy for the priority development of some national support industries for large-scale productivity. The policy for support industry development has not created linkages between FDI and domestic enterprises," Mai said.

He added that models of vertical and horizontal linkages have not been formed to improve the competitiveness of national products. The VAFIE president also remarked that this presented an opportunity for Viet Nam to review and focus on the development of the support industries, an important concern of provinces.

In addition, some high-tech giants like Samsung, Nokia, Canon and Intel were moving their factories to Viet Nam and searching for suppliers from support industries to reduce production costs.

He said the country should ensure a transfer of technology from foreign investors to improve domestic production while upgrading the Vietnamese people's management and innovation skills. Figures from the Ministry of Planning and Investment showed that Viet Nam has attracted around 17,000 FDI projects with a total registered capital of more than US\$243 billion. Of these, an estimated \$120 billion was disbursed capital from 101 countries and territories.

In recent years, a remarkable increase was seen in FDI to Viet Nam's electronics industry from such countries as South Korea, Japan and Taiwan.

"FDI enterprises have played an important role in turning Viet Nam into one of the world's top 10 electronics manufacturing centres in less than a decade, with production value of \$40 billion last year. This is expected to be much higher in the future," said MPI Deputy Minister Nguyen Van Trung. South Korean FDI enterprises, including Samsung subsidiaries like Samsung Electronics, Samsung Display and Samsung Electro-Mechanics, have made South Korea the biggest foreign investor in Viet Nam's electronics industry, with total investment estimated to be more than \$10 billion by year-end.

Shim Wonhwan, general director of the Samsung Complex, said the mother company's investment in Viet Nam's electronics and support industries was around \$8 billion. However, support industries in the electronics sector remain relatively backward, although Vietnamese businesses have been able to provide printing and packaging products for Samsung. "As a foreign enterprise in Viet Nam, Samsung's objective is not only to develop an important manufacturing facility but also to contribute to Viet Nam's economic growth," said Wonhwan.

"Viet Nam's supporting industries are young but have huge hidden potential. We strongly believe that with the Vietnamese Government's practical policies and incentives, FDI enterprises and domestic suppliers will have much more opportunities to learn about each other, discuss and co-operate to promote supporting industries," he added.

Wonhwan also revealed that Samsung always sought and opened up lines of communication and co-operation with domestic suppliers who meet quality standards, ensure timely delivery of and offer reasonable prices for products. This is being done to increase the number of domestic suppliers to Samsung's supply chain and benefit both Samsung and Viet Nam.

He said companies who wanted to become their suppliers in spare parts and accessories should meet the requirements, including technology, infrastructure for research and development, quality control, ISO certification and environmental clearance.

*Source: VNS*

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## Experts at odds over proposed \$4b casino investment requirement

*The recently-proposed regulation stating that developers must have the investment sum of at least \$4 billion to be eligible to operate a casino in their resorts has been met with conflicting opinions from consultants.*

According to Timothy Horton, general manager of **Cushman & Wakefield Vietnam**, the proposed \$4 billion investment is at the higher end of expectations, but what it does is entice the larger, more influential groups to look at Vietnam and set a high standard of gaming in the country.

“These developers will also then help to drive on gambling tourism in Vietnam. I think that the Vietnamese government needs to be very strict on who they allow to have the licences so that the quality of the industry is not compromised,” said Horton.

**Lawyer Vu Xuan Tien** agreed that the stipulation for minimum-required capital was a must. “If we do not set this restriction, then any and every hotel could apply to set up a casino. And then how could we regulate the quality, not to mention the sheer volume?” Tien said.

**Chris Murphy**, head of valuations and advisory for JLL Vietnam said the capital restriction was aimed at ensuring that only large-scale reputable developers would be able to enter the industry, and ultimately this would be beneficial.

“However, capital investment alone will not produce a successful operation. It is necessary that the investment environment is transparent and encouraging for investment by casino operators from overseas. Sadly, the experience so far in Vietnam is not promising, with MGM pulling out of Ho Tram, citing difficulties in licensing procedures,” he explained.

“The related fields,” Murphy said, “would presumably be hotel and resort development, and so yes, the industry would welcome firm clarification of government requirements in this field.”

Meanwhile, the proposal received a different reaction from many other consultants. Troy Griffiths, deputy managing director of Savills Vietnam said that it would prevent the best possible outcomes.

“For major capital investments of national importance, it should be decided on a case-by-case basis. By imposing prescriptive measures, the most creative solutions are not found, and opportunities are missed. Casinos are well known as employment generators, and hotels and resorts contribute greatly to the local economy. Having a mandatory capital provision will preclude many smaller but possibly highly effective integrated casino resorts. Naturally, this will mean less employment and downstream investment in the local economy,” Griffiths said.

He said that the \$4 billion hurdle was arbitrary and would immediately dissuade many good operators, and that it seemed regressive to restrict such an opportunity for investment.

“There are very few global operators that can comply with this provision. The few that have this capability will also be considering far more competitive destinations,” he said.

**Ha Ton Vinh**, a consultant on casinos, said this minimum limit of investment capital must be clearly explained to developers. He claimed that the investment capital should depend on different criteria, such as the venue of casinos, the number of players, the project’s lifespan, as well as taxation and revenue.

The minimum figure of \$4 billion in investment capital, according to Vinh, will not entice developers.

“I think the Vietnamese government should invite many developers to propose their plans, and they should choose the most suitable and appropriate according to their capacity and the market demand. This should be the criteria for selecting developers, it should not be set in stone as a capital barrier,” Vinh said.

Furthermore, Griffiths said it would restrict the number of operators to major players, thereby excluding many others that could make a strong contribution.

“By limiting [the developers] to major players, the government’s negotiability is restricted. This will necessarily allow only mega-projects, which can be both good and bad. There are valid arguments for restricting casino operations to certain geographies to contain any social consequences,” he added.

Source: VIR

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### **Investors confident in southern business climate**

*Foreign entrepreneurs still regard Binh Duong province as a profitable and advantageous investment opportunity despite the disturbances in May, proven by the US\$350 million in foreign direct investment (FDI) in the southern locality since then.*

Huang Ping Fu, an executive for the Taiwanese-owned Kaiser Vietnam Wood Industries Limited Company located in My Phuoc 1 Industrial Park, said he highly valued the local authorities’ efforts to help businesses resume their operations.

Hang Vay Chi, General Director of the Viet Huong Industrial Park, said foreign companies located in Binh Duong appreciated the timely support offered by the province to help them overcome the consequences of the disturbances triggered by the East Sea tensions in May, thus increasing their confidence in the locality and Vietnam in general.

He added that his industrial park will receive US\$120 million in FDI from two US and Hong Kong (China) investors next week. Chairman of the Provincial People’s Committee Le Thanh Cung said investors’ confidence in the local investment environment had been maintained thanks to the province implementing effective measures at the right time.

In a meeting with the executives of 100 companies in August, he revealed that Binh Duong plans to earmark VND1 trillion (US\$47.6 million) to be made available to businesses facing financial difficulties. He informed the business leaders that the province had provided support to companies in 11 different locations, refunding taxes worth VND525 billion (US\$25 million) to 203 enterprises, and waiving taxes and property rental fees worth VND155 billion (US\$7.3 million) for 594 enterprises.

To date, Binh Duong has attracted more than US\$1.2 billion in FDI, 20% higher than the target for 2014, with 53% of investments coming from Japan and the Republic of Korea - the largest investors in the province, Cung noted. He reported that to facilitate smooth operations, the locality is accelerating and streamlining its administrative procedures, implementing the Government and province’s assistance measures, and ensuring security and order.

The province is also running a new campaign to promote investment in advanced technologies and its support industries, as well as in services and trade, the official said.

Source: TST

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### **Indonesian firms explore M&As**

*Vietnam and Indonesia are seeing big merger and acquisition opportunities.*

At conference on promoting investment in Vietnam, organized in Indonesia by the Ministry of Planning and Investment (MPI) in co-operation with Indonesia Investment Coordinating Board, Indonesian Cement CEO Dwi Soetipto said the group had acquired a 70 per cent stake in the Thang Long Cement Plant in the northern province of Quang Ninh several years ago.

“This deal has been a success story, prompting many Indonesian investors to turn to the Vietnamese market now,” he said.

The conference saw an impressive 150 Indonesian firms turn up. They were also joined by Vietnamese businesses such as the State Capital Investment Corporation - the state shareholder in Vietnamese enterprises, VPBank Securities (VPBS), PetroVietnam Power Corporation, PetroVietnam Exploration Production Corporation, Hanoi Housing Development and Investment Corporation, and Hanoi Urban Development, Construction and Investment Consulting Joint Stock Company.

At the conference, Barry David Weisblatt, head of research at VPBS, told Indonesian participants about investment opportunities in Vietnam via merger and acquisition (M&A), particularly in retail, banking, construction and production of consumer goods.

**Known as a leading advisor for M&A deals in Vietnam, VPBS representatives said that the firm had been selected by some Indonesian firms to provide them with advisory services for their M&A deals in Vietnam in the coming time.**

Established in 2006, VPBS has become one of the largest securities firms in Vietnam with chartered capital of VND800 billion (nearly \$40 million). The firm aims to be a market leader by 2015 with differentiated products and services.

The Indonesian Chamber of Commerce and Industry also announced that many Indonesian firms were set to visit Vietnam next month to investigate M&A opportunities.

Both Nguyen Xuan Thuy, Vietnam’s Ambassador to Indonesia and Mahendra Siregar, chairman of Indonesia Investment Coordinating Board, said better understandings between the two sides would need to be developed in order for enterprises from both nations to conduct M&As. Vietnam’s M&A market value increased from \$1 billion in 2008 to \$5 billion in 2012, with successful big deals also involving Indonesian investors. In early August 2014, the Vietnam M&A Forum, jointly organized by VIR and AVM Company, also drew major attention from local and foreign firms.

Vietnam’s state-owned enterprises (SOEs) started undergoing a comprehensive restructuring process via equitisation many years ago, but it is just the present time when the process has been strongly accelerated. The Vietnamese government’s target is to equitize 432 SOEs in 2014 and 2015, while state capital in non-core businesses will be divested.

Out of the 432 SOEs slated for equitization by the end of next year, 348 have established equitization steering committees, 247 have conducted a formal business valuation, 88 have had their valuations approved by the government. Significantly, 55 SOEs have had their equitization plans approved by the government, including the Vietnam National Textile and Garment Group (Vinatex) and Vinalines.

Of the 55 SOEs approved for equitization, 32 are currently listed on either the Hanoi or Ho Chi Minh stock exchanges, while the rest held their auctions directly at their offices or at securities firms.

In telecommunications sector, for example, in mid-June the prime minister made a decision to separate VMS – the operator of Mobifone, from its parent company VNPT to better carry out its equitization plan, which the prime minister is expected to approve within this year. Though Mobifone’s value and plan to sell shares to foreign strategic partners have yet to be finalised, there may be a number of competitors vying for Mobifone shares.

MPI’s Minister Bui Quang Vinh stressed that Vietnam’s equitization programme was creating new M&A opportunities, and that a new M&A wave would serve to boost the equitization and economic restructuring process in Vietnam.

While Vietnam has seen a fast rising influx of M&A deals from foreign investors, Vietnamese firms are similarly closing their own deals outside of Vietnam’s borders.

Not long ago FPT signed a deal with RWE Group, under which it will purchase RWE IT Slovakia. This was FPT’s first M&A deal in a foreign market. In late December 2013, Vinamilk announced its acquisition of 70 per cent of US-backed Driftwood Dairy. In August 2012, Viettel Global bought a 65 per cent stake in Tanzania’s Epoque & Golden Ocean Tanzania Ltd (Egotel). In October 2012 PetroVietnam announced it had concluded its purchase of Oil Block No67 on the Maranon River in Peru.

Source: Vietstock

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### **PM greenlights plan to grow wind power sector**

*Prime Minister Nguyen Tan Dung has approved a list of projects that will develop wind power in Viet Nam.*

The projects, largely to be funded by Official Development Assistance (ODA) from Germany, propose several approaches to improve Viet Nam’s capacity to harvest the potential of wind energy.

They range from building databases, to planning wind power infrastructure at both local and central levels, to improving the management of wind power investment.

To be implemented between 2014 and 2018, these projects will utilize a total investment of 3.7 million Euros (US\$4.7 million). Germany’s non-refundable development assistance package offered 3.6 million Euros (\$4.6 million) of the required investment and Viet Nam’s corresponding contribution satisfied the remaining 100,000 Euros (\$129,300).

PM Dung assigned the Ministry of Industry and Trade with the responsibility of allocating the funds to ensure the implementation of the projects.

Source: VNN

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### **Dong Nai sees 97% increase in investment**

*The southern province of Dong Nai attracted VND12.7 trillion (US\$597 million) in newly-registered and added funds as of August, a 97 per cent increase year-on-year, according to the provincial Department of Planning and Investment.*

The total includes 1,340 newly-registered firms with capital of VND5.3 trillion (\$249 million), a year-on-year increase of 25 per cent, and 421 that registered to increase their additional investment with VND7.3 trillion (\$343 million).

In order to encourage small- and medium-sized enterprises, the province plans to boost trade promotion programmes and help enterprises cope with credit and export difficulties, said Bo Ngoc Thu, director of the department.

Source: VNN

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## **Hoa Binh calls for foreign capital**

*Improving investment environment to exert a pull to foreign investors is seen as a key task of the northern province of Hoa Binh. Director of the provincial Department of Planning and Investment Bui Quang Hai spoke with the Vietnam Business Forum about the realities and prospects of investment attraction in Hoa Binh.*

**What are the roles of foreign direct investment (FDI) in the economic development and industrialisation and modernisation process in the province?**

Since central and local budgets are now limited, attracting FDI is seen as an active measure to offset capital shortage in socio-economic development and tap local potential.

First of all, FDI enterprises create jobs for local people. Particularly, workers employed by foreign-led companies usually have good working skills, knowledge and training. This helps raise overall working levels of local human resources. In addition, foreign businesses mainly invest in industry, thus helping speeding up the process of industrialisation and modernisation and increasing industrial value in GDP.

Not only that, by cooperation with foreign firms, local companies will have the opportunity to acquire modern technologies and advanced management experience and gradually approach international markets. Modern technologies and advanced management experience help improve labour productivity, reduce production costs and improve product competitiveness.

Apparently, FDI attraction helps tap local existing potential and gives a facelift to the local economy.

**Although the province is very clearly aware of the role of FDI in economic development, how can it make selective foreign investors have a good impression of the province and make investments here in the context of growing competition from other localities? In other words, how has Hoa Binh applied its assumptions on FDI attraction?**

Hoa Binh province has implemented a lot of solutions to improve the business climate to draw investment in general and foreign investment in particular. Specifically, the province has contacted and worked with foreign organizations and embassies in Vietnam and Vietnamese commercial counselors in foreign countries to appeal foreign investors, and reviewed and supplemented socio-economic development plans, industry development plans and urbanization development plans.

The province has spared a reasonable budget to invest, build and upgrade infrastructure systems for industrial parks; reviewed land-use planning, land reallocation, land rent and site clearance to generate ready lands for new projects; sped up public administration reform, built processes and orders for administrative procedures relating to investing; trained and fostered working skills and expertise for civil officials.

Hoa Binh has also increased meetings and information exchanges with investors, assigned relevant units and officials to work with investors to help them deal with emerging difficulties and challenges, and intensified State management over investment projects to enhance their quality.

Besides, the province has actively introduced its potential, advantages and incentives to attract investors; and informed citizens of the roles and benefits of investment projects.

## How has investment attraction been in the province over the past time? In which fields is the province calling investment capital?

As of July 2014, Hoa Binh province had 29 FDI projects with a total registered investment capital of 442 million USD, of which as much as 190 million USD was disbursed, accounting for 43 percent of the registered capital.

Foreign investors invested 22 projects worth 350 million USD into supporting industries and industrial production, accounting for 76 percent of projects and 79.3 percent of registered capital. Mining industry had two projects capitalised at 7.68 million USD. Tourism, hotel and industrial infrastructure fields had one project each and the services sector had three projects.

Foreign investors in Hoa Binh province mainly came from Japan, the Republic of Korea, India, Indonesia, Singapore, Thailand, Slovakia, China and the United States. Japan took the lead with 10 projects, followed by the Republic of Korea with nine projects.

In general, FDI projects are quickly carried out and put into operation by investors. In the context of global and domestic economic slowdown, FDI projects maintained stable business operations, contributed to local economic development, and ensured stable employment for some 10,000 local workers.

With State policy supports for investment in supporting industries, agriculture and rural development from now to 2020, Hoa Binh province will continue to call investors into leading fields like supporting industries, high-tech agriculture and tourism development, particularly ecotourism and excursions.

Although Hoa Binh province achieved positive results in FDI attraction, it still faced a lot of difficulties in winning the hearts of foreign investors. In the coming time, the province will tap its potential and advantages of geographical location and natural resources to attract investment projects in manufacturing industries, supporting industries, construction materials production, agro-forestry processing, apparel production, extractive industries, and tourism

These projects will create local economic development breakthroughs.

## Do you have any message to investors in general and foreign investors in particular?

Hoa Binh is committed to creating the most favourable conditions for all enterprises in the province. All commitments of the province will be realised with practical and flexible activities. The success of enterprises is that of Hoa Binh province.

Source: VN+

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## Reforms key to Can Tho IZ success

*In addition to its advantages in geography, raw material resources and skilled workforce, leaders of the Can Tho Municipal Export Processing and Industrial Zone Management Authority have gone to great lengths to make the city as attractive as possible to investors.*

Therefore, in order to create the most optimal conditions the authority has developed an open investment climate and has gone to great lengths to simplify administrative procedures within the city's export processing zones and industrial parks (IPs).

Back in 2007, the Can Tho Municipal Export Processing and Industrial Zone Management Authority (CEPIZA) chief Vo Thanh Hung founded a steering committee for the implementation of global quality management standards ISO 9001-2000 to tackle the diverse range of administrative procedures handled by CEPIZA.

The committee is operating a quality management system that follows Vietnamese standards ISO 9001:2008 and tackles these administrative procedures on site at CEPIZA. A specific section was established for receiving and delivering results under CEPIZA management, which vastly improved efficiency at the city's IPs. This went a long way towards creating a modern, one-stop shop state administration mechanism.

According to CEPIZA's deputy head Huynh Viet Dung, reforms in administrative procedures have brought many practical benefits, including huge savings in both time and costs.

Many requested certificates and investors' documents are now processed three to five days earlier than the regulated time, with certain investor certificates processed after only one day.

Last year, CEPIZA's section in charge of processing investors' documents received 387 files across 32 different administrative procedures. Of this number, 134 files were delivered ahead of time, accounting for 34.6 per cent, while the remaining 253 files were completed on time, accounting for the remaining 65.4 per cent. No records were delivered behind schedule.

Nguyen Van Thoi, head of the administrative department at Dai Phong Wheat Flour Company Limited, came to CEPIZA to source a revised investment certificate to expand the company's existing flour mill in the city's Tra Noc IP.

"With active support from CEPIZA staff, our company was given a revised investment certificate after only three days, compared to 15 days as regulated. I was really happy with the polite attitude of the staff there," he said.

At present, 28 different types of administrative procedures are processed directly at CEPIZA, belonging to eight discrete areas: environment, goods circulation, investment, foreign employment, occupational safety, construction, construction planning, and business start-up and development.

These procedures are fully listed at CEPIZA's one-stop shop or on its website. Throughout its years of operation, the administrative mechanism at CEPIZA has been constantly improved in conjunction with staff capabilities. Besides helping investors to complete procedures quickly, CEPIZA frequently hosts meetings with businesses based in the city's IPs to listen to any production or trade issues they may be having, and from there finding a timely and effective solution to the problem. CEPIZA's efforts to promote administrative procedural reforms have garnered rewards not just for the individual businesses, but for the authority and the city as well.

To date, the city's export processing zones and IPs are home to 213 on-going projects covering 564.9 hectares of industrial land with the total committed capital of \$1.9 billion. Disbursed capital accounts for 44.4 per cent of this, at \$849.2 million. Within the city's IPs, there are 190 domestic investment projects worth \$1.709 billion in the total committed capital and realised capital of \$677.3 million. There are also 23 foreign invested projects worth \$203.5 million in the total registered capital and realised capital of around \$172 million.

In terms of industrial land occupancy rate, Can Tho's IPs took the lead among locations in the Mekong Delta region with Tra Noc 1 IP fully leased by investors and Tra Noc 2 IP reporting an occupancy rate of nearly 90 per cent.

Source: VIR

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### Province's money issues menace Sembcorp timeline

*A capital shortage for site clearance may lead to a delay of Singaporean-backed Sembcorp Utilities' coal-fired power plant in central Quang Ngai province.*



Quang Ngai People's Committee last week sent a document to Prime Minister Nguyen Tan Dung crying out for financial support for site clearance and construction of resettlement areas.

Le Viet Chu, Chairman of the committee, said about 1,000 households would have to move before the second quarter of 2016 if Sembcorp's project is to go ahead on schedule.

"The capital demand is huge, and it is well beyond our provincial budget," he said.

Chu, however, did not specify a total amount for the needed support, only asking for an initial VND1.5 trillion (\$71 million) this year to build resettlement areas.

Sembcorp Utilities, a subsidiary of Sembcorp Industries, announced the \$2.5 billion project in September 2011. In January 2012 the investor signed a memorandum of understanding with Quang Ngai to study the feasibility of the build-operate-transfer (BOT) project. The BOT model means Sembcorp would own and run the power plant for a fixed time after which the Vietnamese government would take over.

The 1,200 megawatt power plant, located in Dung Quat Economic Zone, is aimed at enhancing the power supply in Quang Ngai province and throughout the central region, which have emerged as popular destinations for industrial manufacturing projects in recent years. This is the second power project Sembcorp has been involved with in Vietnam. Ten years ago the Singaporean investor, in partnership with Kyushu Electricity, Sojitz Corporation and BP, invested in the 749MW Phu My 3 power plant.

At present, Sembcorp Utilities is in negotiations with the Electricity of Vietnam and Ministry of Industry and Trade over the power purchasing agreement and BOT contract, respectively. Quang Ngai People's Committee said Sembcorp required the committee to complete site clearance of an 80 hectare area by the first quarter of 2016, when the investor plans to start construction to successfully put it into operation by the third quarter of 2020.

If the committee fails to complete clearance of the site within the above timeframe, the project could face delays.

*Source: Vietnambreakingnew*

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### **Binh Dinh sets up 3 new industrial complexes**

*The People's Committee of the central province of Binh Dinh has decided to establish three new industrial complexes, according to head of the provincial Department of Trade and Industry Nguyen Kim Phuong.*

The 30-hectare An Mo industrial complex in An Nhon town, worth VND47.8 billion (US\$2,246 million), will process agricultural and forestry products and construction rock.

The 35.7-hectare Phu An industrial complex in Tay Son District will focus on mechanical goods, construction material, agricultural and forestry products and garments.

The 75-hectare Binh Duong industrial complex in Phu My District will produce agricultural products for export, mechanical wares, carton casks, and synthetic laminated steel.

The project aims is the province's latest effort to industrialise and modernize its economy.

*Source: VNS*

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### **Hi-tech park allocates area for Japanese firms**

*Twenty hectares of land have been earmarked in HCM City's Sai Gon Hi-Tech Park for Japanese companies in supporting industries.*

Under an agreement between the park and the Department of Trade-Industry-Tourism of Japan's Shiga Prefecture on Friday, they will help companies from Shiga and HCM City link up with each other and provide support for research and development activities.

Vietnamese businesses will be helped with attending trade fairs and exhibitions in Japan, information about socio-economic development in both countries will be provided to businesses from Shiga and HCM City, and exchanges between them will be enabled.

Speaking at the signing ceremony, the head of the SHTP management, Le Hoai Quoc, said Shiga is one of the most industrialized provinces in Japan, with many industrial and manufacturing companies.

Shiga leads Japanese provinces in industrial growth rate. Industry accounts for 41 per cent of its economic output, much higher than the average of 23.7 per cent in Japan.

According to the director of the Shiga Department of Trade – Industry – Tourism, Hazumi Hiroshi, businesses in his province, especially medium-sized and small ones in hi-tech supporting industries, have been looking for business opportunities abroad.

Viet Nam and HCM City are attractive destinations for Japanese investors, especially those from Shiga, he added

*Source: ITPC*

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## FINANCE – BANKING

### Cash-strapped businesses show no interest in preferential credit package

*The Vietnam Development Bank's preferential credit program offers loans to businesses investing in support industries, but it has yet to see one applicant.*

The government, in an effort to develop support industries, has offered many investment incentives and provided preferential loans to enterprises in the sector.

Under the government's Decision No 12, the industrial production of materials, parts, accessories and semi-products for manufacturers and assemblers, defined as support industries, are subject to the government's preferential loans disbursed through VDB. However, VDB has not received any proposal for loans under the program over the last three years.

Deputy general director of VDB Dao Dung Anh noted that enterprises lack capital to develop their projects, but do not intend to access VDB loans because they feel the application formalities are too burdensome.

Under current regulations, borrowers need to submit their investment projects to an inter-ministerial appraisal council which will consider the projects before reporting the projects to the Prime Minister. VDB will then disburse money for the projects if they are approved.

Anh said the council has considered only one project so far, but it was submitted by a foreign invested enterprise.

“Complicated procedures prove to be the thing that most discourages enterprises, most of which are of small and medium scale. No Vietnamese-invested project has been approved by the appraisal council,” Anh said.

Anh revealed that a draft legal document is being compiled by the Ministry of Industry and Trade (MOIT) which will replace Decision No 12 and will remove complicated formalities to help enterprises access preferential loans more easily.

However, analysts believe that the low disbursement rate of the the VDB credit package does not mean there is low capital demand from support industry enterprises. In fact, they need capital, but cannot meet requirements to access official credit sources.

MOIT has proposed that the government set up a support industries investment fund, which will receive, manage and use financial sources for support industry development.

The fund is expected to have VND2 trillion in the first three years of its operation. Regarding the lending interest rate, MOIT believes that the enterprises should be allowed to enjoy preferential interest rates, which are no higher than 80 percent of commercial loans. VDB and government-managed funds are not the only capital source for the enterprises in support industries. Some commercial banks have launched huge credit programs to fund the development of support industries. TPBank, for example, has announced that it will launch the VND1 trillion credit package by the end of the year to fund the support industries development.

A businessman, while applauding the MOIT's plan on a support industries investment fund, commented that several trillion dong would be hardly enough for the support industry development. "To make phone covers to provide to Samsung Vietnam alone, businesses would need to invest \$500 million in technologies," he said.

Source: VNS

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### **Banks move toward non-collateral lending**

*Commercial banks and credit rating agencies are likely to take their first cautious steps toward providing loans without requiring collateral by evaluating company's portfolios and their leadership.*

"If assessments of payment capacity and business plans come up with proper results, credit institutions may provide trust loans," said Nguyen Thi Hong, the State Bank of Viet Nam's deputy governor.

Do Hoang Phong, General Director of Credit Information Centre (CIC), a unit under the central bank, told baodautu.vn that many banks were building internal credit rating systems, but the number of companies involved in the process remained small.

CIC rates 25,000 companies (compared to 400,000 companies in Viet Nam) and 10,000 business executives every year.

PCB Viet Nam Credit Information JSC, the nation's first private credit rating agency, has partnered with CRIF – a global company specializing in credit ratings, to build a sound system for the Vietnamese market.

**According to PCB, credit scores assist banks in managing risks and reducing costs, but also make it easier for individuals to receive bank loans.**

Nguyen Van Huong, director of Minh Tam Co Ltd said that banks should thoroughly consider loans for companies that are performing well.

"We are running a good input-output trajectory, but we can't receive bank loans because we have no collateral," he said.

Chairman of Ha Noi Supporting Industry Business Association (Hansiba) Nguyen Hoang said that although support industries were targeted as top priorities for bank loans, many companies were still not approved for trust loans.

Regarding the concern, Tran Dao Vu, deputy general director of DongA Bank, said that lending without collateral was a decision that could only be made following the completion of many successful transactions, and it was impossible to grant loans following a first meeting. Further, enterprises might gain a bank's confidence if they improved transparency in their financial reports, Vu said.

In July, the State Bank of Viet Nam told credit institutions and rating agencies to improve their ability to evaluate the credit worthiness of companies to allow for an increase in granting non-collateral loans. The move was made in a bid to assist Viet Nam in achieving a 12 per cent credit growth in 2014, which is likely to rest on loans granted in the second half of the year.

Observers note that there have been rumours that companies might prepare two financial reports, a true copy for themselves and polished reports for banks when they wish to apply for loans. Officials have said that only 1 to 2 per cent of enterprises provide banks with audited financial reports. Under current regulations, only credit institutions, finance, securities and insurance companies, foreign-invested companies, and public companies must have reports audited.

There are only 1,200 public companies, out of 400,000 companies in Viet Nam. In the situation of mounting bad debts, banks are more likely to insist on collateral, preferably property. In the document No 5342/NHNN-TTGSNH dated July 24, the central bank urged commercial banks to develop solutions to help enterprises access more capital to finance production.

Experts said that both banks and companies need the other to spend capital, but there might be much work to be done to develop trust before extending additional credit.

Source: VNS

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### **VAMC buys nearly 60 trillion VND worth of bad debts**

*The Vietnam Assets Management Company (VAMC) has purchased 59.5 trillion VND (2.83 billion USD) worth of bad debts from 35 credit institutions by September 1, said Nguyen Quoc Hung – Chairman of VAMC's member-board.*

The VAMC plans to purchase between 70 trillion VND (3.17 billion USD) worth of bad debts during 2014 and 100 trillion VND (4.74 billion USD) in 2015, Hung said.

VAMC, a wholly State-owned company with charter capital of 500 billion VND (23.7 million USD) and managed by the central bank, was established in late July last year to reduce bad debts of the banking sector.

Apart from the debt business, the Ministry of Finance allows the VAMC to hold deposits at State-owned banks and make investments (hold stakes) in other companies.

Source: VNA/VNN

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### **Foreign exchange control of FDI activities**

*The State Bank of Viet Nam (SBV)'s Circular 19/2014/TT-NHNN (11 August 2014) guides foreign exchange control of foreign direct investment (FDI) activities in Viet Nam such as contribution of investment capital, opening and use of direct investment capital accounts, remittance overseas of capital, profit and other lawful income and transfer of capital into Viet Nam in the pre-investment phase. The circular applies to residents who are FDI enterprises, non-residents participating in business cooperation contracts (BCC), non-residents who are foreign investors in FDI enterprises, and related organizations and individuals.*

### **Contribution of investment capital**

1. Foreign investors and Vietnamese investors in FDI enterprises are permitted to contribute investment capital in foreign currency or VND as specified in the investment certificate (IC);

2. Residents who are Vietnamese investors in FDI enterprises are permitted to contribute investment capital in foreign currency from their owned sources.

### **Using direct investment capital accounts**

To carry out FDI activities in Viet Nam, the FDI enterprise or BCC foreign investor must open a direct investment capital account in foreign currency or in VND at an authorized bank. This account may be used for revenue and disbursement transactions relating to the FDI activities in Viet Nam.

### **Remittance overseas of lawful income**

1. The foreign investor is permitted to remit overseas direct investment capital once the FDI enterprise is dissolved or terminated, or it reduces investment capital. This also applies when BCC and investment projects are completed, liquidated or terminated. In addition, principal, interest and fees from foreign loans, as well as profits and other lawful income relating to the FDI activities in Viet Nam via this direct investment capital account can also be remitted overseas.

2. If the FDI enterprise closes the direct investment capital account due to dissolution, termination or assignment of its investment capital, resulting in the change of its legal entity, the foreign investor must use his or her foreign currency payment account or VND payment account, opened at the authorized bank, to purchase foreign currency and remit overseas its direct investment capital and other lawful income.

3. The foreign investor is permitted to use lawful income in VND from FDI activities in Viet Nam to purchase foreign currency at the authorized credit institution and remit it overseas within 30 business days after purchase of foreign currency.

### **Capital transfer in pre-investment phase**

1. Prior to issuance of IC:

(1) The foreign investor is permitted to transfer investment capital into Viet Nam to meet lawful expenses of the pre-investment phase in Viet Nam under written agreement between the parties involved and via the foreign investor's foreign currency payment account opened at the authorized bank;

(2) The foreign investor is permitted to use investment capital transferred into Viet Nam as above, to meet lawful expenses in the pre-investment phase in Viet Nam.

2. After issuance of IC:

(1) The foreign investor, Vietnamese investor in the FDI enterprise and BCC foreign investor must finalise the investment capital transferred into Viet Nam prior to issuance of the IC;

(2) Conversion of the foreign investor's capital, transferred into Viet Nam to meet expenses of pre-investment in Viet Nam, into capital contribution or foreign loan capital must be conducted based on a written agreement between the parties involved. If the foreign investor's capital, transferred into Viet Nam and used to meet expenses of pre-investment, is converted into a foreign medium or long-term loan, the FDI enterprise must register the loan;

(3) If the foreign investor does not fully use the investment capital transferred into Viet Nam to meet expenses of pre-investment, the foreign investor is permitted to remit overseas the remaining amount in foreign currency or purchase foreign currency to remit overseas the amount of investment capital converted into VND and not fully spent in Viet Nam. Remittance overseas must be conducted within 30 business days after purchase of foreign currency.

3. Non-issuance of IC or non-continuance of FDI project in Viet Nam:

(1) If the foreign investor has transferred investment capital into Viet Nam to meet the lawful expenses of the pre-investment phase in Viet Nam, but the IC is not issued or the FDI project is not continued in Viet Nam, the foreign investor is permitted to remit overseas the investment capital transferred into Viet Nam, plus any indefinite-term interest after deducting costs relating to pre-investment activities in Viet Nam;

(2) The foreign investor is permitted to purchase foreign currency and remit overseas the investment capital converted into VND but not fully spent in Viet Nam. Remittance overseas must be conducted within 30 business days after purchase of foreign currency.

4. Remittance overseas of the remaining investment capital as above must be conducted via the same foreign currency payment account of the foreign investor opened at the authorized bank that was used to transfer the investment capital into Viet Nam.

The Circular takes effect on 25 September 2014 and replaces Article 9 of SBV Circular 05/2014/TT-NHNN (12 March 2014).

Source: *Vietnam Net Bridge*

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### **VN issues rules for securities lending**

The Viet Nam Securities Depository (VSD) recently announced the list of securities to be used as collateral to implement securities lending regulations in its Decision No 111/QD-VSD.

Accordingly, exactly 223 codes listed on two national stock exchanges were qualified. This includes 60 codes on the HNX30 and VN30 packages, made up of the top stocks by capitalisation and liquidity, and others based on liquidity. It also includes Government bonds and Government-guaranteed bonds listed on Ha Noi Stock Exchange.

The VSD issued its decision on the securities lending and borrowing system last August 19, in preparation for the operation of exchange-traded funds in Viet Nam and as support for securities trading in case of transaction corrections in which a temporary shortage of securities for payment would occur.

Deduction rates of asset value, the rate to be deducted from the prices of securities used as collateral, was set at five per cent on Government bonds and Government-guaranteed bonds, 30 per cent on securities in the VN30 and HNX30 packages and 40 per cent on others.

VSD said the reduction rates aimed to prevent risks and ensure the rights of lenders, since a number of stocks might be priced beyond their true value.

The lending interest rates will be subject to agreements between borrowers and lenders but should not exceed 120 per cent of the rate regulated by the State Bank of Viet Nam.

Source: *VNS*

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## **ANALYSIS – OPINION**

### **Updated new policies on foreigners in VN**

*A string of fresh policies on foreign-related elements were introduced in the first eight months including foreign strategic investors, sub-lease of job, preferential corporate tax, international goods trading activities with foreigners, temporary import for re-export, and indirect investment capital account.*

### **Foreign strategic investors**

A foreign strategic investor may hold 20% of the charter capital of a Vietnamese credit institution, according to Government's Decree 01/2014/ND-CP, dated January 3, 2014. The decree took effect from February 20, 2014.

Decree 01 adds financial joint stock companies and financial leasing companies to the list of organizations eligible to sell shares to foreign investors. This helps increase opportunities for foreign investors in Viet Nam.

Decree 01 maintains provisions on share ownership percentage of foreign investors as individuals and organizations. However, a foreign investors' share ownership percentage can be raised to under 15% of the charter capital of the Vietnamese credit institution.

The total share ownership level of foreign investors cannot exceed 30% of the charter capital of a Vietnamese commercial bank.

### **Guidelines for sub-lease of job**

Circular 01/2014/TT-BLDTBXH dated January 8, 2014 (Circular 01) took effect from March 1, 2014 providing further details on the implementation of paragraph 3 of Article 54 of the Labor Code of the licensing the activity of labor sub-lease, the deposit and list of works permitted to be done in sub-lease of labor.

As a rule, foreign enterprises may enter into joint ventures with Vietnamese enterprises to trade in the sub-lease of labor. In addition to the meeting of capital requirements, foreign enterprises have to prove that their main business line is the sub-lease of labor.

Foreign enterprises should provide contracts to which they have conducted the business activity of sub-lease of labor, in which the operating time of labor sub-lease has been granted in accordance with local regulations is represented and related to documents (if any).

### **Preferential corporate tax**

The Government's Decree 154/2013/ND-CP, dated November 8, 2013 guides the management of concentrated information technology parks.

Accordingly, enterprises will enjoy corporate tax rate of 10% for 15 years (up to 30 years in special cases) and exempt from tax in 04 years and get 50% tax cut in the next five years. In addition, they will be exempted from import tariff for goods imported to create fixed assets and serve for production of information technology products and services of enterprises.

Under Decree 154, concentrated information technology parks must employ at least 2,000 laborers doing specialized jobs in information technology, occupying at least 60% of total laborers working in the IT Park.

The Decree took effect since January 1, 2014.

### **Int'l goods trading activities with foreigners**

The Ministry of Finance on January 27, 2014 issued Circular No. 04/2014/TT-BTC (Circular 04) guiding some regulations on international goods trading activities and agent activities of buying, selling, processing and conducting goods transit with foreigners.

Circular 04 stipulates four types of imported goods under tariff quotas including salt, tobacco, poultry eggs, refined sugar and raw sugar.

Used automobiles of all kinds shall satisfy condition that the vehicles were used less than 5 years old from the production year to the import year.

### **Temporary import for re-export**

The Ministry of Industry and Trade on January 27, 2014 issued Circular No. 05/2014/TT-BCT (Circular 05) providing for the temporary import, re-export, re-import and transit of goods.

Circular 05 takes effect from February 20, 2014 and replaces Circular No. 05/2013/TT-BCT, dated February 18, 2013.

From February 20, 2014, enterprises trading in temporary import for re-export of used goods and goods subject to special consumption tax must have the security deposit of VND 7 billion. The security deposit must be paid to the State Treasury at provincial level or bank branches in the province or city where the enterprise is issued Certificate of business registration or Certificate of enterprise registration.

The deposit amount of enterprises trading in temporary import for re-export of frozen foods is VND 10 billion.

### **Regulations on indirect investment capital account**

Circular 05/2014/TT-NHNN (Circular 05) of the State Bank of Viet Nam guides the opening and use of a capital account to carry out foreign indirect investment activities in Viet Nam. Circular 05 only applies to investors who as non-residents, perform indirect investment activities in Viet Nam, as well as the organizations and individuals involved in the indirect foreign investment in Viet Nam.

According to this Circular, all foreign indirect investment activities in Viet Nam by foreign investors must be done through one indirect investment account opened at one licensed bank and all indirect investment activities shall be made in VND.

The Circular took effect from April 28, 2014.

### **Management of foreign learners**

The regulations of the Ministry of Education and Training on management of foreign students in Viet Nam will take effect on April 11, 2014. Foreign students are required to register and update their personal information in a database at <http://lhsnn.vied.vn> within 30 days after their registration in the country.

Foreign students, including those studying at all educational institutions, are required to update their information annually or when there are any changes.

### **List of 127 national projects calling for foreign investment**

Under Decision 631/QĐ-TTg, dated May 5, 2014 regarding the promulgation of the List of National Projects calling for foreign investment by 2020. The projects are categorized into five: technical infrastructure, social infrastructure, agriculture, processing and preserving and production-service sectors.

### **Enforcement of Land Law 2013**

The revised Land Law was adopted by the 13th National Assembly at its 6th session on November 29, 2013, featuring a number of important new points that draw great public concern.

Under the revised Land Law, foreign-invested enterprises are eligible to receive transfer of the investment capital, as the value of land use right applies to state-allocated land subject to collection of land use fees, the lease land is paid once for the entire rental period where the value of land use rights has been capitalized into the enterprise equity, except for transfer of the investment capital as the value of land use rights for agricultural production or forestry.

The transfer of the land use right associated with the residential housing investment project only applies to the land area having already completed construction of residential housings as per the approved projects.

Enterprise investor investing in the construction and business of industrial park infrastructure shall obtain permission from the competent authority to appropriately adjust the land use term; as long as the overall land use term shall not exceed 70 years and the project investor shall pay land use fees or land rent for the extended term area.

The Decree took effect from July 1, 2014.

Source: VIR

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## S&P, Fitch, Moody's raise Vietnam's credit ratings

*Vietnam's economy seems to be starting on the road to recovery.*

TRADING ECONOMICS									
	Countries	Indicators	Calendar	Markets	Forecasts	Sea			
TURKEY	BB+	Negative	Baa3	NEGATIVE	BBB-	STABLE	44.58	STABLE	
UGANDA	B	STABLE	B1	STABLE	B	POSITIVE	32.50	NEGATIVE	
UKRAINE	CCC	STABLE	Caa3	Negative	CCC		28.75	NEGATIVE	
UNITED ARAB EM	AA	STABLE	Aa2	STABLE	AA	STABLE	95.00		
UNITED KINGDOM	AAA	STABLE	AA1	STABLE	AA+	STABLE	97.96	NEGATIVE	
UNITED STATES	AA+	STABLE	Aaa	STABLE	AAA	STABLE	96.89	NEGATIVE	
URUGUAY	BBB-	STABLE	Baa2	STABLE	BBB-	STABLE	52.50	STABLE	
VENEZUELA	B-	NEGATIVE	Caa1	NEGATIVE	B	NEGATIVE	23.70	STABLE	
<b>VIETNAM</b>	<b>BB-</b>	<b>STABLE</b>	<b>B2</b>	<b>STABLE</b>	<b>B+</b>	<b>Positive</b>	<b>25.23</b>	<b>STABLE</b>	
ZAMBIA	B+	NEGATIVE	B1	STABLE	B	Stable	35.00	STABLE	

The website [www.tradingeconomics.com](http://www.tradingeconomics.com) last week noted that Vietnam's economic situation was now "stable", based on Standard & Poor's August announcement of the country's BB- (stable) credit rating and Moody's sovereign debt rating of B2 (stable). Fitch similarly gave Vietnam a B+ (stable) credit rating in late July.

Trading Economics provides users with economic data, including 300,000 economic indicators, for 196 countries.

Andrew Colquhoun, head of Asia-Pacific sovereign debt at Fitch Ratings, forecasted that Vietnam would grow 5.7 per cent this year, which was "relatively high" compared to other regional economies.

He said Vietnam's economic policy had "significantly changed" after the Vinashin scandal in February 2011.

Vietnam's foreign currency reserves reached \$35 billion in May this year and as well as increasing foreign direct investment, the country's export turnover is also on the rise.

**A Moody's report on Vietnam's** revised credit rating said it "represents the expectation of continued macroeconomic stability which, in turn, would further support the restructuring of the banking system and augment the country's external payments position."

Moody's also raised Vietnam's long-term foreign currency (FC) bond ceiling to Ba2 from B1, as well as its long-term FC deposit ceiling to B2 from B3. The firm also raised Vietnam's local currency country risk ceiling from Ba1 to Ba2.

These revisions were attributed to Vietnam's broad macroeconomic stability over three consecutive years. Real gross domestic product (GDP) growth averaged 5.3 per cent per year between 2012 and the first half of 2014 and inflation was reigned in to only 7.5 per cent on-year for the 26 consecutive months through July this year, a winning streak unmatched since 2000.

In early August, **the United Nations Economic and Social Commission for Asia and the Pacific** released its economic and social survey for 2014, which stated that Vietnam's growth "is projected to improve to 5.7 per cent amid improving credit conditions".

Continued caution regarding monetary policy and a renewed focus on structural reform, particularly the restructuring of state-owned enterprises and the banking sector, should support projected growth. Private investment was also expected to pick up, the survey said.

“The economy recovered gradually from the effects of a high-inflation episode and banking sector problems. Both consumption and investment grew at a steady pace. On the supply side, services continued to grow rapidly, while manufacturing picked up in the second half of the year,” the report read.

The World Trade Organization’s former director general Pascal Lamy told government leaders and local enterprises in meetings in August in Hanoi that he was quite optimistic about Vietnam’s economic performance.

“Difficulties are common for all economies, however, despite the financial crisis and global economic decline, Vietnam has still seen relatively high growth,” Lamy noted.

“But in order to further boost growth, Vietnam needs to boost structural reforms, improve law quality and create a level playing field for private companies,” he suggested. “It is expected that Vietnam will see big changes over the next 5-10 years.”

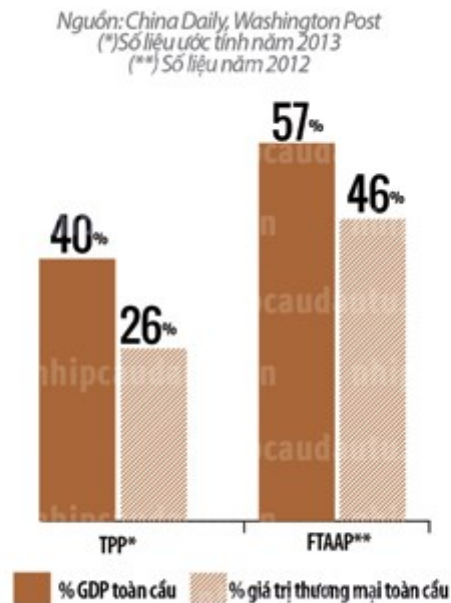
Source: VIR

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### Businesses believe APEC’s free trade agreement will bring few benefits

The proposed APEC free trade agreement (FTAAP) is expected to be on a larger scale than the Trans Pacific Partnership (TPP) agreement, but many Vietnamese businesses are not enthusiastic about the trade pact.

Several trade and economic agreements, including TPP and RCEP, are being discussed in Asia now.



The TPP, or the Trans-Pacific Partnership, is a proposed regional free trade agreement that is currently being negotiated by 12 countries throughout the Asia-Pacific region, while RCEP, the Regional Comprehensive Economic Partnership, is a proposed free trade agreement (FTA) between 10 member states of the Association of Southeast Asian Nations (ASEAN) and six states with which ASEAN has existing FTAs.

While the TPP and RCEP negotiations are progressing slowly, another free trade area has been proposed – the FTA of the Asia Pacific – which would comprise Vietnam and 20 other countries.

If the area is established, FTAAP will be one of the world’s largest free trade areas with

the presence of the three world’s leading economies – the US, China and Japan – and other significant economies, including Australia, South Korea, New Zealand, Canada and Russia.

The economic bloc, once formed, would comprise 57 percent of global GDP and 46 percent of trade value. For TPP, the figures are 40 percent and 26 percent, respectively. In fact, the FTAAP was once raised at the ASEAN summit in 2006. However, China has urged speeding up the FTA, suggesting that official negotiations should begin by 2020.

As for Vietnam, APEC countries are the most important trade partners. Therefore, some analysts believe that Vietnam will actively push to further the FTA process.

However, Vietnamese businesses said they do not have high expectations for this FTA. An economist commented that it is too early to rejoice at the news, because it is unclear if the tariff removals would bring benefits to Vietnam, or if the FTA would increase Vietnam's trade deficit with China.

He said that Vietnam's most competitive business fields are labor-intensive industries. However, even in advantageous fields, Vietnam still finds it difficult to compete with Chinese businesses which have a larger scale and higher productivity.

Russia also could be a big challenge for Vietnam. The Vietnam Steel Association has warned that many domestic steel companies will go bankrupt once they have to compete with a giant steel manufacturer like Russia, and once the import tariff on Russian goods falls to zero percent. Both Russia and China are members of APEC.

The economist also doubts Vietnam will be able to take full advantage of the new FTA. A report of the Hong Kong and Shanghai Banking Corporation (HSBC) showed that only 37 percent of Vietnamese businesses have taken full advantage of existing trade agreements to gain benefits.

Meanwhile, Toshihiro Atsumi, a professor of the Japanese Meiji Gakuin University, has expressed doubts about the impact of FTAAP on the economic bloc.

At least 40 percent of APEC members have had trade agreements with other members. The figure would be 100 percent if TPP and RCEP are signed. Therefore, FTAAP may no longer have an impact on member economies, as initially planned.

*Source: VNN*

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## NEWS IN BRIEF

### **Vietnam to participate in WEF annual meeting**

The Deputy Minister of Science and Technology Pham Cong Tac will lead a delegation of prominent Vietnamese businesses attending the Annual Meeting of the New Champions 2014 from September 10-12 in Tianjin, China. Businesses currently planning to accompany the Deputy Minister include leaders of iVivu, Vingroup, VNG, Vietcombank and Navibank Stock Company. Established in 2007 as the foremost global gathering on science, technology, and innovation, the Annual Meeting of the New Champions convenes the next generation of fast-growing enterprises shaping the future of business and society together with leaders from major multinationals as well as government, media, academia and civil society. Meeting under the theme Creating Value through Innovation, more than 1,500 participants from 90 countries will focus on how innovation can generate more and better value for all – for the people we serve, the organizations we lead and the societies to which we belong. 140 sessions in the forum will discuss many topics such as China and emerging markets, Sustainability and Social, Breakthrough and Industry and Creative and Culture.

### **Hue relocates polluting cement factory**

The central province of Thua Thien - Hue will move 114-year-old Long Tho Cement Plant from its location in a residential area in order to protect the environment. The plant has polluted Hue City's Thuy Bieu Ward for years, according to the local Department of Natural Resources and Environment. A recent decision made by the provincial People's Committee states that the plant must be relocated to an industrial park in Huong Thuy or Huong Tra district by June 2016. The removal will cost VND200 billion (US\$9.4 million), which will come from loans. In 2010, the department developed a plan to remove the plant by 2015, but it was delayed by a lack of capital and difficulties finding new jobs for workers. The plant has stopped operation of kilns and reduced production by half. First built in 1910 by French colonists, the plant has an annual capacity of 200,000 tonnes.

### **PTT to build \$22b refinery**

PTT group is moving forward with its plan to invest US\$22 billion in a petrochemical refinery complex in Viet Nam. The company said in a statement that a delegation led by group chairman Piyasvasti Amranand and president Pailin Chuchuttaworn on September 8 arrived in the country to submit its feasibility study on the project to the Vietnamese government. During the trip, they also met Prime Minister Nguyen Tan Dung. The study was originally expected to be submitted in April. PTT won the government's permission for the study in May 2013. Since August, it has carried out surveys and assessments on geology, seaports, logistics and transport systems, and potential environmental impacts. The feasibility study includes commercial, technical, financial, social and environmental impact details, as well as strategies and partner selection. The project was initially expected to require a total investment of \$28 billion, to be located on 2,000 hectares of land and to operate with the capacity of 660,000 barrels of crude oil per day. The feasibility study lowered the investment sum to \$22 billion, and refining capacity to 400,000bpd. At that capacity, it would produce 260,000bpd of refined petroleum products and 5 million tonnes of petrochemical products annually. The plant will be located in the Nhon Hoi Economic Zone in Binh Dinh province, designed to be Viet Nam's first petrochemical refinery complex.

### **Hoa Binh benefits from foreign-invested projects**

Foreign investment projects in the northern province of Hoa Binh have made substantial contributions to the State budget while creating jobs for more than 10,000 local labourers, according to the Director of Hoa Binh Management Board of Industrial Parks Tran Van Phuc. Hoa Binh province currently is home to 22 foreign-invested projects worth US\$350.3 million. Japan and the Republic of Korea together account for 19 projects, including a \$75 million automobile part factory invested by Nissin and a \$36 million aluminium plant of Almine group. Most recently, HNT Vina Co. Ltd., from the RoK, officially opened a \$20-million factory

that manufactures built-in cameras for mobile phones in the beginning of this month. The facility has a capacity of of 180 million units per year and employs 2,000 labours

### **HCMC showcases power technologies at global exhibition**

Electric and Power Viet Nam, the country's premier exhibition in those sectors, will open on September 17 at the Sai Gon Exhibition and Convention Centre in HCM City. There will be 104 foreign companies from Germany, Denmark, US, Korea, Turkey, Taiwan, and other countries and territories at the fifth biennial event, showcasing diverse power engineering technologies and products. They include ABB, AKSA power, and member firms of the Korea Electrical Manufacturers' Cooperative. Two conferences will be held on the sidelines. The first, organized by VINALAB, will be on ISO50001 Energy Audit requirements, and the second, held jointly by the Instrument and Control Society of Singapore (ICS) and Total Asset Management Systems Malaysia (TAMS), will be on new power plant technologies and operational excellence case studies. Industry veterans such as Kwong Kok Chan, general manager of SenokoPower and president of ICS, and Halim Osman, managing director of TAMS, with a combined industry experience of over 70 years, will impart their experience and knowledge to delegates at the ICS/TAMS power engineering and management seminar. Electric And Power Viet Nam was first held in HCM City in 2006 and it has since grown to become Viet Nam's most comprehensive power and electric solutions trade event that seeks to position itself as a technology marketplace in support of the country's growing grid and power infrastructure needs. The three-day exhibition will be organised by the Hong Kong Exhibition Services Ltd and its local partner, the VCCI Exhibition Service.

### **Vinalines sells its shares in Nha Trang Port Company**

Khanh Hoa's People Committee is granting Vingroup the right to purchase 85 billion dong (US\$4 million) of Viet Nam National Shipping Lines' (Vinalines) shares in the Nha Trang Port Company. The additional capital is expected to help Vinalines with its ongoing re-structuring process. Vinpearl is now working with the Nha Trang Port Company to improve and transition the Nha Trang seaport from a cargo-shipping port into a tourism port-terminal. This April, Vinalines handed over the seaport to the Khanh Hoa Authority for management so as to better serve the local tourism sector.

### **PM greenlights plan to grow wind power sector**

Prime Minister Nguyen Tan Dung has approved a list of projects that will develop wind power in Viet Nam. The projects, largely to be funded by Official Development Assistance (ODA) from Germany, propose several approaches to improve Viet Nam's capacity to harvest the potential of wind energy. They range from building databases, to planning wind power infrastructure at both local and central levels, to improving the management of wind power investment. To be implemented between 2014 and 2018, these projects will utilise a total investment of 3.7 million euros (US\$4.7 million). Germany's non-refundable development assistance package offered 3.6 million euros (\$4.6 million) of the required investment and Viet Nam's corresponding contribution satisfied the remaining 100,000 euros (\$129,300). PM Dung assigned the Ministry of Industry and Trade with the responsibility of allocating the funds to ensure the implementation of the projects.

### **Seafood imports hit US\$720 mln**

Vietnam's total seafood import value has reached US\$720 million over the past eight months, up 73% compared to the same period in 2013. Most products were shipped from India and Taiwan (China), according to the Ministry of Agriculture and Rural Development. As of July 2014, Vietnam had signed Indian shrimp import contracts worth more than US\$200 million. However, the country's seafood exports to India fetched less than US\$8.5 million. Vietnam mainly imports tiger shrimp from India to tackle shortages in materials exacerbated by diseases.

### **US to import lychees, longans from VN**

The United States has announced it would be importing fresh lychees and longan fruits from Viet Nam beginning October 6. The Animal and Plant Health Inspection Service (APHIS) of the US Department of Agriculture (USDA) approved the importation last September 4. The fruits will be subjected to a systems approach that includes requirements for treatment and inspection and

restrictions on distribution. As a condition for entry, the fruits must be grown in orchards registered with and monitored by the National Plant Protection Organization (NPPO) of Viet Nam, to ensure that these are free of disease. The fruits should also undergo irradiation treatment to neutralize all plant pests of the Class Insecta, except pupae and adults of the Order Lepidoptera. A phytosanitary certificate from the NPPO confirming that the requirements have been met should accompany each fruit consignment. Viet Nam expects to export 600 tonnes of lychees and 1,200 tonnes of longans to the US. The lychee exports are expected to make up about 17 per cent of average annual US imports from 2007 to 2010, and the longan, about 69 per cent.

#### **Foreign banks offer syndicated loan to VietinBank**

The Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) in Hanoi on September 10 inked an agreement to borrow US\$50 million from four foreign partners. The four lenders are Cathay United Bank, Mega International Commercial Bank, Far East National Bank and Hua Nan Commercial Bank. The syndicated loan will enable VietinBank to increase its capital capacity for national economic development. VietinBank General Director Le Duc Tho highly said the cooperation between Vietnamese bank and four foreign banks will give a boost to the development of his bank and the country's financial and banking market alike. Cathay United Bank is a wholly owned subsidiary of Cathay Financial Holding Company, the largest financial holding company in Taiwan.

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## COMING EVENTS

### Building M&E Vietnam Ho Chi Minh City

Venue: [Saigon Exhibition & Convention Center \(SECC - Nguyen Van Linh Parkway\)](#)

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

Start Date: **17.09.2014**

End date: **19.09.2014**

#### Event Description

International trade fair for architecture, building management, security and fire protection  
Building M&E Vietnam in Ho Chi Minh is an international trade fair for architecture, building management, security and fire protection. This fair is communication and information platform for the industry and offers exhibitors the opportunity to present to an audience of experts. The visitors can inform themselves in depth and comprehensive on the latest developments, trends, services and products from different areas.

Please kindly refer to [www.allworldexhibitions.com](http://www.allworldexhibitions.com)

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### Industrial Automation Vietnam Ho Chi Minh City

Venue: [Saigon Exhibition & Convention Center \(SECC - Nguyen Van Linh Parkway\)](#)

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

Start Date: **17.09.2014**

End date: **19.09.2014**

#### Event Description

International trade fair for industrial automation, production processes and monitoring and measuring equipment  
Industrial Automation Vietnam in Ho Chi Minh City is an international trade fair for industrial automation, production processes and monitoring and measuring equipment. This exhibition is communication and information platform for the industry and offers the exhibiting companies the opportunity to present themselves to an audience of experts. Visitors can find in depth and comprehensive information here about the latest developments, trends, products and services in various fields.

Please kindly refer to [www.hkesallworld.com](http://www.hkesallworld.com)

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### Pharmed Vietnam Ho Chi Minh City

Venue: [Saigon Exhibition & Convention Center \(SECC - Nguyen Van Linh Parkway\)](#)

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

Start Date: **24.09.2014**

End date: **26.09.2014**

#### Event Description

International Exhibition for medicine, pharmacy, hospital and rehabilitation  
The Pharmed Vietnam in Ho Chi Minh City is the largest trade fair for pharmaceuticals and medical devices in Vietnam. Here a number of renowned domestic and foreign exhibitors presenting a wide range in the fields of pharmacy, pharmaceutical and packaging industries, diagnostic equipment, medical equipment and hospital equipment, beauty care products and medical services

The Pharmed Vietnam is communication and information platform in the industry and offers visitors the chance to inform yourself thoroughly and comprehensively about the latest developments, trends, services and products from the different areas.

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*Reviewed by: Huy Nguyen & Nguyen Minh*