

**GENERAL REVIEW**

[Vietnam salaries cheapest in region for investors](#)  
[Tariff on fuel oil cut by 5%](#)  
[Vietnam borrows 100 million euro for climate program](#)  
[Japan highly values Vietnamese trainees' skill](#)  
[Standard & Poor's rates Vietnam below 'investment' grade](#)  
[Science and Technology: The Foundation of the Oil and Gas Industry](#)  
[Inflation increases in leading cities](#)  
[Lawmaker grills Deputy PM on bauxite projects](#)  
[Bauxite mining in Tan Rai and Nhan Co to be inspected](#)

**TRADE**

[Expert calls for prompt rice export management mechanism adjustment](#)  
[Multiple sectors hurt by smuggled Chinese products](#)  
[Vietnam Exports in 2009 and 2010](#)  
[US garment market wide open for Vietnam](#)  
[Domestic market motivates growth](#)  
[Seafood shares stay afloat in downturn](#)  
[Canada imposes anti-dumping duties on Vietnam's shoes](#)  
[EU remains Vietnam's largest export market](#)

**FINANCE – BANKING**

[Steady hand to craft monetary policies](#)  
[Listing becoming fashionable](#)  
[VietUnion, banks ink net deal](#)  
[Few banks cut dollar rates](#)  
[Finance companies are able to compensate for absence of banks?](#)

**NEWS IN BRIEF**

**INVESTMENT**

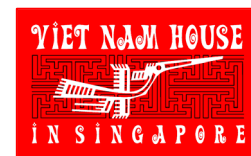
[Vietnam among world top ten investment destinations](#)  
[Hai Phong: Workforce Development for More FDI Opportunities in Vietnam](#)  
[Billion dollar projects stalled](#)  
[First ship docks at Tan Cang - Cai Mep deep-water port](#)  
[Procedure of license of foreign Representative Office in EPZ & IZ of HCMC](#)  
[HCMC among 10 cities most vulnerable to climate change](#)  
[Best FDI companies compete for gold](#)  
[Indian animal-feed firms seek to expand](#)  
[Taiwan's CPC to build base oil plant in China or Vietnam](#)  
[POSCO Specialty Steel to build USD 600 million plant in Vietnam](#)  
[Vietnamese, South Korean Cos Sign USD 2.42 B Deals](#)  
[Incentives for investment in Northern Provinces of Vietnam](#)  
[Japan businesses explore opportunities](#)  
[Gov't Okays adjustment of HCM city's first subway project](#)  
[Huge steel project licensed in BR-VT](#)  
[Green residential project planned](#)  
[Large-scale container port opens in south](#)  
[Spain to help HCMC build subway](#)  
[Dinh Vu – Cat Hai economic zone welcomes first two projects](#)  
[Private firm weighs wind energy plant for Con Dao](#)

**ANALYSIS**

[Enterprises from Japan's Aichi province wish for expanded investment in Vietnam](#)  
[Fulbright chief questions scale of stimulus package](#)  
[Look at quality of growth](#)

**COMING EVENTS**

[Do Son Buffalo Fighting Festival Vietnam](#)  
[Mid-Autumn Festival in Vietnam](#)



### **Vietnam salaries cheapest in region for investors**

*Japanese businesses paid workers in Viet Nam an average USD 95 per month compared with \$131-286 per month for workers in other countries, according to the Japan External Trade Organization (JETRO) report.*

Corporate spending on wages, land rent and power in Viet Nam last year was lower than in other countries in the region, a Japanese trade report said.

The report which compared costs in 30 cities and regions in Asia in 2008, said water costs and leasing industrial land in Vietnam were very cheap while office rents were high. Its telephone charges were the lowest in the region but Internet connection fees were far higher than those of neighboring countries such as China, Thailand and Indonesia.

JETRO said the advantages were important for Viet Nam to attract more foreign investment but the country should further improve the labor quality, legal transparency and reform administrative procedures to reduce “indirect costs” to investors.

*(Source: Jetro/TTO)*

[Back to top](#)

### **Tariff on fuel oil cut by 5%**

Import tax on mazut fuel oil has been reduced from 35 % to 30 % while duties on other petrol products remain unchanged at 20-25 %. The Ministry of Finance decision- to come into effect on June 5- is aimed at stabilizing retail oil prices on the local market in the face of increasing global prices.

It follows requests from several oil importers for permission to increase oil retail prices, which the ministry declined. Instead, the ministry waived the importers’ contributions to the price stabilization fund.

The importers had claimed they were suffering losses because of rising oil prices on the world market and import tariffs. Oil prices in Asia increased to above USD 68 a barrel yesterday after rising over the past seven months and doubling since March.

The rise stemmed from investors’ switching to safe havens oil and gold on expectations the massive global fiscal stimulus could spark inflation. Viet Nam spent \$10.8 billion to import 12.7 million tonnes of petroleum products last year.

The country’s first oil refinery in Dung Quat in central Quang Ngai Province came into production in February. It is tipped to counter the global oil price rise. Dung Quat churned out its first 5,000cu. m of kerosene late last month with the target of producing A90, A92 and A95 petrol at the beginning of June 2009 . The plant’s capacity of 6.5 million tonnes a year is expected to be reached by the end of June, at which point it would meet 50 % of the domestic fuel demand.

*(Source: Viet Nam News)*

[Back to top](#)

### **Vietnam borrows 100 million euro for climate program**

*The European Investment Bank (EIB) on Tuesday (26 May 2009) clinched a loan agreement to provide 100 million euro to Vietnam with the main purpose of part-financing projects to mitigate the impacts of climate change in the country.*

The Ministry of Finance will make available the proceeds of the EIB’s framework loan to four state-owned banks, who will re-lend the funds to final beneficiaries carrying out investments.

Up to 70% of the loan amount will be used to finance projects in climate change mitigation, through projects in the renewable energy and energy efficiency sectors. Meanwhile, the remaining 30% will be injected into projects to support European presence in Vietnam, through direct investment or transfers of technology and know-how from Europe.

The European bank's representative said interested promoters should address their requests to one of the four intermediary banks, which cover different areas of the economy. These are Vietnam Development Bank, Vietnam Bank for Agriculture and Rural Development, Bank for Investment and Development of Vietnam and Vietnam Bank for Industry and Trade.

Francisco de Paula Coelho, director of EIB, noted that "the framework loan will make long-term loans at attractive interest rates available to support renewable energy and energy efficiency projects, a priority for the bank's lending." This is the European bank's fifth credit agreement for Vietnam since it started operations in 1996, and the second lending operation signed with the Ministry of Finance, who received 30 million euro in 2005 for financing small and medium scale projects.

(Source: SGT)

[Back to top](#)

### Japan highly values Vietnamese trainees' skill

*Japanese agencies and businesses highly value Vietnamese trainees for their skills, work ethic and abilities. This assessment was made by a delegation from the Party's Central Committee Office after visiting Japan to conduct a survey of Vietnamese workers, including trainees.*

During the visit from May 26-29 2009, the delegation, headed by Duong Thanh Bac, Deputy Director of the Party's Central Committee Office, met with the Board of Management for Vietnamese Guest Workers in Japan, the Association for Development of International Manpower for Small and Medium Enterprises (IMM Japan) and several leading Japanese businesses such as Asama Piston Co. Ltd, the Maruoka Furniture Company and the Marine & Engineering Shipbuilding Company.

The Japanese business community, however, pointed to the poor Japanese language skill of the Vietnamese trainees and their limited ability to adapt to the Japanese cultural environment. Bac expressed his thanks to the Japanese agencies and companies for the high-quality training they provided to the Vietnamese trainees as they will be able to serve the national industrialization and modernization. He said he hoped that the Japanese Government would take more Vietnamese workers and help them to integrate into life in Japan.

Vietnam has so far sent 40,000 trainees to Japan since 1992 under a training and technical education programme. They have been trained at small and medium enterprises, mainly in garments and textiles, electronics, engineering, construction and fisheries, at an average salary of between US\$700-1,000 per month. As well as the programme, Vietnam has also sent people to study and work in Japan's IT sector. At present, nearly 1,000 engineers and technicians have worked in the country.

(Source: VnBusinessNews)

[Back to top](#)

### Standard & Poor's rates Vietnam below 'investment' grade



*Standard & Poor's affirmed Vietnam's sovereign ratings, highlighting the country's economic growth prospects and restructuring efforts, but kept a negative outlook citing the vulnerability of the banking sector.*

S&P maintained on Thursday (21 May 2009) its "BB" foreign-currency rating, or two notches below investment grade. The country's local currency rating remains one rung above that at "BB-plus."

"The credit ratings reflect the country's low-income economy, developing financial

system, and evolving policy framework,” Standard & Poor’s credit analyst Kim Eng Tan was quoted as saying in a statement released from Singapore. “These weaknesses increase the vulnerability of the economy to severe shocks that could significantly increase the public financial burden,” he added.

The world’s foremost provider of independent credit ratings, indices and risk said that healthy economic growth prospects, reinforced by the government’s persistent efforts in economic restructuring, partly offset these weaknesses. A modest level of external indebtedness also supports the government’s credit quality.

By April 2009 consumer price inflation had receded to below 10 percent and the trade account was in surplus for the first four months of this year. Steps taken to achieve this, as well as the continuing economic reforms implemented over this period, likely reassured investors, Tan said. “Foreign direct investment remained very strong in 2008 and we expect it to contribute to maintaining Vietnam’s trend annual economic growth at about 7 percent. We forecast this year’s growth to be lower at 4 percent because of the global slowdown,” he said.

Standard & Poor’s said nonperforming loans are expected to rise over the next one to two years, particularly at the newer and smaller banks that had seen the fastest lending growth. If the economic downturn is prolonged, financial pressure will mount to exacerbate asset quality deterioration. The government may have to support the banks to preserve financial stability, according to Tan.

(Source: VietNamNet/TN)

[Back to top](#)

## **Science and Technology: The Foundation of the Oil and Gas Industry**

*In the past more than 30 years, the Vietnamese oil and gas sector has made impressive progress, bringing Vietnam to the third position among the top petroleum producers and exporters in the Southeast Asian region. Every year, a considerable % age of the State budget comes from this sector.*

The domestic oil and gas sector has contributed significantly to the country's industrialization and modernization cause. To obtain a rapid growth rate in the past years, this sector has actively applied modern science and technology in every field of its operations.

The objectives of the Communist Party's resolutions are to turn Vietnam into an industrial country by 2020 and to develop the oil and gas industry as an important economic-technical sector of the country. Activities of this sector cover oil and gas exploration, extraction, transportation, processing, storage, distribution, services, import and export. The Vietnam National Oil and Gas Group (PVN) will be developed to become a strong group with its operations covering a wide range of fields in both Vietnam and foreign countries. A strategy has been made to develop the domestic oil and gas industry towards 2015 with an orientation for 2025, based on its existing condition and actual scientific and technological capability. The strategy indicates, "Science and technology is the foundation for sustainable development of the Vietnamese oil and gas sector. This sector must bring into play its internal strength and increase international cooperation so that it can meet the advanced standard of the region by 2015 and that of the world after 2025."

In 2001-2005, the number of people who worked in the field of scientific research and technology development of the oil and gas sector increased year by year. Presently, those who are postgraduates account for about 18 %of the total workforce of the oil and gas sector (in the Vietnam Petroleum Institute, this % age is 25 %). In 2001-2005, modern technologies and specialized software programs were applied along with the upgrading of analyzing and experimental equipment. The internal information network and libraries were also upgraded and updated to serve scientific research projects. PVN has promulgated a regulation to manage scientific research and technology development activities in the oil and gas sector and put them into good order. The group always helps its member-companies deal on a timely basis with difficulties in the scientific research process to ensure that research results will be useful for production and business activities.

In 2006-2010, PVN's objectives are to improve the effectiveness of production and business activities, protect natural resources and the environment, and enhance the competitiveness of the Vietnamese oil and gas sector. In this five-year period, PVN will improve the scientific research capability and technological standard. It will

intensify midstream and downstream activities in order to implement the strategy for developing the oil and gas sector in 2006-2015 with an orientation for 2025.

In 2006-2010, PVN continues to give a priority to promoting scientific research and technology development so that modern technologies of foreign countries can be applied in oil and gas exploration, extraction under the actual geological and geographical conditions in Vietnam. Scientific research activities in the form of services will be promoted to serve oil and gas exploration and extraction. PVN encourages the research on and assessment of the oil and gas potential of some lots overseas where the group intends to explore.

In 2006-2010, downstream activities (related to gas and oil refinement) will be expanded. Therefore, scientific research activities in this time period must be well oriented to ensure the safety of oil and gas projects. The application of information technology must also be intensified.

In the next five years PVN will continue to develop its scientific research facilities so that they can better serve scientific research activities as well as the application and transfer of modern technology, training and experimental production activities. The equipment of the oil and gas sector is expected to meet the advanced standard of the region and that of the world in the future.

PVN pays special attention to researching into deepwater and offshore areas. It will apply modern technologies to increase the coefficient of oil recovery and make detailed plans to develop the gas technology. Petrochemical refinement projects and research into economic matters will be boosted to help PVN accelerate the international integration process.

*(Source: Hoang Yen)*

[Back to top](#)

### **Inflation increases in leading cities**

*Although Ha Noi's consumer price index (CPI) saw an increase in May over last month, it was still lower than the country's economic hub of HCM City, according to the Government statistics agencies.*

According to the Ha Noi Statistics Department, the capital's May CPI rose 0.24 per cent over April and the index surged 12.91 per cent over the same period last year. Prices of eight out of the 10 commodities and services used to calculate the CPI rose in May. Transportation, post and communications had the highest increase rate of 2.31 per cent due to several petrol price hikes recently. In May, only the price of food and foodstuff decreased 0.25 per cent. Education costs in the capital remained unchanged. Meanwhile, May's CPI in HCM City rose 0.58 per cent over April, a 2.47 per cent rise compared to the first month of the year, according to the city's Statistics Department.

The prices of nearly all of the 10 commodities and services used to calculate the CPI in HCM City increased in May. As in Ha Noi, transportation, post and telecommunications costs saw the highest increases, at 2.08 per cent. Housing, electricity, fresh water, fuel and construction materials rose 1.37 per cent and household appliances, 1.17 per cent. Prices increased slightly, by 0.34 per cent, for food and foodstuff, and 0.48 per cent for beverages and cigarettes. The department said price hikes were due to higher consumer demand during a two-day holiday earlier this month. The only HCM City price drop occurred in cultural activities, entertainment and tourism, which fell 0.14 per cent. Prices for other goods and services remained stable. In May, the price of gold rose 0.2 per cent while the price of the US dollar against the dong jumped 1.96 per cent, compared to April.

### **More rises forecast**

The price of many goods, especially imports and goods produced using imported materials, are expected to increase next month, according to manufacturers and traders. Manufacturers said they planned to raise their prices due to a price hike in input materials, transport freight and a surge in price of the US dollar against the dong. The price of the dollar against the dong in April increased 1.25 per cent. Industry insiders said the price of materials used for animal feed, including oil-cake, corn and broken rice, had increased roughly 50 per cent over April. Oil-cake surged from US\$230 to \$461-495 per tonne, and corn rose from \$120 to \$198 per tonne.

Costs of chemicals and input materials used in the packaging, plastic and cosmetic industries are also up 10-15 per cent over last month. Deputy Director of Sai Gon Cosmetics Joint Stock Company, Nguyen Thi Thanh Thao, said the price of input materials for many industries had surged 20-30 per cent over the same period last year, so a 5-10 per cent price hike for finished goods was not enough to offset the additional costs.

Supermarkets said they would have to raise prices starting next month because suppliers were hiking their prices. Director of the Ha Noi Supermarket, Nguyen Thi Thanh Hai, said that more than 100 suppliers had asked her supermarket to raise prices. Sai Gon Co-op and Ha Noi Supermarket said they would have to lift prices of consumer goods and food by 7-10 per cent next month when current stock is used.

(Source: VNS)

[Back to top](#)

## Lawmaker grills Deputy PM on bauxite projects

*The National Assembly heated up Saturday (13 June 2009) when a representative asked a deputy prime minister why the government had not submitted a major bauxite mining project to the legislature for ratification.*

In November 2007, the government approved a two-project initiative to mine bauxite and extract alumina in the Central Highlands provinces of Lam Dong and Dak Nong through 2015. The projects envisaged extension through 2025.

On Thursday (11 June 2009), Deputy Nguyen Dang Trung had pointed out that the Ministry of Industry and Trade had divided the projects into smaller ones of less than VND20 trillion (US\$1.12 billion) to bypass the assembly's approval process. The national plan for bauxite mining includes 12 projects all linked to each other, Trung added.

According to a National Assembly resolution passed in 2006, only key national investment projects valued at VND20 trillion or above required approval of the legislature. On Thursday, the Minister of Industry and Trade Vu Huy Hoang had shrugged off the allegation that project planners had tried to bypass the legislative body by saying the projects were all independent and unrelated.

Saturday, Representative Duong Trung Quoc asked Deputy Prime Minister Nguyen Sinh Hung if the projects had been separated into smaller ones. Hung dodged the question by saying it was best that the projects were implemented separately. The government had conducted comprehensive feasibility studies for each project and they were set up in accordance with the law, he added. "The bauxite plan has been the party and government's policy for the last decade, aiming for the socioeconomic development of the Central Highlands, both in the short and long term," Hung told the session.

## Outsourcing

Hung also defended the projects against allegations that they would be used to employ foreign laborers instead of Vietnamese. He said the projects have employed 667 foreigners, including 663 Chinese laborers and 4 Australian experts. A Vietnamese firm, not a joint venture, is the main investor of the two projects, said Hung.

In April, the Politburo, the decision-making body of the Central Communist Party, instructed the Vietnam Coal and Minerals Group (Vinacomin), the main investor, not to sell stakes to foreign partners. Chinese Aluminum International Engineering Co. (Chalieco) was contracted to build an alumina extraction plant at the Tan Rai project in Lam Dong Province.

## Overspending pegged at 7% of GDP

Deputy Prime Minister Hung said the government could strive to keep the state budget deficit at 7% or less of the gross domestic product (GDP) this year due to the higher crude oil prices, stronger tax and revenue management, and the prevention of inflation. At the opening of the session, the government had proposed that the legislature increase this year's state budget overspending to a maximum 8% of GDP from the previous goal of 4.82%.

(Source: TN)

[Back to top](#)

## **Bauxite mining in Tan Rai and Nhan Co to be inspected**

*The Ministry of Natural Resources and the Environment (MoNRE) will start surveying the bauxite mining situation in Tan Rai, Lam Dong province, and Nhan Co, Dak Nong province under Prime Minister Nguyen Tan Dung's instruction, announced a MoNRE senior official.*

The chief of the Geology and Mineral Agency, Nguyen Van Thuan, said that over one week, the MoNRE would directly scrutinize the situation at bauxite mining sites and evaluate the impacts of mining activities on the environment.

The mission will work with authorities of Lam Dong and Dak Nong provinces and officials of the Vietnam Coal and Mineral Group (TKV) to determine the extent of the bauxite reserves in these provinces. Based on the survey, inspectors will suggest measures to the MoNRE to strengthen the state's management of bauxite mining projects. The MoNRE's spokesman Le Van Hop said that also in May, the ministry would carry out a comprehensive survey of mining activities in 16 provinces and cities in Vietnam. Hop said that during the inspection process, the MoNRE's eight missions will focus on two issues: the responsibility of provincial and municipal People's Committees in granting mineral exploration, mining and processing licences; responsibility in zoning, approving areas where mining activities are banned or temporarily banned. Missions will also consider mineral mining and processing of individuals and organizations.

According to the MoNRE, the survey in the 16 provinces and cities will be divided into three stages, covering all mining activities, not only bauxite. The first stage will take place from May 3-16 in the six provinces of Thai Nguyen, Cao Bang, Thanh Hoa, Ha Tinh, Tay Ninh and An Giang. The second stage will run from May 10-22 in six other provinces, namely Hai Duong, Hai Phong, Dak Lak, Binh Thuan, Binh Dinh and Phu Yen. The third phase will be implemented from May 15-30 in the four provinces of Quang Binh, Thua Thien-Hue, Tuyen Quang and Phu Tho. The provinces and cities in which mineral mining activities were checked in 2008 will make surveys themselves this year and report the results to the MoNRE before May 25.

On April 29, five days after the Politburo's conclusion on the plan for bauxite exploration, exploitation, processing and use between 2007 and 2015 was released, Prime Minister Nguyen Tan Dung assigned ministries and localities to implement the conclusion.

Accordingly, the Ministry of Industry and Trade is responsible for preparing a report on the implementation of bauxite mining and processing projects while the Ministry of Planning and Investment is in charge of completing a socio-economic report for the National Assembly session this May with information about the implementation of bauxite and aluminum projects.

*(Source: VNN)*

[Back to top](#)

## **TRADE**

### **Expert calls for prompt rice export management mechanism adjustment**

Professor Doctor Vo Tong Xuan, a leading agriculture expert, has called for a prompt adjustment of the rice export management mechanism, which he believes has a lot of problems. The Vietnam Food Association (VFA) is just an association, but it has too much power: It can grant rice export quotas to enterprises, but it does not know the production situation and the rice output of every locality, he said.

There are also problems in allocating rice export quotas. Most export quotas have been granted to two food corporations (the North and South Food Corporations – reporter), while the two corporations do not have farmers and rice growing fields. Some provinces have been granted big quotas while they do not have high rice outputs, while provinces with big outputs have been not allowed to export a large quantity of rice.

*Some experts say that the currently applied rice export quota allocation has caused big advantages to both farmers and enterprises. What do you think about that?*

Rice export quota allocation has been undertaken by VFA. The two food corporations always get high quotas. Meanwhile, enterprises which are located right at material-growing areas only get quotas for modest export volumes.

As the enterprises do not have quotas for export, they do not collect paddies from farmers. Only the two food corporations purchase paddies from farmers after they get quotas. That explains why the paddy price in the Cuu Long River Delta greatly depends on the prices the two corporations set and the time the two corporations begin collecting paddies. That is one of the reasons that rice prices are unstable. The price ups and downs have made farmers suffer and farmers' profit remains modest.

*How about enterprises?*

As enterprises get low quotas and they fear an export ban can be promulgated at any time, they cannot take initiative in expanding markets and seeking partners. Also because enterprises do not know what kind of rice customers need, they cannot cooperate with farmers to grow sustainable material areas.

Enterprises only begin collecting material rice when the delivery deadline nears. As rice comes from different sources, the quality of rice is not the same. Therefore, though being a big rice exporter, Vietnam still does not have a brand name for its rice.

*How do you think Vietnam needs to amend the rice export mechanism?*

I think that we need to amend the problematic rice export management scheme. VFA needs to return to the function of a professional association, seeking and providing information to enterprises and acting as a bridge between enterprises and customers.

The Ministry of Industry and Trade together with the Ministry of Agriculture and Rural Development and local authorities' leaders need to undertake the job of allocating rice export quotas after considering forecast figures about rice output. As local authorities well know their rice output, they should be given the right to propose the rice export quotas for their provinces.

*Deputy Prime Minister Hoang Trung Hai in a recent meeting said that the rice export quota allocation will be stopped, is this true?*

I agree with the viewpoint that we need to remove the quota allocation scheme. We should do what Thailand has been doing. Thai Ministry of Commerce has been very good at forecasting. It makes public the yearly rice export volume, and then collects rice from farmers at prices which ensure profit for farmers. The rice is later sold to enterprises which have export contracts. Enterprises just need to contact the distribution division of the ministry. With this management method, the country can ensure food security; ensure profit for farmers, while encouraging enterprises to expand markets.

*(Source: VietNamNet/TT)*

[Back to top](#)

## **Multiple sectors hurt by smuggled Chinese products**

The Thu Trang Children's Clothes Enterprise in Ho Chi Minh City had to temporarily close recently after failing to compete with low-priced products being smuggled in from China. Early this year, the enterprise had turned to the domestic market after its main markets in Europe stopped giving orders as a result of the global economic downturn. Smuggled products from China are the choice of many consumers in Vietnam because they are not taxed and are priced cheap, and lax surveillance by authorities have left local producers facing impossible competition. "Anti-smuggling forces have been ineffective," said Doan Huu Tue of Hanoi Foreign Trade University. "There is rarely a country like Vietnam where smuggled products are sold in the open."

She said officials from customs departments, police and border guards should conduct raids on smuggling rings as well as traders selling the illegal products. Recently, Chinese products have been found being smuggled into Vietnam near Lang Son and Mong Cai border gates by motorbikes, carts and buses that were modified to carry



goods. Vu Kim Hanh, director of Business Studies and Assistance Center, said the market watchdogs couldn't blame a personnel shortage for the influx of Chinese goods being smuggled into Vietnam. "They should conduct regular inspections and enforce strict punishment as a deterrent," she said. "Sellers of local products are inspected for dumping when promoting 70 %discount sales while smuggled products are sold in the open."

Law enforcement has been unfair to local enterprises, she reiterated. Many local producers have complained that they are competing with products smuggled from China and that they would lose for certain.

### *Not durable*

Vu Van Cham, Chairman of HCMC Leather and Shoes Association, said 70-80 % of shoe shops in big cities sell Chinese shoes. "Chinese shoes selling in Vietnam are cheap and attractive but are not durable," he said. "Many products also fake the world's famous brands to deceive buyers." "The local shoes industry has suffered badly from competing with Chinese products." Cham said local shoes have higher prices because they are of good quality, with 50-60 %of materials imported from other countries.

### *Low-quality steel*

"Our sales have reduced by up to 50 %in February and March, partly because of the economic downturn, but mainly from Chinese products," said Vu Dinh Son, head of sales department of VRC Weldmesh (Vietnam) Ltd. Sometimes, steel imported from China is sold at prices eight %lower than local products. "We have visited some steel producers in Piangxiang City in China and found the quality of the products could not ensure quality construction." He said it is easy to recognize Chinese steel rods because they have the producer's name printed on them. However, Chinese steel mesh does not, he noted.

### *Cheap garments*

Ta Phan Huynh Huyen, director of A Na Fashion Company in HCMC, said its sales have increased by 20 %recently thanks to the media campaign against low quality products from China. She said local garments enterprises have been frustrated over Chinese clothes being smuggled to "aggressively intrude" into the local market. Ngo Thi Bau, director of Nguyen Tam Textile & Garment Company who owns the FOCI brand, said it was unfair competition. A local enterprise has to pay taxes and other costs, like insurance for example for its employees while illegal products from China have no such input costs and are sold at cheap prices. Clothes from China wouldn't have lower prices if they were of high quality and imported legally, she said.

### *Tax advantage*

Ngo Van Vi, director of Viettronics Tan Binh JSC, said local electronics companies have suffered because of smuggled Chinese products. A television set made locally is sold at VND2.2 million, of which VND200,000 is value added tax, while a smuggled one from China is sold at VND1.5 million or so because they have not been taxed. "Many electronic devices are sold 30-40 %cheaper than local products," he said. He advised customers to use local products for quality and warranties that smuggled ones cannot offer.

### *Shoddy furniture*

"Most offices and families use tables and chairs from China, which are of lower quality and have been smuggled into the country," said Vo Truong Thanh, Chairman of Truong Thanh Furniture Corporation. "Chinese producers have turned to the Vietnamese market after facing difficulties in exports to other countries," he said. Local furniture companies struggle to compete with smuggled, low quality products because they are sold at low prices, he added. Thanh said the Ministry of Industry and Trade had failed to put barriers into place to prevent low quality products from China entering the country.

*(Source: Thanh Nien)*

[Back to top](#)

## **Vietnam Exports in 2009 and 2010**

*The Ministry of Industry and Trade predicted that in 2009 and 2010 Vietnam will be experiencing difficulties regarding its exports. To overcome these difficulties, the ministry says that Vietnam will increase exports and reduce the trade deficit in 2009 and 2010, mostly via the key export markets of Vietnam.*

The key export markets of Vietnam in 2009 and 2010 are expected to be Asia, Europe, North America and Oceania. The most important export markets will be ASEAN (Association of South East Asian Nations) countries, Japan, China, the EU and the US. Vietnam will also be promoting trade with traditional and new markets such as Russia, the Middle East, Latin America and Africa.

The Vietnam Trade Promotion Agency (Vietrade) of the Ministry of Industry and Trade said that Asia, Europe, North America and Oceania are Vietnam's key traditional export markets and in the future there will be many opportunities for Vietnam to increase exports to these markets. In 2008 Vietnam exported US\$11 billion worth of products to ASEAN countries, 41 percent more than in 2007. In 2009 and 2010, Vietnam's key exports to the ASEAN market will include rice, coffee, seafood, textiles, garments and electronic components, and export revenue is projected to be US\$24.5 billion.

Japan is a good export market for Vietnamese products such as crude oil, minerals, textiles, garments, and seafood. In 2008 Vietnam exported to Japan US\$8.5 billion worth of products, up 49 percent since 2007. The Ministry of Industry and Trade says that in 2009 Vietnam will be able to increase exports to Japan because of the Vietnam-Japan Comprehensive Economic Partnership Agreement that was signed on December 25, 2008. Vietnam's key exports to Japan in 2009 and 2010 will surely include textiles, garments, footwear, seafood, mechanical products and wood products. It's been predicted that export revenue will reach US\$18.3 billion.

China shares a border with Vietnam and it is an important export market. However, since 2003, Vietnam has been importing more from China than it has exported to China, the trade deficit increasing from an average of US\$2 billion in earlier years to US\$9.1 billion in 2007, and now it's even higher still. Perhaps this is because Vietnam has not made use of the fact that it borders China, and it has not improved the diplomatic relationship between Vietnam and China. In 2008, the situation did improve slightly but Vietnam exported to China only US\$4.6 billion worth of goods. The Ministry of Industry and Trade would like to see exports to China in 2010 climb to US\$6 billion.

In 2008, Vietnam exported US\$10 billion worth of products to the EU, up 17.6 percent compared with 2007. The Ministry of Industry and Trade is predicting that in 2009 and 2010 taken together, Vietnam's exports to the EU market will reach US\$22.7 billion with the key export products being textiles, garments, footwear, seafood, coffee and wood products. The US is Vietnam's largest export market. In 2008, Vietnam's exports to the US totaled US\$12 billion, an increase of 17.3 percent compared with 2007. However, because of the global economic crisis, Vietnam's exports to the US in 2009 may increase only 5.8 percent to about US\$12.7 billion. Hopefully in 2010 they will rise 11.8 percent to US\$14.2 billion. So, if one combines 2009 and 2010, the Ministry of Industry and Trade predicts that Vietnam's exports to the US will be US\$26.9 billion. Vietnam's key export products to the US in 2009 and 2010 will likely be textiles, garments, footwear, wood products, seafood, coffee and some kinds of leather products.

(Source: VEN)

[Back to top](#)

## **US garment market wide open for Vietnam**

*The US has been the largest garment market for Vietnam for many years, with a turn-over of over USD 5 billion in 2008, 57 % of Vietnam's garment exports, but the potential for further trade has yet to be fulfilled. According to US statistics, in 2008 Vietnamese exports of clothing, such as T-shirts and sportswear, were just behind China, Mexico and Bangladesh. Vietnam garment exports to the US fell slightly in the first five months of 2009. However, that fall was still relatively lower than that of other countries. In the first quarter of 2009, Vietnam had 4.47 % of the US garment market, 1.34 % higher than the same period last year. To improve the situation, Le Quoc An, chairman of Vietnam Garment and Textile Association, said that from 2009, Vietnam garment products will be showcased at Magic, the world's largest fashion trade event, held annually in February and August in Las Vegas.*

### ***Pushing exports to the US market***

The US's total garment market is worth \$90 billion, which makes Vietnam's \$5 billion share quite small and open to improvement.

Broadening and promoting clothing to new markets, such as South Africa and the Middle East, is way to strengthen exports. However, most Vietnamese clothing companies said they knew little about local tastes and fashion trends. That is the reason why many see the need to strengthen exports to the US. At a recent meeting in Ho Chi Minh City, Karalynn L. Sprouse, deputy chairwoman of Magic's organization committee, said that clothing consumption is still strong in the US despite difficult economic conditions.

The low-end clothing market is big business in the US, with 65 % of the population buying such products. This can be seen with the international fashion retailer H&M expecting to open more than 25 new shops this year. With such a lucrative market open to further improvement, Vietnam has a possibility to increase its clothing exports.

According to the Vietnam National Textile Garment Group, Vietnam garment exports to the US and EU in the first five months of 2009 fell by two to four % over the same period last year. This fall was much lower than the forecast of 15 %. This compares with other larger garment export countries, which have seen exports fall by ten to 20 %. Vietnam is currently the only country in the Southeast Asia region that has seen overall positive growth in the clothing industry in 2009.

*(Source: SGGP)*

[Back to top](#)

### **Domestic market motivates growth**

Domestic market consumption has risen recently, creating the possibility that the domestic market may become a stimulus for economic growth, according to economists. Economist Nguyen Van Son from the Centre for Study and Development of Cuu Long (Mekong) Delta said, according to General Statistics Department statistics, total retail sales from 1997 to 2007 rose 352 %, while GDP grew by only 264.7 %.

Because the growth of the total retail sales and services were higher than that of the GDP, the domestic market was really a stimulative force for the national economy and it made an important contribution to economic growth, he said. Despite a financial crisis in Southeast Asia from 1997 to 2000, total retail sales and services still rose higher than GDP, showing consumers were clear-headed in their spending decisions, Son said.

The lessons learned from this situation prompted the State to make decisions, such as increasing the consumption demand for revival of the economy. During this stage, the Government applied many measures to stimulate consumption. As a result, total retail sales in 2000 grew by 8.2 %, bringing the total retail sales growth for the 1997-00 period to 6 % annually, higher than GDP growth which was 5.8 % each year.

"In terms of the country's development, the domestic market holds a more important role which is apparent because consumption is higher than GDP," he said. Between 2001 and 2005, total retail sales and services grew by 10.3 % annually while GDP increased by 7.5 per year.

From 2006 to 2007, these figures were 14.5 % against 8.4 %, respectively. The sectors of total retail sales includes: trade, hotels, restaurants, tourism and services. Commodity consumption is represented via sales numbers. The ratio of sales numbers increased from 1997 to 2000, from 81.4 to 83.4 %, which showed that people considered buying commodities as their first spending priority.

But from 2001, when the country's economy had recovered after the Southeast Asia financial crisis ended, sales reduced while the ratio of services increased. This situation followed the development pattern that shows when incomes increase, spending on services also increases. By 2007, the ratio of trades in total retail sales dropped to 77 %, but this is still a large ratio in a domestic market structure.

Son said the important areas of consumption included the Hong (Red) River Delta, the Southeastern region, and the Cuu Long (Mekong) Delta holding a combined 75.9 % of the total retail sales in 2007, compared to 73.6 % in 1997. Son concluded that total domestic retail sales could help the Government decide on measures to stimulate consumption to help grow the economy.

*(Source: VietNamNet/Viet Nam News)*

[Back to top](#)

## Seafood shares stay afloat in downturn

Shares of seafood companies have become very attractive because of their continued excellent performance despite the global economic downturn. This year the industry's export markets have shrunk significantly, from 159 countries and territories last year to 122 now, due to belt-tightening around the world.

Worse still, many countries have erected technical barriers against Vietnamese seafood products. But fisheries companies have overcome these problems to achieve encouraging results - by April-end, exports topped USD 1.05 billion. Many announced profits in the first quarter. Bac Lieu Fisheries Joint Stock Company, for instance, posted a net profit of VND2.3 billion for the first four months.

As a result of their sterling performance, their shares have become attractive. Ben Tre Aquatic Product Import and Export Joint Stock Company's earnings per share (EPS) has risen to VND1,244 and Ngo Quyen Export Seafood Processing Joint Stock Company's, to VND828. Average dividend payment by seafood companies this year is estimated at around VND 1,470. With their average share price at VND18, 840 in mid-May, this translates into a rather high yield of 7.8 %. HCM City-based Vinh Hoan Company's seafood products, sold under the "Seafood Harmony" brand name, beat 37 other competitors to win a special award at the European Seafood Exposition 2009, helping improve the image of Vietnamese products.

In mid-May, 10 Vietnamese tra catfish processors resumed exports to Russia after the lifting of a four-month ban on Vietnamese products, exporting 20,000 tonnes to the market. The industry expects to export around \$200 million worth of products to the Russian market this year. All indications are that investors in seafood shares will laugh all the way to the bank this year.

### *Lenders bank on loan growth*

Most banks consider increasing credit growth their most important task as they finalize profit targets for the year. Bankers said profits from lending had been higher than from investments in assets like bonds and shares. According to the central bank, credit growth was higher than deposit growth in April. In the month, it was up 4.86 % month-on-month and 11.6 % since the end of late 2008. Deposits recorded growth figures of only 3.74 and 9.88 %. Ly Xuan Hai, general director of Asia Commercial Joint Stock Bank (ACB), said the bank's pre-tax profit to May was VND692 billion, 50 % of which came from loan interest.

The bank expects to achieve VND2.7 trillion in pre-tax profit for the whole year provided there are no economic shocks. Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank) also reported solid results from its credit business. Its general director, Tran Xuan Huy, said he believed the bank would achieve its yearly profit target of VND1.6 trillion. Ngo Van Diem, a board member of stock brokerage Sai Gon Securities Incorporated, attributed the credit growth to the Government's stimulus package.

### *Retailers fret over price hikes*

HCM City retailers and distributors have been drawing up plans to cope with an imminent wave of price hikes. The hikes, expected to take place in early June, are estimated at between 3 and 20 %, and will affect all kinds of items, both imported and domestic. Producers and suppliers blame them on a recent increase in the cost of petrol, electricity, raw materials and labor. Bui Hanh Thu, deputy general director of Sai Gon Co.op supermarket chain, said suppliers of food products had proposed a price increase of 10 %, electrical home appliances would become 10 to 15 % more expensive and the prices of imported products would go up by 10 to 18 %.

Other supermarkets in the city like Citimart and Big C have also received warnings of price hikes from suppliers. To retain customers, however, many retailers are making efforts to keep prices down. Sai Gon Co.op has already stocked large quantities of food and consumer products to retain the old prices for at least a month. Thu said with people facing many difficulties, they would be badly affected if prices are increased at this time. "Sai Gon Co.op would implement price hikes only after it sells all its current stock," Thu promised. Besides stocking upon goods, Maximark is also considering adjusting profit targets so that it can desist from hiking prices.

Van Duc Muoi, deputy general director of Vissan Limited Company, affirmed that prices of Vissan products would remain unchanged despite the fact the cost of all kinds of animal feed had increased. "The company is looking for ways to reduce costs to ensure the best prices for consumers," he said.

### ***City to license foreign tour companies***

The HCM City Department of Tourism will start licensing foreign travel firms to open representative offices in the city and renew expired licenses from this month. The department would start receiving applications from foreign travel companies on June 1 after a long gap due to the absence of detailed guidelines for enforcing the Tourism Law. The National Assembly approved the Tourism Law in late 2005 and the Government issued a guidance decree in June 2007. But the Ministry of Culture, Sports and Tourism did not issue a guidance circular until last December 2008. The decree authorizes provincial departments of culture, sports and tourism to issue a license within 15 working days after receiving applications. The Viet Nam National Administration of Tourism will issue certificates to branch offices of foreign travel companies.

According to the city Department of Culture, Sports and Tourism, seven or eight foreign travel companies are seeking to open representative offices in Viet Nam and over 20 others are waiting for renewal of their licenses.

*(Source: VNS)*

[Back to top](#)

### **Canada imposes anti-dumping duties on Vietnam's shoes**

The Canada Border Services Agency (CBSA) has issued a preliminary ruling in favor of imposing anti-dumping duties on waterproof rubber-soled shoes imported from Vietnam, according to the Competition Administration Department under the Ministry of Industry and Trade.

A tax rate of 16 % will be imposed on Vietnamese enterprises which have cooperated with Canada during the process of investigation. This is much lower than the 49 % levied on those which did not cooperate with Canadian authorities.

Tax rates of over 5 % and 27 % will be imposed on the State-way Vietnam Shoes Co., Ltd. and Vinh Long Company, respectively. The Canada Border Services Agency is expected to issue a final ruling on August 26.

*(Source: VOV)*

[Back to top](#)

### **EU remains Vietnam's largest export market**

*The European Commission Delegation to Vietnam has announced its report on the economic situation and business and investment environment in Vietnam which confirms that the EU remains Vietnam's premier trading partner and is the largest export market of the country.* Speaking at a press conference in Hanoi on May 29 2009, Commercial Counselor Antonio Berenguer cited data of the EC Statistical Office (Eurostat) that showed the EU absorbed approximate 8.3 billion EUR (12.2 billion USD) of Vietnamese exports in 2008, surpassing the US, which imported 11.86 billion USD worth of goods from the Southeast Asian country.

“The EU has further improved its role as a major partner of Vietnam in economic terms and the bloc's imports from Vietnam also continued concentrating on intensive-labor products,” he said, adding that footwear continued to be the biggest export sector between the two markets.

In addition, the EU is the second largest investor, after Japan, in terms of cumulative implemented investment in Vietnam with 7 billion USD or 60 % of EU committed investment, according to Vietnam's Foreign Investment Agency data. This ratio is four times higher than the 2008 national average, confirming the commitment of the EU business community with Vietnam, even in times of crisis.

The Green Book 2009, which presents the assessment of the EC Delegation to Vietnam and the EU Member States' Trade Counselors, also confirms that the Vietnamese government successfully managed to contain inflation by tightening monetary policy and applying fiscal restraint in the face of the overheating economic growth.

According to the report, 2008 witnessed a very decent GDP growth of 6.18 % and all 2009 forecasts by the government and private actors still place Vietnam among the only 12 world economies registering positive economic growth during that period. “The EU concurs with many analysts in that the dragon has slowed down and

is certainly suffering but it is still in reasonable shape and is perfectly capable of coming back to full health as soon as the external conditions – its external markets – allow,” the report says.

However, EC Trade Counselors recommended that Vietnam should limit red-tape, continue the pace of trade liberalization, including the negotiations of FTAs with major trading partners like the EU, and the further strengthening of the IP protection system, infrastructure, human resources as well as bankruptcy regimes in order to attract higher quality investment, especially in the technology sector.

(Source: VNN/VNS)

[Back to top](#)

## INVESTMENT

### Vietnam among world top ten investment destinations

*Vietnam is now the world's top ten destinations for foreign investments, according to the recent rankings by the US consultancy group, AT Kearney.*

According to AT Kearney's latest list of 50 countries and territories which are the most attractive for foreign investments, Vietnam has outdone Brazil, Mexico and Sri Lanka in the field of IT contract supply. Top countries in the field include India, China, Malaysia and Thailand.

Kearney said the improvement in rank of Vietnam is thanks to its booming information technology industry, especially the opening of a centre in Ho Chi Minh City by Russia's IT Luxoft Company to provide IT services.

It also said that the new ranking is likely to create changes for Vietnam which is essentially known as an exporter of rice, coffee and rubber. Norbert Jorak, AT Kearney policy council executive director, said foreign companies were attracted by the low production cost of Vietnam. He said a high ranking on the list means that Vietnam will become a commercial attractive destination next year, especially in the context of the on-going global economic recession.

(Source: Vietnam)

[Back to top](#)

### Hai Phong: Workforce Development for More FDI

*A national first-grade city, Hai Phong, has the potential to attract foreign direct investment (FDI). But, provinces and cities nationwide are competing for in coming FDI, and this competition is expected to get tougher in the months to come. This is why the city needs renovation, including workforce improvement, to attract more foreign investment.*

As of April 21, 2009, there were 275 FDI projects in Hai Phong involving more than US\$4.238 billion in registered investment capital and more than US\$1.455 billion in chartered capital. Forty-three percent of the registered capital has been invested. The Department of Foreign Investment of the Ministry of Planning and Investment reported that by the end of last year Hai Phong ranked 11th among 64 provinces/cities nationwide and second among northern provinces/cities in terms of foreign investment project numbers and capital. FDI in Hanoi and Ho Chi Minh City accounts for 11.7 and 7.5 percent of all FDI in Vietnam, while that in Hai Phong represents just two percent of all FDI in the country.

In general, Hai Phong people have a good sense of discipline and they're quick-minded, creative and active. Yet, the city is in bad need of skilled workers who can satisfy businesses or employers' demands.

Of all businesses surveyed by VCCI (the Vietnam Chamber of Commerce and Industry) in 2008 under the Provincial Competitiveness Index program, 24.35 percent and 16.24 percent satisfied with the city's education and training and vocational training, respectively. Hai Phong got a score of 3.28 for workforce training, while Hanoi

got a 4.79, Can Tho got a 5.79, Ho Chi Minh City got a 5.19 and Da Nang got an 8.4 score. This deters Hai Phong from attracting FDI to the city especially FDI for hi-tech industries that require skilled and qualified workers.

Hai Phong not only lacks skilled technicians, it also needs managers who can do a good job while working with partners, and who know the law. In the city, the workforce arrangement is problematic, and the working environment is not good enough to encourage people to do their best. There has also been a brain drain. Hai Phong does not attract high-achieving graduates from universities or colleges inside or outside the city.

More FDI flows to localities that have adequate infrastructure and a high quality workforce. The absence of a qualified, skilled workforce is something that would deter investors from coming to any province/city. Hence, Hai Phong needs to improve its workforce to attract FDI. The following is something that Hai Phong needs to do for workforce development.

The city needs to construct a strategy to train and attract workers that can satisfy FDI project demands and requirements. They need to make vocational training plans, increase investment in material facilities of newly founded vocational training centers, change vocational training policies to give more power to vocational preparation centers, give priority to the development of vocational training colleges and schools, including those that satisfy Southeast Asian standards, and develop the training of people for spearhead industries (shipbuilding, ship repair, mechanical engineering, new materials, steel and other industries) and FDI projects in Hai Phong.

Hai Phong needs to have policies that will attract qualified and skilled people including those that study in the city, Hanoi (the capital) and abroad. Good housing and insurance policies, a good living and working environment, good pay and development opportunities will attract the talent. It is important to train workers to make them have a good sense of discipline and responsibility, strengthen the inspection of the implementation of preferential, insurance and salary policies for workers and help businesses deal with strikes.

Developing a labor market transaction system, planning and developing placement centers in different localities, paving the way for investors and workers to meet with each other, training people in accordance with employer demands and requirements, increasing practice-based training, encouraging businesses to participate in workforce training and creating conditions for training facilities to work and exchange information with businesses are what Hai Phong needs to do. Hai Phong has a plentiful workforce and this is an advantage of the city. This advantage can be brought into play to attract more FDI only when the city has appropriate policies on training and the use of the workforce.

*(Source: Quynh Lien, MA)*

[Back to top](#)

## **Opportunities in Vietnam**

*Vietnam is often remembered as a country torn apart by years of war, occupation and economic decline. Many believe it will take years of rebuilding for it to match up to the strength of Asia's other countries. However, thanks to the concerted efforts of its government, Vietnam is finally seeing a silver lining behind the dark cloud.*

The 'land of the ascending dragon' is hailed as one of the best performing developing economies, with an average annual growth of 7.5%. As the country transforms itself to a modern and globalised economy, there will be opportunities abound for both local and foreign investments.

### ***A promising pharma market***

The pharmaceutical industry has made its presence felt on Vietnamese soil and has earned a reputation for significant growth in recent years, which may seem surprising considering that the sector is constantly hampered by serious intellectual property (IP) issues and extensive counterfeiting. These conditions may appear to discourage investors, but Vietnam's population of 81 million and average GDP of 7% is one of the country's attractive 'pull' factors. The market certainly looks promising, as it is experiencing 10.6% growth and is predicted to be worth USD 1.75 billion (€1.23 billion) by 2012.1

Perhaps the greatest change for Vietnam is its entry into the World Trade Organization (WTO) in November 2006. Its WTO status has spurred the development of the pharmaceutical industry as the government sets standards in line with WTO's requirements, and begins to address the problems related to corruption, IP and counterfeit drugs.

To date, the government has implemented a 20-year patent term and a 5-year market exclusivity of undisclosed and other test data to improve IP issues in the country. A new pharmaceutical law was also introduced in October 2005 to control drug trading and pricing. Under this policy, companies are required to seek approval to increase prices above 1% to create equal domestic prices in relation to the rest of Asia. In addition, the government has come down hard on producers and importers involved in illegal drug trading; for example, it recently revoked 12 drug licenses in the local market — five of which originated from India.

### ***Foreign investment***

As Vietnam opens its doors to the world, it has attracted the attention of foreign companies from countries such as France, with incentives such as low import duties, which are less than 5%, and drug tariffs that are likely to average at 2.5% within 5 years. Even though the government has taken a strong stance against advertising, firms can market their prescriptive drugs in a number of ways including via representatives and by attending product conferences and health seminars.

Jamie Davies, analyst and head of pharmaceuticals of BMI (UK) points out that early entry is the key to gaining market advantage. "The key strategy is to be the first move into a subsector that will raise brand awareness. Eventually, a well-positioned product will be very hard to displace because consumers are used to it and reluctant to try rival products."

Although policies are favorable to foreign players, it is the weak domestic market that opens doors because the country is still highly dependent on foreign support as 90% of its APIs are imported.

The domestic market is generally weak, with local players making up 40% of the total medicines market. There are only 180 producers and many of them have poor and outdated facilities. To make matters worse, only a third are GMP compliant and the position of the remaining two-thirds will deteriorate when GMP requirements come into force in 2010.

### ***Domestic growth potential***

So, does this spell the end of the road for local firms? Davies says: "In a rapidly expanding market (such as Vietnam's pharmaceutical sector), domestic production can be increased significantly, as can sales recorded by foreign firms. The two entities are mutually dependent in that greater promotion of medicine by each party will attract consumers to the other's products."

In response to the situation, the government has also stepped in to protect the domestic market by committing \$102 million (€73.5 million) until 2010 — of which \$90 million will be used to establish five production plants allocated to R&D and the production of raw materials. It is also setting up three manufacturing facilities that will supply medicines to local hospitals.

Claire Briney, global client development manager of Euromonitor (Singapore) points out that the over-the-counter (OTC) healthcare sector has tremendous growth potential as people in rural areas will also gain access to these drugs in the future. For market survival reasons, herbal or traditional OTC products are likely to gain momentum and popularity among domestic players.

Briney explains: "A flood of economy entrants can be expected from China because of the WTO agreement and the opening of trade. Consequently, domestic players that previously focused on low-priced generics will face strong competition. A shift into the herbal or traditional produce can provide a lifeline for many players."

*(Source: PharmExec)*

[Back to top](#)



## Billion dollar projects stalled

*More than 10 multi-billion dollar projects in Viet Nam are stalled because of problems with land clearance, administrative procedures or the global economic crisis. The delays have left many farming families in limbo, unable to work their land while awaiting compensation for being forced off their properties.*

One example is the US\$9.80 billion Ca Na steel complex project in central Ninh Thuan Province. The project investor was allotted 1,650 hectares of land by the provincial government and early work on the site began in January. But residents who have to leave their homes to make way for the project have not yet been compensated.

Under Vietnam's investment laws, the developers of major projects pay local authorities for the use of land. The local authorities allocate the money to the residents who have to move to allow the project to proceed. Ninh Thuan Province People's Committee Deputy Chairman Do Huu Nghi said the steel mill investors haven't yet fully paid for the use of the land they were allocated.

The investors – the Vietnam Shipbuilding Industry Corporation and Malaysia's Lion Group – have paid the provincial government only VND84 billion (\$4.73 million). The total fee for the use of the land for the steel mill is VND130 billion (\$7.31 million).

However, Nghi would not be drawn on whether the People's Committee was considering revoking the project's investment certificate or administering any kind of punishment for the delay. The steel mill is scheduled to go into operation in 2010 with an annual output of 4.5 million tons of steel. But the investors have not yet set up a management board for the joint venture project or prepared a technical plan.

Resident Bay Hoa said none of the 500 households that will have to move to make way for construction have received any compensation.

Although the project appears stalled, local authorities are refusing to allow any house repairs or other investment activity in the area earmarked for the steel plant, Hoa said. A similar situation exists in Ho Chi Minh City's Hoc Mon District.

Thousands of residents are unable to conduct any business on their land, which has been reserved for a 900 hectare international university and residential project. Malaysia's Berjaya Land Corporation's \$3.5 billion project was awarded an investment license last July. Even though construction usually begins shortly after an investment license is received, the only work carried out by Berjaya Land Corporation to date has been putting up markers on the boundary of the site.

"No other progress has been made after the stakes were placed in the ground," said Huynh Van Vang, a Tan Thoi Nhi Commune farmer whose land is within the area allotted to the project. Another resident, Ba, complained the project investor set stakes on her land as if they owned it, even though she has never received any advice from local authorities that she will have to move.

Phuong Anh Phat, manager of Berjaya Land, told that his company had already paid for the use of 116 hectares but local authorities had not yet passed any of the money on to residents. At another stalled project in HCMC's Hoc Mon District, a 36-hole golf course, hardly any work has been carried out since the investment license was granted to South Korea's GS Engineering and Construction Company in March 2007.

On the 200 hectare site there are two bulldozers and an office which is closed for days at a time. Work on an international financial center project in HCMC's District 10, which was granted an investment license in February last year, has been delayed for a different reason. "The \$930 million project on eight hectares had to slow down construction because of the current global economic downturn," said Nguyen Hoai Nam, general director of developer Berjaya Vietnam.

Next-door to HCMC, in Ba Ria-Vung Tau Province, at least five major projects have been postponed. Construction of the \$4.1 billion Saigon Atlantic Hotel project has been at a standstill since early this year because of a land dispute with Dai Duong, the neighboring resort project. The dispute, which has dragged on for months, occurred after the provincial authorities accidentally granted a portion of land to both projects.

Other projects in Ba Ria-Vung Tau, including the \$600 million Toc Tien residential development, a \$500 million zoological park, a \$1.3 billion theme park and a \$3.8 billion petrochemistry complex, have also been stalled since early this year because of administrative problems or a lack of cash.

(Source: TTONline)

[Back to top](#)

### **First ship docks at Tan Cang-Cai Mep deep-water port**

*The Tan Cang-Cai Mep joint-stock company has organized a ceremony to welcome the first ship to dock at a deep-water port in the southern province of Ba Ria-Vung Tau on June 3 2009.*

The ship, named MOL Premium, is owned by a major Japanese marine transport company, Mitsui O.S.K Lines, and is the largest ship ever to enter the dock in Vietnam. The ship has the length of 249 metres with a capacity of 6,350 twenty-foot equivalent units (TEU) and is capable of carrying the total weight of 73,000 tonnes.

The first stage of this seaport was implemented in January 2007 with a total in investment capital of VND 1,200 billion. After two years of construction, the seaport now boasts four wharves with the main wharf being 300 metres long and 45.5 metres wide and a sea depth of -15.8 metres in front of it can receive ships of up to 80,000 tonnes. The total capacity in the first stage of the seaport is 650,000 TEU a year.

The seaport is linked with Tan Cang Cat Lai and other inland clearance depots (ICD) in Ho Chi Minh City, Bien Hoa and Binh Duong to create a complete linkage system serving transport demand in these areas.

(Source: VOVNews)

[Back to top](#)

### **Procedure of license of foreign Representative Office in EPZ & IZ of HCMC**

*HEPZA has issued Decision No. 997/QĐ-BQL-KCN-HCM dated 07/5/2009 on promulgation of procedure to grant, modify, re-grant, extend and terminate of operation to the license of foreign Representative Office in EPZ & IZ of HCMC.*

According to the current Commercial Law, the foreign Representative Office in Viet Nam is a dependent unit of the foreign trader, established to conduct market survey and other commercial promotion activities such as promoting and seeking opportunities for the purchase or sale of goods and provision of services (including sale promotion, commercial advertisement, display and exhibition of goods and services, and trade fairs and exhibitions...).

Decree 72/2006/NĐ-CP dated 25/7/2006 of the Government stipulated on detailing the Commercial Law's regulations on Representative Offices, Branches of foreign businesses in Viet Nam states the conditionals to get the license for establishment of Representative Offices as follows:

Being recognized as legal business by countries or territories (jointly known as countries) of business registration; having operation for no less than 01 year since legal establishment or valid business registration in the countries of origin; The time of process is 15 working days starting from the received day with correct files. The fee of granting of license is 1 million VNĐ per permit.

(Source: HEPZA)

[Back to top](#)

### **HCMC among 10 cities most vulnerable to climate change**

*Ho Chi Minh City is one of the 10 cities in the world most vulnerable to climate change along with Dacca in Bangladesh, Shengzhen and Guangdong in China, Bangkok in Thailand, and Yangon in Myanmar.*

The remark was made by the Vietnamese Ministry of Natural Resources and Environment in a press release for the World Environment Day, June 5, quoting from a report by the Paris-based Organization of Economic Cooperation and Development.

The peak tide level in HCMC has risen in the last two years and hit 1.55 meters last December, a record hike in over half a century. The city authorities worry that the phenomenon is the impact of climate change.

The municipal People's Committee Chairman Le Hoang Quan has told relevant agencies to study the impact of climate change on the city and given his consent to a US\$640 million scheme for flood control, according to the statement released on Friday (29 May 2009).

The 2007-2008 Human Development Report by the United Nations Development Program (UNDP) said Vietnam is one of the four countries most vulnerable to climate change.

With the earth's ocean currents warming up, the sea level is forecast to rise by one meter by 2100, inundating one-fifth of Vietnam and causing 22 million people to lose their homes and farmland.

The Vietnamese Institute of Hydrometeorology and Environment said the average temperature in HCMC, Vung Tau and many other places has increased by 2 degrees Celsius since 1960. Just as noticeably, the sea-level has risen by 20 centimeters over the past decade.

*(Source: Thanh Nien News)*

[Back to top](#)

### **Best FDI companies compete for gold**

*Honors for the best foreign-invested businesses in the country and for the best domestic businesses investing overseas will be given for the first time at the Vietnam Golden FDI awards.*

One hundred successful businesses will be honored at an awards ceremony to be held at the Ha Noi Opera House in August. The award will also be presented to Vietnamese and foreign individuals who made important contributions to the sustainable development of the foreign-invested sector in Vietnam.

#### ***An opportunity***

At a press briefing in Ha Noi, Mai Thanh Hai, head of the awards organizing board and President of the Vietnam Association of Foreign-Invested Enterprises (VAFIE), said the award was not only a recognition of the successes made by FDI enterprises during the country's integration and development, but also an opportunity for Vietnamese authorities and investors to discuss measures to create a stable environment for long-term operation in Vietnam.

Hai added that the event would give Vietnamese enterprises the opportunity to promote their trademarks and integrate into the world economy. Along with the Vietnam Golden FDI, VAFIE Thien Ngan Communications Joint Stock Company will hold the conference "For a Friendly and Developed Vietnam" in Ha Noi to mark the third anniversary of Vietnam's accession to the WTO.

According to VAFIE, the FDI sector has become an important part of the national economy in the 20 years since the Foreign Investment Law was passed. At present, over 10,000 foreign-invested enterprises are operating in the country with a combined registered capital of over USD 150 billion.

*(Source: VNS)*

[Back to top](#)

### **Indian animal-feed firms seek to expand**

*A 15-strong delegation from the Solvent Extractors' Association of India met executives from more than 70 Vietnamese companies in HCM City on May 28 in an effort to find new clients for oil meals (ground seeds) used in animal feed. Ashok Sethia, SEA's chairman, said the visit came in the wake of a recent fall in the consumption of oil meals in traditional Southeast Asian markets, especially Vietnam.*

SEA is seeking to conduct a study on the demand for oil-meal products and quality requirements in the country. It also wants to enhance ties and explore opportunities for cooperation with Vietnamese oil-seed crushers and processors, vegetable-oil refiners, feed-processing plants, and importers of oil meals and oils. India is one of the

leading suppliers of oil meals to Southeast Asia, selling soybean meal, rapeseed meal, groundnut meal and rice bran.

In the 12 months to March this year, Vietnam imported 1.5 million tonnes of oil meals from India, becoming the largest buyer in Southeast Asia. Thanh said. Dr. Jitendra Nath Misra, the Indian consul general in HCM City, said India was becoming a significant investor in Vietnam with high disbursement rates, adding Vietnam was the top destination for Indian investments in Southeast Asia.

(Source: ITPC)

[Back to top](#)

### **Taiwan's CPC to build base oil plant in China or Vietnam**

*CPC Corporation, a state-owned petrochemical company engaged in oil exploration, refining and distribution, is proposing to set up a base oil plant in Vietnam or mainland China.*

The plant, designed to produce lubricants for the automotive and manufacturing industries, is expected to have a capacity of 300,000-500,000 tons per year. The lubricant plant is estimated to cost a maximum of \$307 million.

CPC will decide on the location for the base oil plant within the next two years. Taiwan's current regulations do not allow CPC to invest in China, although there is a likelihood that this could change. CPC recently held discussions with Vietnam National Oil and Gas Group (Hanoi, Vietnam) and representatives of the Quanzhou refinery in Fujian province, China, to explore possibilities to set up the plant in Vietnam or China.

The new facility is being proposed, as CPC will have to close down three plants currently in operation by 2015. These include a refinery with a capacity of 220,000 barrels per day (BBL/d), a naphtha cracker unit with a capacity of 500,000 tons per year, and a base oil unit in Kaohsiung in southern Taiwan.

According to C. Yen, Chief Executive of CPC's Lubricants Business Unit, the new base oil plant will require a steady and reliable supply of oil as feedstock. In order to compensate for the lost capacity, the company has entered into a joint venture with domestic companies to set up the Kuo Kuang Petrochemical Park at the Tacheng industrial zone of Changhua County in central Taiwan. The project is likely to be completed by 2015.

Kuo Kuang Petrochemical Technology Corporation (Taipei, Taiwan), an integrated petrochemical company with 43% equity stake held by CPC, has earmarked an investment of \$12.1 billion for the petrochemical plant. The project will be implemented in two phases, with the first stage due for completion in 2015. Construction is likely to commence by March 2010. The complex will comprise a refinery with a capacity of 300,000 bpd and an ethylene plant with an annual capacity of 1.2 million tons.

CPC operates two other refineries in Taiwan but these facilities do not have the space to house a new base oil plant. The state-run company plans to further invest \$26 billion over the next decade on building new plants and upgrading existing ones to produce more petrochemical products. The huge capital outlay is part of the firm's initiative to improve the efficiency of its plants, increase its competitive edge, and gain market share in the chemical and fuel sector.

CPC recently announced that it plans to spend \$1.4 billion to augment its refining and petrochemical production capacity by 2012. Investments will be made in the development of a heavy oil cracker plant worth \$911 million and a conversion unit to reduce sulfur content to less than 10 parts per million at an estimated cost of \$182 million.

Established in 1946, CPC operates three refineries with a total capacity of 720,000 BBL/d of crude. The company's naphtha processing plants have an installed capacity to produce 1.08 million tons per year of ethylene.

(Source: VNNews/Industrial Info Resources)

[Back to top](#)

### **POSCO Specialty Steel to build USD 600 million plant in Vietnam**

*POSCO Specialty Steel Co., Ltd. has signed an agreement on investment cooperation with the state corporation Viet Nam Steel Corp at the Korean Vietnam Business Forum on May 29th 2009 to build a steel factory in Phu My*

*2 Industrial Park in Ba ria Vung Tau. The investment cost is estimated at around USD 600 million and the area site will be about 495,000 square meters.*

POSRI released a report on the impact of the government's SOC investment expansion on the steel industry. In the report, POSRI said that the steel and other primary metal industries would generate the most efficient production inducing effects. Out of the government's fixed budget for 2009, the net increase in SOC investments stood at KRW 5.1 trillion, raising expectations for increased production and job creation in various industries.

POSCO renewed its social responsibility slogan and image on June 1st 2009 and decided to incorporate them in all of the social responsibility activities of the POSCO group. The new slogan reads "A harmonious world of nature, human, and steel." It was adopted by Mr Kim Hwa shik assistant manager in the Coke Making Department at Gwangyang Works. His idea was chosen by an internal contest.

*(Source: VnBusinessNews)*

[Back to top](#)

### **Vietnamese, South Korean Cos Sign USD 2.42 B Deals**

*Vietnamese and South Korean companies have just signed deals worth USD 2.42 billion to build steel, power, construction projects during Prime Minister Nguyen Tan Dung's visit to the foreign country. The deals include construction of a USD 620 million steel mill signed by Vietnam Steel Corp and Posco, the USD 1.2 billion coal-fired plant of Thai Binh between PetroVietnam Construction Joint Stock Corp and Hyundai, and establishment of a USD 600 million joint venture between Daegun and Ngoc Phu Trade And Construction Co., Ltd.*

During the stay in South Korea, PM Dung held talks with President Lee Myung-bac and other leaders to seek measures to expand bilateral trade and investment as part of bilateral efforts to boost strategic ties.

Mr. Dung favored non-proliferation of nuclear weapons on the Korean peninsula. Mr. Dung also met with CEOs of leading companies in South Korea; emphasizing South Korea is among biggest investors in Vietnam with 2,150 projects capitalized at USD 19 billion, however, which are far from reaching potentials.

Vietnam and South Korea have also signed a number of other cooperation agreements including a protocol on sentenced inmates, amended agreement on grants, a food safety agreement, a deal on labor and an agreement on IT and communication.

*(Source: VnBusinessNews)*

[Back to top](#)

### **Incentives for investment in Northern Provinces of Vietnam**

*A two-pronged strategy offering investment incentives and fast-track procedures was outlined yesterday at an investment promotion conference in northern border Lang Son Province. Deputy Prime Minister Truong Vinh Trong said the move was an opportunity to make full use of the province's untapped potential and help the local people escape poverty.*

Duong Thoi Giang, the deputy chairman of the Lang Son People's Committee, said in addition to the investment incentives applied nationwide, investors interested in pouring money into the impoverished province's economic zones would enjoy a land lease tax as low as 1 % of the normal rate. The management board of Lang Son's Dong Dang-Lang Son economic zone has been assigned to co-ordinate land negotiations and provide investors with necessary legal documents to speed land clearance and the resettlement of residents.

Trong was hopeful the new promotion package would help Lang Son grow its heavy industries, such as mineral exploration and processing and building materials production, as well as developing tourism. Giang said the province was financing the training of local corporate managers and workers to work for new investment schemes. The training subsidy per worker varies between VND300, 000 (USD 18) and VND1.5 million (\$80).

The authorities also plan to subsidize investors to advertise in the province's media outlets. Technology transfer projects considered important to the province's development will be eligible for a subsidy of VND500 million (\$28,000).

Giang said that investors would enjoy simplified business procedures as the province had instigated single-clearance at many of its public offices. The Department of Planning and Investment also began offering investors on-line registration and easier access to information. Keun-Hyung Park, senior deputy director of the Korea Trade-Investment Promotion Agency (KOTRA), yesterday said the lack of access to information and increasingly high costs for operations were major difficulties facing foreign investors in Viet Nam.

"Other difficulties include confusing and complicated administrative procedures and a lack of skilled workers," he said. Kyoshiro Ichikawa, senior investment adviser of the Ministry of Planning and Investment, said Lang Son authorities should carefully analyze the current situation before taking any action to promote foreign investment.

In addition to attracting more investors to investment forums, informational materials such as guide books on the province, data and law books as well as a regularly updated web page were all important to create a new face for the province, said Kyoshiro Ichikawa. Lang Son, 154 km northeast of Ha Noi, has a population of 750,000 and is home to two international border gates and seven bustling border markets. But despite its location, which is advantageous for cross-border trade, the province has never been a favorite investment destination, partly because 80 % of its land is mountainous, which makes developing infrastructure difficult.

The Deputy Minister of Planning and Investment, Truong Van Doan, said foreign investment in Lang Son has remained low, with some 30 investment projects worth \$86 million. "This is a very limited figure when put into the context that Viet Nam attracted a record \$64 billion in foreign investment in 2008, triple that of 2007," Doan said. He said that the Ministry of Planning and Investment would do its utmost to make Lang Son more attractive to investors. He also said the tourism and service sector would soon be among Lang Son's major breadwinners.

A \$1.4 billion project to build a highway linking Ha Noi with Lang Son's Huu Nghi international border gate will soon be implemented and a railway connecting Lang Son and three other cities in Viet Nam with China's Nanning is now in the pipeline. Both projects would make Lang Son more attractive to investors, said the deputy minister. Also at yesterday's conference, Lang Son authorities handed over investment certificates to five local investors and entered into Memoranda of Understanding (MOU) with four domestic businesses.

(Source: VNS)

[Back to top](#)

## Japan businesses explore opportunities

*The first meeting between enterprises from Japan's Aichi Prefecture and the Foreign Investment Agency (FIA) under the Ministry of Planning and Investment yesterday reviewed steps taken to facilitate business and address investor concerns.*

Phan Huu Thang, head of FIA, said that in order to help Japanese enterprises from the prefecture do business in Viet Nam, his ministry and authorities of the Japanese province established the Aichi Support Desk (ASD) last March 2009. The desk acts as a forum for Aichi enterprises to exchange information and experiences in Viet Nam.

Phan Thi Thuy Tram, deputy director of the Investment Promotion Centre for the northern region, said the ASD had also established hotlines with Japanese speakers to receive comments and complaints from investors. Aichi enterprises attending the meeting were informed of personal income tax policies and corporate income tax by Do Quoc Tuan of the HCM City Tax Department.

Regarding the tax policy after June, Tuan said his department would officially inform enterprises of the latest developments regarding these policies as soon as the National Assembly approves them. Many businesses expressed worries about the spread of H1N1 virus. Thang said Viet Nam had taken strict measures to prevent the spread of the virus and his ministry would update information constantly on the ministry's website.

Saburo Onoki, director of Aichi Province's Trade and Investment Agency, called on Aichi businesses to send any questions they may have to the ASD, adding that the desk would co-operate with relevant ministries and agencies to settle any difficulty faced. "I hope that through the meeting, Aichi businesses will have a chance to meet, exchange experience and seek co-operation opportunities, and meanwhile help them solve all problems involving their investment in Viet Nam," Thang said. He proposed that FIA and the ASD organize regular meetings with

Japanese enterprises in general and Aichi businesses in particular. Japan is one of the largest investors in Viet Nam, and nearly 60 enterprises from Aichi Province have invested in the country. Japanese businesses have so far initiated 1,100 projects in Viet Nam with a total registered capital of USD 17.2 billion.

*(Source: Viet Nam News)*

[Back to top](#)

### **Gov't Okays adjustment of HCM city's first subway project**

*The central Government has agreed with HCMC in adjusting the first subway project from midtown Ben Thanh Market to Suoi Tien Park in the city's eastern suburban area by further extending the line and thus revising up the total cost.*

In a statement issued by the Government Office, Deputy Prime Minister Hoang Trung Hai agreed on the changes, allowing the city to adjust the investment capital for the Ben Thanh-Suoi Tien project. However, the adjustment can only be validated and carried out once it is appraised by an independent consultant named by Japan International Cooperation Agency (JICA), which represents the donor.

According to the HCMC Urban Railway Management Project Unit, the cost of the first subway in HCMC is forecasted to double to some USD 2.2 billion, largely due to the extension of the line, the sharp appreciation of Japanese yen against the dollar and the inflated costs of building materials.

HCMC authorities had earlier worked with the Japanese lender before submitting the adjustment plan to the Prime Minister for approval, a source of the management unit told the Daily on Thursday. After receiving the permission from the Government and the final decision from the donor, the management unit would revise up the total investment capital for Ben Thanh-Suoi Tien line. He added JICA would work with a Japanese consortium grouping Nippon Koei and Japan Technical Railway Service (JARTS) as the consultant to bring out the cost estimates for the subway project.

Under the previous plan, 80% of funds for the project will be financed by the Japanese Government's ODA loan via the Japan Bank for International Cooperation (JBIC). The balance will be covered by the city's budget.

He also said that preparations for the subway project were proceeding quickly. Relevant agencies are now focusing on site clearance and compensation, aiming to speed up the preparation work.

Construction of the subway line is expected to start early next year, and this project is scheduled for completion by 2013 and opened to traffic by 2014. Under the previous design, the 19.7-km long subway, including 2.6 kilometers underground and 17.1 kilometers above ground, will run from Ben Thanh Market in District 1, along Dien Bien Phu Street and the Hanoi Highway, to Long Binh station. The Ben Thanh - Suoi Tien subway will pass through districts 1, 2, 9 and Thu Duc of HCMC and Di An of the neighboring province of Binh Duong.

However, the subway is expected to extend from Ben Thanh Market to Cong Hoa junction through districts 3 and 10, according to the revised scheme. The extension is aimed to make a soft connection between the first subway (or Route No.1) with the Route No.3, including two lines 3a and 3b. Under the city's development master plan to 2020, there will be seven subway lines - 1, 2, 3a, 3b, 4, 5 and 6, with a combined length of 107km. More than USD 6 billion will be needed for building these routes. The city is seeking ODA loans from Germany for building the Route No. 2 linking Ben Thanh Market with Tham Luong in District 12 and Spanish loans for two lines 5 and 6, while Japanese Government provided ODA loan for Route No. 1.

The fifth subway, or Route No. 5 and also known as Saigon-Can Giuoc, will be like a ring route to link all other subways in the city while Route No. 6 is called Ba Queo-Phu Lam. Spain-based Idom Ingenieria Consultoria S.A. is conducting a feasibility study for two subways using a grant of nearly 1.3 million euro funded by the Spanish Development Aid Fund (FAD).

*(Source: SGT)*

[Back to top](#)

## **Huge steel project licensed in BR-VT**

*Ba Ria-Vung Tau Industrial Zone Authority (BIZA) has awarded an investment certificate for a USD 1.15 billion steel mill in the southern province of Ba Ria-Vung Tau. The project, the biggest foreign investment in the country in the year to date, involves an international alliance.*

A representative of BIZA told the Daily on the phone late last week that the investors included China Steel Corporation (CSC) with a stake of 51%, Sumitomo Metal Industries, Ltd. (Sumitomo Metals) with 30%, and Sumitomo Corporation (5%), among others. The venture named China Steel Sumikin Vietnam Joint Stock Company (or CSVC) will develop the project on 109 hectares at My Xuan A2 Industrial Zone of the province to serve the automobile, shipbuilding, electronic and energy industries. Most local steel manufacturers produce steel for construction.

The project with an annual output capacity of 1.6 million steel tons will take four years to construct, according to BIZA. CSVC will have a full lineup of high-class steel sheet products including those used for automobiles, such as cold rolled coils, electromagnetic steel sheets and hot-dip galvanized steel sheets. The company expects to commission the facility in early 2013.

Sumitomo Metals and China Steel Corporation studied the construction of a steel sheet mill in Ba Ria-Vung Tau in end-2007. The representative of BIZA said the project had been licensed by BIZ after getting approval from the Government. According to BIZA, the new project is large in comparison to a steel project South Korea's Posco is building in Phu My 2 Industrial Park in the same province.

Posco plans to produce three million tons of hot-rolled steel and 1.5 million tons of cold-rolled products, which will be supplied to both the local market and other Southeast Asian markets. Posco plans to use hot-rolled coils from its Indian integrated mill as feedstock to make cold-rolled steel products in Vietnam. Posco, the world's fourth largest steelmaker, has recently transferred a stake in its project in Ba Ria-Vung Tau to Japan's Nippon Steel. The source said that Posco had informed BIZA of the transfer of the 15% stake to the Japanese firm. Posco received an investment certificate in late 2006 for its steel project worth USD 1.13 billion in Phu My 2 Industrial Park in Tan Thanh District, some 80km southeast of HCMC. The factory under way will cover 130 hectares and produce hot-rolled and cold-rolled steel.

Work on the project started in August 2007 with the first phase requiring a total of USD 361 million. The facility is expected to be operational in late 2009 with annual output of 700,000 tons of cold-rolled steel. Ba Ria-Vung Tau is emerging as an attractive destination for investors in heavy industry such as steel production though a number of huge steel projects have been either shelved or delayed, including of India's Essar Steel, Taiwan's Thien Huong and Formosa, and Vietnam's Lilama, Bach Dang and Phu My.

The Ministry of Industry and Trade found in an inspection that 17 of 23 steel projects prioritized for implementation in 2007-2015 had not got off the ground.

*(Source: SGT)*

[Back to top](#)

## **Green residential project planned**

*Work will start in July on an 8 billion USD township only 13km from the heart of Hanoi across the Red River. The project in Hung Yen province, which will go under the name of Eco Park (also known as the Van Giang Commerce and Tourism Township), is managed by the Viet Hung Development & Investment Company (Vihajico).*

It will cover 500 ha and aims to set a milestone in environmental sustainability. About one fifth of the development area will be set aside for trees and other greenery. A residential ward will be built in the eastern part of the site and will feature low and high-rise apartment buildings.

The most unique feature of the project will be an old town recreated to capture the feeling of villages in old streets of Hanoi. Dao Ngoc Thanh, General Director of Vihajico, said that Eco Park was being built on flat terrain near many old villages.



The master plan has a central development spine surrounded by an intricate water network and a variety of residential communities. The spine will have compartmentalized districts, a central business district, waterfront district and old-town districts. Thirty %of the site area has been designated for residential purposes incorporating diversified types of housing such as low-rise, mid-rise and high-rise apartments, inland and canal housing.

Recreation facilities will include an 18-hole golf course, club houses, a central stadium and a sport complex. Lye Kuan Loy, President and General Director of CPG Singapore, a strategic partner of Vihajico, claimed that the investment in landscape and environment would generate value for investors.

(Source: VNA)

[Back to top](#)

## Large-scale container port opens in south

*The SP-PSA International Port has opened to business in the southern coast province of Ba Ria-Vung Tau, with the Singapore-flagged APL Alexandrite of nearly 60,000 DWT becoming the first ship to berth there on Thursday (29 May 2009). Two container wharves measuring 600 meters have been built at Phu My 1 Industrial Park in Tan Thanh District in the first phase of the project at a cost of USD 210 million, allowing the container terminal to handle vessels of up to 80,000DWT.*

The SP-PSA International Port, whose first phase is completed after one year and a half of construction, is a joint venture between the State-owned Vietnam National Shipping Lines (Vinalines), Saigon Port (SP) and the Port of Singapore Authority (PSA). The port will help meet Vietnam's rapidly growing container traffic demand to become a major sea transport hub for the Asia-Pacific region.

Given the first-phase completion, the SP-PSA International Port as a deep-water seaport will have a handling capacity of 1.1 million twenty-foot-equivalent units (TEU) per year. Vinalines general director Mai Van Phuc said the second phase of the project would be equal in scale, increasing the port's total annual handling capacity to 2.2 million TEUs, or some 25 million tons of goods.

The developer said they wanted to develop the SP-PSA International Port into a world-class facility catering to the increasing container traffic in Vietnam. Given the management experience of PSA on the global port network, and expertise and experience of Saigon Port and its parent company Vinalines in shipping and transportation, the joint venture believed the port would reap success in the country.

The port is part of the seaport development master plan known as Port Group 5 prepared by the transport ministry, which includes seaports in HCMC, Dong Nai and Ba Ria-Vung Tau provinces. Under the master plan, the total cargo throughput at these southern ports is projected to reach 53 million tons per year by 2010.

However, that projection is poised to become outdated, according to the Vietnam Maritime Administration. Its recent statistics showed that the growth of throughput at the port group is at 10% per year for loose cargo and at 20-22% for containers. The administration forecasted that, given the current growth tempo, the total throughput should have far exceeded the master plan's target and may total 222 million tons per year by 2020.

Deputy transport minister Tran Doan Tho said the ministry was making efforts to accelerate the development of seaport services in Ba Ria-Vung Tau to make the area the center of Vietnam's and the world's shipping routes.

The worsening overloads and thus port congestion in southern provinces, especially in HCMC, has created opportunities for local and international port developers to develop new facilities.

Since 2007, besides SP-PSA ports, many local and foreign developers have poured their money into large-scale seaports, such as a large-scale seaport in Tan Thanh District developed by Saigon International Terminals Vietnam Ltd., a joint venture between Vietnam's Saigon Trade, Investment and Construction Co. and Hutchison Ports Mekong Investment. Other big names include one international seaport being developed by Saigon Port and A.P. Moller-Maersk Group, another port as a joint venture between Vinalines and SSA Marine, and Cai Mep-Thi Vai port complex whose development is financed by Japan's ODA funds.

(Source: SGT)

[Back to top](#)

## [Spain to help HCMC build subway](#)

Spain may provide HCMC with 200 million euro to build a subway and this can be decided in the next few days when city vice chairman Nguyen Trung Tin visits Barcelona. Speaking to Spanish ambassador to Vietnam Maria Soledad Fuentes on Thursday, city chairman Le Hoang Quan said he hoped the Spanish government would finance construction of the whole route and even two others.

Quan said, "200 million euro is enough to build about 10 kilometers of the route." Tin will lead a city delegation to Spain next Sunday, he said. "I will listen to his report. Depending on the outcome of the visit, the city will be able to sign with the Spanish Economic and Commercial Office a memorandum of understanding on this cooperation," he said.

*(Source: SGT)*

[Back to top](#)

## [Dinh Vu – Cat Hai economic zone welcomes first two projects](#)

Investment licences were granted to the first two projects slated for Hai Phong's Dinh Vu–Cat Hai Economic Zone in the early May 2009. The combined capital for the projects is approximately VND5.3 trillion (USD 299.4 million).

The two projects include the development of a \$163 million non-tariff zone financed by Nam Dinh Vu Investment Co, and the USD 139 million development of Nam Dinh Vu Industrial Zone invested by the Hai Phong Industrial Zone Joint Stock Co.

Land for the 2,000ha zones will be reclaimed from the sea. The projects are expected to be completed within the next 6-8 years with construction of the non-tariff zone to begin in August. Established in 2008, the Dinh Vu–Cat Hai Economic Zone Economic Zone is a multi-sector maritime economic zone covering sectors including maritime economy, industry, financial and banking services, tourism and trade.

### **Investment promotion**

The northern port city planned to intensify investment promotion activities in hopes of attracting \$1 billion in FDI by the year-end, said the municipal Department of Planning and Investment.

While most areas are seeking large foreign-invested projects of any sort in their industrial zones, export-processing zones and economic zones, the city was trying to be more selective in choosing suitable projects, said Vu Xuan Minh, head of the department's External Economic Relations Division.

"It's good to attract large projects, but we are mostly concerned with project feasibility," Minh explained.

The city has six tasks that it plans to implement in 2009, to try and create a more favorable business and investment environment, with a focus on making its administrative and investment procedures more transparent and speeding up land clearance.

*(Source: VNS)*

[Back to top](#)

## [Private firm weighs wind energy plant for Con Dao](#)

The domestic trading and real estate company Sy Cat has submitted a plan to Ba Ria-Vung Tau Province's authorities to build a wind energy plant worth some USD 26 million on Con Dao Island off the southern coastal province, in line with the province's plan to turn Con Dao into an eco-tourism island. A source from the provincial Department of Planning and Investment told on Wednesday (27 May 2009) that the department appreciated the project, considering it necessary for Con Dao's socio-economic development.

Therefore, the department has sent a statement to the provincial government requesting approval for the wind energy plant on the island, 180km offshore Vung Tau City. Under the investor's plan, the wind energy plant will be built on 45 hectares encompassing Nhat beach and Da Trang beach.

Development in the first phase will take three years, and the plant will have a designed generation capacity of 10MW. When the demand rises and upon approval from authorities, the investor will build more facilities to double the generation capacity to some 20MW. The private investor estimates the cost at VND445 billion, or USD 26 million, and it seeks to operate the wind energy plant in 30 years.

The power will be sold to the island district at a price of 16.5 US cents a kilowatt in the first 10 years of operation, down to 15.7 cents for the next 15 years and 13.2 cents from the 25th year. The project, if licensed, will be the second wind power plant on the island. Last year, Aerogie.plus Vietnam, a subsidiary of Swiss energy firm Aerogie.plus Solutions AG, received a license to develop the first wind power station in Con Dao, touted as a solution to protect the environment, reduce carbon dioxide in the atmosphere and promote eco-tourism.

Hoang Nghia Doan, party secretary of Con Dao Island, had told the Daily on an occasion that wind power projects, including wind towers, should be designed in harmony with the natural landscape and contributes to the preservation of the environment and historic venues on the island.

The island district has only four diesel-fueled generators with a combined capacity of 3MW, which is far behind demand of electricity for daily activities of islanders and fish processing facilities.

As the cost for running diesel-fuelled generators is high, the annual budget used to offset losses from such operations amounts to some VND10 billion. Con Dao Island is in fact an archipelago of 16 small islets with a total area of more than 7,670 hectares, and is some 45 minutes' flight from HCMC. Con Lon is the largest island where there are currently four hotels and resorts.

The island is considered as one of the most attractive destinations in Vietnam owing to its long and tranquil beaches, good natural landscapes and historical relics. Con Dao will have 50,000 residents by 2020, up 10 times compared to the current population, while the number of travelers to the islands is expected to reach 500,000 to 700,000 per year by then.

(Source: *The Saigon Times Daily*)

[Back to top](#)

## FINANCE – BANKING

### Steady hand to craft monetary policies

*The Vietnamese government is taking a cautious monetary policy approach as warnings about accelerating credit growth and the return of high inflation circulate. Prime Minister Nguyen Tan Dung, in the government's monthly meeting in late May, stipulated that the State Bank (SBV) needed to closely monitor market movements weekly, especially the movement of the M2 money supply, which was a measure of the total money supply, including currency in circulation, confirmed deposits, savings and other time deposits.*

Dung asked the SBV to take all necessary measures to ensure the safety of the country's banking system. The government has earlier announced that a stimulus package worth around \$8 billion would be used to spur economic growth and create jobs. The package includes 4% interest rate subsidies and large investment capital from the state budget and government bonds.

Some economists warned that the stimulus package might cause a boom in credit growth and the M2 money supply, which could in turn result in high inflation. General Statistics Office figures show that the consumer price index (CPI) rose 0.35% in April after falling 0.17% in March. In May, the CPI continued increasing 0.44% against April, or 2.12% in comparison with last December.

Although the CPI increase over the past five months was still relatively low, Nguyen Thi Hong, deputy director of the State Bank's Monetary Policy Department, said the rise during two straight months could indicate a return of high inflation given that credit growth was accelerating in line with the increase of global crude oil and domestic electricity prices.

According to a Ministry of Finance report, credit growth had climbed over 14.91 % since last December. Meanwhile, the M2 money supply growth was estimated at 14.55 % and cash outside the banking system at 19.3 %. Benedict Bingham, senior resident representative of the International Monetary Fund in Vietnam, said the challenges posed by high inflation in the country were real.

He said the Vietnamese government was right to implement the existing monetary and fiscal policies to spur economic growth amid the global financial crisis. However, he said that the economy had experienced its most difficult period in the first quarter of this year. Bingham said it was time to change some measures in monetary policy in order to ensure stable economic growth and avoid high inflation.

SBV deputy governor Nguyen Dong Tien said the central bank had not on decided any basic monetary changes and would monitor money market movements closely. "Credit growth and the M2 money supply are under our control, but we will implement any measure required to stabilize the economy if necessary," said Tien. He said the SBV could control credit growth at about 25 % for the whole year, and the government aimed to keep the inflation rate at around 7 % this year, much lower than the 15 % level previously permitted by the National Assembly.

Bingham said the government should calculate the current amount of total currency in circulation as well as remaining money demand for the whole year to help avoid an abundance of currency in circulation

(Source: *Dau Tu*)

[Back to top](#)

## **Listing becoming fashionable**

*Analysts have said that a new movement of companies listing on the bourse has kicked off. Forty-seven enterprises have reportedly applied to list on the Hanoi and HCM City bourses. Vietinbank's Chairman Pham Huy Hung has affirmed that the bank will hit the bourse in July 2009. Bao Viet and Vietcombank have announced they will list on the bourse this year. Smaller companies have also been preparing for listing. Forty-seven enterprises have reportedly applied for listing, and some have received approval in principle.*

### ***The golden time for listing***

On June 1, Vietcombank finalised its list of shareholders. If everything goes smoothly, 112,285 million Vietcombank shares (9.28 % of chartered capital) will be listed on HOSE in June 2009.

Le Thi Hoa, a member of the Board of Directors of Vietcombank, said that the bank has fulfilled all necessary procedures for the listing, while other things will depend on HOSE. If Vietcombank cannot list in June, it will list in July. On May 25, Bao Viet Group applied to list 573 million shares at HOSE. Bao Viet has the chartered capital of 5,730 billion dong, of which the state holds 77.54 % and foreign strategic shareholders 10 %.

Le Quang Binh, Chairman of Bao Viet Group, said that as the stock market has recovered, it is now the most suitable time for listing. In fact, Bao Viet planned to list in 2008, but the plan was delayed due to the stock market's falls and the global financial crisis.

### ***Entering bourse at what cost?***

Coming up with a market debut price is always a contentious issue. In general, prices are only announced the day just before the day of listing. Hoa from Vietcombank said that the bank's debut share price will be set after considering the share market prices of transactions in the last few months on the OTC market. Moreover, assessments of the inner strength of Vietcombank and prices of other bank share items will also be considered.

Hoa said that the debut price will not be overly high and will reflect investors' expectations of the bank. On the OTC market, Vietcombank shares are now being traded at 45,500-45,800/share. The price levels are much lower than the IPO average price at 107,572 dong per share, but relatively higher than the bank's share prices several months ago.

Meanwhile, Bao Viet share prices are hovering around 22,000-23,000/share, while the average IPO price was 73,910 dong per share in 2007. It happened in the past that some companies announced debut prices at overly low

or high levels which investors did not agree with. As a result, the shares of the companies increased or decreased continuously in the subsequent months.

However, this has not happened recently. HOSE has asked a consultancy company to provide proof about share prices on the OTC market in order to set debuts prices that are closer to the market prices.

*(Source: DTCK)*

[Back to top](#)

### **VietUnion, banks ink net deal**

*The VietUnion Online Service Joint Stock Co and four local banks signed an agreement yesterday on the use of the company's e-wallet service Payoo. VietUnion Company signed the agreement with the Viet Nam Bank of Agriculture and Rural Development (Agribank), Viet Nam Bank for Industry and Trade (VietinBank), Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank) and Nam Viet Commercial Joint Stock Bank (NaviBank).*

"Significant rise in the number of mobile and internet subscribers has created a favorable condition to develop electronic commerce, especially in the context of global recession," said Nguyen Hoang Ly, general director of the VietUnion Company.

The Payoo service, which has been running on a pilot basis by the State Bank of Viet Nam, will allow consumers to shop online without submitting credit card details or personal bank information. Administered by VietUnion, the service co-operates with the four banks as well as more than 100 companies.

A fixed sum of money from the customer's account from the four banks will be transferred to their Payoo e-wallet account. The company expects that with the four banks' wide distribution network, customers will receive the most favorable e-commerce conditions.

According to VietUnion, the Payoo service plays an intermediary role among banking, credit, financial organizations, companies and customers. Customers can easily register their e-wallet accounts at the four banks. They will be able to transfer money from their banking account to their Payoo account via their mobile phones or the internet.

For customers, using Payoo will ensure that purchases are safe and will be delivered on time, as the companies selling the goods are contractually bound to the Payoo service provider. With Payoo, companies are able to reject any fake orders, as customers have to transfer the money first, and banks can save money and labor. Payoo also plans to introduce the new payment models, G2C, an E-Government site, and other services like e-Bill and e-Shop.

*(Source: VietNamNet/Viet Nam News)*

[Back to top](#)

### **Few banks cut dollar rates**

*Despite four major State-owned banks and the joint-stock Bank for Foreign Trade of Vietnam (Vietcombank) have agreed to reduce their dollar borrowing rates on Monday (01 June 2009) to only 1.5% per year, most other banks have followed suit.*

Bank for Investment and Development of Vietnam (BIDV) seems to act fast on the commitment, lowering its borrowing rates for dollar deposits of all terms from one to 60 months to only 1.5% or less per year. At Vietcombank, the deposit rates were also revised down on Monday but the level of 1.5% applies for only to 12-month term while longer terms carry a rate as high as 2% per year.

DongA Commercial Bank is one of few private banks revising its dollar rate on Monday to 1.5%, but Nguyen Thi Kim Xuyen, deputy general director of the bank, admitted that it would make dollar mobilization difficult. She added that the lending rate for enterprises, however, would not be revised down accordingly as the bank had earlier mobilized the greenback at higher rates.

Meanwhile, many other credit organizations refuse to beat down the rate. State-owned Bank for Agriculture and Rural Development of Vietnam (Agribank) still maintains its interest rate at 2.4% per year for the terms of 13 to

24 months, while others keep a wait-and-see attitude. Ly Xuan Hai, general director of Asia Commercial Bank (ACB), said that ACB would only make a move if most others did so. “We are looking at the market movement. If others cut the rate, ACB will follow suit,” Hai said. Borrowers are still reluctant to snap up dollar loans, fretting about forex risks.

Many enterprises including importers want to borrow capital in Vietnam dong because loans in the dollar are not subject to the Government’s subsidized lending program. Furthermore, borrowing funds in Vietnam dong hedges them against risk in case the dollar appreciates. The interest rate of subsidized loans in Vietnam dong now ranges about 6.5%, not much different from the rate of loans in the U.S. dollar. Therefore, enterprises might use dong funds to buy dollars at banks to import materials or goods.

Falling borrowing and lending rates in the US dollar, however, is expected to encourage enterprises to approach more dollar loans, thus helping reduce demand to buy dollars deflate the surplus dollar capital for lending at banks.

Some bankers said dollar loans even offered at a low interest rate are still not attractive to borrowers. Nguyen Thi Tam, deputy general director of Techcombank, said that “we have slashed the lending rate in dollars to 4% per year but no enterprises including big corporations want to borrow dollars due to high risk.” Tam also compared that the lending rate in dollars was 2.5 % age points lower than the rate for loans in Vietnam dong but enterprises are still hesitant over the forex risks.

*(Source: The Saigon Times Daily)*

[Back to top](#)

### **Finance companies are able to compensate for absence of banks?**

*If banks are prohibited from loaning to fund securities investments, which many think is likely, will finance companies be able to pick up the slack and provide enough capital to support the development of the stock market?*

The director of a securities company said that because his company provides many kinds of services on giving capital support to investors, he needs to cooperate with a finance company.

The director has another reason to shake hands with a finance company. The draft law on credit institutions says that commercial banks, foreign bank branches in Vietnam are not allowed to provide loans to fund securities investments. This means that if the draft law is ratified, as is expected, finance companies will be the only credit institution allowed to lend to securities investors.

Finance companies, which have the function of capital arrangement and have specific divisions for investment portfolio risk management, are believed to be the ideal source of capital for the stock market as the operations of finance companies do not have great impacts on the larger part of society.

Duong Thu Huong, Secretary General of the Vietnam Banking Association, said that the compilers of the draft law have every reason to allow finance companies to be the only entity to fund securities investments. If finance companies go under, the consequences on society are small, unlike the case of banks, whose money mostly is mobilised from the public: A bank collapsing due to a failed investment deal has immeasurable consequences.

Tong Quoc Truong, General Director of PetroVietnam Finance Corporation (PVFC), which has been providing loans to fund securities investments, said that credit institutions which have strong corporate governance systems should be allowed to continue to loan to securities investors.

According to the State Bank of Vietnam, there are 17 operational finance companies which have the total chartered capital of over 15 trillion dong.

*(Source: VietNamNet/DTCK)*

[Back to top](#)

### **Enterprises from Japan's Aichi province wish for expanded investment in Vietnam**

*Giving an interview on the sideline of a discussion with enterprises from Aichi province, Japan, held by the Foreign Investment Agency under the Ministry of Planning and Investment on June 03 2009, Saburo Onoki, Director of Aichi Province's Trade and Investment Agency appreciated the co-operative model between the province and the Vietnamese Government.*

***How many enterprises are there from Aichi province investing in Vietnam?*** - Currently, there are 43 enterprises investing in Vietnam. In which many enterprises have established their branches in both Hanoi and Ho Chi Minh City. A total of 60 branches have been set up in the two cities. Attending this discussion were mainly enterprises investing in Vietnam. They will exchange their information and experience, discuss their current difficulties in investment activities in Vietnam and at the same time propose the Vietnamese Government to have solutions to overcome difficulties and further improve Vietnam's investment environment.

***What is your assessment of Vietnam's infrastructure?*** - In my opinion, the Vietnamese Government has tried its best to improve infrastructure and we believe that the improvement will be made with a fast speed in the coming time.

***What is Aichi enterprises' assessment about Vietnam's current investment environment?*** - In general, we realize that there are two main matters. Firstly, although the Vietnam's infrastructure has been improved, the traffic, electricity and water supply systems are yet to be perfected. Secondly, with regard to human resources, we want to recruit trained and skilled workers.

***Could you tell me about the performance of the Aichi enterprises in Vietnam so far?*** – Currently we are investing in both centres of Hanoi and Ho Chi Minh City and in general we are very successful.

***What are the strong points of the Aichi enterprises?*** - We have a lot of strong points. But the first I have to say is technology. Next is the good work capability and linking in teams, thus making full use of all staff's ability. We wish to expand our investment in Vietnam.

***What is your judgment about the co-operative model between the Aichi province and the Vietnamese Government?***

Currently, only Aichi province is applying the model of direct contact between one province and the Vietnamese Government. There are possibly some other provinces in Japan assisting the local enterprises in investing in Vietnam but they do not directly work with the Vietnamese Government, but with other organisations and agencies.

The advantage of the model is that we can directly collect information from the Vietnamese Government to inform Aichi enterprises and at the same time submit the Aichi enterprises' aspirations and proposals to the Vietnamese Government.

*(Source: ND)*

[Back to top](#)

### **Fulbright chief questions scale of stimulus package**

*Dr Vu Thanh Tu Anh, Director of Research at the Fulbright Economics Teaching Programme (FETP) in HCM City, warns that Vietnam's demand stimulus packages is dangerously large, and if not managed carefully, threatens a return to the 'subsidiary economy.' He sees no imminent danger of high inflation.*

***The Government has proposed a lowered GDP target of five %for 2009. Financial institutions including IMF, World Bank and ADB have given different forecasts. The Economist magazine has forecast a growth rate of only 0.3 %this year. Do you think that five %growth is feasible for Vietnam?***

Lowering the GDP growth rate target is a right decision. However, I personally think that five %is high. Vietnam's economy now much depends on the world's economy, while the world's economy has not shown signs

of recovery. Professor Paul Krugman said here in Saigon recently that the world's economy is still worsening, though at a slower pace. This means that the global economic downturn has just nearly bottomed out. It has yet to reach the bottom. As the result, the demand for Vietnam's export products still keeps declining.

The General Statistics Office estimates that Vietnam's export turnover in the first five months of the year decreased by 6.8 %over the same period of 2008. The result is production declines and unemployment and Underemployment, all things that have bad impacts on the income of consumers.

Our demand stimulus package's is very big, some 145 trillion dong, or \$ 8 billion. However, it remains unclear how the Government will fund the package, especially when the budget deficit in 2008 exceeded eight %, according to the IMF.

*Some experts warn that the improper implementation of the demand stimulus package will lead to the return of the 'subsidy economy' and stagflation. Do you agree these risks are real, and what do you think we need to do to prevent this?*

The experts have every reason to worry about the misuse of the demand stimulus packages. The money may go to the wrong places if the budget allocation is carried out without necessary examination procedures

Moreover, the allocation of a huge sum of money in a short time while everyone has difficulties and scrambles for aid may easily lead to a subsidization and 'ask-and-grant' mechanism

As for the danger of a return of the high inflation, I think that it is not a worry at this moment. Demand on both the domestic and export markets have been decreasing sharply. Of course, the risk of high inflation is latent; it could break out at any time when the world's economy recovers.

*There are arguments whether Vietnam's economy has recovered or not. What is your viewpoint?*

It is very difficult to be precise about the state of the national economy when we lack much important data, like the number of jobs lost every month, the number of new orders, inventory volume and others

The figures we have show an unclear picture of Vietnam's economy. Data on investment and import-export volume show sharp decreases, but the data about consumption and industrial production values show improvement in comparison with the first quarter of 2009.

Some experts believe that the run-up in the Vietnamese stock market index and higher real estate prices are signs of the national economy's recovery. I think that conclusion is groundless, because the companies listed on the bourse now are not typical of the whole national economy. It is the loosening of monetary policy that makes the two markets warm up. Not the improvement of fundamental factors. In general, I think that Vietnam's national economy is stabilizing step by step, but it is still too early to call it a recovery.

*The budget deficit in 2009 may reach eight %. Do you think that the level is safe?*

In the context of the global economic recession, budget deficit is a difficult problem not only for Vietnam but also

Forecasts of the GDP growth rate in 2009 (%)	12/08	04/09
Government of Vietnam	6.5	5.0
World Bank	6.5	5.5
Asian Development Bank	5.0	5.0
International Monetary Fund	5.0	3.3
Economist Intelligence Unit	3.0	0.3

for many other countries. Countries with budget surpluses like Russia, Germany, South Korea and China, or those countries which can borrow money more easily than other countries, like the US or UK, will be able to spend more than countries with heavy budget deficits like India or Vietnam.

Vietnam is a special case because although it is among the countries with the biggest budget deficit, its demand stimulus package is also among the biggest ones, 7.6 %of GDP. I hope the Government will very soon explain the measures it is taking to stimulate the economy, and I hope its efforts to issue bonds will succeed. It needs to account for all unexpected expenditures to give a true picture of the



current situation. According to the IMF, the deficit could turn out to be as much as 10 %of GDP. That would clearly be too high and unsustainable.

To improve the budget situation and avoid bogging down in deficit, the Government must consider carefully whether Vietnam really needs such a large-scale demand stimulus package. The Government should ensure the efficiency of public expenses, especially the investments of state owned economic groups and general corporations. The Government also needs to gradually restructure its income sources to avoid heavy reliance on our receipts from crude oil sales, receipts that fluctuate widely according to the world market price.

(Source: VietNamNet/TP)

[Back to top](#)

## **Look at quality of growth**

*At a time of global crisis, many experts and institutions still pin high hopes on Vietnam's positive growth this year. The economist Pham Chi Lan has some her own ideas about the growth of Vietnam's economy during the first months of the year and looking forward.*

***Economists and economic institutions have forecast positive growth for Vietnam, at around 5%. What is your opinion given the current economic slowdown?***

The Central Institute for Economic Management has three scenarios for the Vietnamese economy with an emphasis on the middle scenario, which is lower than the GDP growth rate of 5% forecast by the Government. Others may predict higher growth but the National Assembly indicated agreement with the Government figure of 5%.

However, I am still worried. Of course we want high GDP growth, but the question is at what price? Over the past few years, Vietnam has made huge investments to obtain a high growth. Last year for example, Vietnam had to invest capital worth 40% of GDP to grow at 6.5%. Other countries, like Japan and Korea, grew 7-8% with investment at 20-30% of GDP when they were in their developing stage. Why do we need to invest up to 40% of GDP to obtain a medium growth rate? Our growth is based heavily on capital injection.

In addition, if we analyze the total productivity factor, we see that our economic growth for the most parts is reliant on cheap labor and capital injection, rather than technology factors. If we continue to depend on these two factors, we will not have a highly-educated labor force and cannot be competitive. The gap between Vietnam's development and its regional rivals is still wide, concerning GDP per capita. In reality, our growth is very modest compared with these countries. We should not look at the growth rate, but rather at the quality we create from that growth. Growth quality is very low, and until we correct that we will not go any further. Unemployment is another index that concerns me. It is very important, but we have not talked enough about it.

***The stock market has gone up. Some say that the capital poured into the market recently was from the stimulus package. How risky is that?***

The cause of the global crisis was from the financial sector, which created virtual growth. The real economy did not develop much. So the virtual growth has had a negative impact on other important sectors such as automobile, steel, and so on. The Government said the stimulus package is for small and medium enterprises which have contributed to export growth, not for the stock market. The stock market cannot help enterprises improve their business. The market has gone up mostly by speculation, and this is again virtual growth. This is a risk.

***Professor Paul Krugman recently said Vietnamese businesses should look back to the domestic market. Is this feasible, given the high coverage of foreign products?***

When local enterprises look back, they will see that a lot of foreign products have flooded the local market. Chinese products are rampant. So I think it will be very hard for them to do this. However, I hope they can understand that export alone cannot help them all the time and they need to capitalize on the local market. But don't reduce the quality of products, just keep the prices competitive.

***Do we need to restructure the economy?***

Yes, we do. Just like other countries, we cannot avoid the crisis. However, because our economic structure is weak, the impact is greater than on strong economies. The International Monetary Fund said that Vietnam is one of 26 economies which are most vulnerable to the crisis. We are vulnerable because we are weak internally. We have to look at that.

Vietnam's economy right now is very labor-intensive. In the early stages of development, we can accept it, but should not rely on this. Let's look at developed economies in Asia, such as Hong Kong and South Korea. They also started from outsourcing and processing, and about 5-7 years later they moved to the next stage of developing supporting industries. And then when their labor cost got higher, they moved these jobs to other less developed countries and changed to advanced industries. Vietnam has to learn from them.

### *What would be the best solution for Vietnam?*

At the moment, many countries are thinking about how to recover their economies and how to develop after the crisis is over. Most importantly, Vietnam has to improve its education system and its technology development. These are two priorities. With education, Vietnam has to develop different programs for different groups of people, depending on their background and capacity. Regarding technology, whenever we need, we always resort to import. This is not good for the long run. We have to look at the future and learn from lessons of the past. We have talked a lot about this, but nothing has been really done.

Vietnam must also reform its regulations to better supervise the economy. Professor Krugman said any country that has a good social safety net (security system) is less impacted. So the Government, in my opinion, has to pay great attention to social development in order to have sustainable economic development.

*(Source: VietNamNet/SGT)*

[Back to top](#)

## NEWS IN BRIEF

**Hanoi launches a series of infrastructure projects** - Work on a number of the city's infrastructure projects will start between May 28 and July 2009 to be ready in time for the capital's millennium anniversary, reported the Hanoi municipal People's Committee. They include projects to bury the city's overhead power and telephone lines underground, give Thong Nhat (Unification Park) a facelift, upgrade Hanoi Zoo and plant several flower gardens around the city. The municipal administration has also asked all grassroots authorities to speed up their efforts to protect the environment by placing rubbish bins on either side of the main streets and build a series of public toilets around the city. The Municipal Transport Service has been instructed to work with the police and other agencies to step up the supervision of vehicles carrying debris, sand or other construction materials that litter the streets and fine the offenders.

**More than 28,000 Vietnamese workers have been sent to work abroad in the first five months of the year, the Overseas Labor Management Department said Wednesday (10 June 2009)** - The number meets 31% of the year's target and shows a 21% fall year-on-year, according to the department. These figures mean the country will face considerable difficulty in achieving the target of sending 90,000 local workers abroad this year, said the department under the Ministry of Labor, Invalids and Social Affairs. Taiwan headed the list of countries and territories receiving Vietnamese workers this year (6,844), followed by South Korea (3,500) and Japan (2,200). Meanwhile, since last October, more than 8,000 Vietnamese workers have had to return home before the end of their labor contracts due to the world economic crisis.

**Cavico Corp. has filed an application to list its common stock on the NASDAQ Capital Market.** Upon approval, Cavico will become the first Vietnamese company to list on a U.S. national securities exchange. Cavico's listing application is subject to review and approval by NASDAQ's Listing Qualifications Department for compliance with all NASDAQ Capital Market standards. The company believes it currently meets NASDAQ's eligibility requirements with the exception of a minimum bid price of \$4.00. The company is working diligently with NASDAQ to complete the application process. Cavico's common stock will continue to trade on the OTC Bulletin Board under its current symbol, CVIC, until NASDAQ approves the Company's application.

**The Ben Kien Ship Building Company in the northern Vietnamese port of Hai Phong on June 10 launched a 9,200 ton versatile container ship named Flinterspring.** Flinterspring is the second of six container ships of the same tonnage to be built to fulfill an order from the Dutch Company Seatrium. The ship is equipped with an automatic steering system, radar

and a satellite locating system and is capable of sailing to any port in the world. It is 129.4m long, 17m wide and can cruise at a speed of 14.7 nautical miles per hour. The same day, the Ben Kien Company started work on its third container ship.

**The Ministry of Finance (MoF) and the Ministry of Industry and Trade approved a 1,000 VND per litre increase in the price of petrol and oil on June 10 2009.** The new rate fell in at 13,500 VND (0.76 USD) per litre for A92 petrol, 13,000 VND (0, 73 USD) per litre of kerosene, 11,500 VND per litre of diesel and 10,000 VND per litre of fuel oil. The petrol price stabilization fund was established with mandatory contributions of 500 VND for every litre of gasoline, kerosene, diesel and related products sold. In turn, contributing enterprises would receive offsets from the stabilization fund to cover any losses due to price fluctuations.

**AWE reported that an 8-1/2" pilot hole was drilled to 1,580 meters and the hole is being prepared for logging at the Tuong Vi-1 well offshore Vietnam.** The hole will then be reamed prior to setting 13-3/8" casing above the first of the target zones. The well is located in the 06/94 block in the Nam Con Son Basin, approximately 400 kilometers from the coastline of Vietnam. The primary target of the well is the oil potential of the Dua Formation sandstones with secondary targets in the Nam Con Son Carbonate and Cau sandstones.

**Techcombank said on 11 June 2009 its total assets have jumped 20% so far this year to 72 trillion dong (USD 4 billion).** The unlisted Hanoi-based bank made a gross profit of 789 billion dong during the first five months of 2009 ending May, after setting aside reserves to cover credit and stock price risks, the bank said in a statement. Techcombank did not provide a comparative figure for the profit results, but the 5-month profit was 49% of its gross earnings target of 1.6 trillion dong for 2009. The lender raised 39 trillion dong at the end of May. It had more than 32 trillion dong in loans, nearing the 33.11 trillion dong projected for the whole of this year, the statement said.

**HCM City welcomes \$2.8m hi-tech software project** - Tien Phong Technology Joint Stock Co has received the go-ahead from the HCM City Industrial and Export Processing Zone Authority to develop a project supplying software and technical consulting in Tan Thuan Export Processing Zone. Capitalised at VND150 billion (USD 2.8 million), the project will begin operations in 2011.

**Vietnam joins Algiers international trade fair** - Vietnamese handicraft products are being showcased at the 42nd international trade fair, which opened Algiers on May 30<sup>th</sup> 2009. The six-day trade fair, themed “a suitable time for the emerging of a competitive economy” attracted the participation of 1,300 businesses from 40 countries and territories around the world. It is expected to draw about 500,000 visitors. The same day, an exhibition was held to promote the export products of Algiers, with the aim of expanding its market beyond its traditional products of oil and gas. On the occasion, many international experts attended a number of seminars on banking, insurance and taxation, aimed at promoting trade exchange among partners.

**Lao Cai, Thanh Hoa attract foreign investors** - Investors from Taiwan, Hong Kong, and the US have recently made major investments in the northern border province of Lao Cai and Thanh Hoa Province, also in the north. In Lao Cai, they are set to build a highway to Noi Bai near Hanoi, upgrade the Lao Cai – Hanoi Railway, mine for copper to make electrical cables, and grow safe vegetables for export. Some Taiwanese companies have invested in safe vegetable production in Sapa District. In mid-May, many investors from the US, Taiwan, and Hong Kong met officials from the Thanh Hoa Province People’s Committee to discuss construction of a cement plant and the Bo Ho trade center in Thanh Hoa City.

**An international business survey ranked Malaysia, Singapore, Vietnam and Sweden among the top 10 countries in the world to be able to survive the global financial crisis the best** - The Servcorp International interviewed 7,500 businessmen worldwide to gauge the mood, the impact of the economic recession and to their knowledge the countries that would best survive the financial crunch. Singapore came in third on the list, while Malaysia along with Sweden and Vietnam, and was listed equally at the 10th spot as countries perceived to be able to survive the economic crisis the best. The Servcorp International Business Confidence Survey was conducted worldwide in April, over a two-week period, involving 24 nations.

**Vietnam has allowed oil product importers to raise pump prices for gasoline, diesel and kerosene by up to 4.8 percent from Wednesday (10 June 2009)** - The Finance Ministry and the Industry and Trade Ministry had approved a request by importers to raise the price of the popular 92-octane gasoline grade to 13,000 dong (73 US cents) per litre from 12,500 dong now. Diesel and kerosene prices would rise to 11,000 dong and 12,500 dong per litres respectively from 10,500 dong and 12,000 dong per litre now, the report said. The report also quoted importers as saying they were incurring a loss of around 2,000 dong per litre of the 92-octane gasoline whose price averages \$72-\$76 a barrel in Singapore. Vietnam is the main supplier of the fuel.

**Vietnam Airlines is heavily investing to over-howl and increase its fleet to about 105 in 2015 and 150 in 2020** - According to the General Director of Vietnam Airlines, during the downturn in the airlines market, the corporation will improve its service and upgrade its flight crews to become the second largest carrier after Singapore Airlines in South East Asia in 2015. The corporation will purchase 39 new Boeing 787-9’s, Airbus A350-900’s, A321’s at preferred prices.

Vietnam Airlines will also gradually replace its old ATR72-200 planes used on domestic flights with 14 modern ATR72-500's. The ATR72-500's will be sent to the corporation in from June 2009 to May 2010. Vietnam Airlines currently uses 50 planes for 29 domestic flights and 36 international flights.

**German industrial giant Siemens (SIEGn.DE) has won a \$375 million contract to supply key equipment to a thermal power plant in southern Vietnam**, state-run newspapers reported on Thursday (11 June 2009). Under a contract signed with Vietnamese firm Lilama on Wednesday, Siemens would supply equipment to the 750-megawatt Nhon Trach 2 plant in Ca Mau province, a newspaper said.

**Vietnam's demand for petroleum products will increase by 10%-15% annually over the next few years, state media said Wednesday (10 June 2009)** - By 2015, consumption of petroleum products will rise to 22 million-25 million metric tons per year, Voice of Vietnam radio said. Demand for petrochemical products, which are used in the production of such products as polypropylene, polyethylene fiber and polyvinyl chloride, is expected to grow at the same annual rate, VOV said.

**Lundin Petroleum AB has announced that the drilling of the 06/94-TV-1X (Tuong Vi-1X) exploration well offshore Vietnam, has commenced.** The plan is to drill the well to a depth of approximately 2,800 metres. The Tuong Vi-1X well is targeting the Tertiary Pliocene to Oligocene sections containing gross unrisks potential resources of 159 million barrels of oil equivalent (mmbob). The well will be drilled by using Diamond Offshore's semi-submersible rig, the Ocean General. Drilling is expected to take up to 60 days. Lundin Petroleum has a license interest of 33.33% together with Pearl Energy (operator) 33.33% and Serica (33.33%).

**Swedish engineering group Alfa Laval (ALFA) won a contract to build Vietnam's first bio-fuel plant for state oil monopoly Petrovietnam, the government said** - Under the contract, Alfa Laval would complete the \$80-million ethanol plant, located in the northern province of Phu Tho, in 18 months. The plant, which will use sugar cane and cassava as feedstock, would have a capacity of 100,000 cubic metres per year, the government said in a report on Thursday.

[Back to top](#)

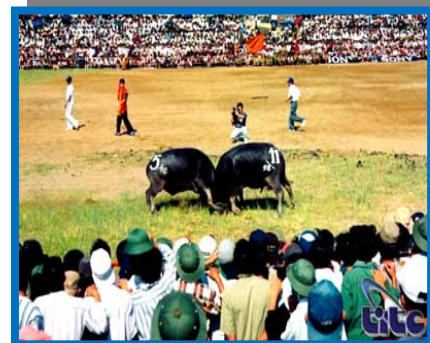
## COMING EVENTS

### Do Son Buffalo Fighting Festival Vietnam

*Do Son Buffalo Fighting Festival, Vietnam*, is held every year on the 9th day of the 8th month of the lunar calendar. It is one of the popular Vietnam festivals & events in Haiphong City. The preparations for this buffalo fighting festival however begin from the 5th and the 6th lunar month itself. The competing buffalos are selected and methodically **trained** months in advance of the *Do Son Buffalo Fighting Festival*,

According to the norms of *Do Son Buffalo Fighting Festival* there should be six fighting buffalos between 4 and 5 years of age, who will participate in the final fight. The buffalos are chosen on the basis of good appearance, wide chest, big groin, long neck, and a bow shaped horn. The selected buffalos, after all the elimination rounds, are kept in separate cages separate from the common buffalos.

The festival begins with a colorful procession with an octet and a big procession chair, carried by six strong young men. The chosen buffalos, covered with red cloth and red band around their horns, are taken to the fighting ring by 12 young Vietnamese men, from each side dressed in red. The young men dance and wave flags as the two teams of troops take their positions in the fighting ground.



With all the excitement and anticipation building to fever pitch, the *Do Son Buffalo Fighting Festival* begins with a riot of noise and color. With the release of the right signal a pair of buffalos is led into the fighting circle. With well practiced movements the buffalos rush into each other while the spectators shout and urge on the fighting buffaloes. The winning buffalo goes to the next round till the final winner emerges.

*Do Son Buffalo Fighting Festival* is a traditional festival of Vietnam attached to a Water God worshipping ceremony and the “*Hien Sinh*” custom to show marital spirit of the local people in Do Son, Haiphong.

[Back to top](#)

## Mid-Autumn Festival in Vietnam

*Tet Trung Thu*, as it is known in Vietnam, or the **Mid-Autumn Moon Festival** as we refer to it in America, is a wonderful, ancient festival that revolves around children.

The Festival dates back as far as 15-20,000 years ago in Southeast Asia, and is traditionally held on the 15th day of the 8th Lunar Month. This year, the date of the Festival is October 5, the same day as the full moon. The Mid-Autumn Moon Festival is one of the two most popular festivals in Vietnam, and has been important to families in Vietnam for many years. It is said that originally, the Festival came about as a way for parents to make up for lost time with their children after harvest season. The harvest was done by September, (August in the Lunar calendar) and the parents were anxious to spend time with their children and do something special with them, as well as celebrate the harvest, after spending much time working hard and away from the family. It was held under the full moon, which represents fullness and prosperity of life.



The festival is very much like a combination of Halloween and Thanksgiving. Children parade on the streets, while singing and carrying colorful lanterns of different sizes. Some of the popular shapes include fishes, stars, butterflies and a lantern that spins when a candle is inserted, representing the earth circling the sun. Dances are also traditional, and include the dragon dance and the flower dance.

It is customary to give *Banh Trung Thu*, boxes of moon cakes, which are traditionally very rich in taste. The cakes are filled with lotus seeds, ground beans and orange peels and have a bright yoke in the center to represent the moon. Today, the Mid-Autumn Moon Festival, as well as encouraging affection for children, promotes education, poetry, dance and arts and crafts.



Many Vietnamese communities in the USA hold Mid-Autumn Moon Festivals, including Washington DC and San Jose. For families that don't live in an area with an organized Festival, have your own! It is a wonderful opportunity to share and learn about your child's culture, and a great opportunity for family fun too!

To help children get ready for the Festival, parents can help children make their lanterns and costumes for the lantern procession and discuss the history and culture of Vietnam.

Showing our love for our children and teaching of Vietnam's love for their children is a wonderful reason to celebrate

[Back to top](#)

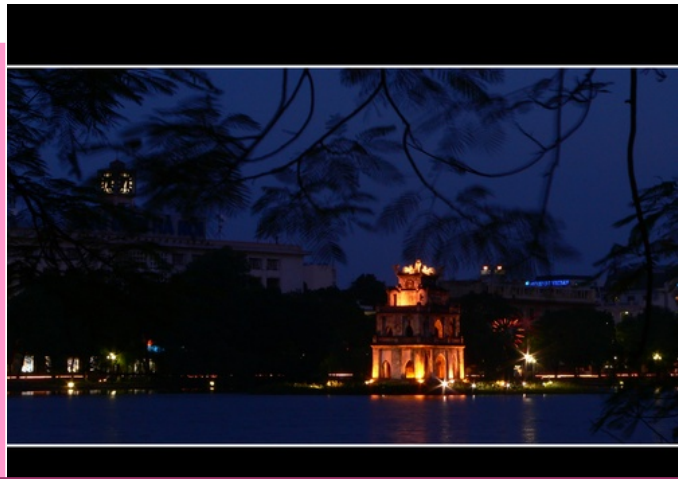
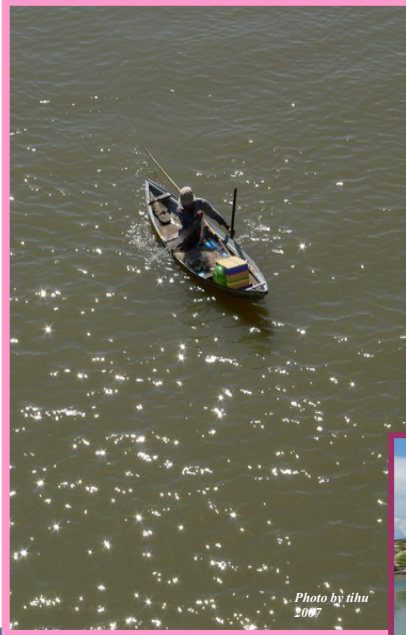


Photo by tihu  
2007

### About Viipip.com

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

Clients can use [Comparison Tool](#) and [Search Engine](#) at our [InfoGate](#) to take an in-depth view on developers and owners of Industrial Parks in Vietnam.

Please visit our InfoGate at <http://Viipip.com> for your better view of Vietnam.

**Disclaimer:** Information within this bulletin is combined from various Vietnamese Governmental agencies, local and international media for reference purpose only. [Viipip.com](http://Viipip.com) hereby disclaims responsibility for the accuracy of the information contained in this bulletin. No Claim for damages, actual anticipated or consequential, economic or otherwise, will be entertained.

*Edited by: Huy Nguyen & Trieu Nguyen*